



# Sustainability Report

Kuwait Finance House (K.S.C.P) and Subsidiaries



20  
22

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# Report Parameters

## The Bank and References

In this Report, the terms "KFH," "the Bank," and "We" refer collectively to Kuwait Finance House – Kuwaiti Shareholding Company Public (K.S.C.P). As per its Memorandum of Association, KFH was established by the Ministry of Awqaf and Islamic Affairs, the Ministry of Finance, and the Public Authority for Minors' Affairs under the Law Decree No. 72 of 1977. The Bank operates under the governance of several key legal frameworks: Law No. 32 of 1968, which covers Currency, the Central Bank of Kuwait (CBK), and the Banking Profession, along with its subsequent amendments; Companies Law No. 1/2016 and its amendments; the Executive Regulations; Law No. 7 of 2010, which pertains to the Establishment of the Capital Markets Authority and the Regulation of Securities Activity, as well as its Executive Regulations; and the stipulations of the Memorandum of Association. KFH is a publicly listed company on the Premier Markets of Boursa Kuwait, trading under the ticker symbol "KFH".

## Scope of Report and Cycle Covered

This document represents the third Annual Sustainability Report prepared in accordance with the GRI – Core Option guidelines ("The Report"). It has been meticulously developed, taking into account extensive stakeholder engagement and thorough materiality assessments, and is supported by specialized GRI training. The Report encompasses the period from January 1, 2022, to December 31, 2022, focusing specifically on activities and operations conducted within Kuwait. To provide a more comprehensive understanding, data that falls outside the primary scope of this Report may be included, particularly if it offers pertinent context to the activities of the reporting period.

## Referenced Reporting Guideline

The Report is prepared in accordance with the New Global Reporting Initiative (GRI) Sustainability Reporting Standards

## Date of Previous Report Sustainability

The first Sustainability Report according to the GRI Standards was Published in 2021: Core Option

## Mistakes and Typographical Errors

Any errors discovered following the publication of the Report will be corrected and displayed on our website. Our reports are published on our website in downloadable PDF file format.

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# Glossary and Abbreviation

## Glossary

Term	Definition
<b>Fatwa</b>	An Islamic ruling on the point of Islamic law, issued by the Fatwa and Shari'a Supervisory Board.
<b>Gharar</b>	Refers to the presence of extreme or absolute uncertainty in a business transaction or contract.
<b>Gharemeen</b>	The person under the burden of debt. The debtors may be imprisoned or wanted by law for non-payment of debt.
<b>Haram</b>	Forbidden or unlawful.
<b>Ijara</b>	A form of leasing. It involves a contract where the bank buys and then leases an item to a customer for a specified rental over a specific period. The lease's duration and the rental basis are set and agreed upon in advance.
<b>Injaz</b>	Achieving the Goal.
<b>Istisnaa</b>	A contractual agreement for manufacturing specified goods that can be sold before they are manufactured or come into existence allows cash payment for future delivery or future payments.
<b>Makrooh</b>	Undesired.
<b>Mobah</b>	Permissible.
<b>Mu'amalat</b>	A transaction related to an exchange of goods or services.
<b>Murabaha</b>	A contract for purchase and re-sale for cost plus profit, which allows the customer to make purchases without having to take out financing and pay interest.
<b>Mustahab</b>	Favorable/encouraged.
<b>Qard Hasan</b>	A financing, free from any benefit.
<b>Rafaa</b>	Well-being or prosperity.
<b>Shifaa</b>	Healing.
<b>Sukuk</b>	Similar to conventional bonds, with the key difference being that they are backed by tangible assets such as property.
<b>Takaful</b>	Known as 'Islamic insurance', Takaful means 'guaranteeing each other' in Arabic.
<b>Tawaruq</b>	A financing arrangement where a Customer receives cash at the end of it for their own needs through a series of sale transactions.
<b>Thimar</b>	The outcome of the harvest.
<b>Usury</b>	The action or practice of lending money at unreasonably high rates of interest.
<b>Waad</b>	A promise or undertaking.
<b>Wajeb</b>	Duty or obligation.
<b>Zakat</b>	An obligatory tax prescription by Islam on all Muslim adults having wealth above an exemption limit at a rate fixed by the Shari'a.

## Abbreviation

Term	Definition
<b>ACC</b>	Audit and Compliance Committee
<b>AHA</b>	American Heart Association
<b>AML</b>	Anti-Money Laundering
<b>AOC</b>	Attestation of Compliance
<b>ATM</b>	Automated Teller Machine
<b>AUB</b>	Ahli United Bank
<b>AUM</b>	The American University of the Middle East
<b>bn</b>	Billion
<b>BoD</b>	Board of Directors
<b>BNPL</b>	Buy Now Pay Later
<b>BO</b>	Business Objects
<b>CBK</b>	Central Bank of Kuwait
<b>CEO</b>	Chief Executive Officer
<b>CFT</b>	Combating the Financing of Terrorism
<b>CPR</b>	Cardiopulmonary Resuscitation
<b>CSR</b>	Corporate Social Responsibility
<b>CSV</b>	Corporate Shared Value
<b>CVVs</b>	Card Verification Values
<b>CX</b>	Customer Experience
<b>EDR</b>	Endpoint Detection and Response
<b>EESG</b>	Economic, Environmental, Social, and Governance
<b>EFRM</b>	Enterprise Risk Management
<b>EPA</b>	Environmental Public Authority
<b>ERM</b>	Enterprise Risk Managements
<b>ESDD</b>	Environmental and Social Due Diligence
<b>ESG</b>	Environmental, Social, and Governance
<b>FI</b>	Financial Institution
<b>FSSB</b>	Fatwa and Shari'a Supervisory Board
<b>GHG</b>	Greenhouse Gas
<b>GSCs</b>	Governance and Sustainability Committee

<b>GRI</b>	Global Reporting Initiative	<b>PII</b>	Personally Identifiable Information
<b>HR</b>	Human Resources	<b>POS</b>	Point of Sale
<b>IBS</b>	Institute of Banking Studies	<b>RAROC</b>	Risk-Adjusted Return on Capital
<b>ISMS</b>	Information Security Management System	<b>RC</b>	Risk Committee
<b>ISO</b>	International Organization for Standardization	<b>ROC</b>	Report on Compliance
<b>KBA</b>	Kuwait Banking Association	<b>RPA</b>	Robotic Process Automation
<b>KFAS</b>	Kuwait Foundation for the Advancement of Sciences	<b>Sadu House</b>	ALSadu Society
<b>KFH</b>	Kuwait Finance House	<b>SDGs</b>	UN Sustainable Development Goals
<b>KFH Capital</b>	KFH investment arm	<b>SRI</b>	Socially Responsible Investments
<b>KIA</b>	Kuwait Investment Authority	<b>SME</b>	Small and Medium Enterprise
<b>KIMSs</b>	Kuwait Institute for Medical Specializations	<b>TCFD</b>	Task Force on Climate – Related Financial Disclosures
<b>KNDP</b>	Kuwait National Development Plan	<b>TECs</b>	The Enterprises Company
<b>KNF</b>	Kuwait National Fund	<b>TRY</b>	Turkish lira
<b>KRCS</b>	Kuwait Red Crescent Society	<b>UC</b>	Use Case
<b>KSH</b>	Kuwait Society for the Handicapped	<b>UN</b>	United Nations
<b>KWD</b>	Kuwaiti Dinar	<b>US\$</b>	United States Dollars
<b>KYC</b>	Know Your Customer		
<b>MEWC</b>	Marketplace, Environment, Workplace, and Community		
<b>MDC</b>	Medical Development Center		
<b>mn</b>	Million		
<b>MoI</b>	Ministry of Interior		
<b>MoU</b>	Memorandum of Understanding		
<b>MRC</b>	Management Risk Committee		
<b>MSME's</b>	Micro, Small, and Medium Enterprises		
<b>mtCO2e</b>	Metric Tonne of Carbon Dioxide Equivalent		
<b>NGOs</b>	Non-Governmental Organizations		
<b>NFC</b>	Near Field Communication		
<b>NRC</b>	Nomination and Remuneration Committee		
<b>PAAET</b>	The Public Authority for Applied Education & Training		
<b>PAAF</b>	Public Authority of Agriculture Affairs and Fish Resources		
<b>PADA</b>	Public Authority for Disability Affairs		
<b>PAMA</b>	Public Authority for Minor Affairs		
<b>PCI DSS</b>	Payment Card Industry Data Security Standard		
<b>PIFSS</b>	The Public Institution for Social Security		

# Leadership Statement



**Hamad Abdulmohsen Al Marzouq**  
Kuwait Finance House Chairman Message



### Sustainability Report

Kuwait Finance House (KFH) has achieved remarkable advancements in implementing the Group's sustainability strategy. KFH has made impressive progress in establishing frameworks, governance policies, sustainability standards, and environmental considerations within a relatively short period. These efforts align with the launch of programs and initiatives in Kuwait's banking sector.

Given its substantial size and dominant market position, KFH took the necessary steps to ensure that its policies and frameworks pertaining to sustainability align with the international standards and the Sustainable Development Goals (SDGs). Therefore, KFH placed a high priority on creating a wide range of comprehensive and diversified programs that cater to the needs and expectations of stakeholders and market demands.

KFH integrated sustainability with its digital transformation strategy by investing in the latest technology within the financial industry. The objective was to promote financial inclusion by broadening the availability of banking accounts, services, and products, offering digital solutions to Customers and meeting market needs. Additionally, the strategy aimed to streamline operational costs while improving the overall service quality.

The pioneering shift towards adopting the concept of sustainable banking yielded favourable outcomes for the Bank. This was evident in the increase of KFH Customers' digital services utilisation, which affirms the Bank's digital dominance at the banking sector level in a highly global and competitive environment.

### Sustainable Finance

Given its extensive reputation, trusted commitment, and outstanding contributions, KFH holds a distinctive position in leading the sustainable finance market and capitalizing on its significant growth potential.

KFH Capital, the Group's investment arm, successfully arranged the issuance of US\$ 350mn sustainability sukuk for Kuveyt Türk, the first of its kind issued by an Islamic financial institution. It is also the first tier 2 sustainability sukuk issuance transaction globally. Proceeds will be used to finance sustainability projects of green /social projects according to the sustainable finance framework.

### Acquisition & Growth

The regional and global expansion of KFH's network, thanks to the acquisition of Ahli United Bank (AUB), provides strong support for the Group's activities and operations, in addition to the expansion of innovative services and products the Bank offers on a broader scale. The Bank's profitability and socially responsible investments are positively influenced by its geographical reach. KFH recorded the highest quarterly profit in the Group's history and the highest in the Kuwaiti banking sector following the acquisition of AUB. These profits play a significant role in the continuation and expansion in various forms of sustainable development.

### Community Contributions

Although we acknowledge that establishing a robust and sustainable business takes time, KFH remains committed to the concept of generating shared value to guarantee true sustainability for stakeholders while upholding its high standards in community contributions.

KFH's CSR activities include supporting the Institute of Banking Studies and the strategic partnership with Coded Academy. Also, KFH launched a set of awareness messages on banking services and products in sign language to reach out to people with hearing disabilities, in addition to appointing a fully trained staff in sign language in 6 Bank branches, to assist Customers to complete their financial transactions.

In conclusion, I would like to thank our shareholders, Customers, employees, stakeholders, and all partners for their trust and support of our institution. We will continue focusing our efforts on achieving overall sustainability and innovative sustainable solutions in all communities within our network. Through strategic investment and appropriate partnerships, we will strengthen our leading position and growth opportunities as the largest bank in Kuwait and the second largest Islamic financial institution in the world.

