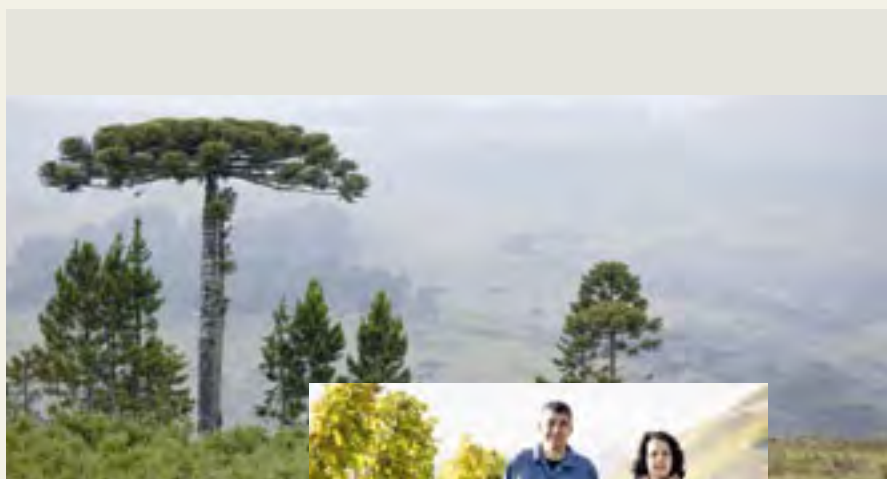


»» Sustainability Report 2015



Responsibility
that has an impact.

Highlights 2012 – 2014

Mission statement

The **mission statement** newly formulated in 2014 determines the values that KfW employees are committed to. These are: responsibility, fairness, professionalism, initiative and transparency. The mission statement was developed with the involvement of all hierarchies.

Green bonds

KfW issued its first green bond in July 2014. It was one of the world's largest "green" bonds with a volume of **EUR 1.5 billion**. The second green bond, issued in autumn 2014 with a volume of USD 1.5 billion, was similarly successful. KfW was given the IFR Award and the Global Capital Award in 2014 for its work in this new market.

Diversity

KfW's **Gender Balance** programme received the "Personalwirtschaftspreis" (HR award) in 2013. This has the aim of establishing a group-wide culture of gender-aware leadership and cooperation – and thus also increasing the ratio of women in management positions.

In-house ecology

KfW draws the electric energy required for its own buildings from renewable sources only, and focuses on **maximum efficiency** in its business operations. The bank has been climate-neutral since 2006. Unavoidable in-house CO₂ emissions are compensated for by retiring high-quality Certified Emission Reduction (CER) certificates.

Climate protection

With new commitments of **EUR 26.6 billion** KfW invested roughly 36% of its total promotional business volume in 2014 in climate and environmental protection. This makes KfW one of the world's largest financiers in this field.

Creditworthiness

US finance magazine Global Finance declared KfW the **"World's Safest Bank"** in 2014 – for the sixth time in a row. The magazine's ranking is based on evaluations of long-term credit ratings from Standard & Poor's, Moody's and Fitch as well as the total assets of the banks.

Integrity

There has been a central department for **Compliance** within KfW since 2013. It ensures that all legal requirements are met and relevant developments are identified early.

About this report

KfW Group began producing regular reports on environmental performance in 1995 and has been reporting on its social responsibility since 2006. To this end, it published a Sustainability Report every three years, most recently in 2012. Facts and Figures Updates were published on the Internet in 2013 and 2014. The reporting cycle is to be switched to two years going forward. In 2015 the Sustainability Report will also be published for the first time as an interactive online report (<http://sustainability2015.kfw.de>). The KfW Sustainability Report 2015 has been compiled in accordance with the current GRI G4 reporting guidelines and fully complies with the highest option "comprehensive". Based on this reporting, KfW also signed the Compliance Declaration of the German Sustainability Code (DNK). [G4-18]

KfW determined the key sustainability issues for its business activity in a materiality analysis (see p. 26). The GRI aspects for reporting were then assigned to the key topics (see table). One focal area of the report centred

around the priority area of climate and environmental protection, which is examined from various angles in the special topic on pages 37 to 53. Additional figures relevant for GRI on in-house action as well as the sustainability programme for the years 2015 to 2017 can be found on pages 69 to 79.

Qualitative information in the report relates mainly to the 2014 financial year, while the figures presented, if possible, cover the financial years 2014, 2013 and 2012. The report looks at KfW Group as a whole – comprising KfW, KfW IPEX-Bank GmbH and DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH). Where information pertains to only part of the Group, this has been clearly indicated. As no material organisational changes occurred during the reporting period, all data is comparable with the previous Sustainability Report. Individual deviations from the last report are explained in each case. The editorial deadline was 31 July 2015. [G4-17, G4-22, G4-23]

Key aspects and report content [G4-19, G4-20, G4-21]

Key topics	GRI aspects	Impacts – internal	Impacts – external
Environmental and social impact assessment	Products and services Grievance mechanisms regarding human rights and for impacts on society Local communities Product portfolio Audits		■
Climate and environmental protection	Economic performance Indirect economic impacts		■
Sustainable investment and Green Bonds	Active ownership approach		■
SMEs and start-ups in Germany	Economic performance Indirect economic impacts		■
Innovations and internationalisation of German companies	Economic performance Indirect economic impacts		■
Alleviating poverty	Economic performance		■
Demographic change in Germany	Economic performance		■
Transparency and (customer) dialogue	Environmental grievance mechanisms Policies Labelling of products and services		■
Responsible procurement	Procurement practices Assessment of suppliers based on ecological criteria, working practices, human rights, social impacts		■
Social engagement	Local communities	■	■
Compliance & Corporate Governance	Compliance Labor/management relations Investments Anti-corruption Anti-competitive behaviour Customer privacy	■	■
In-house environmental protection	Materials Energy Water Emissions Effluents and waste	■	■
Employee satisfaction & employer appeal	Economic performance Employment Occupational health and safety Training and education Labor practices grievance mechanisms	■	■
Equal opportunities & diversity	Market presence Employment Diversity and equal opportunities Equal remuneration for women and men Non-discrimination	■	

Key figures of promotional business

Key corporate figures of KfW Group

	2012	2013	2014
Operating result after valuation (before promotional activity), EUR in millions	3,062	2,143	1,953
Profit/loss from operating activities (before promotional activity), EUR in millions	3,049	1,933	1,973
Consolidated profit , EUR in millions	2,413	1,273	1,514
Total assets ¹ , EUR in billions	509.4	464.8	489.1
Volume of lending ¹ , EUR in billions	434.7	432.0	440.3
Volume of business ¹ , EUR in billions	585.2	545.4	572.5
Equity ¹ , EUR in billions	18.2	20.5	21.6
Tier 1 ratio ² , in %	18.2	20.6	14.1

¹ Reporting date 31 Dec.

² Reduction in 2014 largely caused by implementation of new CRR/CRD IV requirements and switching to IFRS

Breakdown of business activities by business sector

EUR in billions	2012	2013	2014
KfW Group ¹	73.4	72.5	74.1
Domestic promotional business ²	50.6	51.6	47.6
	24.1	22.6	19.9
Business sector Mittelstandsbank Promoting small and medium-sized enterprises (SMEs), business start-ups and other business clients in Germany			
Business sector Kommunal- und Privatkundenbank/ Kreditinstitute Housing programmes, environmental protection and education support for private customers in Germany; financing programmes for public sector clients (municipalities, municipal enterprises and regional promotional banks)	29.3	28.9	27.7
Business sector Capital markets Loan securitisation and other capital market activities	0.8	0.7	1.2
International business thereof	19.7	20.5	25.5
- Business sector Export and project finance Tailored international export and project finance	13.4	13.7	16.6
- Business sector KfW Development Bank Promotion of developing and emerging countries (Financial Cooperation)	4.9	5.3	7.4
- DEG Promotion of developing and emerging countries	1.3	1.5	1.5

¹ Adjusted for commitments made in Export and project finance with funding from KfW programme loans (2012: EUR 440 million, 2013: EUR 193 million, 2014: EUR 153 million)

² Until 2012, individual bank financing commitments (EUR 2.7 billion) were excluded from domestic volume disclosed.

Editorial

Dear readers,

As a “bank committed to responsibility”, KfW Group has focused its business on improving the living conditions of people in Germany, Europe and worldwide in a sustainable way. Our financing and promotional activities make it possible to implement solutions to global challenges such as climate and demographic change and globalisation. To make the best possible use of the trend-setting leverage of a promotional bank, KfW acts in a results-oriented way: we systematically identify the success of the projects funded, analyse conditions and adjust promotional programmes where necessary.

This sustainability report documents the performance and results KfW has achieved in sustainable development from 2012 to 2014. During this period, more than one third of the total commitment volume was channelled into climate protection and environmental protection. The financing not only prevents CO₂ emissions harmful to the climate, but also has additional effects: it encourages innovation, creates and secures jobs and therefore contributes measurably to economic development in the affected countries. The financing of European SMEs, an area in which KfW cooperates with national promotional banks, also has a stabilising effect in many ways. KfW's commitment in the field of green bonds sends a strong signal to a market that is still young. The proceeds from these interest-bearing securities are solely dedicated to financing climate and environmental protection projects.

Acting responsibly for the good of society requires integrity and prudent behaviour in-house. In expanding the compliance structure we take into account the increasing legal requirements that KfW is subject to. KfW's mission statement serves as a framework of values for our daily work with customers, colleagues, shareholders and society. During the reporting period this was revised along with our management principles, which form the foundation of a respectful and forward-looking human-resources policy.



»» Our financing and promotional activities make it possible to implement solutions to global challenges.

We engage in intensive exchanges about our impact as a promotional bank and the underlying strategic decisions with representatives of important stakeholder groups, such as a round-table discussion initiated by KfW. We want to continue this constructive dialogue in the future. This report, which provides insight into our sustainability performance and targets for the years ahead, could offer a starting point for this.

Dr Ulrich Schröder
Chief Executive Officer of KfW Group

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»» Living up to the claim. Responsibility that has an impact.

Measurable benefit for people, businesses and society

KfW promotes sustainable development through its projects and programmes on the basis of its public mandate. Its promotional activity is guided by the principle of effectiveness.

KfW works on a subsidiary basis: it engages itself in areas where the market does not provide any suitable financing solutions, or where the state would like to create incentives for economically important market segments and private investors alone would not be effective. Promotion that is sustainably successful is achieved by acting at various levels. First of all, drawing on KfW's economic know-how, fields of activity must be identified where KfW can make an effective contribution to sustainable development as part of its promotional mandate, for example by improving individual living conditions, strengthening social and economic structures or helping to solve global challenges. The next step involves selecting appropriate instruments and solutions as well as implementing specific projects professionally.

But there is more to it than that: institutional feedback loops are needed to learn from experience and thereby exert a positive influence on the effectiveness of future intervention. This includes, in particular, evaluation – the systematic and objective assessment of current or completed projects and programmes. This links the question of “what was achieved?” to the question of “how”. It enables patterns to be identified in project designs that repeatedly have a positive or negative impact on the achievement of objectives. This knowledge flows into the design of new projects and programmes – thereby helping to secure the quality of engagement in complex contexts. KfW regularly publishes evaluation reports to make the concrete results of its promotional activities transparent to policymakers and the public.



Impact in practice

Individuals: enabling self-determination

People with low or no incomes generally have no access to traditional financial products. Micro-loans open up opportunities for them – especially women – and enhance their social status. As one of the world's largest microfinance donors, KfW Development Bank promotes fair and transparent microfinance service providers in emerging and developing countries, and by doing so, also helps women in Pakistan to earn their own money and gain more independence.



Local communities: strengthening structures

The energy supply of the future is renewable and decentralised. Alongside large power plants we have households, companies and communities that cover their electricity and heating needs themselves from environmentally friendly sources – simultaneously strengthening local structures. KfW Group facilitates this in many ways. In Africa, using easy-to-install solar modules which supply remote villages with electricity for the first time. By the Mosel river with pellet-fuelled heating systems, which heat the guest houses of a wine estate using wood from the region.



Impact in practice

Economy: promoting development

Innovations and modern technologies promote a country's economic growth and create jobs. They represent crucial driving forces behind development, help reduce poverty and thus contribute to the stability of societies. The key to technological progress is education. That is why KfW Group extends student loans in Germany. In Morocco and around the world it promotes primary education, vocational training and the development of tertiary education.



Global society: preserving habitats

Pressure on natural resources is growing due to the increase in economic power and the expansion of the world population. Eco-systems that are under threat, water shortages and other consequences of climate change make it indispensable to forge tighter links between the economy and the environment for the purpose of sustainable development. Throughout the world, KfW Group is committed to creating sustainable, self-supporting economic structures and driving change by means of “green growth”. The declared objective in this respect is safeguarding the livelihoods of this and future generations.



Opinion

Demonstrating impacts

Only the impact counts, but unfortunately this is difficult to measure. Prof. Dr Eva Terberger, Head of the Evaluation Unit at KfW Development Bank, on the challenges posed by measuring impacts.

Promotion is successful when it leads to positive changes that would otherwise not have happened – i.e. when it leads to results. For KfW this means protecting the environment and climate or making an impact on economic and social development in Germany and worldwide. Impacts are what count, and they are the yardstick for promotional success. So the aim is clear: impacts need to be measured in order to expand particularly successful activities and improve less successful approaches. This is undoubtedly true, but unfortunately it is often easier said than done.

What is counted, what is compared?

The first challenge is that there is no uniform measurement unit for promotional impacts. The number of people reached is often touted as a simple indicator, but relying on this alone can prove to be unsuitable or even dangerous. This becomes clear with the example of a promotional project to protect the Amazon rainforest. The number of people reached here plays a subordinate role. The aim is to curtail at least some forms of human activity such as illegal logging, poaching or the conversion of natural areas into agricultural land. A much more suitable measure of success here would be the preservation of biodiversity or the amount of prevented deforestation.

With other promotional activities the number of people reached may indeed be an appropriate measure, but this does not necessarily mean that impacts can be compared in this way. How, for example, should the following question be answered:

Is it more effective to dedicate a particular sum to funding a satellite, which will give 100 million people access to modern telecommunications for the first time, or to support measures that provide access to clean drinking water for the first time, but only for half a million people?

Visible versus actual effects

The question of what changes a promotional measure has actually triggered is no less difficult to answer. For example: A Financial Cooperation (FC) promotional programme is designed to increase the number of medically supervised births in order to reduce maternal and infant mortality rates. The number of attended births can be determined, but some of them would probably have been medically supervised without the promotional activity. Valid conclusions about the additional supervised births can only be drawn on the basis of an elaborate statistical comparison of mothers who were supported by the programme, and a control group of mothers who are very similar in socio-economic terms but received no support.

There can be no doubt that impacts are what count in promotional activities, but they cannot be measured uniformly, and so can only be compared to a limited extent. Impacts are often only measurable with great effort. But sometimes the attempt to measure things correctly is worth the time. In any case, knowledge of the importance of and difficulties involved in assessing impacts helps ask the right questions regarding the success of the promotion.

Evaluation of promotional activities

KfW Group systematically assesses how its promotion works. Evaluation scope and procedures differ in each business area and subsidiary.

For domestic business, the KfW economics department regularly commissions external and independent research institutes to evaluate significant promotional programmes in climate and environmental protection. In addition to energy savings and the resulting greenhouse gas reductions, effects on employment and other economic target figures are also analysed. KfW publishes the results of the conducted evaluations on the Internet (www.kfw.de/evaluationen).

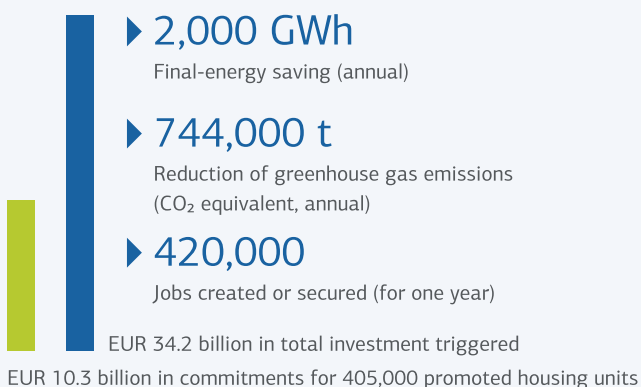
Domestic impacts

With its programmes to promote renewable energies, KfW and its commitment volume of EUR 3.9 billion sparked total investments in Germany of approximately EUR 6.6 billion, thereby eliminating around 4.6 million tonnes of greenhouse gas emissions each year according to initial estimates. The federally funded “Energy-Efficient Construction and Refurbishment” (EBS) programme ensured in 2013 that a good 2,000 GWh of energy and therefore 744,000 tonnes of greenhouse gas emissions were cut each year (see chart). The investments spurred by the promotion secured or created 420,000 jobs for one year (for the long-term effects of the programme, see p. 41). In 2014 and for the first time, KfW commissioned an external evaluation of the effects of the KfW Energy Efficiency Programme for the 2012 funding year. Lending of EUR 3.2 billion sparked investments amounting to EUR 3.8 billion and resulted in an annual cut in greenhouse gases of 545,000 tonnes. The promoted companies save approximately EUR 150 million in energy costs

Impact of promotional activities 2013

KfW Programme

“Energy-efficient construction and refurbishment”



per year through efficiency gains. KfW also subjected the “Age-Appropriate Conversion” programme to an external evaluation during the reporting period. The KfW economics department regularly analyses the effects achieved on employment, investment, economic development and the environment for numerous other domestic promotional programmes.

Ex-post evaluation of FC projects

The projects that KfW Development Bank supports under FC on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) contribute to achieving the UN Millennium Development Goals (MDG) – and also the Sustainable Development Goals (SDG) that will replace the MDG objectives at the end of 2015. Looking at the new commitments in 2014, 13.6% focused on the MDG objective of reducing extreme poverty, 12% on environmental sustainability and 7.8% on gender equality (see chart, p. 11).

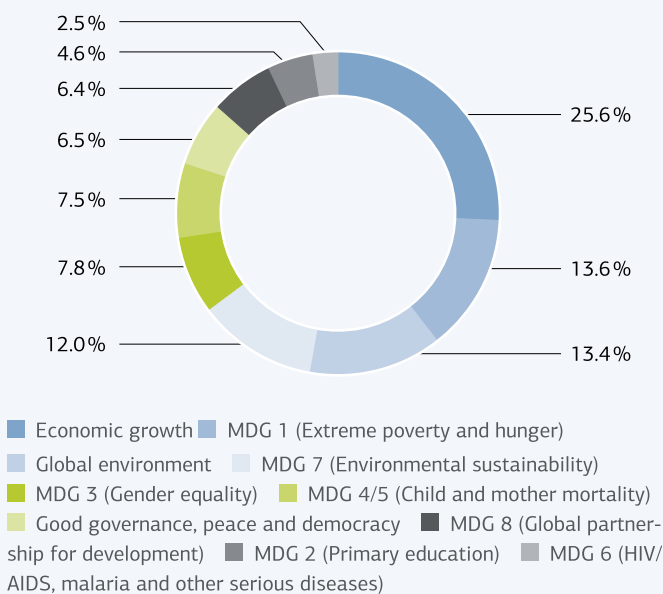
The impacts of the promoted FC projects (total volume 2014: EUR 7.4 billion) are reviewed by the Evaluation Unit of KfW Development Bank. It operates independently and as an administrative unit reports directly to the KfW Executive Board. Each year, approximately half of all FC projects that have been completed for approximately three years are evaluated (“ex-post”). This time frame also enables well-founded conclusions to be drawn about the sustainability of the promotion. The projects are selected in the form of a representative random sample and evaluated on the basis of the key criteria defined by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD): relevance, effectiveness, efficiency, overarching developmental impact and sustainability. Projects are deemed successful if they receive an overall rating of 3 or better. The success of projects is also influenced by their environment, for example, whether they are carried out in a stable or fragile context. The success rate of all projects assessed by the Evaluation Unit in 2013 and 2014 was around 80%.

About 85% of the evaluations were carried out in the form of on-site missions, and the rest were carried out as so-called desk audits based on sufficient information. Each year the Evaluation Unit involves around 30 project managers of KfW Development Bank in its work. They each evaluate a project from a different regional area. This temporary exchange of

roles promotes individual and institutional learning processes. The latter are also supported by a database that contains the results of more than 2,000 evaluations and enables cross-sectional analysis. Their knowledge of causal relationships, specific sectoral issues or the suitability of certain promotion frameworks strengthens KfW through additional evaluations on selected topics. During the reporting period, the focus was on health projects in developing countries, risks of microfinance programmes as well as development cooperation in fragile contexts.

Impact of promotional activities 2014

Primary impact of new FC commitments



KfW Development Bank makes the results of the reports on the evaluated FC projects available to the German Federal Government as its client. Abstracts are published in a project database on the Internet. There are currently 800 evaluations available there. Every two years an additional report also provides information on the evaluation work, including all the results.

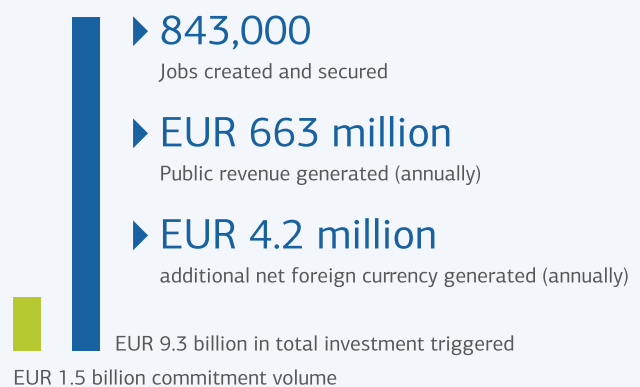
DEG business policy rating

DEG measures the business and developmental impact of all co-financed projects (2014 portfolio: EUR 7.8 billion) via an integrated assessment tool. The Business Policy Project Rating

(GPR) classifies financing according to a points system. DEG evaluates the expected effects of new commitments on the basis of existing documents and an on-site investigation (“ex-ante”). It also surveys the actual effects of all commitments (“ex-post”). This enables a systematic comparison at the level of individual financing. In 2014 the quality of the new financial commitments in terms of development policy remained high with an average rating of 2.1 (2013: 2.0). Relevant issues at portfolio level are assessed internally or by independent external experts on the basis of OECD DAC criteria. DEG also evaluates the GPR itself and its application. Cost-benefit analyses contribute to a better understanding of the developmental effects, for local communities for example. In 2013 DEG along with over 20 other international financial institutions established uniform evaluation indicators for better international comparison. With a volume of just under EUR 1.5 billion, DEG triggered a total investment in 2014 of EUR 9.3 billion as well as further positive effects in emerging and developing countries (see chart). Three quarters of the financed projects contribute at least to one MDG.

Impact of promotional activities 2014

Development effects of DEG financing





»» Shaping change. KfW and its mission.

KfW Group is the promotional bank of the Federal Republic of Germany. It supports sustainable development and fosters future-oriented ideas through its funding.

KfW Group is committed on behalf of the state to improving economic, social and environmental living conditions in Germany, Europe and the world. In this context, it always looks at the long-term perspective and bears global developments in mind. Eighty percent of KfW is owned by the Federal Government, and twenty percent by the federal states. Together they hold equity capital of EUR 3.75 billion. With total assets of EUR 489.1 billion (2014), KfW is currently the third largest bank in Germany and one of the largest development banks worldwide. The promotional business volume in 2014 was EUR 74.1 billion, and thus about 2% higher than the previous year. About one third of the funding went on climate and environmental protection. KfW regularly consults with international banks, works closely with other development banks and

supports governments of other countries in establishing promotional banks, most recently in Greece and Portugal.

KfW's head office is in Frankfurt am Main, and there are further German premises in Berlin, Bonn and Cologne. It has offices and representations in approximately 80 locations worldwide. KfW had more than 5,500 employees in 2014 across the group. A six-strong Executive Board chaired by Dr Ulrich Schröder, who is also the board member for environmental issues, is responsible for management and asset administration.

Sustainability as a business goal

As a promotional bank, KfW exercises a regulatory function for the state. It is obliged to carry out the tasks set forth in the law (Law Concerning KfW) adopted in

1948, that has since been adjusted to current requirements, most recently in 2013. In accordance with the federal sustainability strategy, KfW has focused its funding and promotional activities of recent years on three large global megatrends:

- Combating climate change, adapting to its consequences and protecting our natural environment
- Tackling demographic change
- Safeguarding competitiveness in a globalised economy and promoting technological progress

Other important issues include the fight against poverty, general corporate financing (SMEs in particular) as well as start-up financing. KfW also takes on special tasks for the German Federal Government.

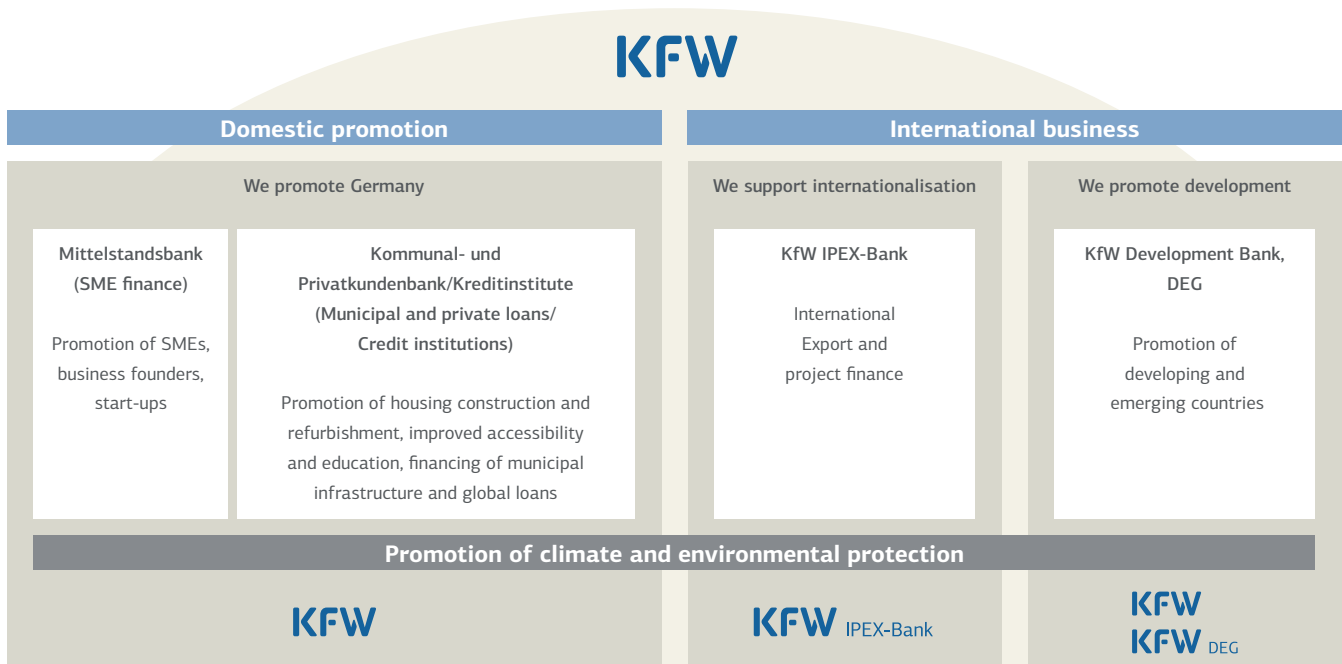
Financing and promotion in Germany and abroad

Organisationally speaking, the promotional and financing activities of KfW Group are divided into domestic and international business (see organisational chart).

