

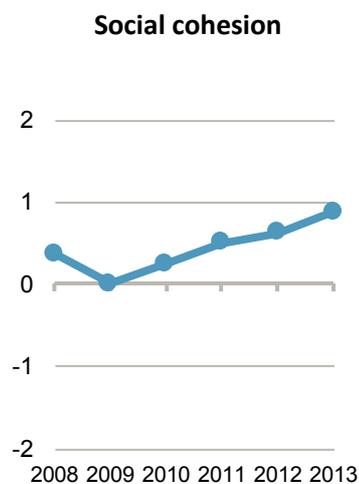
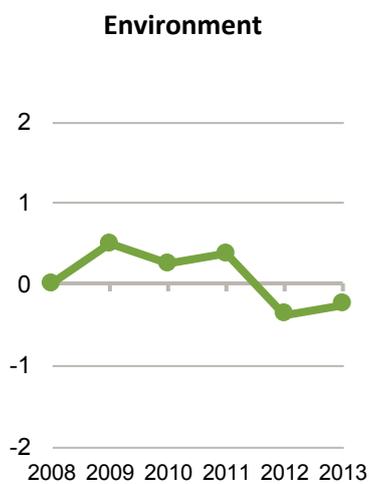
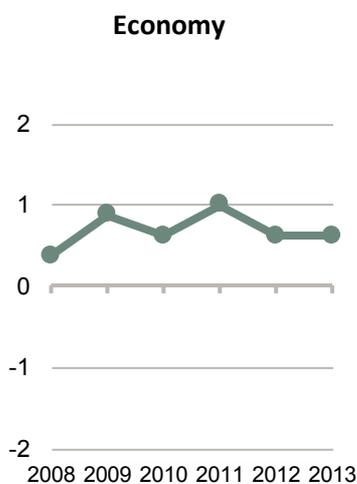
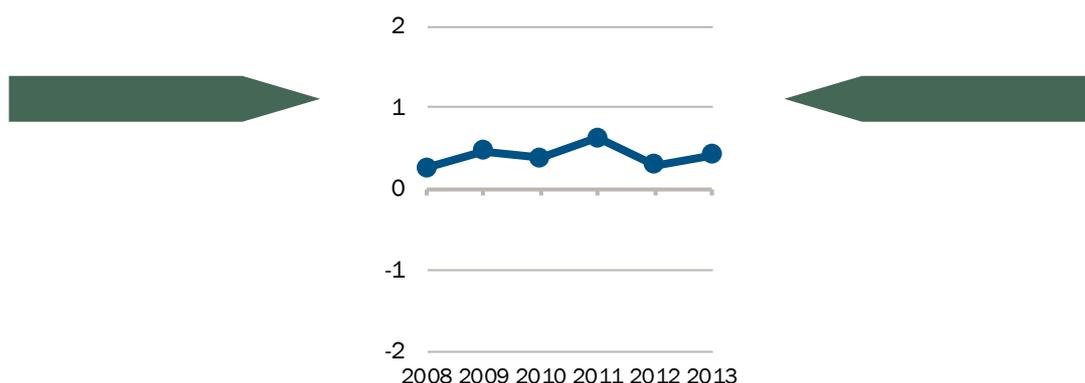
KfW SUSTAINABILITY INDICATOR 2014

Summary

Sustainable development makes small progress

Scores based on average for the last 10 years						
Sustainability dimension:	2008	2009	2010	2011	2012	2013
Economy	0.4	0.9	0.6	1.0	0.6	0.6
Environment	0.0	0.5	0.3	0.4	-0.4	-0.3
Social cohesion	0.4	0.0	0.3	0.5	0.6	0.9
Total	0.3	0.5	0.4	0.6	0.3	0.4

KfW Sustainability Indicator total



Germany has also developed more sustainable in 2013 than in previous years. All three of the sustainability dimensions of economy, environment and social cohesion displayed similar, positive development:

- In the economy dimension, the benchmark was just as easily exceeded as in the previous year.
- The environment component improved slightly compared to 2012, but again fell short of the target level. Influencing factors were declining developments with respect to energy transformation indicators.
- In terms of social cohesion, the pace of improvement picked up following the trend of previous years. The indicator achieved its best result since the start of the sustainability indicator calculation by KfW.

Economy dimension still positive, despite weak investment

In 2013 the German economy produced an above-average sustainability result, despite weak real growth again. For the sixth year in a row the benchmark was beaten by an average of 0.6 points for all eight of the basic indicators. However, there was some internal shifting: Two key economic topics improved by one point (human capital formation, public debt) and thereby compensated for two similarly strong declines elsewhere (material prosperity, real capital formation).