**Abdulwahab Iesa Al Rushood**

Acting Group CEO Message

**Sustainability Report**

KFH, a globally renowned Islamic financial institution, has achieved significant milestones and made substantial progress in its sustainability strategy, primarily due to its distinctive model that integrates core Islamic banking practices with a focus on sustainability.

KFH's unwavering dedication in this regard is geared towards prioritizing sustainability for all and creating an ideal and sustainable work environment within the Bank. These efforts also bolster an all-encompassing infrastructure to harmonize social and economic progress, protect the environment, adhere to SDGs, and enhance the well-being of communities.

Through its socially responsible investments (SRIs), KFH maintained its commitment to sustainability and expanded its portfolio of Green Finance products for both the retail and corporate fronts.

It is worth noting that KFH was the first Bank in Kuwait to receive the Global Sustainability Assessment System GSAS – Gold Level Certificate for KFH Auto; the first eco-friendly showroom that is compliant with sustainability standards.

The Bank also maintained its strategic alliances with multiple government and private organizations as part of its (Keep it Green) initiative, which was introduced to integrate all its sustainability efforts and adhere to governance and environment standards. Additionally, KFH actively backed various environmental initiatives, including a partnership with Kuwait Scientific Center to implant coral reef in Qaruh Island, in addition to many environment preservation projects such as the beach cleaning and afforestation campaign in collaboration with the Public Authority for Agricultural Affairs, as well as a campaign launched as part of (Keep it Green) in the Assima Mall for recycling plastic bottles.

**Innovative Solutions**

KFH's success is optimized by its adoption of innovative and environmentally conscious solutions, as well as strategic collaborations and social endeavours. These efforts emphasize the Bank's dedication to sustainability and its consistent commitment to environmental preservation as it forges ahead.

KFH's sustainability initiatives take account of global standards and incorporate digital and smart solutions, while also promoting awareness through resources-efficient practices. These high-quality efforts underpin KFH's commitment to enhancing its leadership in Corporate Social Responsibility (CSR) across its daily operations while also enhancing the Group's overall efficient performance.

KFH's efforts are not limited to the environmental sphere. The sustainability strategy development project is based on comprehensive steps through which the economic, social, and environmental impacts are measured at the operational, business continuity and developmental levels.

The significant and rapid leaps taken by KFH to enhance the sustainability concept across the banking sector confirms its pioneering role and high capacity to capitalize on it, while fulfilling its socially conscious role at the same time.

KFH's sustainability strategy also focuses on upgrading the digitalization process of its corporate banking services and automating the credit operations and financing activities, in addition to consolidating the Group's brand and offering an added value to shareholders, Customers and stakeholders.

Moreover, KFH sets itself apart through its KFH Go smart branches by aligning its digital transformation efforts with sustainability and staying up-to-date with cutting-edge techniques and top-tier standards. This also involves embracing innovation in digital banking solutions and enhancing the experience for Customers seeking convenient and prompt banking services.

**Financial Inclusion**

KFH's commitment to sustainability aligns with its digital transformation strategy, which is founded on several pillars such as the integration of Artificial Intelligence, collaboration with Fintech enterprises, and the development of a robust system infrastructure alongside adaptable and smart solutions to enhance the overall banking journey for Customers.

The endeavours and applications in the digitalization field have encompassed various aspects, including e-payments, online account opening, instant card printing and issuance, device performance development, selling and buying gold, and branchless banking.

As a testament to the effectiveness of KFH's sustainable digital efforts, the annual growth rate for using digital financial solutions via KFH online surged to over 32% in 2022. This surge highlights the high calibre and efficiency of the services offered on mobile and other KFH online platforms.

**Green Finance**

In recent years, KFH, through its BoD's Governance and Sustainability Committee, opted to accelerate the incorporation of green finance, digital products, and services in addition to environmental and community-conscious practices as modern tools in the banking industry and integrate them into KFH's operations.

Overall, it can be said that the general direction of KFH focuses on enhancing the issuance of Green Sukuk and green finance products at the retail and corporate levels.

**Nurturing Employees**

The Bank has invested in the young cadres through its (Forssah) training program, expanded the financial inclusion for the financing services, and consolidated its initiatives for women empowerment. Consequently, women now hold prominent posts in various business divisions within KFH.

In this respect, KFH inked a Memorandum of Understanding (MoU) with the UNDP to facilitate the exchange of knowledge on sustainability. This collaboration led establishing a training program for the executive management to enhance their sustainability capabilities and foster greater awareness within the organization.

**Awards & Recognitions**

Thanks to its outstanding initiatives and effective internal management, KFH crowned its efforts by winning three prestigious awards in the sustainability spectrum in recent years. The Bank stands out as the only Bank in Kuwait to form a Board-level sustainability committee and the only Bank to establish a sustainability business unit equipped with a well-defined strategy and clear performance indicators to track the Bank's sustainability progress.

In a nutshell, it is essential to stress that the importance of the sustainability strategy development project manifests to enhance profitability, growth, and performance efficiency, in addition to the ability to meet evolving market trends and Customers' needs. KFH's sustainability strategy solidifies our standing as a leading Islamic financial institution.



## About this Report

KFH's Sustainability Report 2022 is the third edition that reflects the Bank's journey of four decades of service and leadership position in Kuwait and the region. Throughout this period, the Bank is committed to a new era of sustainability. It has restructured its long-term vision by identifying its Economic, Environmental, Social, and Governance (EESG) material objectives. This Report presents a comprehensive account of KFH's business performance through global EESG key indicators that align with national needs and global developments by reflecting its material issues in 2022.

The purpose of the Report is to enhance transparency, accountability, and communication with all stakeholders by achieving multiple objectives, including monitoring and reporting the Bank's EESG performance, providing a broadly defined set of disclosures that address all stakeholders, complementing and supporting the Bank's corporate disclosures, and allowing stakeholders to provide additional perceptions and opinions about their expectations or concerns. The Report aims to demonstrate KFH's commitment to responsible banking practices, prioritizing the long-term well-being of all stakeholders and showcasing how the Bank integrates sustainability into its business operations and strategy.

The Report covers a range of sustainability topics, including Environmental, Social, and Governance (ESG) performance, initiatives towards creating positive social and environmental impacts, approach to responsible financing, and efforts to support the United Nations (UN) SDGs and ethical business practices. KFH seeks to engage with stakeholders and foster open dialogue around its sustainability initiatives, addressing their concerns and incorporating feedback into its decision-making processes. Ultimately, the Bank aims to promote sustainable growth and positive social and environmental impact, contributing to the long-term success of its business and the communities it serves. The Report also highlights KFH's adherence to Islamic finance principles and Shari'a compliance rules. It showcases its business performance and growth from an ESG perspective for stakeholders including shareholders, investors, and international agencies.

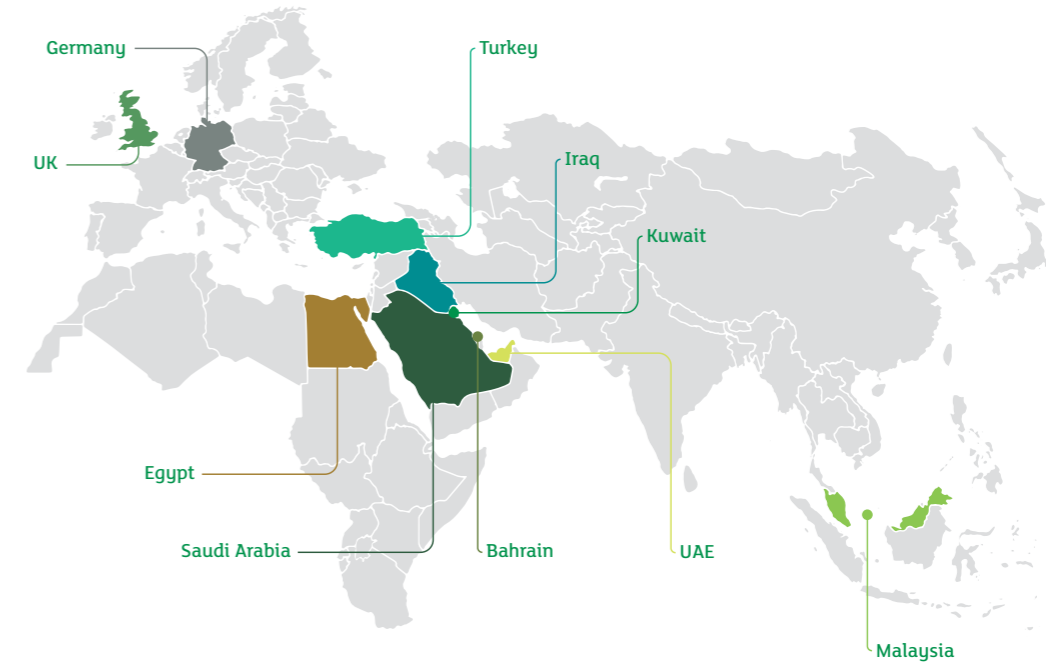
## About Kuwait Finance House (KFH)

### A Continuous Pursuit of Islamic Finance Leadership

KFH is a pioneering institution in Islamic Finance and Shari'a Compliant Banking. Established in 1977 in the State of Kuwait, We hold the distinction of being the first Islamic Bank in the Country. Offering a comprehensive range of Shari'a-compliant products and services, we cater to various needs, including real estate, trade finance, investment portfolios, commercial, retail, and corporate banking.

Throughout our journey, we remain committed to upholding the principles of Islamic finance and serving as a beacon of Islamic banking practices. Our legacy as a leading Islamic financial institution continues to shape the industry and inspire excellence in the world of finance.

### Global Reach

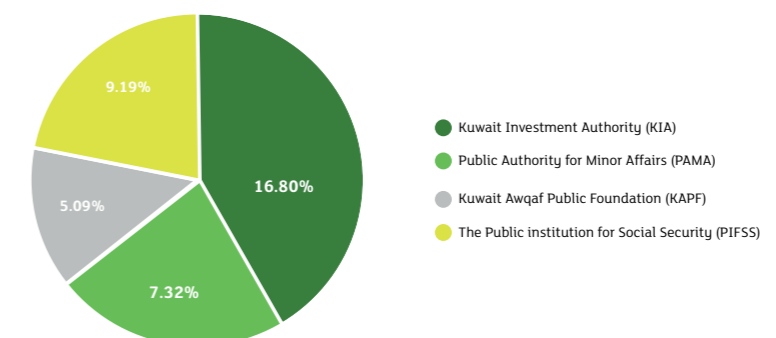


With international presence in three key regions, the Middle East, Europe, and Asia, we fix our sights on leading the Islamic Finance sector. By leveraging on our extensive network and expertise in these regions and adhering to the principles of Islamic banking and finance, we strive to contribute to the well-being of individuals, businesses, and communities, creating a positive impact on the global financial landscape.

### Ownership and Major Shareholders

Full Name	Percentage
Kuwait Investment Authority (KIA)	16.80%
The Public institution for Social Security (PIFSS)	9.19%
Public Authority for Minor Affairs (PAMA)	7.32%
Kuwait Awqaf Public Foundation (KAPF)	5.09%

Ownership Structure



## Vision, Mission, and Values



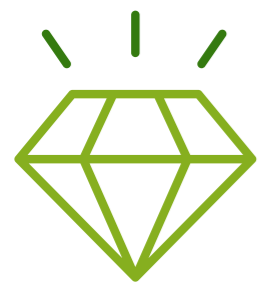
### Vision

To lead the international development of Islamic financial services and become the most trusted and sustainably most technologically advanced Shari'a-compliant bank in the world.