Domestic promotion is the largest business area and is divided into two business sectors: the Mittelstandbank supports small and medium-sized enterprises, business founders and start-ups with promotional loans, equity capital and programmes to strengthen equity capital as well as energy efficiency. In the Kommunal- und Privatkundenbank/Kreditinstitute business sector, KfW supports private investors and municipalities. KfW funds development and commercial banks in Germany and Europe via programme-based or earmarked global loans and structured products.



KfW IPEX-Bank is responsible for the international project and export business. The wholly-owned subsidiary of KfW finances the German and European export industry, strengthens economic and social developments in the target countries and helps to secure the supply of raw



materials for industry. KfW IPEX-Bank operates under competitive conditions in this context.

KfW Development Bank improves living conditions in emerging and developing countries. As part of the German Federal Government's Financial Cooperation (FC) activity, as well as using its own resources, it finances projects in Germany's partner countries. The wholly-owned subsidiary DEG, Deutsche Investitions- und

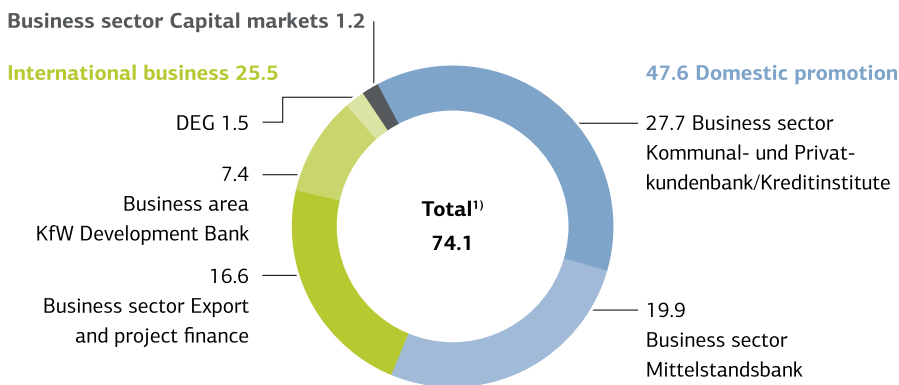
Entwicklungsgesellschaft, also supports development. It advises and finances private businesses regarding investment in emerging and developing countries and provides long-term financing using its own resources.

KfW Beteiligungsholding GmbH oversees special duties for the Federal Government as well as older business in equity financing. KfW holds strategic investments of 26% and 25% respectively in the German

Energy Agency GmbH (dena) and the Berlin Energy Agency (BEA). It also has holding arrangements with the Federal Government for the former state-owned enterprises of Deutsche Post AG (21%) and Deutsche Telekom AG (17.4%). Through assignment by the Federal Government KfW Group also holds 11% of the voting rights in the Airbus Group. Since 2013 it has consolidated its CSR activities in the legally independent and operationally active foundation KfW Stiftung.

Breakdown of KfW Group's business activities in 2014

EUR in billions



1) Adjusted for commitments in Export and project finance with funding from KfW programme loans (2014: EUR 153 million)

Funding via international capital markets

KfW funds its business activities almost exclusively via the international money and capital markets. As one of the most active and largest bond issuers in the world, in 2014 it issued bonds with a total volume of EUR 57.4 billion to institutional investors in Germany and worldwide. KfW enjoys the best possible credit ratings from leading rating agencies through the explicit and direct guarantee of the Federal Republic of Germany. So-called Green Bonds for sustainable investors have been part of its investment products since 2014.



Promotion through the years

- ▶ **1948:** the Anglo-American occupying force commissioned the establishment of a central body for financing reconstruction in Germany: After the promulgation of the "Law Concerning KfW" in November 1948, the "Kreditanstalt für Wiederaufbau" launched its operations on 2 January 1949.
- ▶ **In the 1950s** KfW's financial base was nearly EUR 1 billion, fed by funds from the Marshall Plan. Export financing, support for SMEs and the first environmental project were added to its duties at the end of the decade.
- ▶ **In 1961** KfW was given a statutory mandate to promote development aid – a sign of the growing economic strength of the Federal Republic of Germany.
- ▶ **In the 1970s** the oil crises made the promotion of energy savings and innovation a new focus of the KfW's work.
- ▶ **The 1980s** were marked by the transformation of development aid from capital assistance to Financial Cooperation.
- ▶ **In the 1990s** German reunification got the ball rolling on the largest development programme in German history. Some 70% of domestic economic promotion flowed into the new German states until the mid-1990s.
- ▶ **Since 2000** the promotional bank has been changing more dramatically than ever before. KfW Group emerges from the Kreditanstalt für Wiederaufbau. Following the Federal Government's energy turnaround decision in 2011, KfW brought numerous new promotion offers to the market.

»» Acting responsibly. Strategy and Governance.



KfW's sustainability strategy

KfW acts in an environmentally and socially responsible way. It anchors sustainability in its business as well as its banking operations via group-wide guidelines, structured management and clear objectives.

Promotion is KfW Group's primary objective. In addition to the principle of subsidiarity, it also pursues the objectives of sustainable development. The business and sustainability strategies are thus closely linked. In 2003, KfW Group issued a "Statement on environmental protection and sustainable development" to the German Bundestag in which it undertook to work towards sustainable development (as defined in the German federal government's sustainability strategy) in all environment-related decisions. Building on that statement, KfW introduced group-wide environmental and social principles in 2006, expanding these into sustainability guidelines in 2012. These

constitute the basic frame of reference for implementing responsible financing and business processes.

KfW bases its activities on international sustainability guidelines. As early as 1995, KfW Group signed the United Nations Environment Programme (UNEP) Statement by Financial Institutions on the Environment and Sustainable Development. The bank also became a signatory in 2008 to the human rights declaration launched by the Business & Human Rights Resource Centre. As a major financier of climate protection and development, KfW is a member of various associations, including the International

Development Finance Club (IDFC) and the Association of European Development Finance Institutions (EDFI). KfW IPEX-Bank is a member of the Equator Principles Association (see p. 25).

Anchored in core business

KfW's sustainability guidelines apply across all business units and subsidiaries. They include, for example, the requirement to focus about a third of the total new commitment volume on the key area of climate change and environmental protection. This target rate is part of the strategic objectives of KfW, which define the medium-term target positioning of the bank, and is obligatory for the

strategic direction of all business units. Selected top-level objectives for the whole bank are also established in these guidelines.

KfW's sustainability guidelines also provide the framework for the procedures and standards of environmental and social impact assessments, to which KfW subjects its promotional projects (see p.18), and a target rate to achieve equal opportunities for women in filling leadership positions. Downstream from the sustainability guidelines are thematically focused sustainability guidelines, which relate inter alia to environmental protection (see p. 58) as well as responsible procurement (see p. 64) across the group.

Clearly-defined responsibilities

The sustainability guidelines are implemented via a management system that defines responsibilities and procedures. Overall responsibility for KfW's sustainability strategy and communications rests with the Chief Executive Officer. Due to newly assigned responsibilities, the CEO has also been the Executive

Board member for environmental issues since November 2014. Together with the respective directors and managing directors of DEG and KfW IPEX-Bank, the CEO also ensures the operational implementation of sustainability issues with regard to sustainable financing and in-house environmental protection.

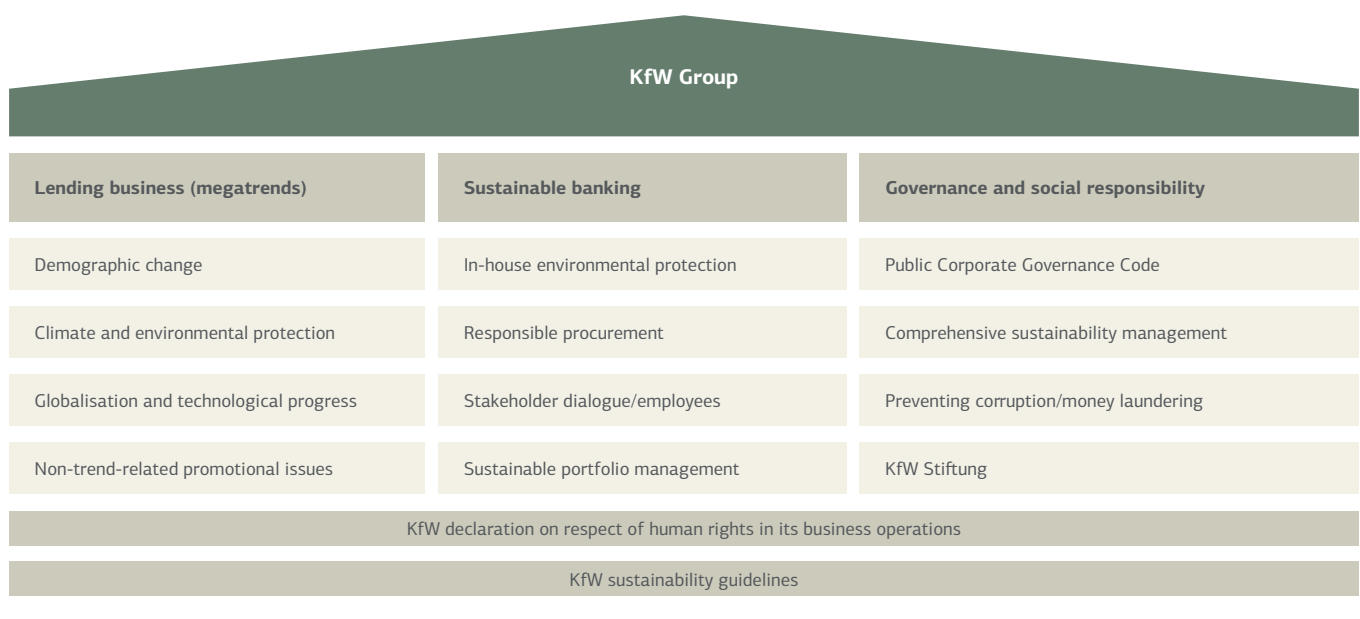
He is assisted by the Group Officer Environment and Sustainability, the in-house Environmental Protection Officer, and by 15 sustainability officers from the relevant group units. The Steering Committee Environment and Climate (KUK) fosters group-wide interaction on financing activities in the area of climate and environmental protection, and provides impetus for the further development of procedures and standards for environmental and social impact assessments. Its members include, among others, the Group Officer Environment and Sustainability as well as the sustainability representatives and the operational managers for specific areas from all market segments of the bank. The Group officer and the four local officers for in-house

environmental protection coordinate relevant in-house environmental protection topics in the task force on business ecology.

Measurable objectives

The Group Officer Environment and Sustainability together with the sustainability officers develop proposals for Executive Board decisions regarding the further development of the sustainability guidelines in response to new challenges. The sustainability programme for 2012 to 2014 expired in the reporting year. The subsequent programme, which sets objectives and procedures until 2017, focuses for instance on the evaluation of climate change statistics, such as CO₂ avoidance costs, CO₂ savings and emissions intensity (i.e. "carbon footprint") for relevant parts of the commitment portfolios of KfW Development Bank. Other priorities include the development of "responsible investment" through participation in national and international working groups and the testing of an incentive scheme for CO₂ reduction in personal company cars (see p. 78).

Sustainability approach and key areas of activity





Responsible corporate governance

KfW is committed to responsible corporate governance. Sustainability risks are also incorporated into its strategic risk management.

KfW's Executive Board is responsible for managing business in accordance with the requirements of the Law Concerning KfW, the KfW Bylaws and various procedural rules. A schedule of responsibilities regulates the allocation of duties; since 1 August 2014, significant changes have required the approval of the Presidial and Nomination Committee. In April 2014 Dr Ingrid Hengster was the second woman to be appointed to the KfW Executive Board. As a public-law institution, KfW is led by the guidelines of the government's Public Corporate Governance Code (PCGK). KfW explains how it meets these guidelines in its compliance declaration in the Annual Report. For majority shareholdings, KfW assesses whether shareholder resolutions are consistent with the bank's sustainability guidelines. It also follows the principle of sustainability in its own banking operations – in its role as an employer (see p. 54) and in the regulation of its own environmental impacts at the different locations (see p. 58). In its daily activities, KfW follows values that are enshrined in the mission statement (see p. 54).

Based on the compensation system of KfW, the Executive Board members are appropriately compensated in accordance with their duties and responsibilities. Only the Chief Executive Officer receives variable compensation. This is tied to an agreement on objectives that the Chief Executive Officer establishes with the Chair of the Presidial Committee and his representative each year and which fixes the targets in terms of promotion and thus also of sustainability. KfW regularly offers its Executive Board members training, such as introducing them to a new position. A plan for providing the Executive Board with information about relevant legal (regulatory) requirements and obligations is currently being developed.

Supervision by supervisory bodies

Several institutions are involved in supervising KfW. The ultimate supervisory body is the Board of Supervisory Directors. According to the Law Concerning KfW, this is composed of 37 members, including two women at present. It is chaired in alternating years by the Federal Minister of Finance and the Federal Minister for

Economic Affairs and Energy. The KfW Executive Board consults with them on key questions regarding corporate governance and strategy. The Board of Supervisory Directors meets at least three times a year. The Executive Board informs the Board of Supervisory Directors about all relevant issues related to planning, business development, risk position and management as well as the financial situation; once a year it informs them separately about sustainability issues too. With the exception of the Federal Ministers, the members of the Board of Supervisory Directors are appointed for three years; every year one third of the members are replaced. To avoid conflicts of interest, they may not have any business or personal relationships with KfW or its Executive Board.

Effective from 1 August 2014, the Board of Supervisory Directors formed four committees, which allows them to carry out their work more efficiently: the Presidial and Nomination Committee, the Remuneration Committee, the Risk and Credit Committee, and the Audit Committee (for the individual duties please see p. 179 of the Annual Report). The Board of Supervisory Directors has to date examined the efficiency of its activities every two years. Beginning in mid-2015 the Presidial and Nomination Committee will evaluate the performance of the Board of Supervisory Directors and the Executive Board annually (pursuant to § 25d (11) KWG). To expand their knowledge with regard to their role or regulatory matters, KfW offers the members of the Board of Supervisory Directors quarterly training courses by external experts. In addition there is a budget available to them for participation in external events.

The SME Advisory Council (Mittelstandsrat) specifies the state mandate of KfW Mittelstandsbank for the support of small and medium-sized enterprises. The Executive Board apprises the Council at least once a year about current and medium-

term planned programmes, and makes alternative proposals available on request. The SME Advisory Council (Mittelstandsrat) consists of eleven representatives or appointed members of the German Federal Government and is chaired by the Federal Minister for Economic Affairs and Energy. The Federal Audit Office and the Federal Financial Supervisory Authority (BaFin) also exercise further oversight functions. According to a regulation that entered into force in 2013, KfW is subject in part to the regulatory standards of the German Banking Act (KWG). The resulting requirements must be implemented gradually.

Strategic risk management

The Executive Board is responsible for central decisions regarding risk policy. Consistent with the business strategy, a risk strategy is determined annually and thereby defines the business activities relating to risk-taking and risk-bearing capacity. Compliance with the risk strategy is monitored continuously. The bank's overall risk situation is subject to comprehensive analysis in monthly risk reports to the Executive Board. The Board of Supervisory Directors is informed at least quarterly. Risk control is exercised by decision-making bodies that are closely linked. Below the full Executive Board, three risk committees prepare the Executive Board decisions and make independent decisions within their remit.

- The Credit Risk Committee makes weekly credit decisions and prepares these for the Executive Board or the Risk and Credit Board. Each quarter in an extended session it decides about any changes in the methods for assessing credit risk. In addition, it monitors industry and country risks.
- The Market Price Risk Committee, which convenes monthly, makes decisions for example on entering into market price risks, changes in risk assessment methods and the valuation of securities. It also prepares decisions for the full Executive Board resolutions on interest rate risk positions, transfer pricing and funding strategy.
- The Operational Risk Committee is responsible for managing and monitoring operational risk (OpRisk), crisis-prevention measures and monitoring

emergency planning. Actual and potential OpRisk damage is discussed quarterly. The Committee also decides on risk guidelines, methods and instruments.

Sustainability-related risks

Increasingly, KfW takes sustainability-related risks into account in business decisions too. This is the case when introducing new promotional programmes, credit lines, facilities, initiatives undertaken in conjunction with third parties or decisions on the financing of individual projects. Potential risks are assessed in view of the reputation and environmental and social impact of the financed projects.

Reputational risks play an important role in the context of sustainability. However, they are defined as an independent risk in

the group and classified as material according to the risk inventory, as too are credit and market-price risks. With regard to cause and effect, reputational risks are closely linked with other kinds of risk, such as operational risks. They can arise from them or occur independently. Implementing central reputational risk controlling in 2013, KfW created a new function that systematically identifies reputational risks. It identifies potential reputational risks each year at group level and has them internally evaluated by experts for individual stakeholder groups. According to the guidelines on risk reporting, significant new reputational risks or trigger events have been included in the quarterly risk report for the group since 2014. This goes to the Board of Supervisory Directors, the Federal Ministry of Finance (BMF), the Federal Ministry for Economic Affairs and



In a preliminary test or screening, KfW divides relevant projects into three categories according to international standards: Category A projects imply potentially complex or irreversible negative impacts or risks to human health, the environment or the climate. Examples include infrastructure projects (such as the construction of new highways), raw material projects (such as the construction of refineries) or energy-supply projects (such as large hydropower projects). Negative environmental or social impacts or risks may also arise from category B projects, but these are less complex and severe, and they can usually be mitigated with state-of-the-art countermeasures or standard solutions. Examples include metalworking or pharmaceutical industry projects in existing industrial zones. No or only minor damage is expected from category C projects.

All projects categorised as A or B are subjected to an environmental and social impact assessment by KfW. For category A projects, KfW requires comprehensive environmental and social impact studies that specifically identify the challenges, impacts and risks of the project as well as alternatives and management plans for their mitigation. For B projects, the scope, focus and depth of assessment are defined according to the specific negative effects expected. If

the assessment reveals that the project can be carried out in an ecologically and socially acceptable way, the project partners or the funded company receive concrete specifications to implement protection and compensation measures. For Category A projects and B projects with higher risks in some areas these requirements are incorporated into plans for environmental and social measures. Projects that are likely to have an unacceptable environmental or social impact are not eligible for funding.

In directly financed projects, monitoring plans are agreed on with the project partner or the funded enterprise, and the implementation of the measures is verified over the course of the project. With A and B projects that have higher risks in some areas, consultants appointed by KfW or its own environmental and social experts verify implementation with customers and partners on site. This supplements procedures for project planning, approval and monitoring that are inadequately established at some investment locations. When cooperating with financial institutions and funds from countries outside the EU and OECD high-income countries – and partly also within the latter – KfW ensures that appropriate environmental and social management systems are employed and provides support for their further development.

Socially acceptable adaptation

Development finance is complex. Long-term desired goals often come up against short-term negative effects or risks. Assessing them, containing them to an acceptable degree through careful planning, and monitoring implementation is an essential part of the Environmental and Social Impact Assessment which KfW Development Bank subjects promotion projects to. For example, in the port city of Beira in Mozambique: from 2018 a sluice structure and the dredging of the river bed are intended to ensure that rainwater in Rio Chiveve can run off more quickly to the ocean. This will protect approximately 3,600 poor households in an informal settlement from flooding. This flooding, exacerbated by climate change, occurs as a result of heavy rain and storm floods, endangers people, destroys property and increases the risk of malaria. The urban population living near the river bank, as well as 25 fishing businesses, will also benefit from the project. But approximately a thousand mangroves in the river bed and 44 households in the informal settlement will be affected. In a consultation process involving KfW, these households agreed to move indefinitely into housing in the centre of Beira that is structurally of a far



Christof Griebenow,
Project Manager, Governance &
Natural Resources, Southern Africa

Claudia Eckhardt,
Technical Expert

higher-quality. The city will pay the rental costs. A local NGO was tasked with the reforestation of mangroves at double the original number. These and other environmentally and socially acceptable measures are documented in a management plan that is binding for the on-site implementation. Implementation is checked via KfW monitoring.

Energy (BMW) and supervisory bodies. Particularly critical issues are addressed in the form of ad-hoc reports to the Executive Board.

Environmental and social sustainability

To avoid any adverse impacts and risks to human health and the environment and, if necessary, to mitigate them or compensate for them by taking appropriate measures, KfW Group subjects planned promotion and financing in emerging and developing countries as well as export and project financing by default to an Environmental and Social Impact Assessment (ESIA). Compliance with relevant national law and KfW assessment requirements is a prerequisite for financial engagement. Here, ecological and social standards are applied that are based on internationally recognised standards, including the EU, the World Bank Group and the International Labour Organisation (ILO). Concerns about the protection

of human rights form an integral part of the ESIA. KfW ensures in all transactions that the population is informed and involved on site by the project partner or the companies financed under the planning and approval process. Whether and to what extent the project to be financed has negative effects and risks for people and the environment, and what measures may need to be taken additionally by the project to protect the people affected and the environment, is assessed across the Group by more than 70 technical, environmental and social experts. If necessary, specific environmental and social issues are thoroughly addressed through the deployment of qualified consultants on site with the project-executing agency or the funded enterprise. Since 2011, KfW Development Bank has subjected relevant projects to a systematic climate assessment in addition to the ESIA. This clarifies what effects climate change could have on the success of the project and what quantities of

greenhouse gases are emitted. On the basis of this, measures are assessed in order to better align the project to climate change and reduce the emission of greenhouse gases. Together with the Federal Ministry for Economic Cooperation and Development (BMZ) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), KfW Development Bank in 2013 received the "Institutional Award" of the IAIA (International Association for Impact Assessment) in recognition of its integrated environmental and climate assessments. The IAIA is the leading global network for environmental impact assessments. KfW Group offers regular training on procedures and standards of ESIA as well as climate assessments to employees concerned with financing, especially outside the EU and OECD high-income countries.

Monitoring of domestic promotional business

As financing partners, regular banks monitor whether domestic promotional funds are used in a timely and appropriate manner. KfW regularly checks the proper execution of monitoring with checks at regular banks. Some promotion programmes require that external experts verify the proper use of loans. KfW verifies this itself on site with random sampling.

Environmental and social impact assessments 2014 Commitments by category

	Category A	Category B	Category C
KfW IPEX-Bank	24	42	288
KfW Development Bank	4	17	122
DEG	33 ¹⁾	70	11

1) Due to DEG's developmental mission, it has a high ratio of financial sector projects of roughly fifty percent.

»» Knowing the expectations. Dialogue with stakeholders.

»» A bank whose business model focuses on the future must make it clear which future it is talking about, and why it is investing in it.

Dr Jörg Mayer-Ries, Head of Division at the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB)



»» Structures and processes in the sense of foresight management are needed in order to respond sensitively to future issues. Birgit Riess, in charge of the "Business in Society" programme of the Bertelsmann Stiftung



»» KfW can be a role model for the private banking sector. It is important that it sets standards now on the still new market for green bonds.

Stefan Löbbert, Head of Corporate Responsibility at HypoVereinsbank/ UniCredit Bank AG



Open round-table discussion

KfW seeks dialogue with experts and initiators to bring its sustainability strategy forward. In a round-table discussion, representatives of key stakeholder groups put forward their expectations.

Where is KfW's main leverage for sustainable development? How comprehensively does it use this in its business activity? And where could the bank's commitment be stronger, better or different? Questions, criticism and recommendations on these topics were directed to KfW representatives responsible for sustainability management, group strategy and communication by selected

stakeholder representatives in April 2015. This open dialogue took place as part of a round-table discussion at the office of KfW Group in Berlin. **[G4-26]**

The stakeholder representatives were unanimous in what they required of KfW: with its statutory mandate and as the world's leading climate and environmental bank, KfW Group is considered a

» KfW should step beyond current standards when it comes to environmental and social impact assessments. This is noted around the world.
Claudia Volk, Associate Director at Sustainalytics
Germany

» The burden of proof in energy-efficient building should not be made any tougher. KfW will otherwise become a bureaucratic monster for consumers.
Udo Sieverding, Head of Energy and Member of the Board of Managing Directors at the NRW Consumer Centre



» We apply the highest international environmental and social standards, which often easily exceed mandatory national requirements, when financing projects in countries outside the OECD.

Dr Karl Ludwig Brockmann, KfW Group Officer Environment and Sustainability

role model in ecological and social issues. Fulfilling this role requires two things: high standards in business as well as broad transparency of own activities.

KfW must always be one step ahead of requirements and customary market standards in order to drive these forward as part of sustainable development. This already happens effectively for example with the promotion of energy-efficient building and refurbishment. But some stakeholders believe that KfW could tighten its standards on environmental and social impact assessments, which it subjects its financing projects in

countries outside the EU and OECD countries to. The financing benchmarks in particular laid down by KfW Development Bank send an important international signal. Stakeholders appreciated that KfW's financial commitment to green bonds helped to establish quality standards in this still young segment of the capital market.

To meet the demands of the general public, stakeholders believe KfW should make it clearer how it fulfils its promotional mandate and what assumptions are made in this regard. More transparency is called for with development

financing in particular – especially in terms of whether and how human rights are taken into account. This targeted creation of transparency is obviously subject to knowledge about expectations regarding KfW.

Coal under criticism

Criticism has been levelled at coal financing, a topic broadly discussed both in society and in political circles just now: KfW, which is subject to federal government guidelines in this regard, was rebuked by some stakeholders for withdrawing too reluctantly and too late. And, KfW IPEX-Bank continues to finance

» Thanks to its subsidiary role, KfW is an important catalyst in financing technology-oriented business founders and SMEs.

Dr Alexander Schumann, Chief Economist and Head of Economic Policy, SMEs, Innovation at Association of German Chambers of Industry and Commerce

» KfW has positioned itself as a leading global climate and environmental bank, but its credibility and reputation have suffered a great deal through the small segment of coal financing.

Christoph Bals, Policy Director at Germanwatch e.V.