The ongoing disregard for capital stock in particular is quite alarming. Recording a figure of just 2.3%, the net investment rate in 2013 dropped to its third-lowest reading since records began in 1970. This is too low even to beat the benchmark, which itself is completely uninspiring after many years of feeble investment (score: -1). By contrast, innovations recorded the highest rating again thanks to continued growth in the R&D rate. Equally encouraging is that the public sector and private households spent 4.93% of GDP on education, and therefore more than in 2012 (score: +2).

A new all-time high was registered on the labour market. In 2013, 53.7% of the population were engaged in gainful activity (score: +1). Despite this, real per capita consumption rose by only 0.6% in the wake of the economic slowdown, thereby slipping clearly below the 10-year average (score: -1). The public debt ratio fell so sharply that this score improved by one point to -1. The financing of public debt is currently not an issue anyway just now given the low rate of interest. In 2013 the debt burden ratio fell to a new German low for the fifth year in a row.

Faltering energy transformation reins in sustainability dimension of environment

The sustainability dimension of the environment remained below the average in 2013 for the second year in a row. After sitting at a historical low in 2012 with a score of -0.4, it improved in 2013 but remains negative at -0.3.

Key factors influencing the below-average performance of the environment dimension include the key energy transformation indicators: energy consumption rose overall, while energy productivity sank by 2% (score: -2), first and foremost because of the weather. Energy efficiency has yet to reach a level that can sufficiently cushion the extra energy demand in particularly cold winters. Greenhouse gas emissions rose by 1.2% due to the growing conversion of brown and hard coal into electricity (score: -1), which is attributable not least to the still extremely low prices for certificates in EU emissions trading. In light of the high expansion rates for installations generating electricity from renewables in recent years and the very ambitious benchmark as a result, the stagnating share (12.3%) of renewable energies in final energy consumption had to be rated at the highest negative score of -2. This is bad for the overall evaluation of the energy transformation, but a significant acceleration in the expansion of renewable energies will only be meaningful again as part of a more efficient synchronisation with network expansion and greater flexibility of conventional power stations to supply balancing energy. Furthermore, it should not be ignored that considerable extra effort is still required to achieve the German federal government's objectives with regard to greenhouse gas emissions and energy efficiency.

The continued trend of good developments with raw material productivity and land use led to above-average figures in 2013, with raw material productivity improving by almost four percent compared to the previous year (score: +2). Land use sank by a further 7 ha to 74 ha/day (score: +2). In spite of the reduced pressure on land, the biodiversity index continued to worsen (score: -2). It no longer appears realistic that the objective of the national sustainability strategy for 2015 (restoring population levels of 51 types of bird to 1975 levels) can be achieved.

Good economic development also bolsters social cohesion

The positive trend observed for some years now for the sustainability dimension of "social cohesion" continued in 2013. The average performance (0.9) easily beat the average of the last ten years. As in previous years, this trend is largely attributable to continued positive economic development, which resulted in improved participation in the economy by various groups of the population. The ratio of low-skilled labour sat at 23.8%, 0.5 percentage points lower than the previous year's figure (score: +1), while the long-term unemployment rate as a gauge of economic participation totaled 2.5%, clearly below the 10-year average

(score: +2). Continued deterioration was noted only with the key topic of healthcare: here the score was still -1, which can be attributed to the steady ageing of the population.

Various indicators point towards positive overall development in social cohesion on a broad basis. The key topic of security improved by three points thanks to the reduced level of violent crime. The difference between the unemployment rate of foreigners and of the whole population remained below the average of the last 10 years at 9 percentage points (score: +1). Interest in politics on an individual basis has improved in recent years and clearly exceeds the average of the last ten years (score: +1). And the share of public development spending in Germany's gross national income (ODA rate) rose to 0.38 % in 2013 (score: +1).

This positive assessment of developments, however, is often due to the retrospective assessment. For most of the social cohesion indicators outlined here there is still a great amount of work to be done, despite all the progress, if we want to achieve the political goals of the national Europa 2020 Strategy and the German sustainability strategy.

Understanding the KfW Sustainability Indicator

Detailed information on the make-up of the KfW Sustainability Indicator is available for download at www.kfw.de/nachhaltigkeitsindikator (only in German).

When interpreting the KfW Sustainability Indicator, please note the following:

- Consolidating individual pieces of information into an overall figure for the KfW indicator ensues by means of a 5-point scoring procedure, with -2 as the lowest score and +2 as the highest score.
- A score of zero indicates that on average the aspect examined reached the benchmark – which is defined as the average of the last ten years. A positive score signals that the benchmark was exceeded ($0 < \text{score} \leq 1$) or significantly exceeded ($1 < \text{score} \leq 2$), while a negative score shows that the performance fell short of the benchmark – and increasingly so the closer the average score is to -2.
- The values of the basic indicators up to the given year under review are used to determine the scores. If a time series ends earlier than this, the most up-to-date figure available is used as an alternative.