### Mission

To deliver superior innovation and customer service excellence while protecting and enhancing the interests of all our stakeholders.



### Values

#### Leadership

We demonstrate leadership across all our business activities –leadership in furthering Shari'a compliant financial services across the globe through innovation, leadership in serving our customers, and leadership in developing our employees.

#### Accountability

Personal accountability stands at the heart of our bank – this means being held to account for your individual performance in the eyes of all, but also always receiving just rewards for hard work and achievements.

#### Partnerships

We aim to build life-long partnerships with all our stakeholders including employees, customers, businesses, suppliers, shareholders - these relationships are the foundation of our success

## Leadership in Action: Awards, Recognitions, and Memberships

Rating	
<p><b>FitchRatings</b> Long-Term Issuer Default Rating A Short-Term Issuer Default Rating F1 STABLE Outlook 30 January 2023</p>	<p><b>MOODY'S</b> LT FC Bank Deposits Rating A2 ST FC Bank Deposits Rating P-1 STABLE Outlook 08 August 2022</p>
<p><b>SUSTAINALYTICS</b> ESG Risk Rating <b>25.1</b> Medium Risk</p>	<p><b>MSCI</b> ESG RATINGS <b>BBB</b></p>
Full Name	Disclosure type
<b>EMEA Finance - Middle East Awards</b>	<b>Sukuk issuance</b> <ul style="list-style-type: none"> <li>• “Best Financial Institution Sukuk” for KFH’s debut US\$750mn Perpetual NC6 Sukuk</li> <li>• “Best Financial Institution Sukuk” for KFH-Turkey’s US\$350mn sustainability Tier 2 Sukuk</li> <li>• “Best Green Sukuk” for KFH-Turkey’s US\$350mn sustainability Tier 2 Sukuk</li> </ul>
<b>Global Finance</b>	<b>World’s Best Islamic Bank</b> <ul style="list-style-type: none"> <li>• “World’s Best Islamic Financial Institution 2022”</li> <li>• “Best Islamic Financial Institution in the Middle East”</li> <li>• “World’s Best Islamic Takaful”</li> <li>• “Safest Islamic Bank at the world level”</li> </ul>
<b>The Banker</b>	<b>Advanced Digital Services</b> <ul style="list-style-type: none"> <li>• “Islamic Bank of the Year 2022 – Kuwait”</li> </ul>
<b>EMEA Finance</b>	<b>Prestigious Awards</b> <ul style="list-style-type: none"> <li>• “Best Islamic Bank in the Middle East”</li> <li>• “Best Bank in Kuwait”</li> <li>• “Best Islamic Bank in Kuwait”</li> <li>• “Corporate Social Responsibility in the Middle East”</li> </ul>
<b>Euromoney Magazine</b>	<b>Four Categories</b> KFH is classified as a market leader at Kuwait level in four categories: <ul style="list-style-type: none"> <li>• Digital Solutions</li> <li>• Corporate Banking</li> <li>• CSR</li> <li>• Islamic Finance</li> </ul>
<b>Brandon Hall Group</b>	<b>Developing HR</b> <ul style="list-style-type: none"> <li>• “Best Advance in Employee Engagement”</li> <li>• “Best Advance in Business Automation”</li> </ul>
<b>The American University of the Middle East (AUM)</b>	<b>Developing HR</b> <ul style="list-style-type: none"> <li>• AUM Corporate Award 2022</li> </ul>
<b>2022 Incentive Awards (IA22)</b>	<b>KFH Rewards Program (Baitak)</b> <ul style="list-style-type: none"> <li>• “Best Use of Payments in a Programme”</li> </ul>
<b>Gulf Development and Research Organization</b>	<b>Sustainability</b> <ul style="list-style-type: none"> <li>• Global Sustainability Assessment System GSAS – Gold Level Certificate for KFH Auto building</li> </ul>

# Chapter 1

## Sustainability Across KFH

**First bank in Kuwait  
to receive GSAS - Gold Certification  
KFH Auto Showroom**



Our ESG Dashboard					
	Unit	2019	2020	2021	2022
<b>Environment</b>					
<b>Total GHG Emissions</b>	mtCO2e	13,844.9	12,731.3	42,274.99	42,012.65
<b>Energy Consumption</b>	kWh	17,745,776	16,119,433	51,727,417	50,070,408
<b>Certified Green Buildings</b>	Number	-	-	-	1
<b>Green Sukuk Issued</b>	USD			350mn	350mn
<b>KFH Go Digital Branches</b>	Number			7	10
<b>Recycled Plastic Credit Cards</b>	%		-	-	40
<b>Social</b>					
<b>Customers and Community:</b>					
<b>MSME Financing</b>	% Corporate Financing	-	-	12	11
<b>Customers Experience Index</b>	%	-	66	69	73
<b>Total Community Investment</b>	KWD		9,373,971	31,297,942	2,436,1922
<b>Employees:</b>					
<b>Diversity &amp; Inclusion</b>					
<b>Women at KFH</b>	%	22	22	23	22
<b>Women in Senior and Middle Management</b>	%			11	11
<b>Employees with Disabilities</b>	Number	-	-	162	163
<b>&lt;30 years old</b>	%	30	26	27	29
<b>30–50 years old</b>	%	60	63	63	63
<b>&gt;50 years old</b>	%	10	11	9	9
<b>Voluntary Turnover Rate</b>	%	-	-	8.1	7.8
<b>Total Training Hours</b>	Hours	11,890	44,193	54,338	50,518
<b>Suppliers</b>					
<b>Spending on Local Suppliers</b>	%	79.89	76.01	82.25	93
<b>Spending on Foreign Suppliers</b>	%	20.11	23.99	17.75	7.2
<b>Governance</b>					
<b>Non-Executive Directors</b>	%		100	100	100
<b>Independent Directors</b>	%		16.67	16.67	16.67
<b>Number of Women on the BoD</b>	%		8.33	8.33	8.33
<b>Anti-Corruption Training</b>	% of Total Employees			100	100

Global and Local Sustainability Alignment			
Our Contributions to SDGs			
Relevant Sustainability Strategy Pillars	Sustainability Report Chapter	KFH's Associated Practices	Contribution to SDGs
<b>Governance, Ethics, and Risk Management</b>	<ul style="list-style-type: none"> <li>Islamic-Compliant Governance</li> </ul>	<ul style="list-style-type: none"> <li>Our commitment to governance, grounded in Islamic principles, is fundamental to delivering value to our shareholders and developing their trust and confidence in our Bank. We continually enhance and reinforce policies to effectively monitor and manage our risks and opportunities within our operations.</li> <li>By effectively integrating sustainability into our operational framework, we continue to delivering long-term, sustainable financial growth.</li> </ul>	 
<b>Responsible Banking</b>	<ul style="list-style-type: none"> <li>Leading in the Marketplace</li> </ul>	<ul style="list-style-type: none"> <li>We consistently strive not only to meet, but exceed our Customers' expectations ensuring outstanding Customer experience with every interaction.</li> </ul>	
<b>Sustainable Finance</b>	<ul style="list-style-type: none"> <li>Islamic and Green Finance</li> <li>Support for Micro, Small, and Medium Enterprises (MSMEs)</li> </ul>	<ul style="list-style-type: none"> <li>In alignment with our Islamic banking values, we provide our Customers with sustainable financing solutions. This is achieved through the integration of ESG factors into the investment decisions process, with particular focus on projects relevant to mitigating climate change, combating inequality, and promoting human rights. Moreover, we extend financial support to initiatives that support sustainable development.</li> <li>We support local Small and Medium Enterprises (SMEs) and start-ups to promote the local economy.</li> </ul>	     
<b>Data Privacy and Security</b>	<ul style="list-style-type: none"> <li>Customer Protection</li> <li>Cyber Security and Information Protection</li> </ul>	<ul style="list-style-type: none"> <li>We are responsible for the confidentiality of all our stakeholders' data and information. Our advanced internal systems and frameworks are designed to ensure data protection and security.</li> </ul>	
<b>Digitalization and Innovation</b>	<ul style="list-style-type: none"> <li>Our Digital Approach</li> </ul>	<ul style="list-style-type: none"> <li>With our KFH's wide digital transformation program, we modernize our services and offerings, enhance profitability, and adopt innovative approaches to introduce new and groundbreaking products to our Customers.</li> </ul>	

<b>Workforce Development and Wellbeing</b>	<ul style="list-style-type: none"> <li>Investing in Our People and Culture</li> </ul>	<ul style="list-style-type: none"> <li>We focus on creating a work environment where employees are motivated, engaged, and healthy.</li> </ul>	    
<b>Empowering Our People</b>	<ul style="list-style-type: none"> <li>Investing in Our People and Culture</li> </ul>	<ul style="list-style-type: none"> <li>KFH aims to strengthen Kuwait's human capacities by developing employment opportunities for the National Labor Force.</li> </ul>	 
<b>Sustainable Finance</b>	<ul style="list-style-type: none"> <li>Support for MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>We support local MSMEs and start-ups to promote the local economy.</li> </ul>	 
<b>Positive Community Impacts</b>	<ul style="list-style-type: none"> <li>Enabling Our Local Community</li> </ul>	<ul style="list-style-type: none"> <li>With our programs and initiatives, we promote the health and wellbeing of local communities, and support the protection of natural resources.</li> <li>We provide financial planning and management education to disadvantaged individuals for a more inclusive community.</li> </ul>	     
<b>Responsible Banking Operations</b>	<ul style="list-style-type: none"> <li>Environmental Stewardship</li> </ul>	<ul style="list-style-type: none"> <li>KFH is committed to minimizing its environmental impact by implementing of energy-efficient technology and responsible resource management.</li> </ul>	 
<b>Responsible Banking Operations</b>	<ul style="list-style-type: none"> <li>Ethical Procurement</li> </ul>	<ul style="list-style-type: none"> <li>To ensure responsible procurement practices throughout the supply chain, we work with our suppliers to manage risks and enhance our positive impacts.</li> </ul>	 

Kuwait National Development Plan (KNDP) Alignment		
KNDP Pillar	Sustainability Report Chapter	Explanation
<b>Global Position</b>		<ul style="list-style-type: none"> <li>Throughout the Report</li> </ul> <p>Global positioning elements are displayed throughout the Report, as the Report KPIs for assessing and reporting sustainability/ ESG information are derived from a range of international frameworks and best practices.</p>
<b>Creative Human Capital</b>		<ul style="list-style-type: none"> <li>Investing in Our people and Culture</li> </ul> <p>Reported varied information related to KFH's workforce, Kuwaitization, training, and supporting youth career development.</p>
<b>High-Quality Healthcare</b>		<ul style="list-style-type: none"> <li>Islamic and Green Finance</li> <li>Support for MSMEs</li> <li>Investing in Our People and Culture</li> <li>Enabling Our Local Community</li> </ul> <p>Health and safety elements are reported throughout our products and services (i.e., health insurance and financing), Customer health and safety, employee health and safety, technologies safeguarding stakeholders' health, and social engagement related to health initiatives.</p>
<b>Sustainable Living Environment</b>		<ul style="list-style-type: none"> <li>Environmental Stewardship</li> </ul> <p>Various elements and KPI's related to our environmental impact are measured and reported, especially those arising through our use of technology.</p>
<b>Developed Infrastructure</b>		<ul style="list-style-type: none"> <li>Islamic and Green Finance</li> <li>Support for MSMEs</li> </ul> <p>Infrastructure aspects are related to our products and services related to financing.</p>
<b>Sustainable Diversified Economy</b>		<ul style="list-style-type: none"> <li>Islamic and Green Finance</li> <li>Support for MSMEs</li> </ul> <p>Reported information about KFH's economic performance, direct economic impacts on stakeholders, community investment, and support of and contribution to MSMEs.</p>
<b>Effective Public Administration</b>		<ul style="list-style-type: none"> <li>Islamic-Compliant Governance</li> </ul> <p>Reported various compliance matters and our transparency to regulatory standards and requirements.</p>