» It is right for KfW to continue to permit the promotion of coal-based projects according to stringent standards. This enables German efficiency technology to be used abroad in the future as well.

Dr Thomas Koenen, Managing Director of econsense and Head of Strategic Planning and Coordination at BDI e.V.



» KfW is supporting innovative business founders by realigning and expanding its equity financing services over the coming years by EUR 2.5 billion.

Max Wirsching, Team leader, KfW Business Strategy



» As a promotional bank of the Federal Government and the federal states, KfW is committed to their mandate. This is also reflected in our financing – in promoting coal-fired power for example we implement the guidelines of the Federal Government and share the vision of a climate-neutral economy.

Dr Michael Helbig, KfW Communications Director



fossil-fuel power plants. Whether different guidelines for financing in Germany and abroad are justifiable was discussed among the stakeholders. And this brings us to the fundamental issue: Does it help climate protection if KfW makes fossil power plants abroad more efficient by financing modern technologies – and thereby promotes German companies with an export and technology focus at the same time? Or does this mean that, in its exposed role as a promotional bank, KfW is slowing down the global exit from fossil fuel sources, as alleged by non-governmental organisations in particular in the current political debate? There is also

the issue of what is expected of KfW as a state-owned promotional bank, and, under its umbrella, of the market-oriented KfW IPEX-Bank, which is subject to different requirements for transparency (especially banking secrecy). Regardless how KfW Group resolves this dilemma, the participants summed up by saying it has to communicate its decisions and motives transparently – vis-à-vis business partners, customers and the public.

Strong focus on business founders

Stakeholders believe KfW plays a significant role in the promotion of SMEs and business founders in Germany. To fulfil its

subsidiary mandate, its focus in future should be placed more on young, highly-innovative entrepreneurs. At the European level, stakeholders still want to see a strong, financial and strategic commitment to implementing the two-degree climate objective. [G4-27]

KfW takes the recommendations of the invited stakeholders seriously. They were presented in a note to the Executive Board in September 2015 and are now included in the strategy process of KfW Group as well as in the upcoming revision of the sustainability guidelines.

» I would encourage KfW to hold discussions like this on a regular basis. It is extremely important to define your own position by discussing such topics.

Prof. Dr Günther Bachmann, General Secretary of the German Council for Sustainable Development



Participants in the Stakeholder Round Table (from l-r): Dr Michael Helbig, Dr Thomas Koenen, Dr Jörg Mayer-Ries, Dr Alexander Schumann, Udo Sieverding, Dr Karl Ludwig Brockmann, Christoph Bals, Max Wirsching, Stefan Löbbert, Sabine Braun (moderator), Prof. Dr Günther Bachmann, Claudia Volk, Birgit Riess

KfW under criticism

Some non-governmental organisations currently accuse KfW of a lack of transparency and of paying insufficient attention to environmental and social aspects – and they criticise KfW Group for financing coal power abroad. KfW Group Sustainability officer, Dr Karl Ludwig Brockmann, gives his views.

Dr Brockmann, how does the financing of coal-fired power align with responsible banking?

Dr Karl Ludwig Brockmann: KfW is committed to ensuring a sustainable climate-neutral economy in Germany and throughout the world. However, we also have to recognise that coal remains an important – though transient – bridging technology for many countries in the world in their bids to catch-up in economic terms. The fact that we view this as an interim solution is also reflected in our business figures: between 2006 and 2014 around one third of our funding was channelled into renewable energies and energy efficiency, amounting to EUR 200 billion in total worldwide, compared to just 0.4% for the financing of coal-fired power plants.

And which coal power plants are these?

Brockmann: DEG has not funded any coal-fired power plants since 2010. The Development Bank only finances sophisticated modernisation projects. Export and investment financing for new projects abroad can only be implemented under strict requirements for highly efficient power plants with an electrical efficiency of at least 43% for brown coal and 44% for black coal. Other strict criteria are set forth in our guideline on coal power plant financing. We apply the explicit wishes and requirements of the Federal Government, which we are obliged to uphold as a promotional bank owned by the state.

Does KfW follow up financing requests in all countries?

Brockmann: The projects of the German Federal Government only permit coal power plant financing in countries which have a national climate protection policy and strategy, i.e. which have a declared policy to expand renewables and enhance energy efficiency. A coal-fired power plant sounds like a contradiction here, but while the potential for renewable energies in many countries is indeed high, renewables alone are not yet capable of ensuring a reliable supply of electricity in many places.

Can the public comprehend what KfW uses its funds for?

Brockmann: KfW makes its financing decisions internally and vis-à-vis its supervisory bodies in a transparent manner. It also presents the principles of its decision-making to the general public. KfW Development Bank and DEG for example publish information for the public regarding their projects on their own transparency websites. This is not easy at all for a bank that is subject to confidentiality obligations vis-à-vis its customers and business partners. To this end, a transparency clause must be added to contracts by mutual agreement.



Climate and sustainability experts at KfW: Dr Jochen Harnisch (KfW Development Bank), Sabine Lehmann (KfW IPEX-Bank), Dr Karl Ludwig Brockmann (Group Officer Environment and Sustainability) and Martin Geiger (DEG).

KfW IPEX-Bank provides funding under market conditions. How do you take responsibility for the environment and social issues in this regard?

Brockmann: Environmental and social impact assessments are a fixture of our financing. Here, the potential risks of a planned project for people and the environment are examined, and measures are formulated at the same time to avoid, mitigate or compensate for these unwanted effects. Additionally, KfW IPEX-Bank has also committed itself to the “Equator Principles”, thereby subjecting itself to a recognised framework of international environmental and social standards.

And what happens if something nevertheless does go pear-shaped?

Brockmann: We have more than 4,500 ongoing projects abroad that are subject to systematic monitoring. That said, the key players are always people, not machines. In the event of any infringements, those affected can turn to the KfW Group ombudsman or submit objections through the borrower’s complaints mechanism, a system we attach great importance to.

Criticism of its financing practices was recently levelled in a dossier from the non-governmental organisation *urgewald*; what does this mean for KfW?

Brockmann: We take the accusations seriously. The KfW Chief Executive Officer addressed the criticism directly at the press conference on annual results and in a video statement published online. We subject our procedures and standards for environmental and social impact assessments to regular checks anyway, but have used the criticism from *urgewald* as a reason to take another much closer look. And, of course, we met with the authors of the dossier to discuss the criticism and the demands in a constructive way.

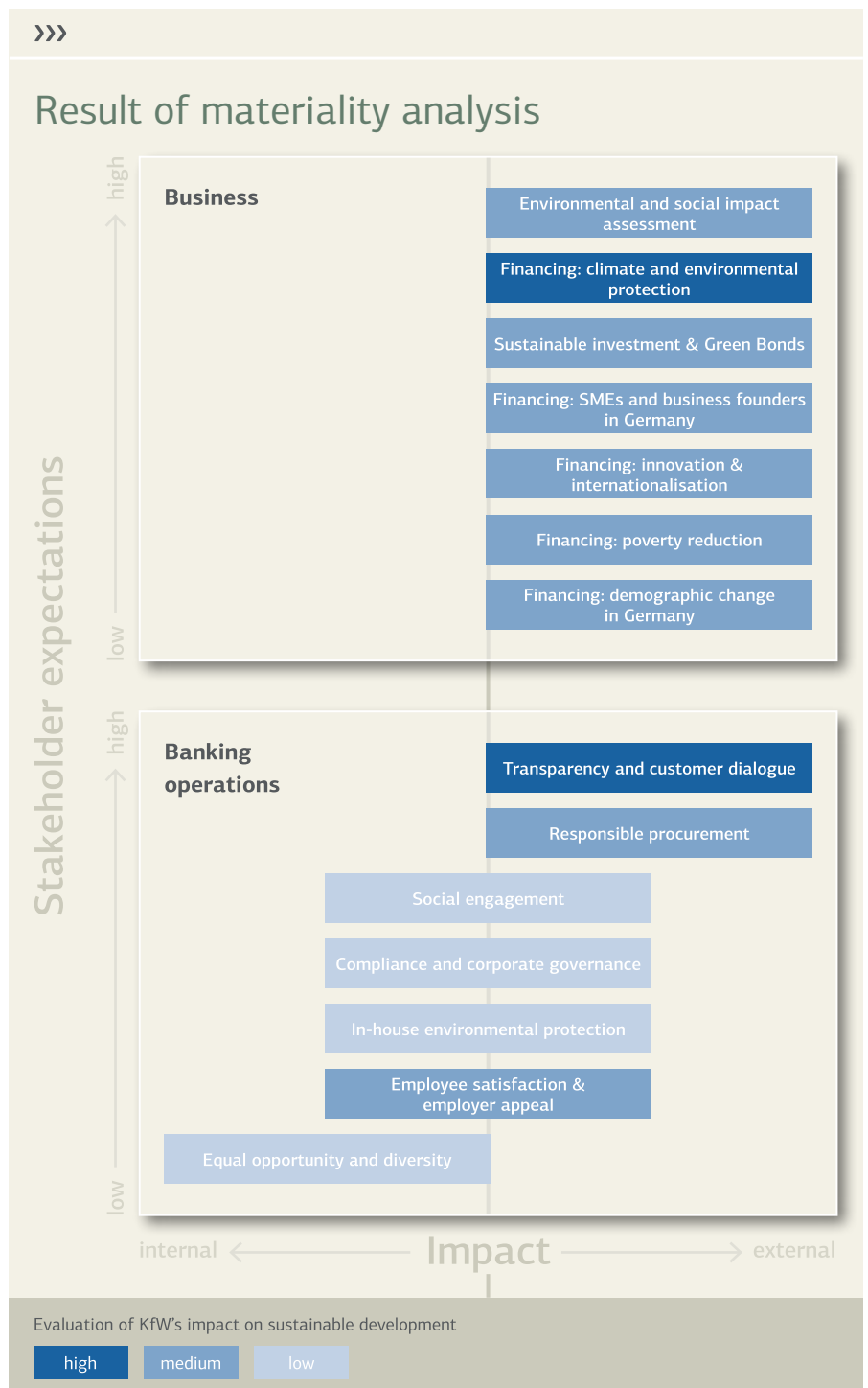
Focus on key topics

KfW makes a significant contribution to sustainable development via its business and in its own banking operations. The key topics were analysed over the reporting period.

KfW determined the content of this sustainability report as part of a materiality analysis. A Sustainability strategy group, comprising representatives of Group Strategy and Communication as well as the Group Officer Environment and Sustainability, initially identified 14 topics where KfW can make a significant contribution to sustainable development. This selection was based on the KfW priority areas and sustainability guidelines. In an internal workshop, the strategy group then evaluated the individual topics in terms of their social and strategic relevance. The criterion here was the potential ability of KfW to make an effective contribution to attaining the United Nation's Sustainable Development Goals (SDG) via the individual topics. The second stage involved determining the extent to which the impacts achieved are found inside or outside the company. [G4-18]

At the business level, KfW believes its greatest leverage to ensure sustainable development is found in financing key promotional areas such as climate and environmental protection, small and medium-sized enterprises (SMEs) and business founders as well as innovation and internationalisation. Transparency and customer dialogue as well as the level of staff satisfaction and employer appeal are the most significant issues in banking operations (see graph).

The views of external stakeholders on significant sustainability issues were captured during a moderated group discussion, representatives from political, economic and social spheres were invited (see p. 20). They also evaluated the 14 sustainability topics identified in terms of



their impact on driving sustainable development. At the business level, the stakeholder representatives see this most with the environmental and social impact assessments that KfW subjects its financing projects to. The greatest potential is attributed to the financing of climate and

and environmental protection as well as to sustainable investments and Green Bonds. Within banking operations, the stakeholder representatives assign the greatest leverage effect to the areas of transparency and customer dialogue, sustainable procurement and social

engagement. The evaluations by the stakeholders and their recommendations made during the round-table discussion (see p. 20) have been included in KfW Group's strategy process and in the revision of the sustainability guidelines.

Continuous dialogue

KfW regularly exchanges views with its stakeholders in various ways. The results of these exchanges are channelled into its business activities.

As an international promotional bank under public law, KfW Group deals with international stakeholders from all sections of society. Key stakeholders include:

- Shareholders, public sector clients and strategic partners in politics and business
- End clients and borrowers from the promotional programmes, export and project finance
- The media, scientists and non-governmental organisations (NGOs)
- Analysts, investors and issuers
- Suppliers
- Local residents at KfW locations
- Staff members
- The general public

The bank nurtures constructive and open exchanges with them – in individual discussions, discussion forums, conferences, networking meetings and own events. This means KfW benefits from the know-how and experience of its stakeholders, and at the same time informs about its activities and looks at its actions with a critical eye. **[G4-24]**

KfW gives prompt and detailed information on projects where KfW financing comes under criticism. This also applied to a dossier published in April 2015 by non-governmental organisation *urgewald* on the financing of coal power and the design of environmental and social impact assessments (see interview on p. 24).

Interaction with experts

KfW occasionally involves relevant stakeholders actively in the further development of group strategy and aligning the product portfolio with market requirements. As part of a market analysis on the strategic realignment of equity financing, personal discussions were held in 2014 with representatives of investors, entrepreneurship centres, start-ups and other promotional institutions. The objective was to identify a possible supply gap on the German venture capital market. KfW also reviewed the strategic focus of securing raw materials in 2014 with the help of experts from politics, business associations and science.



The focus and effectiveness of its promotional programmes are discussed by KfW in regular meetings with representatives from ministries and federal associations. KfW creates close ties with associations, research institutions and environmental organisations by holding face to face discussions and by participating in events and external bodies. DEG takes part in the German Federal Government's Partnership for Sustainable Textiles to improve working conditions in a sector important for its business. It is also represented on the Supervisory Board of the Garment Industries Transparency Initiative (GITI) founded in 2013, another multi-stakeholder initiative of the textile industry.

Traditionally, KfW regularly delegates staff members to federal policy institutions, such as the Federal Chancellery ("Bundeskanzleramt") or the Federal Ministry for Economic Affairs and Energy ("Bundesministerium für Wirtschaft und Energie"), for a reciprocal exchange of experience. It advises governments of other countries on setting up promotional banks (see p. 33). By means of its presidency in the IDFC (see p. 51), KfW is in regular dialogue with other development financiers, national governments and UN representatives, and works on harmonising the reporting on climate financing.

KfW reaches out to capital market participants proactively at events, in personal discussions and in newsletters on sustainability topics. Queries from buyers of KfW bonds are answered via a telephone hotline and by email. The bank makes contact with institutional investors at up to ten investor relation roadshows each year and roughly 40 conferences worldwide. Capital market analyses are used as a point of discussion at its annual analysts workshop. KfW's Green Bond issued for the first time in 2014 proved to be a good starting point in this respect to intensify work on sustainability issues. Non-governmental issuers of bonds in KfW's liquidity portfolio are regularly encouraged to maintain or expand their own sustainability efforts. KfW regularly participates in the annual networking

meetings of the German signatories to the UN's PRI, even organising the event in 2013.

Transparency and Dialogue

KfW's communication with its clients has been significantly expanded and simplified since 2013 with a completely revamped Internet presence, adding comprehensive services (see p. 32). KfW IPEX-Bank discussed the added value of corporate responsibility with its customers at the advisory board meeting in summer 2014. A workshop was also held in 2014 with Germany's leading credit insurer Euler Hermes, on the whole process of environmental and social impact assessments.

KfW has captured the opinions of its staff in regular surveys since 2012. The bank is in regular dialogue with NGOs. The KfW Stiftung has regular exchanges with other third sector organisations. KfW enables journalists to find out about the impacts of its financings on-site. In May 2014, there was a project trip to Vietnam and Mongolia. With regard to the public, KfW communicates its sustainability activities in a prompt and transparent manner via its sustainability portal www.kfw.de/nachhaltigkeit, the sustainability reports published every two years and the annual Facts and Figures Update. The round-table discussion arranged for the first time in April 2015 with representatives of key stakeholder groups (see p. 20), is to be held regularly in the future.

Key memberships

Bringing with it the knowledge and experience of its staff, KfW gets involved in many initiatives, organisations and associations. Key memberships relevant for sustainability are the following:

- Conservation Finance Alliance (CFA)
- Association of European Development Finance Institutions a.s.b.l. (EDFI)
- Extractive Industries Transparency Initiative (EITI)
- International Development Finance Club (IDFC)
- Reproductive Health Supplies Coalition
- United Nations Environment Programme Finance Initiative (UNEP-FI)

- Transparency International Deutschland e.V.
- Association of German Public Banks (Bundesverband Öffentlicher Banken Deutschlands e.V. – VÖB)
- Equator Principles Association (via KfW IPEX-Bank)

KfW representatives sit on the supervisory boards of various organisations including DEG, KfW IPEX-Bank, the German Energy Agency (dena) and the Berlin Energy Agency (BEA), in which it holds shares. Representatives of the bank also sit on the boards of trustees of the Gesellschaft für Unternehmensgeschichte e.V. (business history research institution), the Institute of Development Research and Development Policy at Ruhr University (Bochum), the Senckenberg Museum of Natural History and the Frankfurt Zoo.

KfW supports several economic research institutions:

- German Institute for Economic Research (DIW), Berlin
- ifo Institute – Leibniz Institute for Economic Research, University of Munich
- Leibniz Institute for Economic Research, Halle (IWH)
- North Rhine-Westphalia Institute for Economic Research (RWI), Essen
- Centre for European Economic Research (ZEW), Mannheim

Honorary positions and mandates

KfW holds honorary positions and mandates in the following institutions (list is not exhaustive):

- Cologne Institute for Economic Research (IW)
- German Federal Institute for Geosciences and Natural Resources
- CDU Parliamentary Committee on Development Cooperation and Human Rights
- Indo-German Advisory Group (DIGB)
- Women Career Index Initiative (FKI)
- German Near and Middle East Association, Berlin
- International Expert Body on Financing of Sustainable Development
- Senckenberg Nature Research Society (SGN), Frankfurt [G4-25]

»» Investing in the future. Business activity of KfW.



Financing with vision

KfW Group uses its resources to shape change in Germany and around the world – acting professionally, focusing on customers’ needs, and as a reliable partner.

As in the preceding years, KfW Group experienced strong demand for its financing products in 2014, despite difficult conditions. Promotional commitments rose to a total volume of EUR 74.1 billion (2013: EUR 72.5 billion). Current global megatrends provide the framework.

Climate change and environmental protection

The focal point of business activity in terms of content is climate and environmental protection. KfW has earmarked more than EUR 100 billion for this until

2017. In 2014 new commitments in this field totalled EUR 26.6 billion (2013: EUR 27.8 billion) accounting for approximately 36% of the entire promotional business volume (see table on p. 31). This makes KfW one of the world’s biggest financiers in the climate and environmental protection segment. Across all business sectors, KfW supports measures to expand renewable energies, improve energy efficiency, safeguard biodiversity, adapt to climate change as well as prevent or reduce environmental pollution.

In Germany, KfW promotional programmes dealing with the climate are making a substantial contribution to the success of the energy turnaround. In 2014 they helped save roughly 17% of the emissions that Germany has to reduce every year in order to reach the national greenhouse gas reduction target (minus 40% by 2020 compared to 1990). KfW supported the expansion and use of renewable sources via the programme to promote renewable energies with a total volume of EUR 4.1 billion. To improve energy efficiency in commercial companies it



disbursed promotional funding of EUR 3.2 billion via the “KfW Energy efficiency programme”. Energy efficiency in private and municipal buildings is supported by the KfW “Energy-Efficient Construction and Refurbishment” programme (EBS). For residential buildings, KfW paid out EUR 5.6 billion here in 2014 for the construction of almost 110,000 energy-efficient housing units. Using loans and grants totalling EUR 3.7 billion, more than 230,000 housing units were refurbished to be more energy-efficient. Demand from municipalities for promotional funds relating to municipal environmental and climate protection, including construction and refurbishment for energy-efficiency purposes, rose sharply in 2014 to EUR 1.2 billion. All in all, promotion by KfW makes an important contribution to the objectives of the National Energy Efficiency Action Plan (NAPE) of the BMWi adopted in 2014.

In 2014 the “KfW Environmental Programme” financed in-house environmental protection measures with a volume of EUR 579 million – ranging from electric cars to larger projects related to reducing the consumption of materials and avoiding waste. The focus was on resource efficiency, noise protection and air pollution control. In 2014 KfW provided approximately EUR 19.2 billion (2013: EUR 22.2 billion)

across all of the target groups of domestic promotional business, amounting to a good 40% of its domestic promotional business for climate and environmental protection.

Throughout the world, KfW Group is engaged in climate and environmental protection via its business sectors and subsidiaries. The energy and environment segments benefited to the tune of EUR 2.3 billion in 2014 from the new commitments of KfW IPEX-Bank totalling EUR 16.6 billion. Climate aspects also play an important role in other sectors. For example, as one of the world’s largest ship financiers and together with the classification society Germanischer Lloyd, KfW IPEX-Bank developed a method to evaluate the energy efficiency of financed ships. These results are included in financing decisions as an additional criterion.

KfW Group significantly expanded its climate-related activities in emerging and developing countries in 2014. Corresponding projects at KfW Development Bank totalled EUR 4.7 billion (2013: EUR 2.8 billion), accounting for roughly 64% of new business. Promoted projects in the reporting period included, for example, the expansion of the electricity grid in India, the first solar-thermal power plant in Chile and the world’s largest solar farm in Morocco (see p. 48). Roughly

EUR 691 million (2013: EUR 469 million) was channelled into investments promoting climate and environmental protection, as well as adjustments to climate change, together making up 47% of new commitments.

Globalisation and technological progress

KfW Group pursues the goal of securing the long-term competitiveness of the German and European economy – and therefore growth and employment – particularly through its subsidiary KfW IPEX-Bank. With a total volume of EUR 16.6 billion (2013: EUR 13.7 billion) it realised tailored project and export financing for medium-sized and large enterprises in key industries. The largest new promotional business volume was allocated to the Maritime Industry sector at EUR 2.9 billion. Other significant growth drivers included Basic Industries (EUR 2.7 billion) as well as Power, Renewables and Water (EUR 2.3 billion). The projects financed in 2014 included, for example, the Noordostpolder wind farm and Kiel University Clinic.

DEG supports German companies with long-term financing and advisory services to develop new export markets in emerging and developing countries. EUR 253 million was paid out for these purposes in 2014 (2013: EUR 152 million). This cor-



In its business activities KfW focuses on the megatrends of climate change, globalisation and demographic change. What is more, through its financing it is committed to combating poverty around the world and helping SMEs in Germany.

responds to an increase of 60% and represents a new record.

Demographic change

KfW encounters demographic trends in Germany at various levels. It meets the challenges of an increasingly ageing population with programmes that promote the elimination of barriers in residential buildings and public spaces. By means of the “Age-Appropriate Conversion” programme KfW disbursed low-interest credits and loans in 2014 amounting to roughly EUR 334 million (2013: EUR 408 million). Home buying was supported with the sum of about EUR 4.7 billion.

KfW also promoted academic and vocational training with a variety of programmes, not least because the German population is shrinking at the same time. This is because workers need to be well qualified to maintain the current level of prosperity in the future with a smaller workforce. In the most comprehensive education programme “KfW Student Loan”, KfW approved roughly 34,800 low-interest loans in 2014 – 5% more than in 2013. The promotional business volume was around the previous year’s level at a good EUR 1.4 billion. In support of vocational training, roughly 60,000 commitments totalling nearly EUR 300 million were granted in the “Career Advancement Promotion Act – Financial

Assistance for Master Craftsmen Trainees (AFBG – Meister-BAföG) programme” (as in 2013).

Non-trend-related promotional issues Alleviating poverty

KfW Group is also engaged in other important areas of promotion. In order to reduce global poverty, the KfW Development Bank business area has been supporting the German Federal Government for over 50 years in financing and implementing development projects. Totalling a volume of roughly EUR 7.4 billion (2013: EUR 5.3 billion), the financial commitments reached a record high in 2014. Almost 40% of the funds flowed into projects in the region of Sub-Saharan Africa to combat poverty directly. The measures ranged from investments in modern infrastructure through agriculture to healthcare and social systems. In this context, KfW Development Bank also

developed and applied innovative financing instruments for poor segments of the population, such as insurance against droughts, extreme weather and other consequences of climate change. DEG improves living conditions in emerging and developing countries by means of private-sector investments. Totalling EUR 1.47 billion, the total commitments constituted another record high in 2014 (2013: EUR 1.45 billion). These funds financed 113 projects in 49 countries, including some in countries lagging particularly behind in terms of development, such as Bhutan, Cambodia, Uganda and Tanzania.

Financing of German SMEs

Another traditional priority area for KfW is the promotion of SMEs, self-employed professionals and business founders in Germany. This generally takes the form of low-interest credits, strengthening

KfW total promotional volume by priority areas, 2012–2014

in EUR billion	2012	2013	2014*	2014 in %
Climate change and the environment	29.2	27.8	26.6	35.9
Globalisation and technological progress	13.9	14.6	16.6	22.4
Demographic change	9.1	9.7	9.1	12.3
Non-trend-related promotional issues	21.3	20.4	21.8	29.4
Total	73.4	72.5	74.1	100

* 2014 figures are based on provisional calculations.

equity or the provision of private equity. Commitments in the Mittelstandsbank business sector in 2014 fell 12% on the previous year to EUR 19.9 billion. The reason for this was generally subdued investment demand from businesses; what is more, they increasingly resorted to using their own funds. “Innovation financing” was the only priority area to really buck the trend, where the disbursed funds increased significantly to EUR 1.4 billion (2013: a good EUR 1 billion).

Suitable funding approaches

The individual business areas and subsidiary companies of KfW follow different approaches to achieve their joint promotional objectives. On behalf of the German Federal Government and in close cooperation with its representatives, KfW implements promotional programmes for private individuals, companies and municipalities in Germany. With a view to improving quality on a continuous basis, it subjects its product portfolio to regular evaluation. Products of high quality and effectiveness are developed and expanded, while others are scaled back. KfW has no customer deposits or its own branch network, and therefore functions as a “bank behind the banks”. Loans are

disbursed in accordance with the subsidiarity principle: customers do not contact KfW directly, but through their regular bank, which checks the application and forwards it on if the assessment is positive. This means KfW is not in competition with commercial banks. Exceptions to this on-lending principle for example include public-sector borrowers and grants for private individuals and companies.

