

**Dr Frank Czichowski, Treasurer of KfW**

**Introductory speech for German PRI Network Meeting on 28 November 2013**

Welcome to the 2013 German PRI Network Meeting!

I am delighted to be able to welcome you here at KfW. It is an honour for us to host the network meeting of German investors for the second time, because KfW is a bank of responsibility.

For 65 years we have identified, promoted and funded forward-looking developments in business and society. The topics we are currently focusing on – and which will remain priorities in the long run – are the ever-dwindling resources amidst the growing global population, climate change and environmental pollution. These challenges are clearly reflected in KfW's lending practices: for example, we finance the production of renewable energies and energy efficiency measures across the world. In 2013 roughly 40% of our loans are likely to be disbursed for projects related to environmental and climate protection.

Yet it is not only with our financing activities that KfW takes responsibility, but also internally – in how we interact with our staff, with the energy concepts of our buildings or in issues of corporate governance, such as money laundering or compliance. Good sustainability ratings for KfW and the bonds we issue are confirmation of our efforts.

Against this background, KfW decided early on to contribute towards mastering contemporary challenges as a capital market investor. With this in mind we joined the PRI Initiative in 2006. The six principles were developed then with a far-sighted approach, and still offer an outstanding framework for responsible investment. However, individual investors investing responsibly are not enough to generate a strong impact. Capital can make great things happen, but this requires appropriate action from as many investors as possible! The PRI Initiative has carried out some sterling work in recent years, and managed to bring numerous investors and asset managers together.

Two and a half years ago, German PRI signatories gathered for the first time at KfW for a German network meeting. The main question then was how to motivate German capital market participants to invest responsibly and to initiate exchange, i.e. to get them all on board at the PRI Initiative. There were approximately a dozen German PRI signatories at the time, very few by international comparison. Today there are 46 signatories in the German network. There is now no doubt that the PRI Initiative has pooled sufficient assets, not just in Germany but worldwide, to make great things happen!

Nonetheless, sustainable investment is still in its infancy. We still have much to do with a view to seeing this project into adulthood:

- Further improvements need to be made to implementation quality: in meetings with asset managers, for example, we often find that the PRI were signed and a few sustainable investment products are also offered, but most are still far from having a sustainable investment policy spanning all asset classes and products.
- So we also have to give new signatories help in executing the PRI – by exchanging experience or know-how for example – and continue working together on improving implementation methods.

This is what today's network meeting is designed to help! One of our objectives is to find out more about the current activities of the PRI Initiative. To this end I extend a warm welcome to PRI's new managing director, Fiona Reynolds, who has come here today with some of her colleagues from London.

In different working groups and with the help of its signatories, the PRI Initiative has examined the options for implementing the PRI in the various asset classes. The implementation alternatives for equities are by far the most developed. There has been a working group for the bond market for more than two years now. This is the largest asset class in the world and, historically, plays a particularly important role in Germany. For KfW this is a crucial asset class for two reasons: we belong to one of the largest non-government security issuers in the world and are also a pure bond investor. Consequently it was important for us to get involved in this working group, not only to contribute our own experience, but also to bring ourselves forward.

Another of today's objectives is to present the phase 1 results of this working group, which deals intensively with the issue of "ESG criteria in the bond market segment". When I speak of "improving methods", I mean the type of improvement. The working group examined whether conventional credit analyses capture all risk factors or whether they should be extended with additional long-term factors – also frequently referred to as sustainability factors. I am delighted that some German institutions in particular took part in the working group and will present the first results here today. I hope this will give all PRI members food for thought.

But a network meeting should also provide an opportunity for exchange and forging contacts. And we want to enable you to do just that today. On that note, I wish you all an exciting day and some thought-provoking discussions!