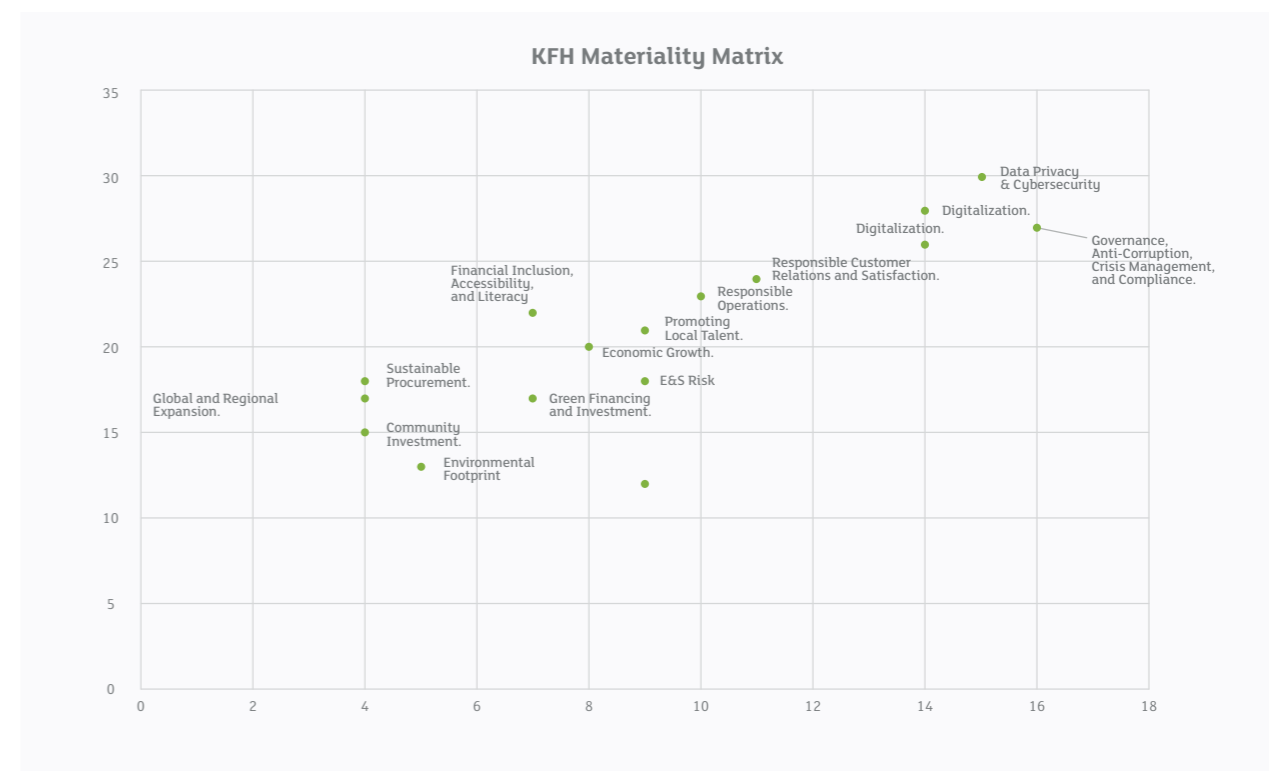
Stakeholders Engagement		
Stakeholders Categories	Methods of Engagement	Needs/ Expectations Response
<b>Shareholders &amp; Investors</b>	<ul style="list-style-type: none"> <li>Quarterly financial results circulations.</li> <li>Communicating regularly with investors and analysts through conference calls, online and physical meetings, and IR events.</li> <li>Quarterly webcasts with analysts and investors.</li> <li>Annual General Meetings</li> <li>Interactive and comprehensive disclosures on the website.</li> <li>Dedicated Investor Relations team.</li> </ul>	<ul style="list-style-type: none"> <li>Maintained financial performance.</li> <li>Delivered dividends.</li> <li>Transparently communicated opportunities, risks, and performance.</li> <li>Engaging with Analysts, Investors, Research Houses, and other stakeholders.</li> </ul>
<b>Local Community</b>	<ul style="list-style-type: none"> <li>Non-Governmental Organizations (NGOs) and Civil Society Organizations,</li> <li>National Development Forums.</li> <li>CSR Activities.</li> </ul>	<ul style="list-style-type: none"> <li>Create a positive impact on the community in Kuwait by collaborating with local community organizations in various initiatives.</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>Regulatory Reporting.</li> <li>Periodic meetings with Top Management.                             <ul style="list-style-type: none"> <li>Daily and periodic communications.</li> <li>Site visits.</li> <li>As mandated and need-based.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Full compliance with laws and regulations.</li> <li>Abided by national regulatory guidelines and mandates swiftly and effectively.</li> <li>Upgraded a comprehensive suite of AML/ CFT policies and procedures.</li> </ul>
<b>Suppliers &amp; Other Business Partners</b>	<ul style="list-style-type: none"> <li>Pre-tendering meetings.</li> <li>Supplier screening.</li> <li>Briefings and feedback on new policies</li> <li>Project-based satisfaction surveys</li> <li>Tailored communication for major suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain risks and performance.</li> <li>Fair tender process.</li> <li>Transparent Vendors' Assessment.</li> <li>Fair selection of suppliers.</li> <li>Sustainable Contracting Terms</li> <li>Investment in local suppliers</li> <li>Timely payment.</li> <li>Grievance Mechanism.</li> <li>Green products for the bank's renovation and new installations.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Performance Appraisal Meetings</li> <li>Employee Engagement Surveys</li> <li>Designated HR Business Partners</li> </ul>	<ul style="list-style-type: none"> <li>Business culture, ethical behavior &amp; integrity</li> <li>Health and Safety</li> <li>Talent acquisition and retention</li> <li>Benefits and Compensations</li> <li>Equal opportunities</li> <li>Diversity and Inclusion</li> <li>Learning and development</li> <li>Credit Risk Policies update and training</li> </ul>
<b>Customers and Beneficiaries</b>	<ul style="list-style-type: none"> <li>Accounts and Management.</li> <li>Customers Advisory.</li> <li>Daily interactions at branches.</li> <li>Call Centers.</li> <li>Social Media Platforms.</li> <li>Emails.</li> <li>Press Releases.</li> <li>Brand Activations.</li> <li>Customer Satisfaction Surveys.</li> </ul>	<ul style="list-style-type: none"> <li>Data privacy.</li> <li>Innovative segmented services.</li> <li>E-banking and digital services.</li> <li>Premium branches services.</li> <li>Financing entrepreneurship activities.</li> <li>Affordable banking (youth).</li> <li>Responsiveness through all Customer's touch points.</li> <li>Expanded outreach of branches &amp; accessible services.</li> <li>Responsible communication on services.</li> </ul>

<b>Regional Markets</b>	<ul style="list-style-type: none"> <li>Regional forums and conferences.</li> <li>Advisory market research.</li> </ul>	<ul style="list-style-type: none"> <li>Shari'a compliance</li> <li>Financial performance and growth</li> <li>Brand Leadership</li> </ul>
<b>BoD</b>	<ul style="list-style-type: none"> <li>BoD meetings.</li> <li>BoD committees meetings.</li> <li>Annual general assembly meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Capital positioning.</li> <li>Strategy implementation.</li> <li>Business continuity and crisis management.</li> <li>Employees commitment.</li> <li>Business culture, ethical behavior &amp; integrity.</li> <li>Environmental practices.</li> <li>Reputational management.</li> <li>Employee excellence &amp; commitment.</li> <li>Digital leadership.</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>National laws.</li> <li>International standards.</li> <li>Requirements for projects partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>Carbon Footprint.</li> <li>Energy Management.</li> <li>Water Management.</li> <li>Waste Management.</li> <li>Green Procurement.</li> <li>Resources Planning and Consumption.</li> <li>Green Finance and Investment.</li> </ul>

**Materiality Topics**

Creating value for our internal and external stakeholders is at the heart of KFH. We undertook a specific materiality assessment exercise to identify our key material issues via the following steps:

- Identifying potential material issues through detailed research, including a review of peer companies, industry standards, employee reviews, KFH business strategy, inputs from the KFH Management Committees, recent regulatory changes, relevant international and national level standards, guidelines, ambitions, and policies.
- Prioritizing stakeholders (internal and external groups) and topics to rate material issues in their perceived importance.
- Reviewing results internally within KFH management and the sustainability team to ensure that the list of material issues captures and includes all stakeholder perspectives.



Each year, we review our material topics to ensure they accurately reflect our understanding each topic’s importance to KFH’s stakeholders.

The findings of our materiality assessment are presented in our materiality matrix.

ID	Materiality Topic
1	Data Privacy & Cybersecurity
2	Digitalization.
3	Governance, Anti-Corruption, Crisis Management, and Compliance.
4	Employee Engagement.
5	Responsible Customer Relations and Satisfaction.
6	Responsible Operations.
7	Promoting Local Talent.
8	Economic Growth.
9	Financial Inclusion, Accessibility, and Literacy
10	E&S Risk
11	Sustainable Procurement.
12	Global and Regional Expansion.
13	Green Financing and Investment.
14	Community Investment.
15	Environmental Footprint
16	Diversity and Inclusion.





## Chapter 2

# Leading Islamic Economic Prosperity



# Financial Snapshot

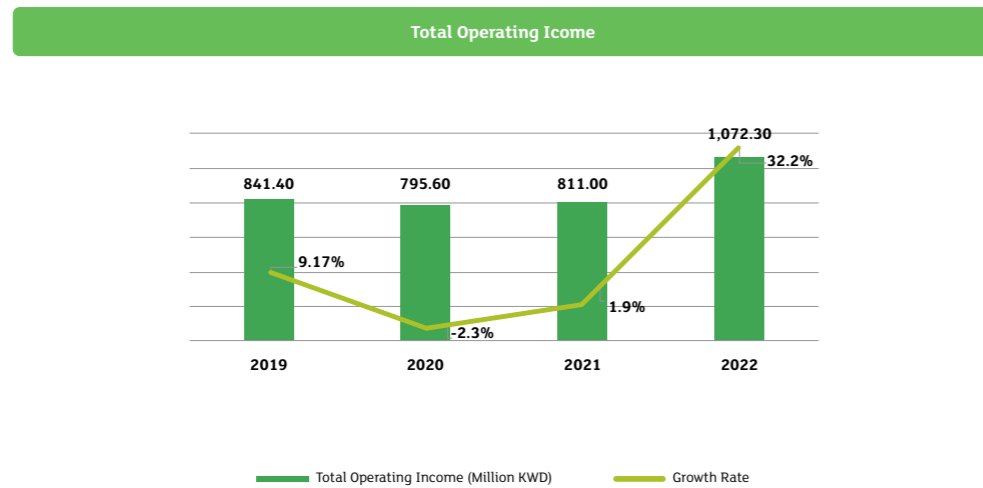
The financial robustness and economic impact of a bank are critical components from a sustainability perspective, especially in the context of EESG considerations. This year, our Bank witnessed significant progress in several financial metrics which reflects the healthy performance, financial strength, and the effectiveness of executed strategies and initiatives. These metrics demonstrate a well-rounded and enduring growth pattern across all key budget components. This includes notable increase in operating income, efficient management expenses, increased asset volumes and deposits, and enhanced capital ratios.