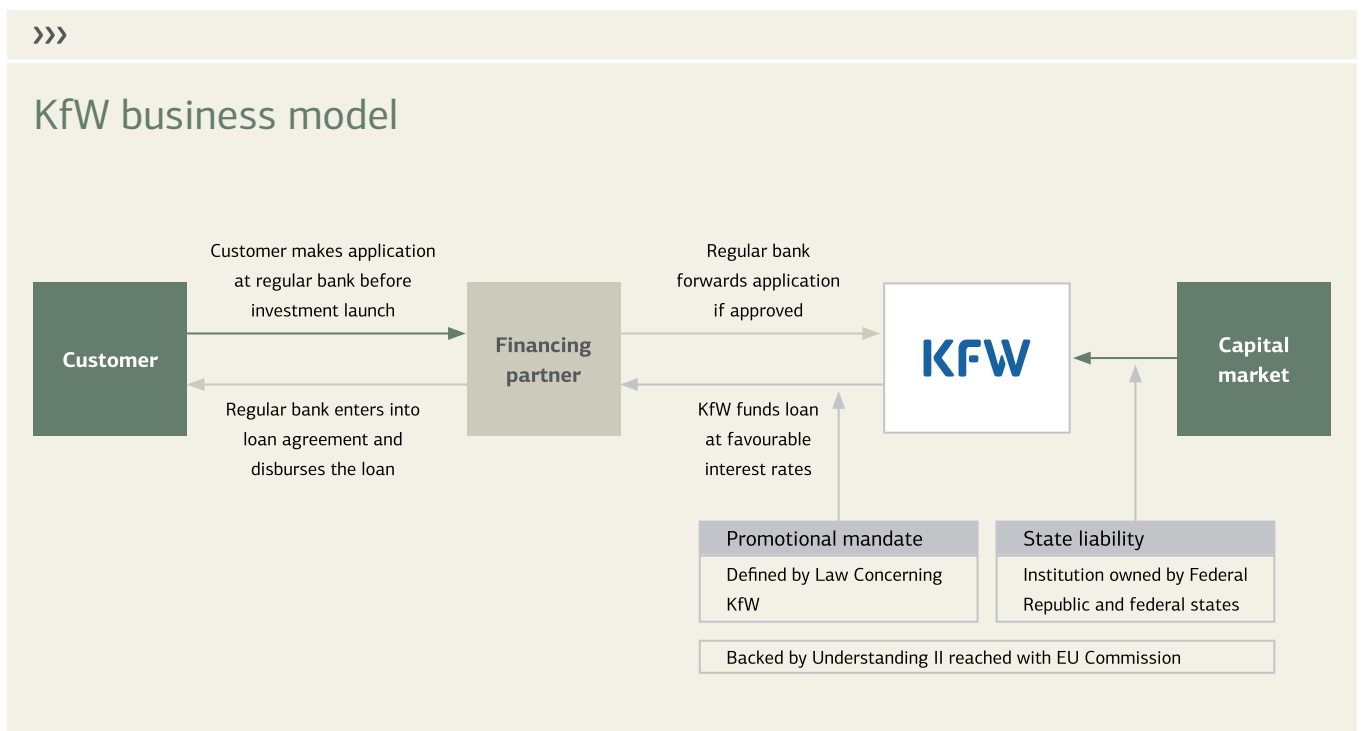
KfW Development Bank finances and supports public-sector players in emerging and developing countries on behalf of the Federal Ministry for Economic Cooperation and Development. Depending on their performance capacity they receive grants, development or promotional loans. Alongside federal budget funds, KfW Development Bank also uses its own funds.

DEG provides long-term financing for private-sector companies to invest in emerging and developing countries in the form of risk-capital and mezzanine products as well as loans and guarantees. Consulting is also offered regarding the implementation of the projects. DEG essentially only invests its own funds,

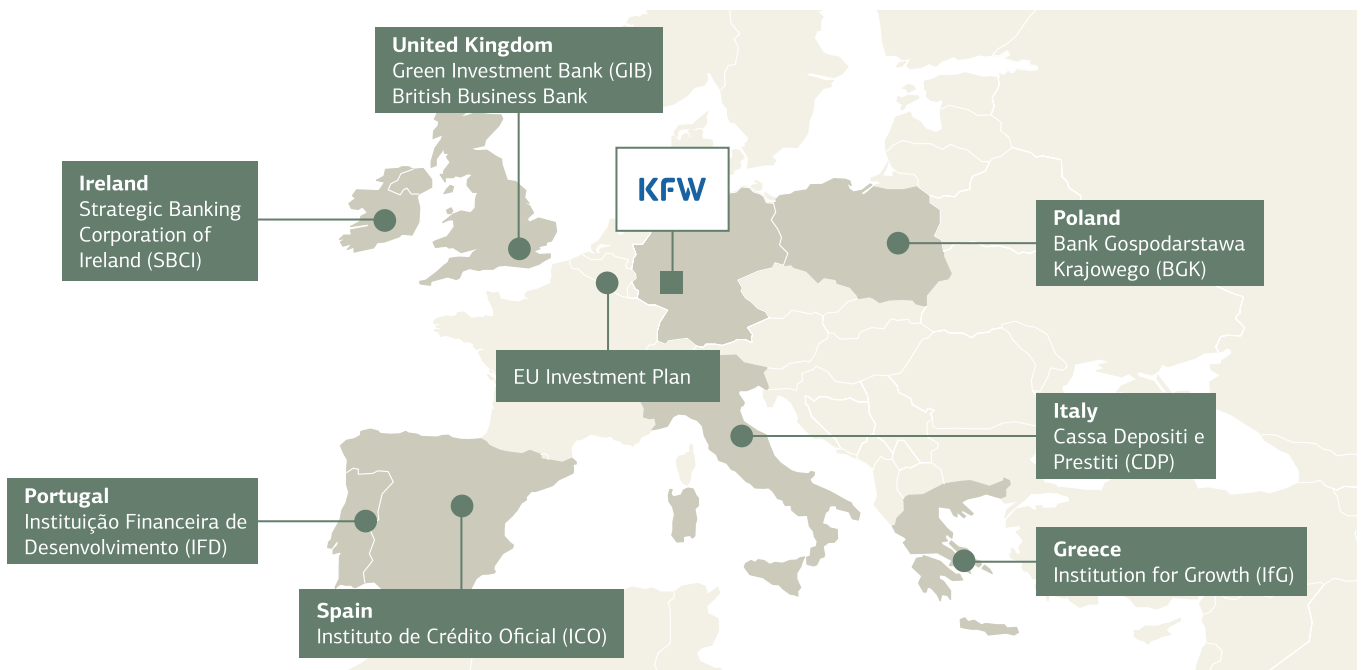
and, as a subsidiary of KfW, is under a particular obligation to promote German companies. KfW IPEX-Bank arranges tailored medium- and long-term credit for companies from Germany and Europe. As an independent financial institution, it carries out its business under market conditions.

Distinct customer orientation

As part of its modernisation, KfW launched a comprehensive programme in 2012 relating to an improved customer focus. The key elements here include an appealing and informative public image for the bank as well as more efficient on-lending and processing systems. KfW advertised its promotional services during the reporting period in TV commercials aimed at private customers. The bank’s Internet presence was redesigned to be more informative and service-oriented as part of a full-scale revision. Two thirds of the users surveyed online at the end of 2014 gave it top marks. For advisers, multipliers and financing partners, KfW launched its own online portal in mid-2015 with specially prepared content.



European engagement of KfW Group



The online consultation query (BAN) has facilitated the transition from the internet to personal advice since 2013. For the majority of on-lent products, customers can now make an appointment with up to three KfW financing partners. Alongside most savings banks and cooperative banks, large commercial banks in Germany now also participate. Of the BAN service users surveyed at the start of 2014, more than 60% were highly satisfied with the product overall and in particular with the quick contact made. Thanks to KfW's digital on-lending system (BDO 2.0), financing partners can confirm the eligibility of an investment project to the customer electronically, even during the consultation, and reserve the prevailing interest conditions.

KfW offers personal consultation to respond to the information needs of customers and interested parties. In 2014 it answered roughly 900,000 telephone and written inquiries, mostly regarding promotional services in education (45%) and housing (40%). KfW lists qualified energy consultants and expert planners at www.energie-effizienz-experten.de, whose professional requirements are defined in conjunction with associations and experts.

Technical questions from energy consultants on the implementation of energy-efficient construction projects have been answered by KfW experts as early as since the introduction of the German Energy Saving Ordinance 2009 (EnEV2009) by email – more than 200 per month.

Customer satisfaction with the domestic promotional business is assessed as part of KfW's new customer monitoring. Roughly 600 final borrowers and grant recipients are surveyed in this context every month. Along with the external evaluations of the promotional programmes (see p. 10), their feedback provides valuable information on how products, processes and services can be aligned more closely to market requirements. For the private customers of commercial and savings banks the results show that KfW scores far higher than the average in respect of customer satisfaction and loyalty.

KfW also gathers regular feedback from financing partners as well as from bank associations. The high satisfaction of these key account partners rose again compared to 2012 in a representative survey carried out at the end of 2013:

more than 70% gave top marks for the service given. Likewise, there was a rise in the satisfaction of customer advisers in banks and savings banks, who were surveyed by telephone in spring 2014: around 60% gave KfW top marks.

Customers of KfW IPEX-Bank can address their feedback on the lending process to the responsible project manager, who collects the feedback roughly six weeks after the completion of the transaction, with the help of guidelines.

Committed in Europe

KfW Group deploys its many years of expertise in promoting SMEs at the European level too – thereby driving growth forward for national economies. As in the past, KfW has also supported governments over the reporting period in setting up their own development banks. As a member of a European working party, KfW supported the Greek government in establishing the IfG promotional fund. This is designed to pool the three pillars of loans, participations and infrastructure under one roof. A special purpose vehicle based in Luxembourg was established in May 2014 with a key KfW stake to implement the first pillar; its task

is to grant loans to Greek SMEs through on-lending. The German Federal Government provided EUR 100 million for this via KfW, as did the Greek government through the Hellenic Fund for Entrepreneurship and Development (ETEAN). KfW was able to use its know-how in advance for the Portuguese development bank (IFD) founded in September 2014. The Strategic Banking Corporation of Ireland (SBCI) also founded in September 2014

was given a global loan by KfW in its start-up phase amounting to EUR 150 million. KfW has strategic partnerships with European promotional banks and disburses global loans to fund small and medium-sized enterprises on behalf of the German Federal Government. In this context, a contract for EUR 100 million was concluded with the Polish development bank BGK in February 2015. The Italian Cassa Depositi e Prestiti (CDP)

received EUR 500 million in November 2014 and the Spanish development bank Instituto de Crédito Oficial (ICO) was extended EUR 1 billion in 2013. In addition, KfW supports new promotional banks in their initial stages, such as the UK's Green Investment Bank (GIB) and the British Business Bank. KfW plans to contribute up to EUR 8 billion towards the European Investment Plan ("Juncker Plan").



Responsibility in Treasury

Sustainability is also an important topic for KfW in Treasury. This is demonstrated by top-class ratings, a sustainable investment approach and the focus on green bonds.

In 2014, KfW raised long-term funds totalling EUR 57.4 billion on the international capital markets to fund its promotional mandate (2013: EUR 65.4 billion). It issued 250 bonds in 13 different

currencies, mainly in euros and US dollars (totalling 83%). In this respect, KfW benefited from the constant demand for high-volume liquid bonds (benchmark bonds), which accounted for more than

half of the total funding. KfW bonds are addressed particularly at institutional investors. Independent SRI rating agencies consider the bank's long-term position to be first-class (see table on p. 35).

KfW bonds thus represent an attractive investment opportunity, especially for sustainable investors. To maintain this appeal, KfW endeavours to keep its place among the best of its peers in the future too with regard to sustainability ratings.

Portfolio management criteria

As part of its strategy to control liquidity, KfW has a bond portfolio, which comprises bonds of public-sector issuers and supranational organisations as well as bank bonds, Pfandbriefe and asset-backed securities. At the end of 2014, this volume totalled EUR 23.8 billion. By signing the Principles for Responsible Investment of the United Nations (UN PRI), KfW committed back in 2006 to making its own investments in fixed-income and variable-interest securities also from the perspective of socially responsible activity, encouraging other market participants to make sustainable investments and to report regularly on activities in this field. Parts of this report have been published by the UN PRI since 2013.

For investment decisions regarding the liquidity portfolio, KfW includes not only the assessment of issuers' creditworthiness but also their sustainability rating based on ESG criteria (ESG = environmental, social, governance). In this context, environment is weighted at 30% while social and governance are weighted at 35% each. The sustainability of an issuer is assessed by KfW monthly in relation to all issuers in the liquidity portfolio using three categories (good, average, poor). These form the basis for KfW's decision on whether the investable limit volume should be maintained or reduced. Securities from particularly sustainable issuers are thus over-weighted

in KfW's liquidity portfolio. The Bank reports annually to issuers on the results of the categorisation process, to encourage them to maintain and develop their sustainability commitment. In 2014 KfW was actively in contact with 98 issuers in this regard.

In the case of non-government issuers, who represent almost three quarters of assets managed by KfW, exclusion criteria, which are based on the "IFC Exclusion List", are taken into account in addition to the ESG criteria. The aim is to ensure that KfW's bond investments do not trigger negative environmental and social impacts.

Success with green bonds

KfW issued its first Green Bond in July 2014. Originally set at EUR 1 billion, the order book displayed a volume of EUR 2.65 billion; in light of the huge demand, the volume was raised to EUR 1.5 billion. This meant KfW's Green Bond was one of the largest "green" bonds on the relatively new market. The second Green Bond proved to be just as successful, issued in US dollars in autumn 2014. Backed by an order book of USD 2.48 billion, it was successfully placed in October 2014 with a volume of USD 1.5 billion.

Green bonds are bonds where the issuer commits to using the issue proceeds to finance environmental and climate protection projects. KfW links this with its "Renewable Energies – Standard" programme, the ecological benefit of which was calculated by the Centre for Solar Energy and Hydrogen Research, Baden-Württemberg (ZSW). According to this, every million euros invested saves 800 tonnes of CO₂ equivalent every year.

Furthermore, at least nine jobs are secured for one year while German oil, coal and gas imports are replaced totalling more than EUR 68,000.

Since April 2015, KfW has also been active as a green bond investor, thereby contributing to the financing of environmental and climate protection projects. Minimum requirements regarding the quality of bonds to be purchased (see interview on p. 36) are set for the KfW portfolio, which over the next three to four years should increase to a volume of EUR 1 billion. Its engagement as an issuer and investor means KfW contributes in both a quantitative and qualitative sense to the further development of the still young market for green bonds.

Evaluation of KfW Group in sustainability ratings

Ratings agency	Ranking	Peer group	Rating
Sustainalytics	4	191 banks worldwide	82 points (out of 100)
oekom research	3	23 promotional banks worldwide	B- (scale of D- to A+) "Prime" rating
imug	2	122 national and international issuers of bank bonds	BBB+

As of: 31 July 2015

“Injecting dynamism to green bond market”

Dr Günther Bräunig, member of KfW Group’s Executive Board, is responsible for Capital Markets, HR, Law and Central Services. In the interview he explains the bank’s commitment to the young market segment of green bonds.



Dr Bräunig, KfW issued its first Green Bond in July 2014. Why?

Dr Günther Bräunig: The green bond market has developed extremely dynamically since 2014: the volume issued totalled more than EUR 30 billion – 43% higher than in the previous year. This is encouraging because green bonds steer more capital into climate and environmental protection financing in the long run. With both of our Green Bonds totalling EUR 1.5 billion and USD 1.5 billion we have placed highly liquid bonds on the market and thereby set new benchmarks in terms of size.

Are you pursuing any other objectives in this respect?

Bräunig: First and foremost, we want to support the quality development of the market. With the proceeds from our Green Bonds we not only make sure financing is channelled into renewable energies, we also inform our investors about the specific impacts and about the CO₂ savings achieved. This creates high transparency requirements for us by means of regular reporting. Other issuers have since followed our example.

You announced at the start of 2015 that KfW would also be active as an investor in green bonds. What was the objective here?

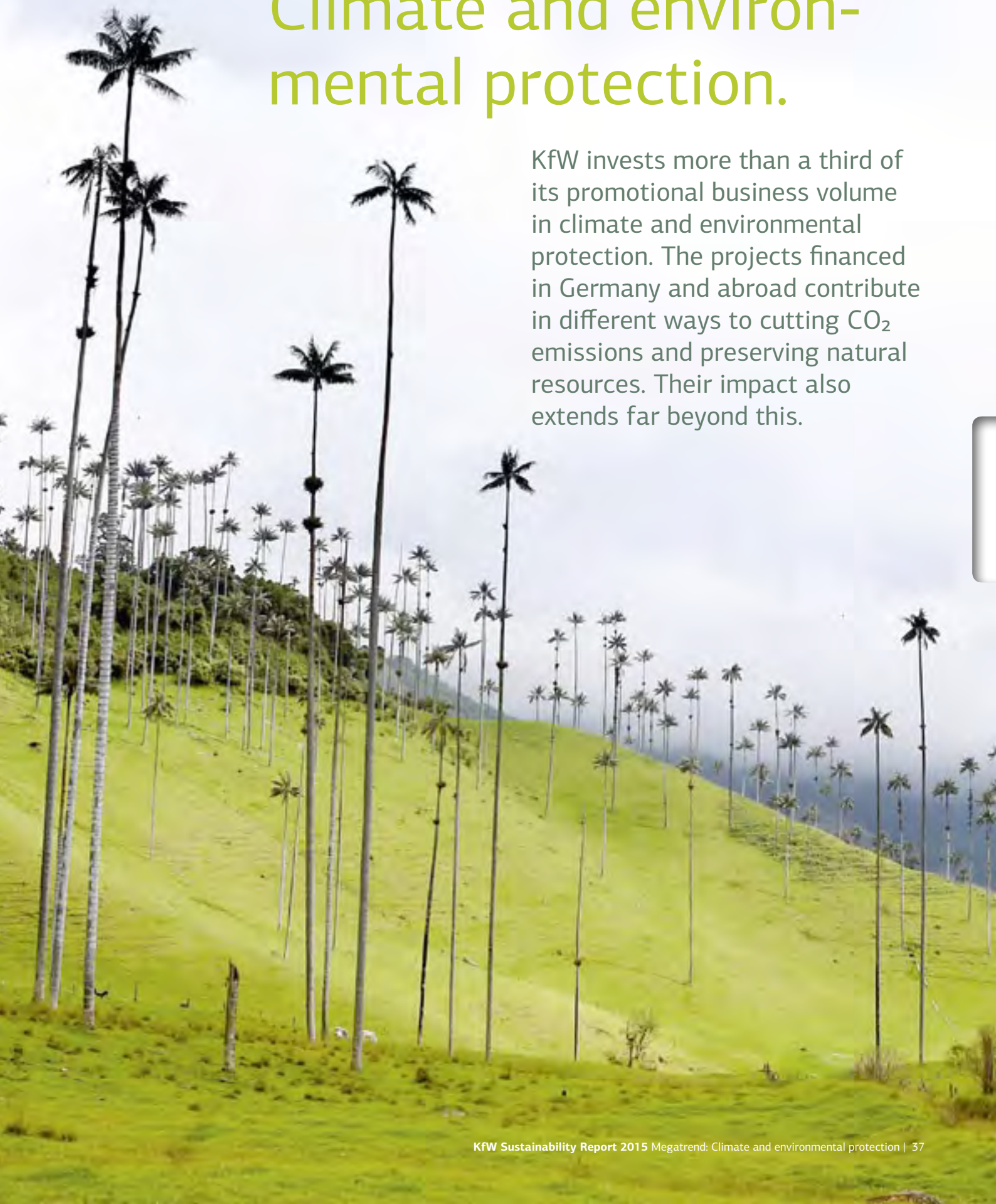
Bräunig: Yes, in the coming years we want to build up a green bond portfolio of over EUR 1 billion. So far there are no common international standards: the green bond principles developed by many capital market participants are just optional recommendations. On this basis, we developed minimum criteria for our investments.

What are KfW’s investment criteria for green bonds?

Bräunig: First of all, the most important thing: What happens with the money? Environmental projects, as well as their goals and impacts, must be clearly defined. The earmarked use of the funds has to be shown in a transparent manner as well. Finally, we require regular public reporting on projects and funds as well as verification by qualified external third parties. Before each and every investment decision we check to see whether these criteria have been fulfilled. If the information provided is not sufficient, we enter into proactive dialogue with the issuer. As a demanding investor, KfW wants to make quality progress on the market as well.

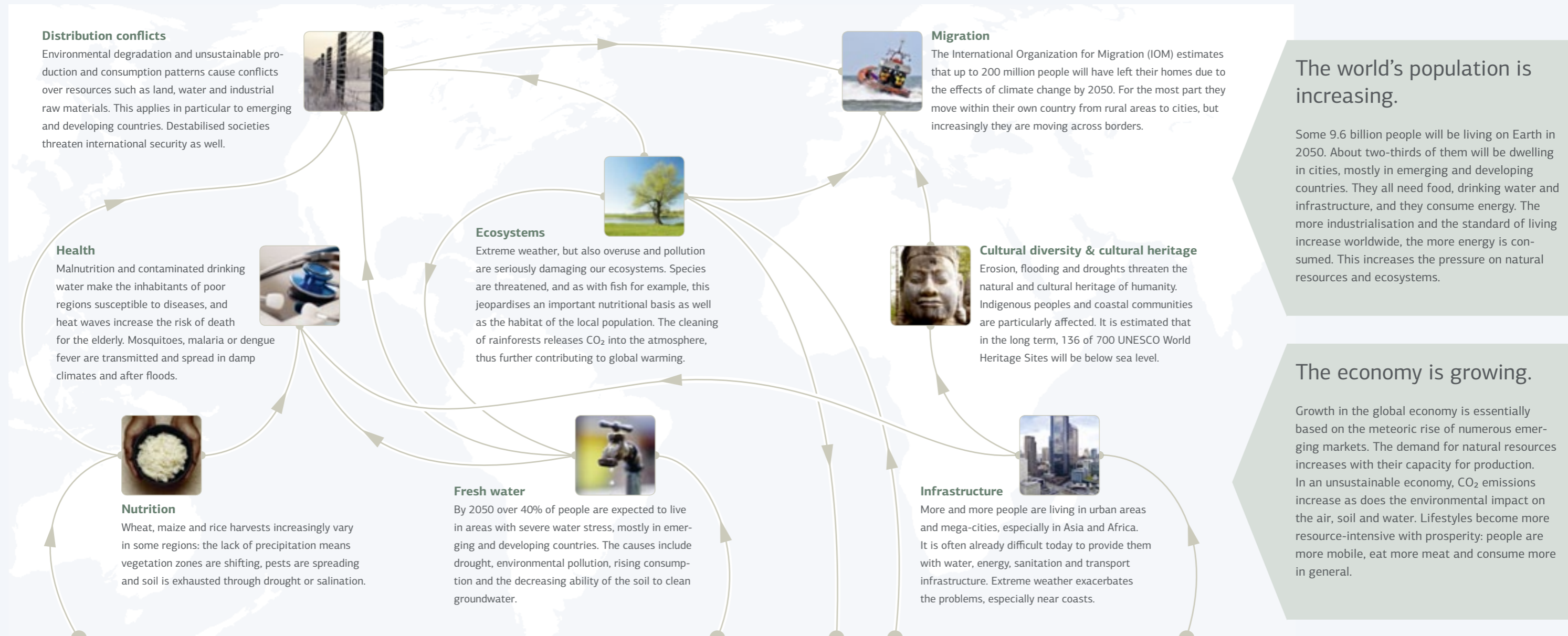
»» Focus on megatrend. Climate and environmental protection.

KfW invests more than a third of its promotional business volume in climate and environmental protection. The projects financed in Germany and abroad contribute in different ways to cutting CO₂ emissions and preserving natural resources. Their impact also extends far beyond this.



How climate change works

The rise in the global average temperature has far-reaching consequences for people and nature. These consequences are reinforced by other megatrends such as globalisation and demographic development. And conversely, investment in climate protection has effects on many levels.



The world's population is increasing.

Some 9.6 billion people will be living on Earth in 2050. About two-thirds of them will be dwelling in cities, mostly in emerging and developing countries. They all need food, drinking water and infrastructure, and they consume energy. The more industrialisation and the standard of living increase worldwide, the more energy is consumed. This increases the pressure on natural resources and ecosystems.

The economy is growing.

Growth in the global economy is essentially based on the meteoric rise of numerous emerging markets. The demand for natural resources increases with their capacity for production. In an unsustainable economy, CO₂ emissions increase as does the environmental impact on the air, soil and water. Lifestyles become more resource-intensive with prosperity: people are more mobile, eat more meat and consume more in general.

The Earth is getting warmer.

And there is no longer any doubt that humans are responsible. Since the beginning of industrialisation at the end of the 19th century, the increasing emission of greenhouse gases has led to a rise in global average temperature of 0.9°C. 2014 was the warmest year on record. For the most part, western industrial countries are responsible for this. However, those affected most by climate change are emerging and developing countries. At the same time they have the least

means to adapt to the consequences. Climate scientists warn that if the global average temperature rises by more than 2°C, we will exceed tipping points. The change to the structure and function of ecosystems could then be so far-reaching that adjustments would no longer be possible. Initial signs of this are already visible in the Arctic and on coral reefs. The following climatic developments are emerging:

- **Sea levels are rising.** The reasons for this are melting glaciers and ice sheets. Additionally, sea water also expands when it warms. Mid-range scenarios forecast a rise in sea levels of 20 to 100 centimetres by 2100.
- **Oceans are becoming more acidic.** Their pH value has fallen by 0.1 since the beginning of the industrial revolution. A stable pH value is necessary for the oceans' ability to absorb CO₂ from the atmosphere.
- **Extreme weather is increasing.** Rising temperatures intensify the water cycle. There is more rain in humid regions, dry areas are becoming drier and tropical storms are more intense.

Sources:
 WBGU Special Report: Climate Protection as a Global Citizens Movement, 2014.
 UNESCO World Water Development Report: Water for a Sustainable World, 2015.
 International Organization for Migration (IOM): Migration, Environment and Climate Change: Assessing the Evidence, 2009.
 UNESCO, Case Studies on Climate Change and World Heritage, 2007.

Investing in Energy Efficiency

Energy-saving buildings play a key role in the success of the energy turnaround. Energy efficiency also makes an important contribution to funding and triggers innovations. KfW promotes energy efficiency through various programmes.



Explorer Hotels set benchmarks for energy efficiency. The principle: avoid heat loss and use renewable energies.

This is already evident in the lounge: The Explorer Hotel Berchtesgaden in Schönau on the Königssee is aimed at physically active people. You can prepare your mountain bike or skis for the next tour on a workbench, and there are lockers for equipment. The 100 rooms and the service are also practicable. “Our guests don’t want to spend their holidays at the hotel, but discover the region”, said Jürnjakob Reisingl, CEO of Explorer Hotels Development GmbH in Oberstdorf. He has built four designer budget hotels in the Bavarian and Austrian Alps since late 2010, together with his business partner Katja Leveringhaus. Further hotels are in the pipeline.