Most importantly, this year we proudly announce the successful execution of the acquisition of 100% of AUB-Bahrain shares, a significant achievement that highlights our commitment to strategic international growth. The acquisition solidified our position as the largest Islamic bank in Kuwait and positioned us as the second-largest Islamic bank globally.

Achieving this landmark, our market capitalization has surpassed the KWD 10bn mark, and our contribution to the Premier Market's weight went beyond 25%, making up approximately 80% of Boursa Kuwait's value. The role of AUB-Bahrain was significant, contributing 17.5% to the Net Profit Attributable to Shareholders and accounting for 10.2% of the Total Operating Income. The inclusion of AUB-Bahrain's financial outcomes from the point of acquisition until the close of 2022 had a predominantly positive effect on our consolidated performance.

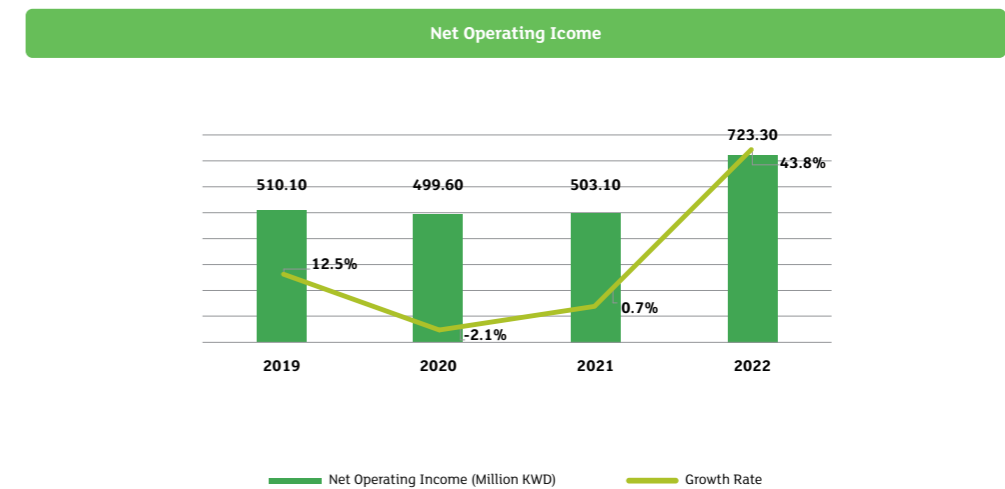
From a sustainability standpoint, financial strength enables us to invest in long-term, environmentally friendly projects, support social initiatives, and maintain high governance standards, all while ensuring economic growth. Our financial achievements allow us to be a catalyst for positive change, impacting not just our stakeholders but also the broader community and environment in which we operate. This aligns with the broader goals of sustainable development, ensuring that we contribute meaningfully to a more resilient and sustainable future.

Figure 1: Total Operating Income



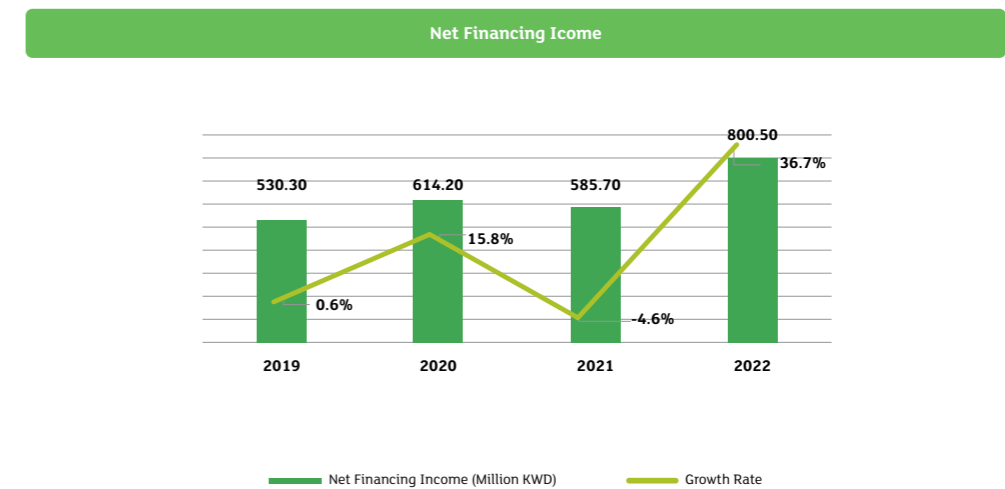
The total operating income for the fiscal year 2022 stands at approximately KWD 1,072.3mn, marking an increase of 32.2% in comparison to the previous year. AUB-Bahrain contribution to gross operating income is 10.2%. The Compound Annual Growth Rate (CAGR) for the Total Operating Income from 2019 to 2022 is approximately 9.60%. This rate reflects the average annual growth over the four-year period, despite the fluctuations seen in the intervening years. The robust recovery in 2022, with a 32.2% growth, significantly contributed to this positive CAGR, overcoming the downturns of the previous years and resulting in an overall upward trend.

Figure 2: Net Operating Income



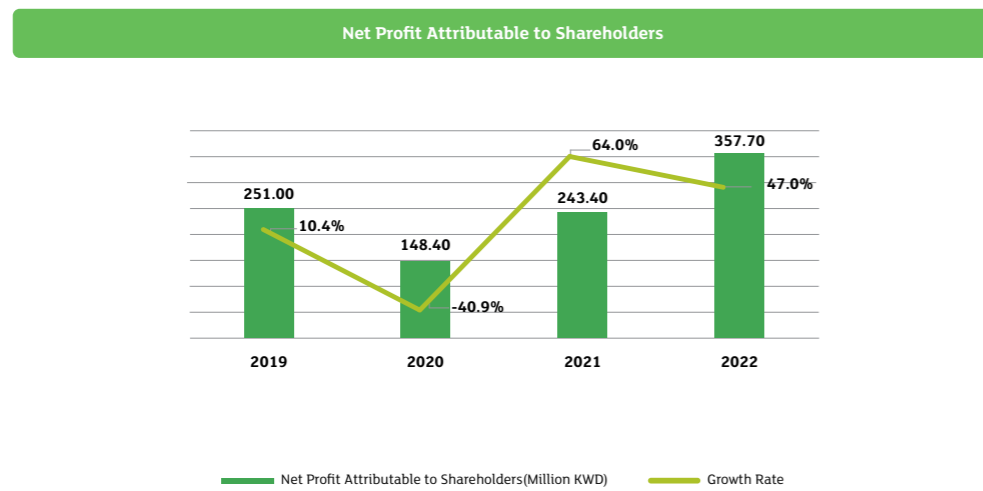
The Net Operating Income saw a slight decrease of 1.5% in 2020 from KWD 510.1mn in 2019 to KWD 499.6mn. In 2021, the income marginally increased to KWD 503.1mn, marking a growth of 0.7%. However, the most significant upsurge occurred in 2022, with the Net Operating Income escalating to KWD 723.3mn, an impressive growth rate of 43.8% compared to the previous year.

Figure 3: Net Financing Income



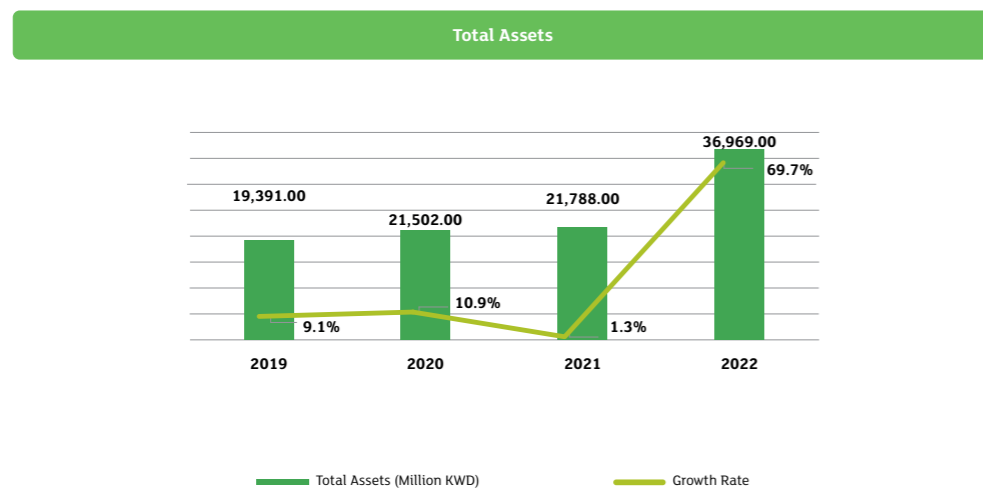
The Net Financing Income shows a minor growth of 0.6% in 2020 from KWD 530.3mn in 2019 to KWD 614.2mn. However, there was a downturn in 2021 with a 4.6% decrease to KWD 585.7mn. A significant rebound is observed in 2022, where the Net Financing Income escalated to KWD 800.5mn, denoting a robust growth rate of 36.7%. The CAGR for the Net Financing Income over this period is calculated to be approximately 14.71%, which suggests that, on average, the company's Net Financing Income has grown by about 14.71% each year from 2019 to 2022.

Figure 4: Net Profit Attributable to Shareholders



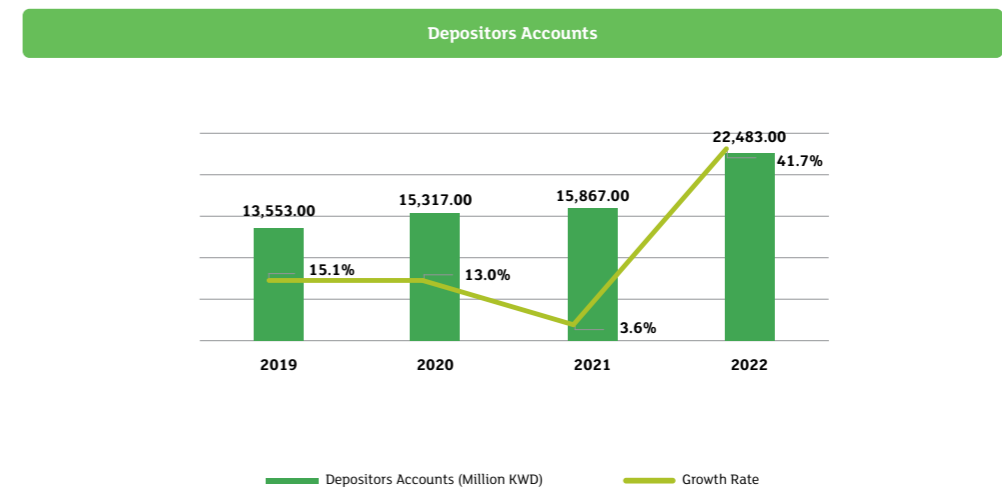
The Net Profit Attributable to Shareholders for the year 2022 reached approximately KWD 357.7mn, with a notable rise of 47.0% in comparison to 2021. The Earnings per Share for the year ending 2022 experienced a notable increase, rising to 33.58 Fils, which represents a 29.2% growth from the previous year's Earnings Per Share of 25.99 Fils. This substantial rise in Earnings Per Share is a clear indicator of the Bank's enhanced profitability and improved financial performance over the year. Additionally, AUB-Bahrain made a significant contribution to the Net Profit Attributable to Shareholders, accounting for 17.5% in 2022.