From an environmental standpoint, they meet the highest standards. The hotel in Schönau meets a KfW Efficiency House standard, where the primary energy demand is around 45% lower than the legal requirement for a comparable new building. Like all Explorer hotels, the building was designed according to the passive-house principle. The hotels use the heat given off by guests and electrical appliances and manage all year round without a separate heating or air-conditioning system. This is ensured by a highly-insulated, thermal-bridge-free and airtight building shell as well as special triple-pane windows. A ventilation system removes most of the stored heat from the exhaust and exchanges the air

completely. Compared with conventional hotels, Explorer hotels end up using around 70% less energy. Hot water is produced in a climate-friendly bio-gas condensing boiler, and half of the energy needed for the lighting is produced by a photovoltaic system. The remaining electricity comes from hydropower. This means that every Explorer hotel is carbon-neutral in its energy balance.

There are still not many passive buildings of this size, and in their industry the hoteliers are considered pioneers. “We certainly had some things to learn”, said Reisingl. Such as how the ventilation control can ensure a pleasant room temperature even in summer. The CEO

KfW programmes for more energy efficiency (selection)

Programme	Target group	Priority areas of promotion	Commitment volume 2014, EUR in billions
Energy-efficient Construction and Refurbishment (EBS programmes)	Owners and buyers of residential property	Residential buildings; construction or first-time purchase of a KfW Efficiency House, energy-efficient refurbishment of residential buildings (individual measures such as the modernisation of heating installations and full-scale renovations), expert planning and construction supervision	9.32
KfW Energy Efficiency Programme	Companies and self-employed professionals	New construction or renovation of commercial buildings, modernisation or new investments in energy-efficient production facilities	3.17
IKK/IKU – Urban Energy Efficient Rehabilitation – Energy-Efficient Refurbishment	Municipalities and municipal and social enterprises	Non-residential; energy rehabilitation of buildings that are part of municipal and social infrastructure (individual measures and complete refurbishment)	0.23
ERP Innovation Programme	Companies active on the market for at least two years	Market-oriented research, new and further development of products, production processes and services	1.33
KfW Energy Turnaround Financing Initiative	Enterprises	Investments, working capital and innovations for the energy turnaround	0.14
BMUB Environmental Innovation Programme	Enterprises (above all SMEs), municipalities and municipal enterprises	Pilot projects, inter alia on energy efficiency	0.03

estimates the additional costs incurred through energy-saving construction to be 6% to 7%: "But this was amortised in less than six years". In addition there is also the marketing factor: "Ecology plays well with the guests", said Reisigl, who runs other hotels in all price categories in Oberstdorf. The Explorer-Hotel concept was awarded the German Tourism Prize in 2013.

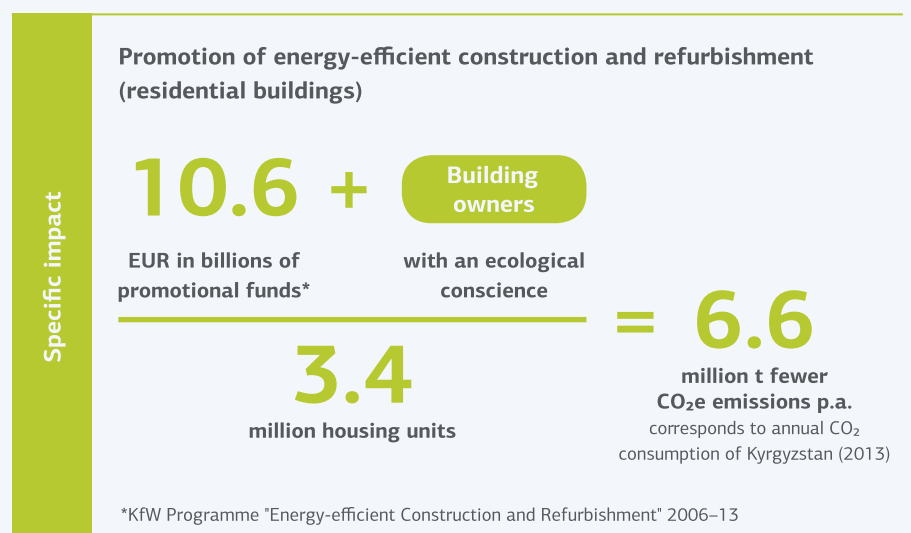
approximately EUR 150 million per year, thereby contributing to ensuring the competitiveness of the companies involved. The promotional loans amounting to EUR 3.2 billion triggered total investment of EUR 3.8 billion. This safeguarded or created approximately 51,000 jobs in Germany for a year, in particular in small and medium-sized enterprises. The construction industry benefited especially: 60% of

the funded investments are for the construction of energy-saving company buildings.

Since July 2015, KfW has realigned the KfW Energy Efficiency Programme: on behalf of the BMWi, KfW is increasingly promoting the energy-efficient rehabilitation and construction of commercial, non-residential buildings via funds from

Optimised processes and buildings

To finance the project the two hoteliers took advantage of low-interest loans from the KfW Energy Efficiency Programme. This is one of the programmes with which the bank, on behalf of the German Federal Government, creates incentives for energy efficiency and associated innovations in Germany (see table). The recent independent evaluation of the programme for the 2012 funding year shows that energy efficiency can make an important contribution to the funding of investments. The 2,117 projects supported by KfW save approximately 900 gigawatt hours (GWh) of final energy and thus associated energy costs of



German Federal Government efficiency targets for buildings by 2050

- Almost climate-neutral stock
- Nearly zero-energy standard for new buildings from 2020
- 80% lower primary energy need compared to 2008
- Doubling of annual refurbishment rate from 1% to 2%

the CO₂ Building Rehabilitation Programme. In October 2015 KfW is also improving the existing federally subsidised support options for the energy-related rehabilitation of municipal and social non-residential buildings, and is expanding them to include new funding

for particularly energy-efficient buildings. The Federal Government is aiming to have buildings that are almost carbon-neutral by 2050 as part of the energy turnaround. This requires not only greater efficiency in residential buildings but also in commercial and municipal facilities.

Standards for residential construction

The energy-efficient refurbishment and construction of residential buildings continue to be a focus of federal funding. KfW's promotional programmes have played a central role in this regard for years. They are financed through funds from the federal CO₂ Building-Rehabilitation Programme, which provides around EUR 1.8 billion each year. Since 2006 over three million housing units have been supported this way. The National Action Plan for Energy Efficiency (NAPE) approved at the end of 2014 plans to augment the funds and further develop the KfW promotion.

The "Energy Efficient Construction and Refurbishment (EBS)" programme, which stimulates energy investment in residential buildings, and individual measures, such as the replacement of heating systems or insulation, as well as comprehensive energy improvements, remain the flagship programmes. The higher the energy efficiency achieved, the more attractive the loans or repayment bonuses are. The quality standards improved in 2014 ensure that the promotional funds are used in accordance with a programme and measures are appropriately implemented. They include an automated evaluation of the energy calculation, random detailed checks of design documents as well as a quality-assured list of experts. KfW randomly verifies the successful implementation of efficiency measures via evidence and on-site checks.

Since 2006 the "Energy Efficient Construction and Refurbishment (EBS)" programme has cumulatively brought approximately 16,000 GWh of energy savings. This was shown in a programme evaluation from 2014 by the German Institute for Housing and Environment (IWU) and the Fraunhofer Institute IFAM. The annual heating needs of around 1.3 million households could be covered with these final energy savings. Every euro of funding invested in the EBS programme flushes EUR 3-4 into the public coffers – through increased tax revenue and social insurance contributions as well as reduced spending on unemployment. In 2013 alone, the EBS programme secured 420,000 jobs for one year. In the area of residential properties,

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Training factory for efficient production

Ergonomic assembly lines, intelligent transaction tables, flow racks: the "lean and green" training factory at the Vietnamese-German University (VGU) near Ho Chi Minh City offers important tools for streamlined – and thus energy-saving – production. Since December 2014, this is where Vietnamese entrepreneurs have been learning the methods of so-called lean management in step with actual practice. In workshops approximately 450 participants learn how to coordinate individual production stages along the value chain to optimise the use of resources, in terms of quality, the environment and employees. The results can be simulated via a so-called mixed-model assembly line for various electronic, textile or consumer goods products. Vietnam has become a sought-after production site in recent years. Now the country needs to

remain competitive in the long term. This is why Munich-based consulting firm Leonardo Group GmbH invested approximately EUR 260,000 to establish a training factory. DEG contributed an additional EUR 191,000 from the BMZ's develoPPP.de programme. In implementing the project, the Leonardo Group is cooperating with TU Berlin and uses the standards from proven lean-learning factories of German universities. On this basis the company creates training manuals, e-learning modules and scripts in Vietnamese and English for local trainers. Thanks to the connection with the university, lean management is already finding its way into lectures at the VGU today. In a few years it will be integrated into engineering education in Vietnam as its own field of study in the "global production" degree course.

every euro of funding raises on average EUR 12 of additional private investment. KfW regularly supports about half of the residential units newly built in Germany. They fulfil the high energy requirements of a KfW Efficiency House, which go far beyond the requirements of the German Energy Saving Ordinance (EnEV). The standard established by KfW is recognised throughout the real estate industry.

Increasing the pace of rehabilitation

There is a great need for renovation with existing buildings: almost nine million residential buildings in Germany, which is around half of the total, are inadequately insulated. The renovation rate is currently around 1% nationwide, which is below the objectives of the German Federal Government (2%). To reach the energy efficiency targets of the energy turnaround, the pace of renovation needs to be increased – through more comprehensive or technologically advanced rehabilitation measures. In a 2014 study the DIW reported the economic effects of doubling the annual rate of complete renovations to the targeted 2% of residential buildings. The annual energy savings would already surpass the annual additional costs by 2030. In 2050 the energy cost savings would even be around EUR 18 billion higher than the required additional investments. In an expanded “modernisation scenario”, above all the increased demand for construction and materials would increase



Green growth for Europe

KfW is committed throughout Europe to energy-efficient processes and SMEs in general, in multiple ways. The goal is always to stimulate growth and to support ongoing reform processes. Under the framework of the European Local Energy Assistance (ELENA) programme, KfW disburses global loans on behalf of the EU for the funding of energy-efficient measures. In 2014 it concluded contracts to this end with promotional banks in Denmark, Poland and Italy. KfW has had a close relationship for years with Italy's promotional bank, the Cassa di Risparmio di Padova e Rovigo (CRP). This was expanded in 2014 with a global loan of EUR 500 million for the energy-efficient reconstruction of public infrastructure as well as the promotion of small and medium-sized companies in Italy. On behalf of the Federal Government KfW also supports SMEs in Greece and Ireland with global loans through corresponding funding institutions in whose establishment KfW previously participated as a consultant.

the gross domestic product in 2050 by 1% and would create around 150,000 additional jobs. And, the focus on energy efficiency spurs innovation. Almost one in every four patents for improving the energy efficiency of buildings, registered between 2006 and 2012 at the European Patent Office, came from Germany. Those registering patents include, for example, va-Q-tec AG, a mid-sized high-tech company with headquarters in Würzburg, which was supported by KfW. It develops and manufactures environmentally friendly insulating boards, which are about ten times more efficient than conventional insulating materials. They are

used in thermal packaging, for insulation of refrigerators and freezers – and in construction wherever a surface needs to be insulated while taking up little space, such as sleek façades, parapet elements or energy-efficient homes.

Innovations such as these can make energy-efficient construction and renovation cheaper and better in the future. For builders this is important as the statutory requirements continue to become more stringent: according to the European Buildings Directive, by 2020 all new buildings in Europe must be constructed to meet the minimum energy standard.



Innovative materials ensure improved energy efficiency of buildings. For example, the slim insulation panels from va-Q-tec AG.



Biodiversity

Adapted to turbulent times

Coastal ecosystems are the habitat of numerous species and protect people from storm surges. Stabilising them is the goal of coastal and marine protection as well as of a KfW project in the Caribbean.

White sandy beaches and turquoise waters surrounded by lush tropical vegetation: tourists are offered a scenic paradise on the Antilles islands. But this Caribbean idyll is under threat. Extreme weather events already cause vast damage there. The Caribbean Catastrophe Risk Insurance Facility estimated it at 1% to 6% of gross domestic product for individual Caribbean states. If the sea level rises with the global average temperature, the tropical storms typical of the region will intensify, as will the storm surges. In the latter case, some places will lose several metres of shoreline through coastal erosion. And it is to be feared that more will be lost in the future.

Coastal ecosystems, particularly coral reefs, mangroves and seagrass beds, can mitigate the negative effects of storms

and storm surges. They play an important role as a buffer: mangrove forests slow the wind above the water surface and reduce the force of the waves. If the benefits of these ecosystems are lost, and with them the natural protection they offer, infrastructure and agricultural land in the hinterland will be threatened. Coral reefs, mangroves and seagrass beds are also a refuge for numerous fish species. Without these spawning sites, populations and consequently the income of coastal fisheries will decline in the medium term. Caribbean states will lose far more than a few plants or animals with the loss of their coastal ecosystems: the natural foundations of life as well as the attractiveness of the islands as a diving and holiday paradise are at stake – and consequently the economic existence of many inhabitants.

Ecosystem-based adaptation

Since 2014, the KfW Development Bank business area has been lending support to the Antilles Islands of St. Lucia, St. Vincent and the Grenadines and Grenada, as well as Jamaica, which is located further to the west, in order to protect many kilometres of coastline from coastal erosion. The further aim is to increase the fish stocks that inhabit these ecosystems by at least 20%. Within the framework of Financial Cooperation (FC), KfW is providing a grant from BMZ funds amounting to EUR 10.8 million until 2018.

This funding will help improve the management of marine protected areas, rehabilitate coral reefs and reforest mangrove forests. In addition, the project supports the long-term observation of relevant ecosystems and the regional exchange of knowledge. The first



Growing mangroves and preserving reefs provides natural protection for coastal residents in the Caribbean – and spawning grounds for fish.



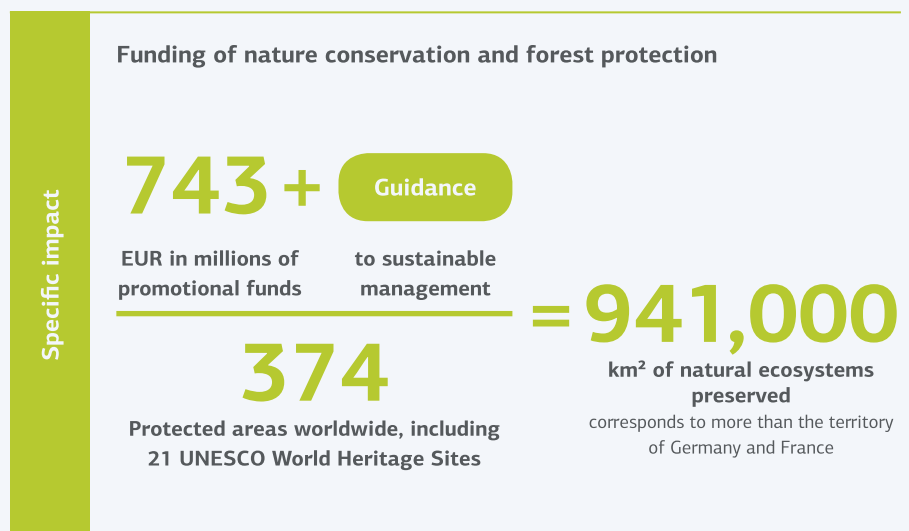
concrete proposals for action will be available in autumn 2015, and implementation should begin towards the end of the year.

KfW is cooperating on the project with the Caribbean Community Climate Change Centre (CCCCC) in Belize. This research and consulting institution has analysed the risks posed by climate change for the Member States of the Caribbean Community (CARICOM) since 2002 and coordinates the implementation of the CARICOM Climate Adaptation Strategy. It inputs high-level expertise, but its personnel and financial resources are limited. In addition to the monetary commitment of KfW, CCCCC Director Dr Kenrick Leslie believes it will send a signal: “The project lends greater weight to the idea of ecosystem-based adaptation to climate change in the Caribbean”. The measures replace and supplement costly investments in infrastructure for coastal protection and make an important contribution to protecting one of the most important resources of the Caribbean: its biodiversity.

Biological diversity as a basis for existence

KfW Development Bank, working on behalf of the Federal Government, is one of the biggest donors for the conservation of biodiversity worldwide. It supports nearly 170 projects in 40 countries with EUR 1.23 billion. Almost half of the funds will benefit Latin America, and about one-third will benefit Africa. Content-wise, the

commitment is broad: KfW Development Bank invests more than half of the funds in conservation areas, which it establishes together with partner countries. It also promotes the sustainable management of natural resources and the protection of forests, endangered species and indigenous peoples (see box). In doing so, it often works closely together with non-governmental organisations.





With passion for biodiversity

The KfW Bernhard-Grzimek Prize, worth EUR 50,000, aims to give biodiversity a face and thereby raise public awareness of this complex topic. Every two years, the KfW Stiftung honours people and organisations that advocate for the preservation of biodiversity in a creative, energetic, innovative or entrepreneurial way. The 2015 winners do this at different levels.

A pioneering fighter: Emmanuel de Mérode

Some 200 mountain gorillas still live on the volcanic slopes of the Virunga National Park. In addition to endangered animals, the natural UNESCO World Heritage Site in the troubled east of the Democratic Republic of the Congo is home to a unique variety of plants and animals. Emmanuel de Mérode has made it his mission to preserve this biotope. Since 2008 he has been director of the oldest national park in Africa and is engaged in much more than nature and wildlife conservation. Born in Belgium, with his passionate engagement he has in recent years significantly contributed to curbing poaching and illegal logging, and concluded a peace agreement with rebel leaders in border regions. He also fights for a sustainable management of natural areas and thereby helps residents to permanently retain their livelihoods. For his employees and the local population, de Mérode is the "Hero of Virunga". Not least because he involves them and the regional politicians in his work and engages with them at eye level.

A pioneering thinker: Pavan Sukhdev

Nature is not a self-service store – even if it supplies us with clean water without solicitation and does not send a bill for the bees to pollinate or the forests to store CO₂. Since anything which costs nothing is obviously not worth anything, Pavan Sukhdev concludes: nature has to be given a price. In his movement entitled "Corporation 2020" and his book of the same name, the environmental economist calls on companies to identify their environmental costs in their financial statements and to pay for natural capital such as groundwater. A former bank manager and Special Envoy for the United Nations Environment Programme, he bases this call on a study for the G8 research project, "The Economics of Ecosystems and Biodiversity" (TEEB), in which he was the first to calculate what the loss of biodiversity and ecosystem destruction actually costs society. His summary: barely any company would be profitable if it included economic effects. Sportswear manufacturer Puma followed Sukhdev's call and in 2011 presented the world's first ecological income statement. Other companies have since focused on the value of nature. Sukhdev's huge contribution to a sustainable restructuring of the economic system is to make this measurable and thereby manageable.

Intact ecosystems are central to sustainable development and the fight against poverty. Around 80% of biological and genetic resources are found in developing countries; for many people, these resources are the basis of their nutrition and medicine. Due to varied and also external causes, the natural resources there are already being exploited faster than they can regenerate themselves. If the destruction of the habitats continues, the only option for people is to leave their homes.

Coastal protection in the Caribbean and Latin America is a relatively new topic within German development work. It became a focus of attention in 2010 as a result of the Conference of the Parties to the UN Convention on Biological Diversity (CBD) in Aichi-Nagoya, Japan. The 2011-2020 Strategic Plan signed there by 194 countries on the conservation of biological diversity ("Aichi targets") emphasises the complex significance of the sustainable use of marine and coastal areas. It aims to place at least 10% of the area under protection by 2020. Currently the protected part is just 2.8%.

Focus on seas and coasts

The protection of the seas aims to maintain their role as the world's largest ecosystem. Together they cover more than two-thirds of the Earth's surface. They have important effects on the climate as oxygen producers and the largest active nitrogen and carbon sink. The world's seas also house the bulk of biological diversity and serve as an important source of food. For nearly three billion

UN biodiversity goals until 2020 (Aichi Targets, excerpt)

- Halve the rate of loss of valuable habitats
- Conserve at least 17% of terrestrial and inland water as well as 10% of coastal and marine areas effectively
- Manage all fish and invertebrate stocks and aquatic plants sustainably and legally applying ecosystem based approaches

Source: 2011-2020 Strategic Plan of UN Biodiversity Convention

people, particularly in developing countries, fish is a crucial component of nutrition and an important source of protein.

Yet fish stocks worldwide have fallen dramatically in past decades. Today, more than twice as many fish are already being taken from the ocean than can sustainably be allowed. A growing world population is further increasing pressure on aquatic resources. Resources and biodiversity can be secured only through the integrated, sustainable management of coasts and seas – either through the designation of no-take zones or the effective regulation of large-scale fishing. Existing fish populations are at risk because of the disturbance of important ecosystems and polluted water, as occurs through pulverised plastic waste for example.

Coastal protection aims to secure food and nutritional resources for many people. Approximately 90% of the people who are dependent on fishing live in developing countries. Coastal regions are already among the most densely populated areas on Earth. It is estimated that 75% of the world population will live no more than 60 kilometres from the sea by 2020. Ecosystem-based adaptation can offer them effective protection against climate change impacts and is relatively cost-efficient compared to technical infrastructure. But in the Caribbean, flood protection walls will still be needed in the long run.

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Borders for protected Indian areas

Meat, fish, fruits, vegetables, medicinal plants – the indigenous people of Amazonia get everything they need to live from the rainforest. Traditionally they live in harmony with nature. Clearly demarcating and protecting their habitat was the goal of a EUR 14.1 million project funded jointly by KfW Development Bank and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). In the Amazon region, over 178 indigenous protected areas were marked out from the total area of the federal state using paths and landmarks, coded by GPS and recorded in the land register. This codified what Brazil had guaranteed the native inhabitants since 1988: the right to the exclusive use of the area in which they resided. In autumn 2013, KfW Development Bank conducted an on-site ex-post evalu-

ation to determine whether the demarcation keeps out intruders and thereby, for example, prevents illegal logging. Legal certainty contributed to the number of indigenous inhabitants in the demarcated areas doubling in the past 20 years to nearly 900,000. Because outsiders may cross the border only with permission, the infection risk for the original inhabitants, whose immune systems are not equipped for many diseases, has been reduced. And nature also benefits: at 1.46%, the level of deforestation for the demarcated areas is significantly less than for the rest of the Brazilian rainforest (around 20%). Overall the results achieved were given a KfW evaluation rating of “good”. There remains the challenge of controlling the borders of the Indian habitat.

Focus on the desert sun

KfW is driving global energy transition forward with the financing of the Ouarzazate solar power complex. And thus is also supporting the emerging market Morocco in implementing its climate targets.



The sun shines reliably over Ouarzazate, for an average of 9.4 hours per day throughout the year. Historic films such as “Gladiator” or “Lawrence of Arabia” were shot here in its blazing light. Since mid-2013 a climate-friendly energy supply of the future is being built just outside the southern Moroccan city. The world’s largest solar farm is being created at the edge of the Sahara spread over 3000 hectares, equivalent to roughly 4200 football fields. By 2017, four ultra-modern power plants (Noor I to IV) with an installed capacity of 560 megawatts (MW) are to supply clean energy for approxi-

mately 1.3 million Moroccans, thereby realising the vision of obtaining green electricity from the North African desert.

Noor I online

The first milestone has nearly been reached: Noor I, a parabolic trough power plant with a capacity of 160 MW, will be connected to the grid towards the end of 2015 and thus right on schedule. This should not be taken as a given: the “Concentrated Solar Power” (CSP) technology used in the large solar power plant is still new, and has so far only been used in smaller plants in Spain and the USA. By

contrast, approximately 1,600 parabolic trough collectors have been installed in long rows in the desert sand in Ouarzazate, and assembled with utmost precision. The mirrors follow the movement of the sun, concentrating the incoming rays and reflecting them to a single point. At this so-called focus line, the pipe filled with heat transfer fluid absorbs the energy. It heats the water-steam circuit that converts the thermal energy generated into electricity through a turbine and a generator. It is also technically very demanding to connect this steam power plant to the solar field.



The Noor I Parabolic Trough Power Plant is the first of four ultra-modern solar power plants to go online, in 2015.



Almost one in every six people live in energy poverty.

Most of them reside in rural areas. They have no or an insufficient supply of energy to cook, for lighting, heating, cooling or to use IT equipment. This has a negative impact on living standards and future prospects. Since energy needs will continue to rise in future, the global energy transition is crucial for overcoming poverty.

Unlike photovoltaic installations, the solar thermal power plants can store solar energy efficiently on a large scale through molten salt storage, and thus also produce electricity at night. Production can be decreased and increased if necessary via the network control centre. However, the components for this powerful technology are still relatively expensive. This also applies and all the more so to the solar tower, which will be at the heart of the Noor III power plant. Thousands of movable mirrors laid out in a circle reflect sunlight onto the 270-metre-high tower at the centre of the solar field. The construction work will begin in the third quarter of 2015.

Investment in future technology

Technical innovations such as these require investment. This is because they only make economic sense in the long run and are thus attractive to private investors

if applied on a large scale: “If many solar thermal plants are constructed, the costs for manufacturing and assembling components will fall,” explains Helmut Asam, technical expert for the renewable energy division at KfW Development Bank.

The total cost of the Ouarzazate solar farm will be around EUR 2.2 billion, financed by an international donor community. The KfW Development Bank business area signed loan agreements amounting to EUR 754 million on behalf of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) under the International Climate Initiative [ICI] as well as of the Ministry for Economic Co-operation and Development (BMZ), and thus bears 40% of the costs. Ouarzazate is also one of KfW’s biggest Financial Cooperation (FC) projects so far. This commitment is part of the initiative for

Climate and Environmental Protection that KfW launched in 2007 on behalf of the Federal Ministry for Economic Cooperation and Development. Since then it has provided around EUR 4.27 billion in low-interest loans for climate and environmental friendly investments in developing and emerging economies.

Contribution to Morocco’s climate targets

By financing the Ouarzazate solar farm, KfW Development Bank is promoting the global transformation of energy systems. At the same time it is supporting the Moroccan government under King Mohammed VI in implementing its ambitious national energy strategy. By 2020 some 42% of the installed capacity in Morocco should be based on renewable energies for power generation, divided into 3x two-gigawatt (GW) capacities for solar, wind and hydropower.



Wind power for Quebec

A thinly populated location rich in wind, experienced project partners and a state energy provider who guarantees a long-term power purchase: the preconditions for the construction of the two municipal wind farms Temiscouata I and II in the Canadian province of Quebec were good. The first one went online at the end of 2014, earlier than planned. It is operated by the regional county municipality Temiscouata as well as Boralex, a Canadian specialist for renewable energy power stations. The second power station, the one operated only by Boralex,

should deliver power from the end of 2015. As the sole lender, KfW IPEX-Bank structured the project and funded it with around EUR 150 million. Along with its consultants, it was also responsible for the due diligence process and coordinated communication with the customer. The technology is supplied by German manufacturer Enercon, with whom KfW IPEX-Bank has collaborated for many years, similarly to Boralex. With an installed capacity of 75.2 MW, both wind farms supply electricity to around 15,000 households.

New energy mix in Uruguay

Wind power is gaining in significance in Uruguay too because the economic upturn being experienced by this South American emerging market means its energy demand will rise by at least 4% per year until 2020. A significant expansion of the hydroelectric power plants which currently account for over half of the national energy mix is technically difficult, and augments the risk of being dependent on power imports during dry years. DEG is involved in one of the first

private-sector wind farms in Uruguay. With an installed capacity of 88 MW and advanced European technology, it has produced ecologically friendly electricity since August 2014 in three related project locations in the Florida department of Uruguay. Long-term purchasing is guaranteed by the state electricity company. The wind farm was built by operator Arkenux S.A. DEG has an equity stake in the enterprise and advised on the project implementation.

partners of German development cooperation, it has already benefited from FC loans in the past. The first wind parks in the country financed with these loans in Essaouria and Tangier have supplied green electricity since 2007. As a member of an international banking consortium, KfW Development Bank has also supported two Moroccan commercial banks since March 2015 with a credit line of EUR 10 million for financial products to promote energy efficiency and renewable energy.

Implementation as a public private partnership

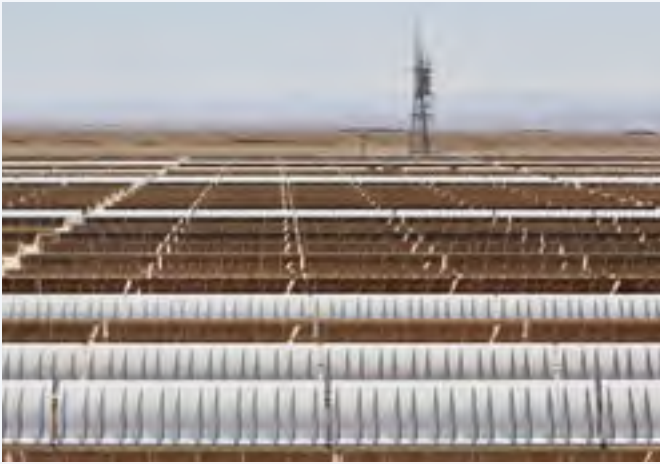
KfW Development Bank brought not only funds to Ouarzazate but also technical expertise. The framework for this was an exceptional project structure in the context of an emerging economy. The Moroccan Agency for Solar Energy (MASEN), a public agency for solar energy, is the borrower and responsible for implementing the solar park. It is implementing the project in a public private partnership (PPP) according to the “build, own, operate, transfer” (BOOT) model. This involves the bidder building the power plant and operating it for 25 years. The Moroccan government provides a contractual guarantee for this period to purchase the subsidised electricity as per the feed-in tariff. In addition, it guarantees the donor contributions and finances the development and connection costs of the solar power plant. In terms of quality and competition, MASEN issues a public, international and multi-stage tender for each of the four power plants Noor I to Noor IV. The agency is supported by expert KfW staff when formulating the technical and legal quality standards as well as risk-mitigation aspects. “We also see ourselves as a technical adviser in the project”, says Jan Schilling, Project Manager, KfW, Rabat.

The energy mix of this North African emerging economy is currently largely based on fossil fuels, which are imported in large quantities for lack of its own resources. Greater self-sufficiency from renewable resources frees up foreign currency in the medium term for investments in infrastructure or education, thereby supporting the economic upswing that Morocco has been experiencing for

several years. This creates jobs and has a stabilising effect on the country, but also leads to an increasing demand for energy.

The geographical conditions for an energy turnaround in Morocco are very good, and the solar sites are among the best in the world. Yet this emerging economy cannot leverage the energy potential alone. As one of the most important

A private consortium from Saudi Arabia was commissioned with the design, construction, operation and maintenance of the Noor I power plant. As the general contractor it employs approximately 200 subcontractors, including many German companies. A large share of added value is generated, with about 30% in Morocco. Of the roughly 1,900 workers involved in the construction of the power plant,



By 2017 the entire **Ouarzazate solar power plant** will supply roughly 1.3 million Moroccans with clean energy.



roughly three quarters come from this emerging economy, and most of them from the Ouarzazate region.

The cost of the electricity that the Noor I power plant supplies to the Moroccan grid is 12.5 cents per kilowatt hour. “Compared to the expansion of the gas and oil power plants available in the country, this is close to being profitable”, says Schilling. And it is definitely climate-friendly: Compared to fossil fuels the solar thermal power plant avoids 229,000 tonnes of CO₂ each year, upon completion of the entire Ouarzazate solar park this figure will be 800,000 tonnes per year.

Signal for the region

KfW Project Manager Schilling referred to the so far effective construction progress as “a result of successful cooperation between funding, political will and a competent implementation organisation.” Assuming these factors are available, the inexhaustible resource of the sun can be made economically viable in other countries of North Africa and the Middle East too. To supply power to their own populations, and potentially to export to other countries. If everything goes to plan, Ouarzazate could become a significant showcase location from the perspective of energy policy as well.



Green financiers club

Mobilising green financing and know-how for sustained development: for this purpose 22 promotional banks from Africa, Asia, Europe and Latin America have come together as the International Development Finance Club (IDFC). Its commitments in the area of Green Financing have since increased continuously, totalling USD 99 billion in 2013. More than two thirds of the funds were channelled into combating and adapting to climate change in projects to promote renewable energies and energy efficiency. KfW is a founder member of the club and currently the chair. In the run-up to the Paris climate summit in November 2015, the IDFC is heavily involved in the area of Green Finance and is working together with the UN on this. The goal is to pool increasingly also private capital in future for international climate financing.

Funding the global energy transition

Specific impact

2.8 + **Infrastructure** = **2.1**

EUR in billions in promotional funds*

for renewable energies in emerging and developing countries

million people supplied with modern energy for the first time

German Federal Government's target: 100 million people by 2030

*KfW Development Bank 2014



Interview

“Development needs climate protection”

2015 is a significant year for climate protection: in September the Sustainable Development Goals (SDG) replace the Millennium Development Goals (MDG). The United Nations is therefore expanding its poverty reduction goal to include ecological aspects. A new climate protection agreement should be reached at the Paris climate change conference in December. Why development and climate protection are not opposing concepts is discussed by Prof. Dr Sabine Schlacke in the interview. The director of the Institute for Environment and Planning Law at Wilhelm-University, Münster, North Rhine-Westphalia, is a member of the German Advisory Council on Global Change (WBGU).

Prof. Dr Schlacke, what opportunities do you see in the Sustainable Development Goals?

Prof. Dr Sabine Schlacke: First of all, the opportunity to address all the countries of the world community at the same time, about the goals they set for themselves and which are applicable to all. The Millennium Goals focused on developing countries. Now the whole debate is changing and it is becoming clear that global environmental changes affect us all. This is revealed by the latest progress report of the Intergovernmental Panel on Climate Change in 2014 based on unique scientific foundations. It is now proven that climate change is caused by humans. The second realisation is that development and environment are inextricably linked, and so development is not possible without environment protection.

But this realisation has been known throughout the world since the Rio Summit in 1992?

Schlacke: Correct, but Rio only initiated the three conventions: the Framework Convention on Climate Change, the Convention to Combat Desertification and the Convention on Biological Diversity. Even international environmental law was not at the

same level then as today, and the same applies to the scientific foundations. For example, climate data first had to be compiled and then conclusions drawn. It was a development step.

Reducing poverty requires economic development, which in turn burdens the climate. How can this contradiction be resolved?

Schlacke: Current development is indeed associated with a massive pollution of the environment as well as higher CO₂ emissions. Even if China is very progressive when it comes to renewable energies, we simply cannot compensate for the coal burned there. Nonetheless, we can still make the transition to sustainability. The question of energy supply is crucial. If we take a 180-degree turn here, green economic growth can succeed. The technologies exist to be able to step away from fossil fuels. What is needed is the will to transfer them, possibly under favourable conditions. The necessary capital is there, and what is more in the private sector: it just has to be channelled in the right direction. Therefore funding also constitutes important leverage for the transformation.

To link climate protection with development, the WBGU introduced its concept of planetary guard rails to the SDG discussion. What are these aimed at?

Schlacke: The main question is: whether there are global thresholds for certain spheres of activity, and crossing them causes damage that is hard or impossible to reverse. The WBGU has identified six such thresholds as – environmental-planetary guard rails, which include the 2°C climate protection guard rail. They can also be construed as measurable damage thresholds, and are equally conceivable for economic or social goals. Their advantage lies in the fact that they assign a quantitative value to a threshold. So far, the proposals for the Sustainable Development Goals have only contained the soft formulation of “sustainable” – irrespective of whether the goal is for urban development, agriculture or the energy system. But you clearly have to ask: Is that really measurable? It is important for us to make it clear that identifying planetary guard rails enables us to set a framework for economic and social development.

At a push, does climate protection limit the goals of poverty reduction?

Schlacke: Under no circumstances do planetary guard rails, such as the 2-degree mark, hinder the fight against poverty. What is relevant, first and foremost, is the lifestyle of people in rich countries and the aspiring middle-classes worldwide. Moreover, reducing poverty is only possible if the ecological guard rails are adhered to. Tackling environmental protection and development together and intertwining them are crucial.

On the other hand, one could argue for pushing ahead with development first because it enables emerging countries to drive forward with climate protection themselves. What would your response be?

Schlacke: We cannot say first of all let's tackle our development problem – poverty, hunger and illness – and then we can turn to the luxury problem of environmental and climate protection, because it would be too late. As climate research shows, we are currently heading towards a 3-4 degree world because many countries are continuing as before. If we don't act now, we will reach tipping points, possibly the melting of the polar caps or

the weakening of the Gulf Stream. These tipping points are potentially irreversible, but at any rate intolerable. Making adjustments would no longer be sufficient in such cases. So all our efforts have to be focused on reaching the emissions peak by 2020. And then we must open a discussion about how every country in the world can reach zero CO₂ emissions by 2070.

How can we sharpen policymakers' awareness?

Schlacke: By presenting the situation vividly and making it clear we are all sitting in the same boat. This will become apparent if refugees continue to migrate to safe and economically prosperous countries in future because of the expected implications of global environmental change. These are not utopias, but plausible scenarios. These consequences of unbridled climate change have to be stated over and over again.

What do you expect and hope from the Paris climate summit?

Schlacke: I hope that our 2-degree guard rail will be established as a binding rule in a protocol. Binding international law would be a massive step. In addition I want to see the process of reduction goals put in gear again, at least in the form of a reporting procedure, where state goals are checked and associated with the necessary savings. I would also like to see more transparency and the participation of approved NGOs. These are extensive demands and would steer the climate process onto a procedural path. Agreements on demands for transparency and participation are not so tough to reach, and could even be more promising than internationally binding reduction goals.

What can civil society do?

Schlacke: Civil society consists of many movements, which of course are not always united. What it can and should do is create transparency – and demand it more vehemently. Even with the abundance of data on the Internet, it is not at all easy to get relevant information. For example, on which country does not keep its own promises. But this should be made public, so responsibilities become visible. One could go further and grant NGOs the right to information. Transparency and media interest in the subject would certainly rise in this case.

A right for NGOs to bring actions for climate data?

Schlacke: Why not? This would obviously blow international law experts away. But is climate protection just a state affair in a globalised world? Once again, we are all sitting in the same boat.

What leverage can individuals use?

Schlacke: Personal lifestyle, because demand shapes supply. Yet consuming with awareness requires information and a certain level of education. Because I will only change my behaviour if I know why I should. Moreover, we need the legal framework. The key word here is mobility: I can only be climate-neutral if there are products and services to let me do so. The WBGU talks here about countries being able to shape and determine. Some believe it to be an ecological dictatorship – which is completely wrong! The state lays down the general conditions, restrictions too. But in so doing, it paves the way for innovations towards a decarbonised society.



»» Preserving resources. For people and the environment.



Attractive employer

Responsibility begins in-house. KfW cultivates respectful interaction with its employees, offering them a diverse array of benefits and career prospects.

KfW's success is founded on its qualified and motivated employees. The Human Resources department's mission is to provide them the best possible support and encouragement in their jobs. An open, trusting culture that rewards achievement while bearing social factors in mind forms the framework for this mission. KfW is currently undergoing a process of modernisation, and working to define tasks,

processes, and structures in a transparent manner to bring the corporate culture forward. Our mission statement, reformulated in 2014, describes the values which our employees are committed to: responsibility, fairness, professionalism, initiative, and transparency. This was developed in a wide-ranging process involving discussions conducted across locations and hierarchical lines, which focused on

existing and desirable principles for leadership and collaboration. The mission statement refers to other initiatives that define KfW's corporate culture: targets for our gender balance process, new service agreements on autonomous working hours, corporate health management, work-life balance, the new competency model for executives, and the Code of Conduct (see p. 63).

Equality and diversity

KfW is working towards a culture of equal opportunity. The equality plan, valid until the end of 2015, is based on the Federal German Equality Act, and, among other things, defines our goal of having one in three executive positions filled by a woman by the year 2015. Women make up 49.3% of our total workforce, but are still under-represented in management. The percentage of women in management increased to 29.9% (2013: 28.9%). To further develop a gender-aware corporate culture, KfW has been following a Gender Balance Programme since 2012, which was recognised in 2013 with the German HR Award. With broad involvement from our workforce, the bank developed joint targets surrounding the topic of gender balance in 2014 in two interactive formats.

KfW established a company-wide mentoring programme specifically to prepare women to handle their first management positions or expanded executive

responsibilities. In November 2014 a third round of mentoring began with 27 tandems from all areas of the bank. Here, experienced executives serve as personal contacts for employees interested in a management position over a period of several months, giving them inspiration for their personal and career development (see box text on p. 57). The “KfW Shadowing” tool continued in this reporting period; KfW-IPEX Bank introduced it in 2013. Employees with an interest in and potential for a management role accompany managers, thus obtaining a practical insight into day-to-day management work.

KfW is committed to the values of diversity. Nobody may be discriminated against on grounds of nationality, ethnicity, gender, religious beliefs, world view, disability, age or sexuality. Anyone who feels they are being discriminated against can turn to a complaints office. No suspected cases were reported during this reporting period. Two discrimination

complaints were, however, brought by applicants: one was retracted, and a settlement was reached in the second case. KfW and KfW IPEX-Bank managers and staff take part in computer-based training on preventing discrimination. The KfW Fair Play agreement includes a counselling concept that demonstrates ways of solving escalating conflicts; trained conflict resolution officers are available for consultation. KfW once again exceeded the statutory quota for the employment of persons with disabilities, with a figure of 5.4% in 2014.

Leadership and dialogue

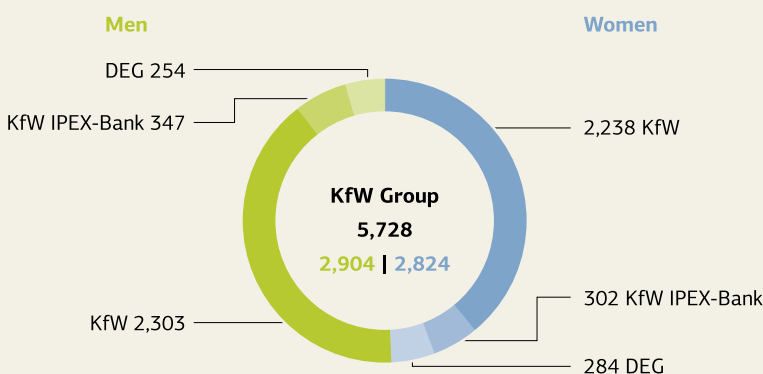
In its management principles, KfW commits to treating its staff with respect. Staff discuss their performance and their individual prospects with their line manager during an annual appraisal. Managers can receive feedback from their supervisors, employees, or clients through a structured process. This not only improves collaboration, but is also a prerequisite for further promotion within



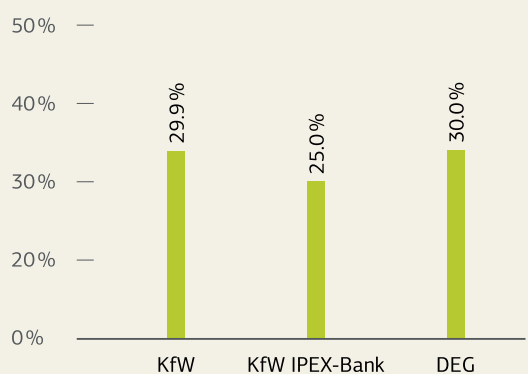
Personnel structure 2014

As of 1 December 2014, KfW Group employed 5,728 people, most of them in Germany. Roughly 490 people were employed in around 80 locations outside Germany, including 126 seconded employees.

Breakdown by gender



Women in management positions



the Group. The KfW leadership competence model was overhauled using a holistic, participative approach in 2014: the central challenges for managers are personal credibility and authority in their appearance and actions. The competency model was aligned with the core values of the corporate mission statement as well as with the results of the gender balance process. KfW employees are able to offer suggestions for improvement through Idea Management (Compass competition).

Benefits and worker participation

In terms of working hours, holiday entitlement, and pay, KfW staff are subject to the regulations of the collective wage agreement for the public and private banking sector. 27.5% of the staff are remunerated on the basis of this agreement. Local staff working in our foreign offices receive the working hours and social benefits governed by their national legal requirements. These are similar to benefits offered by comparable international companies in their local areas. The same remuneration guidelines apply to both women and men; they are grouped into salary levels based on tasks performed, qualifications, and responsibilities. The remuneration of employees who are not covered by a collective wage agreement is regulated by a service agreement at KfW, and by appropriate company agreements at KfW IPEX-Bank and DEG. For employees not governed by the collective wage agreement, the variable part is based on

performance-evaluated assessments focusing equally on the achievement of qualitative and quantitative goals. The amount of the overall payout volume is determined on an annual basis by the Executive Board or the management teams. At KfW and KfW IPEX-Bank, special benefits can be approved for employees covered by collective wage agreements with one-off payments. When assigning employees to foreign posts, KfW provides additional benefits which meet the local economic and safety-related requirements.

KfW employees with open-ended contracts – over 90% of staff – gain entitlement to pension benefits during the course of their employment, and have access to low-interest loans. KfW offers its employees voluntary deferred compensation for pension benefits, reimbursement for travel costs to and from work, and private accident insurance.

The German Federal Personnel Representation Law (Bundespersonalvertretungsgesetz – BpersVG) governs employee representation within KfW. Employee interests are represented by a central staff council, which is responsible for issues across all locations and meets every four weeks and by the three local staff councils in Frankfurt, Bonn, and Berlin. There are separate works councils at KfW IPEX-Bank and DEG in accordance with the Works Council Constitution Act. The different laws on employee participation (German Federal Personnel Repres-

entation Law and Works Council Constitution Act) make it impossible to create a Group works council. The responsible councils are involved early on and in a comprehensive manner, especially during change processes. An Equal Opportunities Officer, elected by female employees at KfW, represents their interests.

Health management and occupational safety

To maintain its employees' performance capacity over the long term, KfW operates its own health management services. The programme was revised in 2013, and focuses on the development of work processes, organisation and culture. In 2014, one focal point was training the management at all hierarchical levels on health-related issues. KfW organises health days at all locations throughout the group, offering a wide variety of programmes and courses – from company sports teams to advice on ergonomics and from stress management techniques to preparations for retirement.

Travelling workers and those employed abroad receive vaccinations and a personal first-aid kit, while all those interested receive an annual flu vaccine. Managers can choose to undergo regular health checks. Internal personnel involved in work safety hold regular discussions as part of occupational safety management. They complete workplace visits and risk analyses, and develop suitable measures to address issues if needed. Their discoveries become part of our continual, cross-location improvement process. The process places special focus on advising employees on ergonomic workspace design, providing instructions on occupational health and safety, and optimising behaviour in emergencies.

KfW employees also often engage in business travel or work abroad in troubled regions. There are group-wide guidelines for handling risks on site. In 2014, work instructions were developed on this basis, including check lists for physical and environmental security. Before being sent out of the country, staff receive personal and country-specific advice and can take part in online and face-to-face training sessions. Travel



Mentoring: clarity, truth and trust

Where do I stand in my profession? Where do I want to go? As a mother of three children, will I be able to continue to combine my management obligations with my family life? These questions motivated Heike Pfenning to take part in the KfW mentoring programme. The team leader also had a current topic on her agenda: the change process the bank is going through affects her team too – some products are being dropped, others added, and with them employees as well. All of this needs managing. Pfenning discussed how to handle all of this, and with what attitude, in regular, personal and intensive meetings with her mentor. She also met with Dr Jan Klasen every four to six weeks; he was available by phone or email as well when she needed him. With his many years of experience in management and as a mentor, as well as with “joy in discourse,” he provided the team leader with a neutral perspective and asked about contexts and relationships. “It is the duty of a mentor to place personal topics within a larger context and to facilitate personal development,” Klasen says. The advice to simply let things take their course now and then, and to put up with conflicts, served Heike Pfenning well during the restruc-



Heike Pfenning, Team Leader at KfW
Privatkundenbank

Dr Jan Klasen, Head of Restructuring
at KfW

ting phase. “The open and unbiased feedback helped me very much,” she says. She was quickly able to build up the trust she needed in her mentor. Absolute trust is the foundation of the relationship. Klasen knows from experience: with female mentees, the primary issue is often strengthening their belief in their own abilities. Heike Pfenning now feels secure in her personal position.

advice published in 2014 provides them with tips, check lists and telephone numbers for all types of emergencies. In security-critical countries, KfW subjects living and working areas as well as logistics and communication equipment to a safety assessment. In 2014, these took place at nine locations. If necessary, employees receive round-the-clock support through the KfW security centre – in 2014, staff were successfully supported with 50 security-critical events abroad.

Professional prospects

Attracting, developing, and retaining capable employees is key to the long-term success of KfW in view of demographic trends – and is a question of responsibility as well. The bank allows employees to enter their professions through several paths. It trains them in different professions at all locations as required; in 2014, the training rate was 4.3%. The application process is adapted for severely disabled applicants. KfW offers secondary school students the option of completing a dual education, high school graduates can participate in various training programmes and there are multi-month internships for students. At the end of 2014, a total of 196 young professionals were employed under the guidelines of the Fair Company Initiative. KfW offers its employees a wide range of internal

continuing education opportunities. If the company has a specific need, it brings in external service providers. Management training, interpersonal and communication skills, language courses and technical training were the priorities during the period under review. Succession management for leadership positions ensures employees are systematically promoted within KfW. Candidates for leadership positions are required to successfully complete the appropriate potential procedure for team or division management positions.

Reconciling career and family

KfW wants to enable its employees to combine their work and family lives as well as possible, each in their own unique ways. To do so, it offers them a wide range of part-time models. Employees of KfW and KfW IPEX Bank can generally work autonomously in flexitime hours – according to the relevant staff or company agreement – and, with the approval of their line managers, can also work via home office from time to time. If needed, they can be released from work temporarily for the purpose of childcare, family care or further studies. Part-time work is also available to managers: in our tandem model, two individuals share one leadership position. In 2014, 23.2% of employees throughout the Group worked

part-time, of whom 81.6% were women. KfW supports its employees in searching for short-term or regular child care as well as for professional support when home care is required, through cooperation with appropriate service providers. The company kindergarten and crèche in Frankfurt, in existence since 1973, offers space for 45 children. KfW has rented a further 76 child daycare places in external facilities. In Berlin and Bonn, employees can use a parent/child workroom. The Hertie Foundation confirmed KfW and KfW IPEX Bank’s family-conscious personnel policy in 2014 for the fifth time with explicit acknowledgement. DEG has been certified since 2012 with the audit berufundfamilie.



In-house environmental protection

KfW consistently aligns its business processes with environmental sustainability and guides these processes via its management system. The energy efficiency of its own buildings and mobility are central themes.

For KfW Group, climate and environmental protection means using natural resources sparingly, avoiding waste and protecting air, water and soil. It manages its environmental activity via a central Sustainability Management System; concrete objectives and measures are laid down in the current Sustainability Programme (see p. 78). The task force on business ecology under the direction of the in-house environmental protection officer ensures implementation. The

Group also regularly reports to employees on the topic of corporate environmental protection, either directly or via experts.

Energy consumption in buildings

Since 2013 an Energy Manager has optimised energy use in KfW's facility management. In terms of the environment and the economy, the Energy Manager works on improving the efficiency of processes and systems and identifying potential new savings. KfW includes all its own buildings across the group

in Germany as well as all other rented buildings whenever possible in its in-house environmental data. Since 2012 KfW has created simplified environmental balance sheets for international offices with a view to gradually gaining a representative overview of their energy use. In 2014, KfW Group in Germany used 41,373 MWh of energy. Almost 60% of this (23,278 MWh) came from renewable sources, and around 40% (15,344 MWh) from natural gas. Compared to the previous year, consumption fell by about 10%, which was

mainly due to the mild weather. Electricity for its own as well as most of its rented buildings comes exclusively from renewable sources. In 2014 the bank thereby saved around 12,600 tonnes of CO₂. It also produces energy itself: the photovoltaic installations on the roofs of KfW have a maximum total capacity of around 115 kilowatt-peak. The block heat and power plant (BHKW) in Berlin was replaced in early 2015 by a more efficient one. The electricity generated in Frankfurt and Cologne is fed into the grid by KfW and DEG, while other locations use the energy themselves. Two wood-pellet boilers supply basic heat to the “East Arcade” and Senckenberganlage buildings in Frankfurt. The DEG building in Cologne is heated using environmentally friendly district heating.

When building new offices and undertaking renovations, KfW Group focuses on achieving maximum energy efficiency and brings external energy advisers on board early in the planning phase. All new construction projects in the past five years fell well under the statutory consumption rates according to the German Energy Saving Ordinance (EnEV). The energy demand of the new building at Bockenheimer Landstrasse 104 in Frankfurt, which is expected to be completed in 2016, is about 30% below EnEV requirements. KfW will voluntarily create an eco-balance sheet for this by mid-2016 in accordance with the Assessment System for Sustainable Building (BNB). This includes the environmental impacts over the entire life cycle of the building, including materials selection as well as impacts on biodiversity.