Figure 5: Total Assets



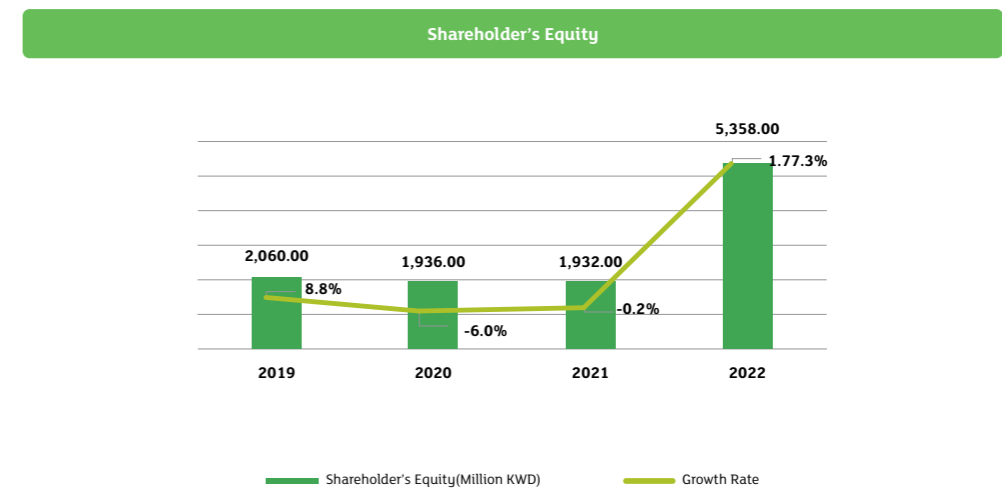
The Total Assets of KFH Group surged to almost KWD 37.0bn, reflecting a remarkable rise of 69.7%, equivalent to KWD 15.2 bn, in comparison to 2021.

Figure 6: Depositors Accounts



The base of Depositors' Accounts expanded, reaching KWD 22.5bn, signifying a rise of nearly KWD 6.6bn or 41.7% when compared to 2021. This growth is primarily attributed to the acquisition of AUB-Bahrain, which has significantly broadened KFH's geographical presence.

Figure 7: Shareholders' Equity



Shareholders' equity increased to approximately KWD 5.4bn at the close of 2022, showing a substantial surge of 177.3% in contrast to the previous year, driven by the acquisition of AUB.

# Islamic and Green Finance

## Islamic Finance

Understanding the principles of Shariah in banking and finance is crucial from a sustainability perspective. These principles are deeply rooted in fostering equitable wealth distribution and ensuring fairness for all stakeholders. Islamic Banking and Finance are not just about adhering to religious guidelines; they are intrinsically linked to promoting social equity, enhancing economic welfare, and contributing to the sustainability of our planet and the preservation of its biodiversity. These core tenets are in harmony with the SDGs, aligning with their targets and objectives.

Islamic Banking and Finance, by its nature, encourages profit and loss sharing, a practice that is facilitated through equity-based and asset-backed finance. This approach has cultivated a culture and set of values where communities collectively share risks and profits, offering one of the most sustainable and unique value propositions to humanity.

To fully grasp the social impact of Islamic Banking and Financing and its resultant economic benefits, it is essential to comprehend the following aspects:

**01 Fundamentals of Banking as per Shari'a Compliance**

**02 Perception of Money in Islamic Finance**

**03 Time Value in Islamic Financial System**

**04 Prohibitions Under Shari'a Compliance.**

### Shari'a Compliance in Banking

- a) All types of Usury: designated increase for one party of the contract with no corresponding from the other party.

Shari'a is based on a group of principles and regulations to organize the lives of individuals, including frameworks for business relations, trading, and transactions (Mu'amalat). According to Shari'a, transactions can be defined through five distinct provisions: duty or obligation (Wajeb), favorable/encouraged (Mustahab), permissible (Mubah), undesired (Makrooh) and forbidden (Haram). Under those provisional categories, banking activities, services and products are subject to review and audit for Shari'a Compliance.

As an outcome, Shari'a compliance establishes a unique set of inclusion and exclusion criteria that ensure that services and products that are of the highest quality, also follow the highest level of Responsible and Sustainable practices for both banking and investment.

### Sector-Based Screening

Recognizing that some types of economic activity or corporate behavior are not compatible with our mission of returns with responsibility, KFH maintains a sector-level exclusion list that applies to our investment strategies. The following business activities are excluded:

- Controversial Weapons
- Gambling
- Alcohol
- Other Non-Shari'a-compliant Sectors

### Perception of Money

A unique and original perception of money plays the second vital component in Islamic Banking and Financing. Money is not of value in its own nature, but rather perceived as a tool to evaluate goods and assets, and it is an intermediate to exchange goods and assets between people. Accordingly, money is not a mean to generate profit from itself. The profit can be generated by selling and purchasing goods and assets using money.

As a result, this principal paved the way to embrace risk-sharing and asset-building dynamics in the Islamic Financial System, rendering it a viable, accessible and favorable ecosystem for financial inclusion which supports SMEs, young entrepreneurs and individual consumers to bridge from the unbanked sphere to the formal banking system.

### Time Value in Islamic Financial System

Islamic Financial System recognized the value of time. In modern and traditional banking, this is clear in Credit Sales, where goods can be sold for a specific cash value, and for higher value for credit, which has an equal notion under Islamic Banking, however, paying any amount of money for extending financing payment period for a due financing is not acceptable (considered as a forbidden usury).

The impact is directly significant when we observe the remarkable records of extremely low ratio of non-performing finance.

### Prohibitions in Islamic Financial Transactions

- a) All types of Usury: designated increase for one party of the contract with no corresponding from the other party.
- b) Selling or purchasing forbidden goods and assets.
- c) Uncertainty (Gharar): ambiguity in one or all of the contract terms which leads to conflict. In other words, it's what cannot be expected, evaluated, or properly described.

Prohibiting ambiguity, coupled with financial literacy efforts, are key components and representation of a true commitment towards financial inclusion and serving all segments.

This particular principle is key to ensure that the Bank adheres to the highest level of transparency when it comes to information on products and services. We are proud that we had no incidents nor fines reported, recorded, nor applied for non-compliance concerning product and service information and labeling.

### Green Finance

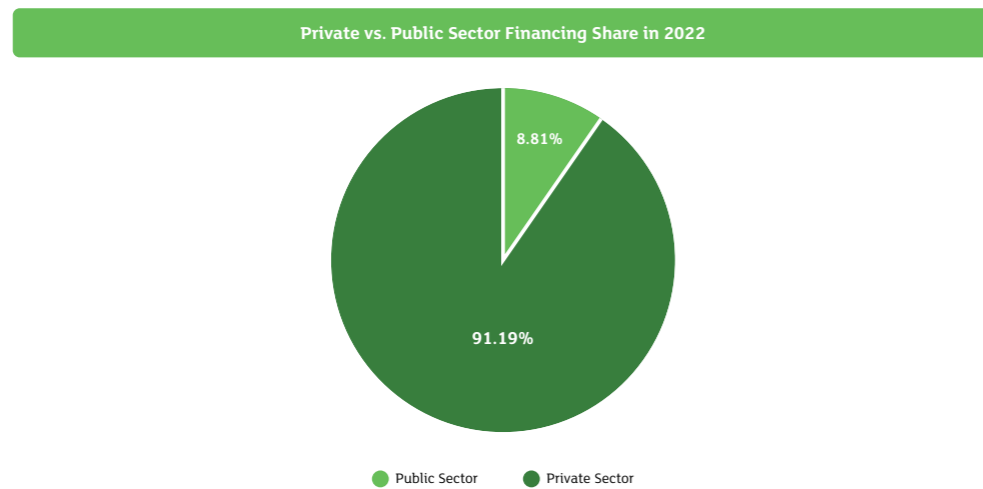
By applying Islamic Finance and Sustainability principles, we are keen on navigating its corporate portfolio towards implementing ethical investments, facilitating positive societal impact, and enhancing long-term value for its Customers and the wider community. As ESG becomes increasingly vital in shaping investment choices and business strategies, KFH is leveraging its early adoption of this convergence model to drive sustainable growth while aligning with the broader objectives of the Bank's overall strategy, as well as Kuwait's priorities and goals.

In this regard, Kuveyt Türk, our Turkish subsidiary, has achieved a significant milestone by arranging a Tier II sustainability Sukuk issuance totaling USD 350 mn. Green projects include solar, wind, and hydro power plants, while social projects target women and youth entrepreneurship. This issuance marked a pioneering move in the Islamic financial sector, being the world's first Tier II sustainability Sukuk transaction and the first ever by an Islamic financial institution. The funds raised will be dedicated to financing sustainable projects focusing on green and social initiatives, in alignment with our sustainable finance framework.

Raising our Customers' awareness is also significant to maintaining our green corporate finance efforts. We ensure consistent communication and active engagement with our valued Customers to explore integrating environmental dimensions into their existing and new projects. Also, In-kind incentives are provided to corporate projects strategically aligned with the state plan, Kuwaiti environmental law, and nature protection. This initiative aims to support the private sector in achieving economic competitiveness and prosperity.

Aligned with Kuwait Vision 2035, which primarily focuses on transitioning to a non-oil-dependent economy, transforming a highly skilled labor force into a more competitive ecosystem, and creating an innovative, sustainable, and diversified economy, we are dedicated to providing innovative financial solutions supporting the public and private sectors. This commitment fosters economic diversification and sustainable growth. KFH has proactively developed a well-balanced and diversified portfolio per these goals.

Figure 8: Private vs. Public Sector Financing Share in 2022



The Private vs Public Sector Financing Share pie chart depicts the financing structure for the Bank in the year 2022, contrasting the shares of private versus public sector financing. The majority of the financing, a significant 91.19%, is allocated to the private sector. This indicates a strong focus and reliance on the private sector for the Bank’s lending activities. From a sustainability perspective, this focus on the private sector allows the Bank to spread its risk across multiple industries and companies, which can be more resilient to sector-specific economic downturns. Moreover, investing in the private sector often encourages innovation and competition, fostering a dynamic economic environment that can lead to more sustainable growth and development.

**ESG Screening**

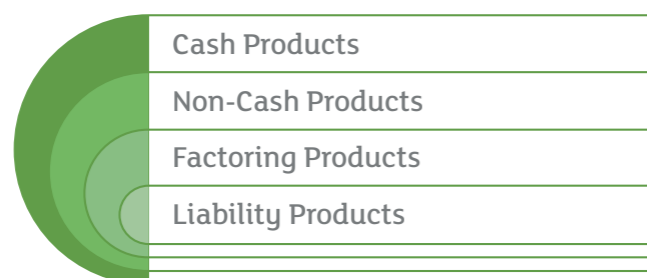
We are committed to aligning our corporate portfolio with sustainable and responsible banking practices. As part of our rigorous due diligence process, we conduct negative sectoral-based screening to identify and exclude industries or sectors that are not in line with our ESG principles. The following business activities are excluded including:

- Controversial Weapons
- Gambling
- Tobacco
- Alcohol
- Other

**Corporate Segmentation and Products**

KFH offers a Customer segmentation framework based on the size and nature of businesses, designed to meet the diverse needs of enterprises in Kuwait. The Large Corporate category serves the largest businesses, while Corporate Customers typically comprise medium-sized businesses. Commercial Customers fall into the small to medium-sized category, the smallest businesses typically represent SMEs.