The KfW Group Sustainability Programme will also implement numerous other consumption-reducing measures by 2017. These include the modernisation of the cooling and heating supply at the KfW Campus in Frankfurt as well as the extensive use of LED lighting in all reconstruction, revitalisation and rehabilitation projects as well as new buildings. In the recently renovated underground car park of the “North Arcade” KfW building, such lighting has already been used since the end of 2014 and consumes approximately 20% less energy than a conventional lighting system. The data centre and IT infrastructure account for a significant proportion of KfW Group’s electricity consumption. In procuring equipment, the bank attaches importance to certifications such as EnergyStar, which guarantee low resource consumption.



E-mobility at our own locations

The Federal Government formulated an ambitious goal in its National Electromobility Development Plan: in 2020 there should be one million electric vehicles operating in Germany. But some effort is required to reach this goal. KfW makes a contribution through its business by supporting entrepreneurs with easy credit to expand their fleet with electric vehicles. We set a good example with our own operations: at our offices in Frankfurt, Berlin and Bonn, we have set up charging stations, which our employees and guests can use for free. All of the electricity comes from renewable energy sources. And in our own vehicle fleet we are relying increasingly on emission-free mobility: the KfW fleet currently includes six completely electric vehicles and eleven hybrid vehicles. We plan to continuously increase the proportion of electric and hybrid vehicles and to establish them as an integral part and significant portion of our vehicle fleet.



Gerd Kugler, Head of Department Central Services, Safety and Vehicle Fleet at KfW



Business travel and vehicle fleet

KfW Group also asks its employees to plan business trips that are economical, environmentally friendly and appropriate. Within Germany they are asked to take the train whenever possible. A total of 17 electric or hybrid vehicles are available for short trips and courier tours (see box on p. 59). KfW would also like to provide financial incentives in the future to encourage employees to choose a company car with reduced CO₂ emissions. It supports employees who use public transportation to travel to work with a free “job pass” or specific annual tickets. It also participates in the “Biking to Work” campaign of the AOK health insurance and the German Bicycle Association (ADFC) as well as the bike + business project of the State Government of Hesse. KfW was honoured in 2014 for its participation in the bike + business project.

In 2014 KfW employees across the group travelled over 78 million kilometres on business trips, around 15% more than in the previous year. Energy consumption rose by 10.5% to 41,407 MWh. Transcontinental flights have significantly increased, one reason for which being the increased volume of business. By the end of 2015, KfW intends to use workplace web conferences and thereby replace business trips wherever this is possible and makes sense.

Climate-neutral banking operations

KfW offsets the remaining corporate CO₂ emissions across the group. Since 2013 it has also associated eco-electricity con-

sumption with a CO₂ factor, thus taking into account that emissions are also produced in the use of such electricity. Electricity consumption at the external data centre has also been taken account of since 2013. KfW Group purchases high-value Clean Development Mechanism (CDM) certificates on the market as well and discontinues them for good. In 2014 they originated from the Community Development Carbon Fund (CDCF) of the World Bank, which finances projects to reduce CO₂ emissions in poor countries.

Offsetting for 2014 was provided in the summer of 2015. KfW’s banking operations are thereby carbon neutral across the group.

Use of resources

At 108,440 m³, the water consumption of KfW Group in Germany in 2014 was slightly lower than in the previous year. About 87% of the water came from municipal drinking water networks, and 13% was groundwater and collected rainwater (industrial water). The use of

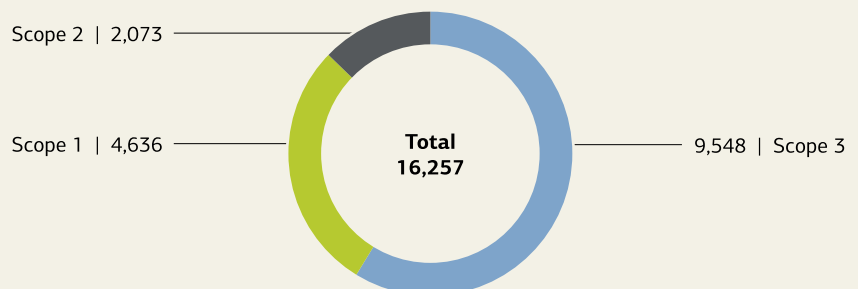


Carbon footprint of KfW Group

KfW Group records its CO₂ emissions according to the international standard of the Greenhouse Gas Protocol (GHG Protocol). In 2014 it fell slightly to 16,257 tonnes. We were able to reduce both emissions from direct energy use (Scope 1) as well as indirect energy use (Scope 2). This was mainly due to the mild weather and a CO₂-optimised fleet. The Bank’s group-wide travel-related CO₂ emissions rose primarily as a result of the increase in transcontinental flights, as did emissions from external activities (Scope 3).

Emissions by scopes in 2014

in t



drinking water in particular was reduced while the use of rainwater and groundwater increased significantly by contrast. KfW uses drinking water at its locations in Frankfurt and Berlin for outdoor irrigation, and in Bonn it also uses it for flushing toilets. In Berlin groundwater is used for toilet flushing and operating the cooling tower; DEG uses it for cooling the office building in Cologne. The water that is heated in this process – a maximum of 1,500 m³ per day – is directed into an underground stream below the building. In 2014 the grey water system in the Frankfurt “East Arcade”, which processed waste water for flushing toilets, was closed because it was no longer possible to operate economically due to changes in use of the building.

Paper is one of the essential materials of a financial institution. KfW Group continuously strives to reduce consumption. But in 2014 it did not succeed in this endeavour, and paper consumption rose around 4% to 386,576 kilogrammes. The reasons for this, in addition to the growth in personnel and business volume, include the increase in regulations such as the German Banking Act (KWG), which requires extensive reporting. In 2014 the proportion of recycled paper certified with the highest environmental label, “Blue Angel”, rose by approximately five percentage points and reached again the high level of previous years, accounting for 80% of total paper consumption. Across the group, KfW uses it mainly for internal printing and copying operations where it achieves a ratio of 100% recycled paper.



Advertising materials are printed exclusively on paper produced under recognised sustainable forest management, which bears the FSC label and contains a pre-defined percentage of waste paper (“FSC-Mix”). At KfW Group other material flows are low in comparison to paper and therefore are not specifically recorded.

Waste and recycling

Across the group, KfW has its waste collected, transported and, whenever possible, recycled by certified waste-management companies. When drawing up contracts, it makes sure that the transport routes are as short as possible. The total amount of waste rose in 2014 by around 10% to 2,595 tonnes in comparison with the previous year, mainly due to the closing of a warehouse in Frankfurt. The quantity of electronic equipment disposed of also rose because of the replacement of IT equipment. At 2%, hazardous waste was a small percentage of the total amount of waste but was

more than twice as high as in the previous year. The reason for this was the decommissioning of cooling plants as well as the clean up of chemical substances that are no longer needed or no longer used at technical facilities. Regularly generated hazardous waste has, by contrast, been reduced.



More figures on the topics of employees and in-house environmental protection at KfW can be found in the data section of this report from p. 69.

»» Living integrity. A reliable member of society.



Based on compliance

The demands placed on the integrity of a promotional bank are rightly high. KfW defines clear expectations for the actions of its employees as well as its business partners and suppliers.

Integrity is the basis for the trust that business partners, customers, shareholders and the public have in KfW. It requires compliance with all relevant statutory and regulatory provisions. The group-wide compliance guidelines revised in April 2014 describe the implementation of all policies.

Clear responsibility

The Executive Board is responsible for compliance within KfW, and the Compliance unit ensures operational implementation throughout the Group. It operates independently of other divisions and adapts the existing compliance management system to changing laws and

market trends. In accordance with the Minimum Requirements for Risk Management (MaRisk), since 1 November 2013, the Compliance unit has been the central area responsible for recognising legally relevant developments early on, preparing decisions for the responsible bodies and ensuring via monitoring that all legal

requirements are respected. With respect to content, Compliance at KfW focuses on the prevention of fraud and corruption, money laundering and the financing of terrorism, compliance with financial sanctions and embargoes, securities compliance, document organisation as well as data protection.

Prevention of fraud and corruption

KfW has explicitly taken up the preventive fight against corruption, fraud and other criminal activity in its mission statement and Code of Conduct. A fraud and corruption prevention officer conducts annual risk analyses for every business area and assesses the risks associated with individual customers/business partners, products, processes, transactions and countries, with the latter also taking into account the Corruption Perception Index published each year by non-governmental organisation Transparency International. Corruption risks typically exist with the approval of loans or subsidies, as well as procurement and the award of contracts.

At the organisational level, KfW and DEG are committed as corporate members of Transparency International in the fight against corruption; they are also supporting members of the EITI. KfW cooperates closely with the Federal Ministry for Economic Cooperation and Development in implementing the strategy on anti-corruption and integrity in German development policy.

Money laundering prevention and data protection

An anti-money laundering officer within KfW coordinates preventive measures against money laundering and the financing of terrorism. Among other things, the officer takes care of organisational instructions, conducting risk analyses, implementing risk-based prevention measures and the regular checking of the business-partner database and transactions against the most recent relevant sanction lists. KfW immediately reports all suspicious transactions or situations to the responsible investigating authorities.

Giving due consideration to banking secrecy, KfW complies with statutory technical and organisational data-protection requirements. Group-wide regulations ensure the security of personal data. In addition to the Group's data protection personnel and organisation, centres of competence were set up over the period under review for the fields of IT and data security in accordance with ISO 27001.

Code of conduct and training

The Code of Conduct is the guideline for legally and ethically faultless behaviour at KfW. Since December 2014 it has been binding across the Group for all employees and staff as well as the Executive Board; it comprises succinct and understandable central rules of conduct as well as the employees' cooperation obligation in a single document. For each issue a memorable link refers to more detailed information on the intranet. One can find both practical examples and rules of

conduct there. As an introduction to the Code of Conduct, all employees were given a copy with a covering letter from the CEO. The importance and obligatory nature of the code is emphasised again in a video message on the intranet.

For members of the KfW Executive Board, there is also an additional Code of Conduct that was most recently revised in June 2014. It regulates the handling of conflicts of interest, acceptance of gifts, invitations to events, engagement in ancillary activities or the acceptance of honorary posts. These topics are regulated in a binding work instruction for all employees of KfW.

KfW heightens awareness of compliance risks in many ways. Almost all work instructions for employees include a note on ethically and legally compliant behaviour. Additional information is also available on the intranet. During online and classroom training, KfW trained all employees in 2014 – depending on their risk level – in the bank's anti-fraud and corruption policies, while at internal "culture events" – most recently in April 2015 – it raises employee awareness about aspects of corporate culture as well as integrity.

In cases of suspected criminal offences or misconduct, employees contact their superior and /or the Compliance unit itself via a hotline or mail – anonymously if they wish. Since March 2014, they can also voice their concerns to an external ombudsman. The contact details for all contact persons can be found in the Code



of Conduct, among other places. KfW has consistently investigated and indeed investigates all suspected cases of compliance violations. During the reporting period, no allegations of corruption or other criminal acts were made against KfW.

KfW informs its business partners about compliance risks using product data sheets, information sheets and other contract components. It also informs the members of the Board of Supervisory Directors periodically about actual measures taken to fight fraud and corruption.

Responsible procurement

KfW requires its suppliers and service providers to comply with environmental, social and ethical standards. This is ensured by the Sustainability Guideline on responsible procurement adopted in 2012. It applies to all orders throughout the Group and complements the general guidelines on procurement. For products and services with significant adverse environmental impacts, KfW requires that suppliers have established guidelines and management systems to minimise these effects. KfW contractors must not employ children or allow forced labour. Workforce

wages, benefits and working hours must at least comply with the local legal requirements. In addition, KfW expects its business partners not to allow bribery, price-fixing or other unfair practices and actively oppose all kinds of corruption. For the implementation of the requirements of the Sustainability Guideline, in 2013 KfW added a paragraph on sustainability and occupational safety to the general procurement guidelines for KfW and KfW IPEX-Bank. Depending on individual cases, KfW will reflect the requirements of the new Sustainability Guidelines in all new contracts, wherever this is legally and commercially possible. Within reason, KfW also monitors the extent to which suppliers and service partners fulfil their contractually agreed duties of sustainable service delivery.

In 2014 the KfW group-wide procurement volume at EUR 580 million was higher than the year before (2013: EUR 490 million). This is distributed across Human Resources, Facility Management, IT as well as Marketing and Communications. Of the approximately 2,500 active contractors, around 95% are based in Germany and the remaining 5% in other OECD states. KfW formally tenders around 70% of its procurement volume Europe-wide via the Procurement Office and, in so doing, observes guidelines on transparency, non-discrimination and competition. As a public employer it is required to do so above a certain





Sparring partner for rule-compliant behaviour

Due to the tighter regulation of banks and the revision of the Minimum Requirements for Risk Management (MaRisk), the legal requirements for KfW have increased considerably in recent years. As a guide, adviser and sparring partner, the Compliance unit has supported KfW employees since 2010. Together with the responsible areas we determine which new laws and regulations are relevant for KfW and translate the often abstract specifications into understandable instructions. We check with each area whether they are already included appropriately in internal projects and processes. We secure the implementation of the guidelines via regular inspections and report the results to the Executive Board. However, statutorily compliant behaviour cannot ultimately be



Andreas Müller, Head of Compliance at KfW

delegated to one body. Through regular training and internal publications we therefore heighten the awareness that all employees – and executives in particular because of their exemplary role – are responsible for their actions. Because compliance concerns us all.

threshold. As far as possible under public procurement law, KfW includes social and ecological requirements in its contract conditions for Europe-wide tenders that are tailored to the specific subject matter of the procurement. This also applies to supplies that fall below the threshold. Accordingly KfW ensures fair competition and procurement conditions that are in line with the market and economy. To the extent that these are relevant, in assessing the sustainability of products or manufacturers KfW focuses on the requirements and specifications of recognised certification systems such as Blue Angel, Forest Stewardship Council (FSC), Energy Star and Fair Trade. If suppliers and service providers do not comply with KfW's contractually agreed environmental and social requirements, this leads to their exclusion in serious cases.

Handling complaints

KfW's complaint management coordinates incoming complaints throughout the bank. They are recorded by an internal complaint unit, analysed and handled in collaboration with the respective department. Nearly 3,000 complaints were recorded in 2014. This means the number of complaints has steadily decreased over the past three years. A comparison with the German Consumer Monitor, the leading indicator of customer satisfaction in Germany, shows that KfW's complaint rate among retail customers is one of the lowest among banks and savings

banks. KfW uses incoming complaints as a vital customer-feedback tool to optimise processes and services. They are evaluated quarterly and reported in the form of key findings to the Executive Board. Stakeholders can address questions and complaints on sustainability-related issues to KfW Group via the central e-mail address nachhaltigkeit@kfw.de, and difficult cases can also anonymously be addressed to the external ombudsman.

KfW subsidiaries and business areas have instituted their own mechanisms for dealing with complaints. In February 2014, DEG established a procedure through which individuals or organisations can submit complaints about financing. This is documented in detail on its website. Complaints are verified by an independent panel of three international experts on international law, human rights and complaint mechanisms. It decides whether arbitration proceedings are initiated in warranted cases or the complaint is examined. In April 2014 a complaint was recorded about the Barro Blanco (Panama) hydroelectric power

plant, which indicated there were negative consequences for the indigenous population. A report by the independent panel was published on this in 2015. DEG also provides for more transparency about financing through its website. Information about new commitments has been available here since January 2015. DEG and KfW Development Bank urges their customers to establish their own complaint mechanisms and maintain and document the results in accordance with the International Finance Corporation Performance Standards (IFC-PS). KfW IPEX-Bank also requires the same of its clients for the duration of the project, in order to be informed about any complaints from employees and the public.

Committed to the common good

Aside from its operating activities, KfW is committed to improved living standards in Germany and around the world via the foundation KfW Stiftung. It also encourages its employees to take responsibility.



An essential part of KfW's social commitment passed to the KfW Stiftung upon its establishment in October 2012. The non-profit, operationally active KfW Stiftung has capital of EUR 20 million and deals with major societal challenges, climate and environmental protection, globalisation and demographic change. It promotes initiatives that question existing patterns, develops concepts for alternative action and offers platforms for dialogue across borders. It supports numerous projects in four areas:

Responsible entrepreneurship

With the "Social Impact Lab" in Frankfurt, KfW Stiftung has provided room since February 2014 for business founders who want to solve social problems with corporate funds. They are supported there by expert coaches and mentors in

preparing their business ideas. Of the 21 founding teams that have been supported in the incubator so far, 16 have already realised their projects. In addition, KfW Stiftung also supports the Social Entrepreneurship Academy, which informs students, teachers and young professionals about social entrepreneurship in nationwide workshops and develops possible approaches together with them. Since 2014 it has supported the Social Business Women Association, which aims to improve the independence of women. The association offers advice and coaching for entry or re-entry into employment, as well as for venturing into self-employment.

Social commitment

With the aim of documenting examples of the range of social participation through projects, KfW Stiftung supports



Breaking habits, promoting exchange. Based on this goal, KfW Stiftung supports contemporary music from Indonesia, the training of rangers in Africa, the inclusion of people with disabilities in popular sports as well as social entrepreneurship.



Manege gGmbH at the Don Bosco Centre Berlin. The centre takes care of the children of unemployed young people, enabling them to participate in programmes run by the Federal Employment Agency. KfW Stiftung has together with Landessportbund Hessen e.V. as well as Special Olympics Germany e.V. developed education and training modules for trainers and coaches to include people with disabilities in popular and school sports.

Environment and climate

As a partner of the Senckenberg Nature Museum, the Botanical Garden and the Zoo in Frankfurt, KfW Stiftung raises awareness about the conservation of biodiversity at the local level and it keeps bees and produces honey on the green roofs of KfW headquarters. It also promotes the annual GEO Biodiversity Day,

and every two years it honours people and organisations advocating the conservation of biodiversity with the KfW Bernhard Grzimek Prize (see page 46). In the Southern African Wildlife College, KfW Stiftung fellows are trained in the field of sustainable management of natural resources to work as rangers in large African national parks.

Arts and culture

KfW Stiftung supports intercultural dialogue with artists from Africa, the Middle East, Asia and Latin America via various projects. These include an “Artists in Residence” programme for young artists in collaboration with the Künstlerhaus Bethanien in Berlin as well as scholarships for young curators for a stay in Berlin or Frankfurt as “Curators in Residence”. KfW Stiftung also supports the literature

project “Cairo Short Stories”, the video art festival Videonale Bonn and Lagos (Nigeria) and the music project Ruang Suara, a collaboration of contemporary Indonesian composers with the Ensemble Modern in Frankfurt.

Employee initiatives and donations

Many KfW employees also take responsibility outside of the profession and are committed to the common good – be it in their personal surroundings or elsewhere. KfW encourages them to present “their” projects and initiatives on the intranet and supports them with a one-off donation of EUR 500. The bank presents a selection of 40 projects each year in a special edition of its employee magazine. There is also a call to all employees to select the “Project of the Year”. The KfW Executive Board presents the award at



2015 Project of the Year: For Andrea e.V.

KfW employees decided with their vote: The “2015 Project of the Year” is the support association “For Andrea e.V.” (for www.fuer-andrea.de). In a ceremony in February 2015 KfW Executive Board member Dr Günther Bräunig honoured Clemens Kremer’s commitment and awarded him a special prize of EUR 2,500. The KfW employee uses the organisation to support treatment for his wife Andrea, who also used to work for the bank. After a cerebellar haemorrhage in 2011 and multiple heart attacks, the mother

of two children suddenly needed constant medical care. Since the insurance company covers only basic therapy, the organisation raises money for better treatment. This includes acupuncture, music therapy, several weeks of intensive therapies and medical aids such as special positioning pads. Andrea Kremer will be dependent on assistance for her entire life. But she has made great progress with the therapy sessions: she can eat and drink independently again and speak with reduced vocabulary.

a charity dinner to which all employees involved in selected projects are invited (see box).

KfW employees have the opportunity to donate a portion of their monthly salary through the “spare cents” or “spare euros” initiative. This allows their salary to be rounded down to the next full euro or five euros. In 2014 the donations amounted to EUR 30,000, and KfW topped it up by EUR 25,000. The money was used to support charitable

organisations that were suggested by the employees and selected by the local staff council in Frankfurt. In total, KfW made donations amounting to more than EUR 150,000 to institutions in 2014, mainly in social and cultural areas. To keep the circle of recipients as large as possible, no single donation exceeds the sum of EUR 15,000. According to its donation guidelines, KfW does not provide financial support or other allowances to political parties, including organisations that are affiliated with parties.

Donations 2012–2014

in EUR	2012	2013	2014
KfW	169,764	129,765	151,566
Employees	24,500	25,000	30,000
Total	194,264	154,765	181,566

»» Sustainability at a glance. Figures and programme.

Environmental figures

Energy consumption of KfW Group in Germany

in MWh	2012	2013	2014
Standard grid power	0	1,925	1,750
Green power	21,270	22,163	22,475
Cogeneration unit (own use) ¹	1,799	1,728	791
Photovoltaic (own use)	9	11	12
Photovoltaic (fed into grid) ²	-60	-69	-69
Emergency power generators (diesel)	0	34	51
Natural gas	17,469	18,784	15,344
Heating oil	618	398	0
District heating	589	1,289	406
Solar thermal energy	5	18	21
Wood pellets	1,031	1,011	523
Total	40,991	45,633	41,373
per employee	6.5	7.2	6.0 ³

¹ For information only; not included in the total figure because the power generated in this way is included in the natural gas row

² Negative amount not taken into account

³ Basis for calculation changed in 2014 due to error in database, so comparability with previous years limited

Business travel at KfW Group

in thousands of km	2012	2013	2014
Car (petrol) ¹	104	115	91
Car (diesel) ¹	4,335	4,711	4,677
Car (natural gas) ¹	50	60	23
Railway ²	4,923	4,305	4,304
Flights (domestic) ³	5,696	5,573	5,518
Flights (Europe) ³	6,647	6,687	6,469
Flights (intercontinental) ³	46,011	46,537	56,939
Total	67,766	67,988	78,021
per employee	10.2	10.3	12.4 ⁴

¹ This row contains all the kilometres driven by cars in the KfW Group fleet. Since company cars issued to staff are also used for private purposes, it is assumed that the kilometres travelled by taxi, rented car or private car during business trips are largely compensated for. It is currently not possible to make a more precise assessment.

² All rail travel in Germany and in neighbouring countries booked through the in-house travel management team; individual reservations and trips settled on a subsequent basis not included, but they are rather the exception.

³ Annual kilometres of all internal and external employees as well as external experts paid by KfW and invited guests that were booked through in-house travel management. There can be minor exceptions for the representative offices.

⁴ Basis for calculation changed in 2014 due to error in database, so comparability with previous years limited

Energy consumption for business travel at KfW Group¹

in MWh	2012	2013	2014
Car (petrol and natural gas)	269	293	200
Car (diesel)	6,603	6,814	6,725
Train	1,108	969	968
Flights (domestic)	5,189	5,077	5,027
Flights (Europe)	3,018	3,036	2,937
Flights (intercontinental)	20,889	21,128	25,850
Total	37,076	37,317	41,707
per employee	5.6	5.7	6.6 ²

¹ Calculated according to figures from the Association for Environmental Management and Sustainability in Banks, Savings Banks and Insurance Companies (VfU), last updated: April 2011; factors include upstream chain

² Basis for calculation changed in 2014 due to error in database, so comparability with previous years limited

CO₂e emissions of KfW Group¹

in t	2012	2013	2014
Emissions from direct energy consumption (Scope 1) ²	5,119	5,869	4,636
Emissions from indirect energy consumption (Scope 2) ³	371	2,555	2,073
Total business travel (Scope 3) ⁴	8,062	8,113	9,446
Events (Scope 3) ⁵	0	55	102
Total	13,552	16,592	16,257
per employee	2.0	2.5	2.6

¹ CO₂e-emissions of the KfW Group have been offset since 2006.

² Natural gas, wood pellets and own fleet

³ Conventional electricity, green power, district heating, oil and emergency power generation (diesel); in 2013 the external computer centre became carbon-neutral, it is powered by conventional electricity.

⁴ Only flights; short and long-term rail travel is CO₂e-neutral. A survey of emissions from business travel with rented cars from 2015 is currently being checked, but this is a low figure.

⁵ Emissions for participants' travel to and from KfW buildings for events

KfW Group paper consumption in Germany

in kg	2012	2013	2014
Recycled paper (Blue Angel) ¹	289,450	278,390	308,385
Writing paper (recycled paper – Blue Angel) ¹	9,214	3,536	5,260
Virgin fibre paper for promotional materials (FSC mixed sources label)	70,284	90,268	72,931
Virgin fibre paper (TCF – totally chlorine-free) ¹	20	0	0
Total	368,968	372,194	386,576
per employee	55.6	56.4	61.5 ²
of which: recycling paper (in %)	80.9	75.4	81.1

¹ Refers to 80 g/m² A4 printer and copier paper.

² Basis for calculation changed in 2014 due to error in database, so comparability with previous years limited

KfW Group water use in Germany

in m ³	2012	2013	2014
Drinking water	90,500	106,412	94,209
Other process water (rainwater and groundwater) ¹	10,000	5,156	14,231
Total	100,500	111,568	108,440
per employee	15.1	16.9	17.2 ²

¹ No groundwater is removed from protected areas. In Berlin, groundwater (stratum water) at underground garages is used.

² Basis for calculation changed in 2014 due to error in database, so comparability with previous years limited

Waste generated by KfW Group in Germany

in t	2012	2013	2014
Non-hazardous waste	1,658	2,324	2,542
of which: paper for recycling	291	421	115
Hazardous waste	14	25	53
Total	1,672	2,349	2,595
per employee (in kg)	250	355	413 ¹

¹ Basis for calculation changed in 2014 due to error in database, so comparability with previous years limited

Employee figures

The figures are taken from HR statistics as of 31 December.