We offer a wide range of products in our corporate finance, all of which have been reviewed and approved by our Shari’a advisory board. These products are categorized into four main groups:



**Digital Evolution in Corporate Banking**

KFH is engaged in three simultaneous projects, to implement digitalization to all departments. These projects are focused on streamlining processes, enhancing Customer experiences, and improving operational efficiency. The transition to digital platforms is a strategic move that aligns with our commitment to staying at the forefront of technology and providing cutting-edge Islamic banking services to our valued Customers. These projects are:

**• Corporate Online Banking (E-Corp)**

This project entails upgrading the existing corporate online banking platform, introducing a new mobile app, and enhancing services, controls, and overall Customer experience.

**• Corporate Facility Origination Project**

This project’s main target is to automate the credit application process, covering preparation, approvals, disbursement, and related functions for Corporate, Risk, Approving Authority, and Operations.

**• Supply Chain Project**

This project involves implementing a comprehensive supply chain system to manage factoring financing activities between the Bank and the suppliers.

We possess a well-defined roadmap for all digital transformation projects, products, services, processes, channels, and reports. Furthermore, all projects and initiatives are accompanied by corresponding KPIs and strategic timelines.

## Chapter 3

# Leading in the Marketplace

Keep it green



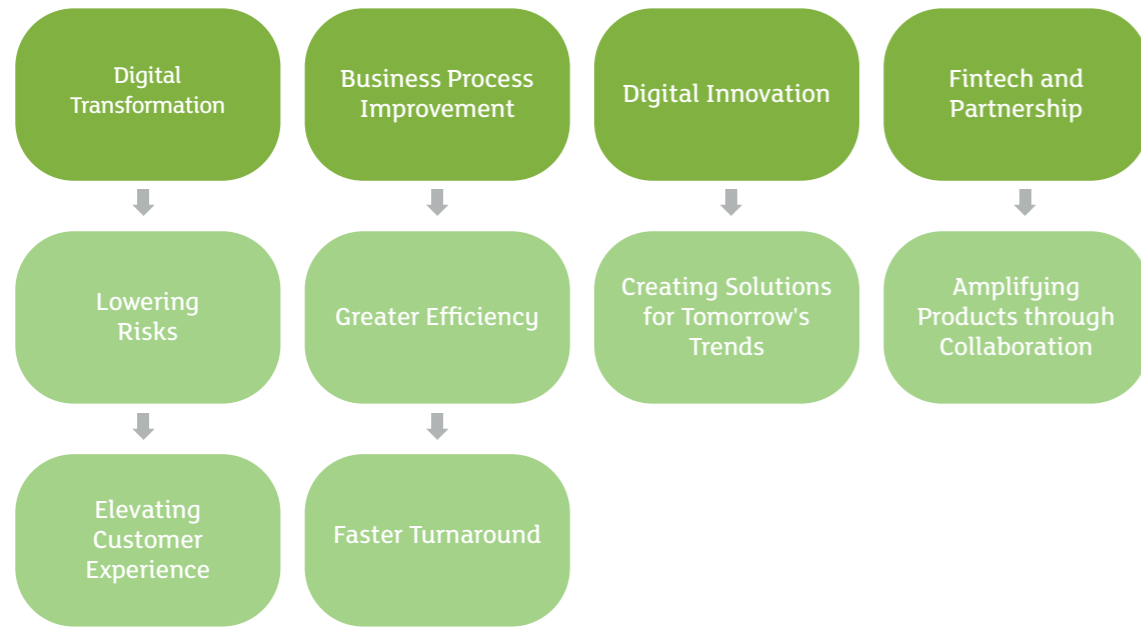
# Environment month



KFH is the first bank in Kuwait to offer bank cards made from **85.5%** recycled plastic

# Our Digital Approach

## Our Digital Strategy Main Pillars



KFH's digital strategy centers around digital transformation as the primary driver to improve services and product offerings. This involves adopting digital strategic initiatives within the digital transformation roadmap, aligned with KFH's overall strategic objectives. We have successfully implemented various digital solutions, including enhanced mobile banking, AI-powered services, and partnerships with fintech companies. These initiatives aim to enhance Customer experiences, boost operational efficiency, and create new growth opportunities. We remain committed to innovation, adapting to the evolving digital landscape, and leading the digital revolution in the banking industry.

## Digitalization Projects and Initiatives

In 2022, the Bank has actively engaged in many projects and initiatives. These endeavors are a testament to the Bank's unwavering commitment to showcasing its efforts and leadership in driving forward the boundaries of innovation within the Islamic market. These projects are:

- Awareness and mindset programs
- Innovation Quick Wins Program
- Business Process Improvement Program
- Fintech and Partnership Program
- Digital Transformation Program
- Digital Transformation Gaps Fulfillment Program

## Digital Branches **KFH go**

KFH seeks to be at the forefront of digital innovation, offering an exceptional digital branch that caters to the diverse needs of Customers seeking digital convenience and accessibility. Central to this innovative experience is the unique self-service device, KFH Go, which provides customers with various features available 24/7.

At the digital branch, Customers are empowered with the flexibility to conduct various banking transactions effortlessly through XTM, Automated Teller Machines (ATMs) and Kiosk (card printing) in KFH Go, ensuring accessibility to all Customer segments. These digital branches are pivotal in promoting financial inclusion, enabling individuals from diverse backgrounds to manage their finances effectively through all machines in KFH Go, available around the clock. With an unwavering commitment to enhancing Customer experiences, KFH continues to redefine banking with its cutting-edge digital solutions. Through this innovative and Customer-centric approach, KFH demonstrates its commitment to meeting the evolving needs of its diverse Customer base while fostering financial inclusion and redefining the banking landscape.

[\[Visit our website to learn more about our e-services\].](#)

## Fintech

The Bank's Fintech and Partnerships Policy is strategically designed to foster collaborations with Fintech companies, startups, and SMEs. Through these partnerships, the Bank aims to explore various opportunities and incorporate innovative solutions and business models to enhance its products and services. This approach ultimately aims to improve the overall Customer experience for KFH Customers and increase their satisfaction. Additionally, the policy serves as a significant foundation for the Digital Transformation and Innovation Automation Strategy, encompassing both short-term tactical moves and long-term initiatives aimed at digital delivery.

Fintech has played a focal role in supporting the Bank achieving its financial and digital inclusion and enhancing its Customer experience goals. Below is a summary of how fintech collaborations contributed to this endeavor:

- Enhanced Payment Channel: KFH partnered with Spare fintech company to introduce an innovative payment channel, leveraging open banking technology. This strategic collaboration has facilitated a seamless Customer journey and enhanced the overall payment experience, ensuring security and convenience.
- Exploring the possibility of launching a New Digital Wallet: Demonstrating a commitment to reaching underserved segments, KFH is exploring launching a dedicated digital wallet tailored for low-income and non-banking customers. This digital wallet offers various essential financial services, including local and global money transfers, easy access to KFH ATMs for withdrawal and deposit, seamless bill payments, and cardless payment options at various merchants' stores.
- Buy Now Pay Later (BNPL) Partnership: To enhance the range of e-payment solutions, KFH has entered into a Memorandum of Understanding (MoU) with Taly, a BNPL fintech solution provider. This partnership aims to establish a productive collaboration while also leading in driving digital transformation within the banking sector.

## Main Achievements in 2022

During the year 2022, KFH made remarkable strides in its digital transformation. These efforts align with Kuwait's Vision 2035, particularly in pursuing global positioning.

KFH's exceptional accomplishments have firmly established it as a frontrunner in Islamic Finance and Shari'a-Compliant Banking.



- **KFH Pay:** Enabling Customers to request and send money instantly to any KFH Customer.
- **Gold Gifts:** Allowing Customers to send gold gifts via messages, thus enhancing the gifting experience.
- **Instant Transfer to KFH-Turkey Accounts:** Facilitating seamless cross-border transactions for our Customers.
- **Smart ATMs:** Enabling Customers to execute transactions using smart devices and QR code withdrawal.
- **Instant Online FX Transfer:** Offering competitive prices for foreign exchange transactions.
- **Instant Printing of ATM Cards and Cheque Books:** Providing Customers quick access to essential banking tools.
- **Instant Gold Bullions Purchase:** Empowering Customers to purchase gold bullions through KFH GO.
- **Fintech Partnerships:** Embracing open banking and digital wallet solutions to enhance services.
- **Innovation Challenges:** Fostering a culture of innovation within the organization.
- **Process Improvement Program 2022:** Streamlining processes across various banking functions, including Corporate, Treasury, Retail Banking, Operations, and IT.
- **Dedicated Digital Squad Team:** Driving the agile implementation of digital initiatives for optimal outcomes.

Through KFH's digitalization journey, it recognizes several challenges, including resistance to change, legacy systems, data integration, and cybersecurity risks. The Bank's management approach involves investing in change management strategies, modernizing infrastructure in a phased manner, implementing robust data management systems, and prioritizing cybersecurity measures through strong authentication protocols and regular security audits.

## Customer Protection

At KFH we provide our Customers with comprehensive information about our services and products. Our commitment to transparency means that we present this information in a clear, understandable, and accurate manner, empowering our Customers to make well-informed decisions effortlessly.

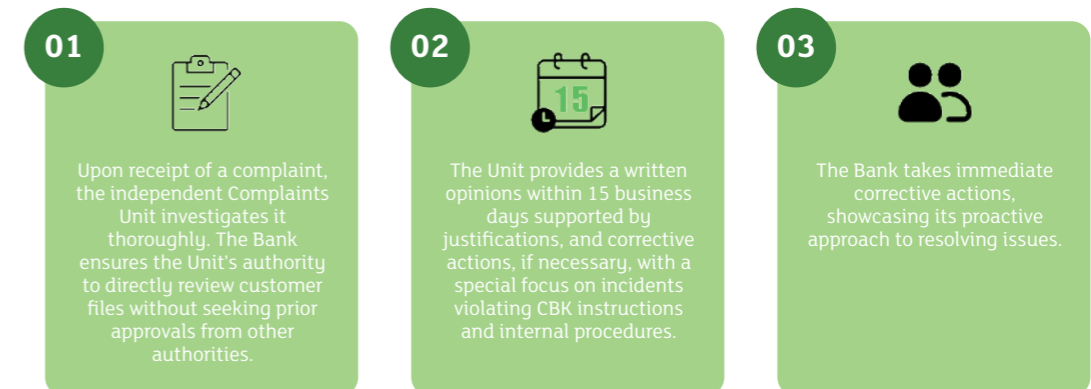
Our disclosures encompass benefits and risks associated with our services and products, along with the rights and obligations of our valued Customers. To foster transparency in all our dealings, we also openly disclose the pricing, commissions, and charges applicable to our services and products.

When offering advice, we understand that each Customer is unique, so we consider their individual abilities, financial objectives, and previous experiences with similar products and services. We encourage our Customers to share comprehensive and accurate information about their needs and situations, enabling us to provide tailored and appropriate advice and services.

By adhering to these Customer-centric practices, we strive to enhance Customer satisfaction and build trust through open communication. At KFH, our primary focus is on delivering exceptional services that align with the financial aspirations of our valued Customers.

### Effective Handling of Customer Complaints

The Bank has the following robust mechanism to handle Customer complaints promptly and efficiently:



### Customer Data Protection Policies

At KFH, we prioritize the security and privacy of our Customers' information and treat their data with the utmost care to prevent potential data leakage. All databases, mails, documents, folders, systems, media, or print materials containing Personally Identifiable Information (PII) are fully secured, with appropriate security controls based on KFH Information Security Policy.