Number of employees, by gender

	2012	2013	2014
Group	5,420	5,526	5,728
thereof, women	2,664	2,715	2,824
KfW	4,318	4,365	4,541
thereof, women	2,120	2,143	2,238
KfW IPEX-Bank	586	630	649
thereof, women	279	296	302
DEG	516	531	538
thereof, women	265	276	284

Employment relations by gender

	2012	2013	2014
Employees covered by collective wage agreements in %			
Group	26.8	27.4	27.5
thereof, women	67.4	66.5	67.4
KfW	27.8	28.4	28.5
thereof, women	66.4	65.9	66.7
KfW IPEX-Bank	17.9	19.4	17.1
thereof, women	67.3	64.8	67.3
DEG	30.2	31.3	30.9
thereof, women	75.2	72.6	73.5
Employees with fixed-term contracts in %			
Group	11.7	10.4	9.3
thereof, women	53.9	56.3	55.8
KfW	12.6	11.1	10.1
thereof, women	54.6	55.1	55.9
KfW IPEX-Bank	8.5	7.3	5.2
thereof, women	46.0	63.0	43.8
DEG	8.3	9.0	8.6
thereof, women	54.0	62.2	63.0
Part-time staff in %			
Group	20.5	21.7	21.5
thereof, women	83.3	82.0	81.6
KfW	21.3	22.7	24.2
thereof, women	82.5	81.1	81.0
KfW IPEX-Bank	13.7	16.2	19.9
thereof, women	96.3	92.3	86.8
DEG	14.0	19.0	21.0
thereof, women	80.4	79.2	82.3

Employees by region¹

in %	2014
KfW	
Germany	98.0
World excluding Germany	2.0
KfW IPEX-Bank	
Germany	97.2
World excluding Germany	2.8

¹ Data on employees by region is not collected separately for DEG.

Proportion of women employed within KfW Group and in management positions

in %	2012	2013	2014
KfW			
Total workforce	49.1	49.1	49.3
Total management	28.2	28.9	29.9
Middle management	23.9	23.8	24.4
Senior management	18.2	20.0	21.4
KfW IPEX-Bank			
Total workforce	47.6	47.1	46.5
Total management	21.3	22.2	25.0
Middle management	22.2	22.2	31.6
Senior management	25.0	25.0	25.0
DEG			
Total workforce	51.5	52.4	52.8
Total management	26.0	28.0	30.0
Middle management	25.0	28.0	29.3
Senior management	30.0	30.0	33.3
KfW Group			
Executive Board and Board of Supervisory Directors	11.8	9.4	10.9

Employees by age

in %	2012	2013	2014
KfW			
Age group ≤ 24	4.4	4.1	4.1
25 ≤ age group ≤ 29	8.0	7.9	8.0
30 ≤ age group ≤ 34	10.9	10.4	10.3
35 ≤ age group ≤ 39	13.5	13.4	13.4
40 ≤ age group ≤ 44	17.0	15.5	14.3
45 ≤ age group ≤ 49	20.0	20.2	19.8
50 ≤ age group ≤ 54	13.3	14.9	15.7
55 ≤ age group ≤ 59	8.8	8.9	9.6
Age group ≥ 60	4.2	4.7	4.8
KfW IPEX-Bank			
Age group ≤ 24	2.4	1.9	1.7
25 ≤ age group ≤ 29	7.5	9.4	8.0
30 ≤ age group ≤ 34	22.9	18.7	16.6
35 ≤ age group ≤ 39	20.5	22.4	22.0
40 ≤ age group ≤ 44	18.9	17.1	19.7
45 ≤ age group ≤ 49	15.2	16.0	15.6
50 ≤ age group ≤ 54	7.7	9.0	10.2
55 ≤ age group ≤ 59	3.9	4.8	5.7
Age group ≥ 60	1.0	0.6	0.5
DEG			
Age group ≤ 24	0.4	1.0	0.4
25 ≤ age group ≤ 29	5.7	6.1	7.0
30 ≤ age group ≤ 34	14.5	12.8	11.1
35 ≤ age group ≤ 39	13.9	14.9	15.7
40 ≤ age group ≤ 44	20.3	18.8	17.1
45 ≤ age group ≤ 49	18.7	21.1	21.6
50 ≤ age group ≤ 54	12.8	11.5	11.3
55 ≤ age group ≤ 59	7.9	8.8	10.5
Age group ≥ 60	5.7	5.0	5.2

Members of Executive Board and Board of Supervisory Directors by age

in %	2012	2013	2014
Total number	51	53	46
41 years >	7.8	5.7	2.2
42-45 years	3.9	7.5	8.7
46-50 years	15.7	11.3	10.9
51-55 years	27.5	22.6	21.7
56-60 years	23.5	26.4	26.1
61-65 years	13.7	20.8	23.9
66-70 years	7.8	3.8	4.3
> 70 years	0	1.9	2.2

New employees by gender¹

	2013	2014
KfW		
Number	333	428
in %	7.6	9.4
Women in %	49.3	47.9
KfW IPEX-Bank		
Number	42	39
in %	6.7	6.0
Women in %	61.9	64.1
DEG		
Number	35	18
in %	6.6	3.4
Women in %	65.7	61.1

¹ Figures on new employees by gender have only been surveyed since 2013.

New employees by age (2014)

Number	KfW	KfW IPEX-Bank	DEG
Age group ≤ 24	94	9	0
25 ≤ age group ≤ 29	118	15	5
30 ≤ age group ≤ 34	71	9	5
35 ≤ age group ≤ 39	53	5	2
40 ≤ age group ≤ 44	27	5	1
45 ≤ age group ≤ 49	30	0	5
50 ≤ age group ≤ 54	25	1	0
55 ≤ age group ≤ 59	4	1	0
Age group ≥ 60	6	1	0

Turnover by gender¹

in %	2012	2013	2014
KfW²	2.6	2.8	2.3
Ratio of women		2.4	1.8
Ratio of men		3.1	2.6
KfW IPEX-Bank³	5.3	4.2	3.3
Ratio of women		6.8	4.3
Ratio of men		1.8	2.3
DEG³	4.0	3.7	3.0
Ratio of women		2.6	0.9
Ratio of men		1.1	2.1

¹ Turnover by gender and age has only been surveyed since 2013.

² Including retirement due to age

³ Adjusted for retirement due to age

Turnover by age¹

in %	2013	2014
KfW		
Age group ≤ 24	0	0
25 ≤ age group ≤ 29	2.1	1.3
30 ≤ age group ≤ 34	3.1	1.2
35 ≤ age group ≤ 39	2.7	1.6
40 ≤ age group ≤ 44	1.8	1.2
45 ≤ age group ≤ 49	1.0	1.1
50 ≤ age group ≤ 54	0.9	1.0
55 ≤ age group ≤ 59	1.7	1.3
Age group ≥ 60	28.9	27.1
KfW IPEX-Bank		
Age group ≤ 24	100	81.8
25 ≤ age group ≤ 29	13.6	28.8
30 ≤ age group ≤ 34	7.6	1.9
35 ≤ age group ≤ 39	2.8	3.5
40 ≤ age group ≤ 44	3.7	3.9
45 ≤ age group ≤ 49	1.0	0
50 ≤ age group ≤ 54	3.5	1.5
55 ≤ age group ≤ 59	3.3	2.7
Age group ≥ 60	25.0	33.3
DEG		
Age group ≤ 24	0	0
25 ≤ age group ≤ 29	0.2	0.2
30 ≤ age group ≤ 34	0.2	0.4
35 ≤ age group ≤ 39	0.4	0.4
40 ≤ age group ≤ 44	0.7	0.2
45 ≤ age group ≤ 49	0.2	0.4
50 ≤ age group ≤ 54	0	0
55 ≤ age group ≤ 59	0	0
Age group ≥ 60	2.0	1.2

¹ There are no figures for 2012.

Personnel expenditure and provisions

EUR in millions	2012	2013	2014
Personnel expenditure (Group)	552	541	585
Provisions for pensions and similar obligations (Group)	1,309	1,391	1,955

Occupational health and safety

	2012	2013	2014
Working accidents in Group	85	87	76
of which: fatalities	0	0	0

Proportion of trainees and training hours

	2012	2013	2014
Proportion of trainees (in %)			
KfW	5.5	4.6	4.3
KfW IPEX-Bank	2.6	3.2	2.2
DEG	6.2	5.7	5.0
Training hours¹			
KfW	82,500	96,808	63,740
DEG	4,808	5,120	4,576

¹ Training hours are not surveyed for KfW IPEX-Bank.

Employees on parental leave (2014)

Number	Men	Women	Total
Employees who took parental leave			
Group	145	239	384
KfW	104	179	283
KfW IPEX-Bank	33	43	76
DEG	8	17	25
Employees who returned from parental leave to workplace			
Group	130	101	231
KfW	93	72	165
KfW IPEX-Bank	30	20	50
DEG	7	9	16

KfW Sustainability Programme

KfW Group has set clear goals with deadlines in the 2015-2017 Sustainability Programme in order to improve its environmental and social performance. The key issues and measures are presented below: The complete programme is available on the KfW Sustainability Portal at www.kfw.de/sustainability.

KfW Group successfully achieved the goals from the previous Sustainability Programme for 2012-2014. This was documented in the 2014 Facts and Figures Update, which was published in early 2015, and on the KfW Sustainability Portal.

Issue	Measures	Date
Sustainability strategy		
Enhancing sustainability management	Achieving top-quality sustainability ratings compared to peer group, in evaluations of KfW Group by sustainability rating agencies	2015–2017
	Appraising applicability of UN Global Compact to KfW	2016
	First-time survey of simplified water footprint at KfW Group, including virtual water	2016
	Additional annual environmental assessment in further representation offices	2015–2017
Improving dialogue with stakeholders	Active regular dialogue with other capital market participants on sustainability issues, e.g. at conferences and in bilateral talks (KfW)	2015–2017
	Expansion of online seminars and implementation of an energy efficiency conference for financing partners and facilitators (KfW)	2015
Avoiding environmental and social risks	Revising and adapting, if necessary, the “Common Sustainability Guideline for Domestic Business Areas” (KfW)	2015
	Disclosure of possible reputational risks before final credit decision in IPEX lending process (KfW IPEX-Bank)	2015
	Appraisal of the integration of further environmental and social aspects in evaluations of promotional programmes (KfW)	2017
	Continual improvements to product-related environmental and social risk management, inter alia through employee training and ongoing optimisation of risk management system (DEG)	2015–2017
Business		
Improving the range of sustainable finance	Generating new environmental and climate protection commitments to make up at least 50% of all KfW Development Bank finance	2017
	Accrediting of Green Climate Fund (GCF) and implementation of climate protection and adaptation projects for the GCF (KfW Development Bank)	2015–2017
	Evaluation of climate protection statistics such as CO ₂ avoidance costs, CO ₂ savings and emissions intensity (i.e. “carbon footprint”) for relevant parts of the commitment portfolios (KfW Development Bank)	2016
	Implementation of substantial improvements in KfW energy efficiency programme, e.g. by introducing a new entry standard (10% saving) and premium standard (30% saving) (KfW)	2015
	Planned promotional business volume still high in fields of environment, entrepreneurs and general corporate finance as well as innovation (2015: EUR 20 billion) (KfW)	2015–2017
	Strengthening the exemplary role of municipalities by improved support for energy-efficient municipal buildings: Introduction of support for new constructions and further development of support for the energy-efficient rehabilitation of non-residential buildings (KfW)	2015
	Quality assurance when funding the energy-efficient construction and renovation of residential and commercial buildings, and further development of renovation promotion (KfW)	2015–2017
	Development and introduction of a new promotion programme for the expansion of broadband networks as an infrastructure that ensures future development (KfW)	2016–2017
	At least 40% of the new financing projects should have aspects that are positive for the environment or climate (DEG)	from 2016
	Implementation of a sustainable investment approach	Achievement of top ratings compared with the asset-owner peer group regarding implementation of all six guidelines of the UN PRI (KfW)

Issue	Measures	Date
	Additional financing for treasury portfolio as well as new assets within the Asset Management framework for exclusively sustainable investments (KfW).	2015–2017
	Issuance of Green Bonds and possibly further ESG-issue bonds (KfW)	2015–2017
	Development of a green bond portfolio, as well as participation in capital-market initiatives for further development of the green bond market (KfW)	2015–2017
	Improvement in the area of “Responsible Investment” through active cooperation with international working groups, e.g. UN PRI (KfW)	2015–2017
In-house environmental protection		
Reduction of operational consumption	Implementation of energy audits at all locations	2015
	Creation of an eco balance sheet for a KfW building in accordance with the requirements of the Sustainable Construction Evaluation System for Federal Buildings (NBB) (KfW)	2015
	Reconstruction and optimisation measures at various corporate buildings, e.g. renovation of the combined block-type thermal power station in Berlin (KfW)	2015–2017
	Use of LED technology in all reconstruction, revitalisation and renovation projects as well as new buildings provided this is proven to be cost-effective (KfW)	2015–2017
	Sustainable use of office equipment, for example, by reducing workplace printer use, efficient administration technology and paperless board meetings (KfW)	2015–2017
	Additional resource savings via reduced paper consumption and reduced waste volume (DEG)	2015–2016
	Strengthening of environmentally friendly mobility	Introduction of web conference facilities (KfW)
Testing of an incentive system for CO ₂ reduction from company cars (KfW)		2015
Implementation of a bicycle day		2016
Promoting sustainable procurement	Implementing KfW sustainability requirements for supplier management, e.g. via supplier self-disclosures	2017
	Establishment of criteria from established labels and standards in bidding processes and product-group strategies	2017
Employees		
Encouraging more responsible treatment of staff	Making new employees aware of sustainability management and engagement (KfW)	2015–2017
	New stress analysis of all employee working conditions (DEG)	2015–2016
	Expansion of corporate health management with a stronger focus on prevention and an agreement on corporate health management (KfW)	2015–2017
Optimisation of gender and diversity policies	Continuation of the Gender Balance concept to support a diverse workplace culture at KfW, e.g. via mentoring and coaching (KfW)	2015–2017
	One in two management vacancies and senior positions above job grade level III not covered by collective wage agreements to be filled by a woman (KfW)	2015
	Negotiation and conclusion of an “Inclusion” agreement (KfW)	2016
Optimisation of work-life balance	Extension of flexible working-hours models (KfW)	2015–2017
	Offering needs-based and appropriate support as required for child care at all locations (KfW)	2015–2017
	Expansion of opportunities for managers to work part-time (KfW)	2015–2017
	Joining the “Diversity Charter” (DEG)	2016
	Renewed audit for “Work and Family Audit”	2016
Assuring the quality of training and management development	Development of a concept for “HR Policy Based on Life Phases” against the background of demographic change (KfW)	2017
	Expansion of qualification models for executives (KfW)	2015–2017
	Expansion of internal training programmes in the areas of “Sustainable Promotion of Economic Development”, “Energy Centre of Competence” and “Water Centre of Competence” (KfW)	2015–2017

GRI G4 Content Index



The KfW Sustainability Report 2015 was compiled in accordance with the guidelines of the Global Reporting Initiative (GRI), version four (G4), and fully complies with the "comprehensive" option. There was no independent audit of the report's content.

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G4-29	Date of most recent previous report	f3	
G4-30	Reporting cycle	f3	
G4-31	Contact point for questions regarding the report	85	
G4-32	"In accordance" with GRI and index chosen	78	
G4-33	External verification of the report	78	The report is not subject to any external assurance.
Governance			
G4-34	Governance structure including committees of the highest governance body	17	
G4-35	Delegating authority for economic, environmental and social topics	16	
G4-36	Responsibility for economic, environmental and social topics	16	
G4-37	Consultation processes between stakeholders and highest governance body	17	
G4-38	Composition of the highest governance body and its committees	17	

GRI Aspects and Indicators		Page	Omissions and supplements
G4-39	Independence of the Chair of the highest governance body	17	
G4-40	Nomination and selection processes for the highest governance body	17	
G4-41	Procedures to avoid conflicts of interest	17	
G4-42	Role of highest governance body in setting strategy and goals	16	
G4-43	Measures regarding sustainability knowledge of the highest governance body	17	
G4-44	Evaluation of highest governance body's performance with respect to sustainability	17	
G4-45	Role of highest governance body regarding sustainability risks and opportunities	17	
G4-46	Role of highest governance body regarding effectiveness of risk management	17	
G4-47	Frequency of review by highest governance body on sustainability risks and opportunities	17	
G4-48	Highest committee for approval of sustainability report	-	The sustainability report is approved by the KfW Executive Board.
G4-49	Process for communicating critical concerns to the highest governance body	17	
G4-50	Critical concerns that were communicated to the highest governance body	17, GB 174, 175	
G4-51	Remuneration policy for the highest governance body and senior executives	GB 181-186	
G4-52	Process for determining remuneration	GB 181-183	
G4-53	Stakeholder views on remuneration	56	
G4-54	Ratio of highest annual compensation to median employee compensation	-	This data will be provided in the next reporting cycle.
G4-55	Ratio of percentage increase in compensation above	-	
Ethics and Integrity			
G4-56	Values, principles, standards and norms	54, 62, 63	
G4-57	Procedure for advice on ethical and lawful behaviour	63-64	
G4-58	Procedure on reporting unethical or unlawful behaviour	63	
Specific Standard Disclosures			
Economic			
Aspect: Economic Performance – Management Approach		29-31	
G4-EC1	Direct economic value generated and distributed	€3, 29-31, 66-68	Personnel expenses at the KfW Group in 2014 totalled EUR 585 million, including salaries and wages (EUR 467 million), social levies (EUR 61 million) as well as pension provision and support expenses (EUR 57 million).
G4-EC2	Financial implications, risks and opportunities of climate change	29, 38-53	
G4-EC3	Defined benefit plan obligations	77	
G4-EC4	Financial assistance received from government	-	This indicator is not applicable for KfW as a state-owned promotional bank of the Federal Republic of Germany.
Aspect: Market Presence – Management Approach		12-14	
G4-EC5	Gap between standard entry level wage and local minimum wage	-	Not relevant, because no significant part of the workforce is remunerated based on salaries that are subject to minimum wage regulations.
G4-EC6	Proportion of management hired from the local community	-	All of the management at KfW representation offices are seconded and employed in Germany. There are no guidelines on hiring local management.
Aspect: Indirect Economic Impacts – Management Approach		29-31	
G4-EC7	Infrastructure investments and services supported	29-31, 8-51	
G4-EC8	Indirect economic impacts	10, 11, 40-51	
Aspect: Procurement Practices		64	
G4-EC9	Proportion of spending on local suppliers	64	
Environmental			
Aspect: Materials – Management Approach		58-61	
G4-EN1	Materials used by weight or volume	61, 71	
G4-EN2	Percentage of materials used that are recycled input materials	61, 71	

GRI Aspects and Indicators	Page	Omissions and supplements
Aspect: Energy – Management Approach	58	
G4-EN3 Energy consumption within the organisation	58–60, 70, 71	
G4-EN4 Energy consumption outside of the organisation	60, 71	
G4-EN5 Energy intensity	70, 71	
G4-EN6 Reduction of energy consumption	58–60, 70, 71	
G4-EN7 Reductions in energy requirements of products and services	59, 60	
Aspect: Water – Management Approach	58, 61	
G4-EN8 Total water withdrawal by source	60, 61, 72	
G4-EN9 Water sources significantly affected by withdrawal of water	61	
G4-EN10 Water recycled and reused	61, 72	
Aspect: Emissions – Management Approach	58, 60	
G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)	60, 71	
G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	60, 71	
G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)	60, 71	
G4-EN18 Greenhouse gas (GHG) emissions intensity	71	
G4-EN19 Reduction of greenhouse gas (GHG) emissions	59, 60, 71	
G4-EN20 Emissions of ozone-depleting substances (ODS)	-	KfW emits no ozone-depleting substances.
G4-EN21 NO _x , SO _x and other significant air emissions	-	The combustion installations used by KfW are subject to annual statutory inspections. The measurement and recording of NO _x and SO _x readings is not required by law due to the building size and due to the fuels used (natural gas and wood pellets).
Aspect: Effluents and Waste – Management Approach	61	
G4-EN22 Total water discharge by quality and destination	61	KfW channels waste water into public waste water disposal facilities. This is common household waste water. Compliance with thresholds for lipophilic substances from communal catering is ensured via separating installations.
G4-EN23 Total waste by type and disposal method	61, 72	
G4-EN24 Significant spills	-	No substances harmful to the environment were emitted at any of the locations in the reporting period.
G4-EN25 Handling hazardous waste	61	Due to the relatively small amount, KfW does not distinguish between hazardous waste in terms of the type of transportation and treatment.
G4-EN26 Water bodies significantly affected by discharges of water and runoff	61	KfW buildings at all locations are connected to the public waste water disposal. Nothing is discharged directly into water bodies.
Aspect: Products and Services – Management Approach	18	
G4-EN27 Mitigation of environmental impacts of products and services	18	
G4-EN28 Reclaimed products and packaging	-	Not relevant because KfW does not produce anything with such packaging material.
Aspect: Compliance – Management Approach	62, 63	
G4-EN29 Fines and sanctions for non-compliance with environmental laws and regulations	-	There were no known fines or other sanctions in the reporting period.
Aspect: Supplier Environmental Assessment – Management Approach	64, 65	
G4-EN32 Percentage of new suppliers that were screened using environmental criteria	64	The ratio of new suppliers screened for the fulfilment of contractually agreed obligations on sustainable performance is currently not assessed.
G4-EN33 Significant environmental impacts in the supply chain	64, 65	
Aspect: Environmental Grievance Mechanisms – Management Approach	65	
G4-EN34 Formal grievances about environmental impacts	65	
Labour Practices and Decent Work		
Aspect: Employment – Management Approach	54, 57	
G4-LA1 New employee hires and employee turnover	75, 76	No regional distinction is made with data on employee turnover. This information is not relevant for management at KfW as the majority of employees are in Germany.
G4-LA2 Benefits provided to full-time employees only	56	
G4-LA3 Return to work after parental leave	77	No figures are captured on return rates, the number of employees who stay on and the number still employed at their workplace twelve months after returning from parental leave.

GRI Aspects and Indicators	Page	Omissions and supplements
Aspect: Labor/Management Relations – Management Approach	56	
G4-LA4 Minimum notice periods regarding significant operational changes	56	
Aspect: Occupational Health and Safety – Management Approach	56	
G4-LA5 Percentage of total workforce represented in health and safety committees	-	All of the employees are represented through existing occupational safety committees.
G4-LA6 Injuries, occupational diseases, lost days and work-related fatalities	77	As a financial services provider, KfW has a low health risk. Loss rates and absenteeism rates are therefore not considered significant.
G4-LA7 Workers with high incidence or high risk of diseases	56, 57	
G4-LA8 Health and safety topics covered in formal agreements with trade unions	56, 57	
Aspect: Training and Education – Management Approach	57	
G4-LA9 Average hours of training per year	-	Surveying further training figures in terms of employees is planned for the next reporting cycle.
G4-LA10 Programme for lifelong employability	56, 57	
G4-LA11 Percentage of employees receiving regular performance and career development reviews	55, 56	
Aspect: Diversity and Equal Opportunity – Management Approach	55	
G4-LA12 Composition of governance bodies and breakdown of employees per diversity indicators	17, 55	It is unlawful to survey minorities.
Aspect: Equal Remuneration for Women and Men – Management Approach	56	
G4-LA13 Ratio of basic salary and remuneration of women to men	56	
Aspect: Supplier Assessment for Labour Practices – Management Approach	64	
G4-LA14 Percentage of new suppliers that were screened using labour practices criteria	64	The ratio of new suppliers screened for the fulfilment of contractually agreed obligations on sustainable performance is currently not assessed.
G4-LA15 Significant impacts for labour practices in the supply chain	64, 65	
Aspect: Labour Practices Grievance Mechanisms – Management Approach	65	
G4-LA16 Formal grievances about labour practices	65	
Human Rights		
Aspect: Investment – Management Approach	19	
G4-HR1 Significant investment agreements that include clauses or screening on human rights	19	See also G4-FS11.
G4-HR2 Employee training on human rights	19	
Aspect: Non-discrimination – Management Approach	55	
G4-HR3 Incidents of discrimination and corrective actions taken	55	
Aspect: Supplier Human Rights Assessment – Management Approach	64	
G4-HR10 Percentage of new suppliers that were screened using human rights criteria	64	The ratio of new suppliers screened for the fulfilment of contractually agreed obligations on sustainable performance is currently not assessed.
G4-HR11 Significant human rights impacts in the supply chain	64, 65	
Aspect: Human Rights Grievance Mechanisms – Management Approach	65	
G4-HR12 Formal grievances regarding human rights violations	65	
Society		
Aspect: Local Communities – Management Approach	66	
G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs	-	KfW Group pursues the objective of improving living conditions both locally and beyond at all locations.
G4-SO2 Operations with negative impacts on local communities	18, 19	
G4-FS13 Access points in the low-populated or economically disadvantaged areas	14	
G4-FS14 Initiatives to improve access to financial services for disadvantaged people	5, 14, 31, 43, 44–51	
Aspect: Anti-corruption – Management Approach	63	
G4-SO3 Percentage of operations assessed for risks related to corruption and the risks identified	63	

GRI Aspects and Indicators		Page	Omissions and supplements
G4-SO4	Communication and training on anti-corruption policies and procedures	63, 64	
G4-SO5	Confirmed incidents of corruption and actions taken	-	This information is considered confidential.
Aspect: Public Policy – Management Approach		12, 13	
G4-SO6	Total value of political contributions	68	
Aspect: Anti-competitive Behaviour – Management Approach		-	As a promotional bank, the KfW Group is not subject to any competition.
G4-SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	-	As a promotional bank, the KfW Group is not subject to any competition.
Aspect: Compliance – Management Approach		62, 63	
G4-SO8	Fines and sanctions for non-compliance with laws and regulations	-	There were no known fines or other sanctions in the reporting period.
Aspect: Supplier Assessment for Impacts on Society – Management Approach		64, 65	
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	64	The ratio of new suppliers screened for the fulfilment of contractually agreed obligations on sustainable performance is currently not assessed.
G4-SO10	Negative impacts on society in the supply chain and actions taken	64, 65	
Aspect: Grievance Mechanisms for Impacts on Society – Management Approach		65	
G4-SO11	Formal grievances about impacts on society	65	
Product Responsibility			
Aspect: Product and Service Labelling – Management Approach			
G4-PR3	Procedures for product labeling, and percentage of products and service categories subject to such information requirements	-	Apart from legal requirements to provide information on financial services, which KfW complies with by law, this indicator is not significant.
G4-PR4	Non-compliance with regulations and voluntary codes concerning product and service information and labelling	-	There were no known non-compliances in the reporting period.
G4-PR5	Results of surveys measuring customer satisfaction	32, 33	
Aspect: Customer Privacy – Management Approach		63	
G4-PR8	Substantiated complaints regarding data protection	-	There were no known fines or other sanctions in the reporting period.
Aspect: Compliance – Management Approach		62, 63	
G4-PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-	No fines were due in the reporting period.
Aspect: Product Portfolio – Management Approach		14	
G4-FS6	Percentage of the portfolio for business lines by specific region, size and sector	14, GB 124, 126, 134, 137, 141	
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit	30	
G4-FS8	Monetary value of products and services designed to deliver a specific social benefit	30	
Aspect: Audit – Management Approach		19	
Active-Ownership Approach – Management Approach		35	
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	35	
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	35	

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