As part of our commitment to safeguarding Customer data, we have implemented clear data collection and processing purposes, maintaining confidentiality, and ensuring security, which is clearly explained in our Privacy Notice. We adhere to strict confidentiality guidelines, and any exceptions to confidentiality are transparently disclosed. This includes cases where information is disclosed with Customer approval or as mandated by applicable laws.

### Substantiated Complaints

The Bank takes Customer privacy breaches seriously. In 2022, only one complaint received from CBK was found to be breaching security information.

# Customer Experience and Satisfaction

## Service Excellence

The backbone of our banking operations is the unwavering commitment to service excellence. We focus on meticulous quality assurance measures that complement our Customer-centric approach. In this endeavor, our Customer Experience (CX) Unit proactively engages with dissatisfied Customers to address their concerns and uncover the underlying pain points and root causes of issues, enabling us to institute effective solutions and elevate overall Customer satisfaction.

In the event of any concerns or complaints, we are dedicated to addressing them promptly and effectively. We have established a comprehensive framework for Customers to voice their feedback and seek resolution. Customers are encouraged to choose from the following channels to submit their complaints:

- By visiting any KFH branch, our employees can assist and guide customers through the process.
- Our valued Customers can visit the "Customer Complaints" unit on our premises for personalized assistance.
- We also provide traditional correspondence, where Customers can fill out the complaints form and mail it to us directly.

Our CX Unit also employs a rigorous process of analyzing Customer feedback to ensure continuous enhancement. Through analysis, we identify the core sources of Customer discontent, paving the way for targeted improvements that resonate with our clientele. These analyses are then presented in terms of feedback to stakeholders e.g., channel heads, segment teams, and other relevant employees and functions, ensuring that insights from our valued Customers are swiftly channeled into action and facilitating tangible enhancements across our services. In addition, we introduced an internal program, "The CX Hero competition", to foster a Customer-centric culture, enhance satisfaction, and inspire our employees to go above and beyond. Frontline employees, including branch managers, CSOs, tellers, contact center agents, and direct sales representatives, compete in over 20 categories. They earn scores solely from Customer feedback collected through SMS surveys after interactions. At the end of the year, the highest-performing employee in each category receive the "CX Hero" title in recognition of their outstanding efforts.

Impactful at every organizational tier, we tie employees KPIs with Customer satisfaction metrics and service levels. This integration underscores our dedication to creating an environment where every team member contributes to elevating the Customer experience, ultimately driving our Bank's ongoing journey toward unparalleled Customer satisfaction.

Figure 9: Customer Care Score



Our Customer Care Score increased from 85% in 2021 to 90% in 2022. This KPI is used to reflect our service quality and Customer satisfaction. It is calculated by an expert, independent third-party research agency and consultant to ensure unbiased and accurate assessment.

Figure 10: Customer Experience Index



Our Customer Experience Index has risen from 69% in 2021 to 73% in 2022. This KPI is used to measure the percentage of extremely satisfied Customers after they have interacted with different Bank channels in KFH. Over 10k Customer feedback was received and included in the CX index during the reporting period.

## Success Factors

Our unwavering commitment to a business approach rooted in Shari'a principles and regulations serves as the cornerstone of our Customer-centric journey. By embracing a scientific business methodology, we ensure that every interaction with our valued Customers is characterized by excellence and satisfaction. Our planning and strategic initiatives align with our mission to prioritize Customers' needs and aspirations. We emphasize the human factor, nurturing a culture of creativity and innovation that enhances the quality of service we provide. At the heart of our success lies the harmony between our growth policies and the personalized experience we offer to each of our esteemed Customers.

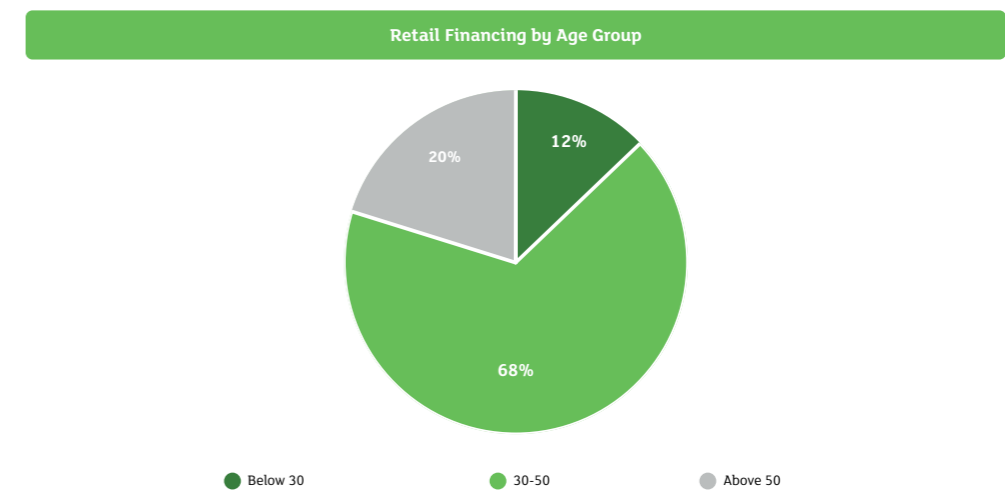
<sup>1</sup> The channel weight base number adjusted versus last year due to changes in channel contribution towards overall index.

## Retail Financing Portfolio: Customer Satisfaction

Consumer Banking at KFH takes pride in delivering exceptional retail banking services to our valued Customers. We are driven by a passion to offer the perfect and efficient Customer experience through our comprehensive offerings. In 2022, our retail financing portfolio increased by 12% compared to the previous year, reaching 178,893 Customers served.

Inclusivity is at the core of our values. We are determined to serve all our Customers, regardless of age, gender, or geographical location. This year, we proudly continued our mission to empower Customers from diverse backgrounds. This is shown from the distribution of our retail financing portfolio.

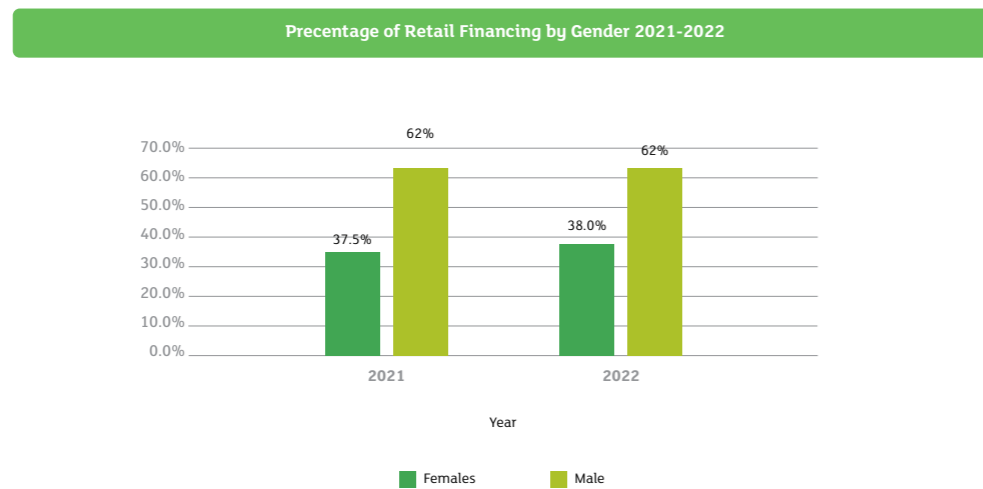
Figure 11: Retail Financing by Age Group





The Retail Financing by Age Group pie chart highlights our strategic focus on the 30-50 age group. As a significant segment of our Customer base, this age group has shown promising potential for financial growth and stability. This reflects KFH's focus on catering to the financial needs of the younger generation.

**Figure 12: Percentage of Retail Financing by Gender 2021-2022**

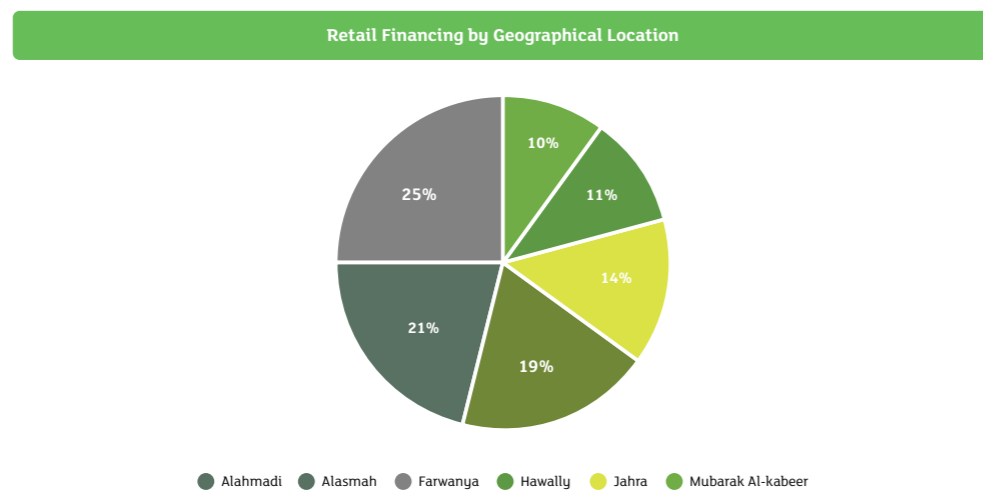


We highlight our commitment to women's empowerment, it is evident the increase in the female percentage in the retail financing by The Percentage of Retail Financing by Gender 2021-2022 chart. In 2021, the total amount of financing extended to women was KWD 1,258mn, and this year reached KWD 1,427mn; representing a remarkable growth percentage of 13.4%.

This progress perfectly aligns with our strategic focus on promoting gender equality and empowering women in our financial initiatives.

Our dedication to inclusivity is further demonstrated by the geographic distribution of our retail financing portfolio as shown in the following figure:

**Figure 13: Retail Financing by Geographical Location**



## Shari'a-Compliant Sustainable Products and Services

Our commitment to Customer satisfaction is exemplified by our extensive range of accounts, designed to cater to diverse needs:

### 1. Current Accounts:

- Kuwaiti Dinar (KWD) Current Account
- Foreign Currency Current Account
- Automated Service Account
- Worker Account

### 2. Investment Accounts:

- KWD Investment Savings Account
- Foreign Currency Investment Savings Account
- "Al Rabeah" Account
- Investment Savings Account for Children ("Bayti")
- Long Term Investment Plans

With personalized investment solutions and the opportunity to invest and save in long-term plans designed to achieve future needs and goals, KFH pioneered in launching the following products:

**1. Special Health Care Investment Plan:** "Shifaa" offers a plan based on monthly savings, while earning higher investment returns on savings along with "Takaful" cover. If and when facing critical health circumstances, savings and "Takaful" cover (Specific Illnesses) will assist meeting the required medical expenses.

**2. Achievement Investment Plan:** "Injaz" will offer a plan based on monthly savings, while earning higher investment profits on savings. Upon reaching the expected number of Customers they could start a business or achieve their ambitions, in addition to Takaful cover.

**3. Higher Education Investment Plan:** "Jameati" will offer a plan based on monthly saving, while earning higher investment returns on savings and Takaful protection.

**4. Marriage Investment Plan:** "Rafaa" will offer a plan based on monthly savings, while earning higher investment returns on savings, and a Takaful cover. When the child reaches the pre-determined age, the total amount saved added to the investment profits will be available to cover their marriage expenses.

**5. Retirement Investment Plan:** "Thimar" will offer a plan based on monthly savings, while earning higher investment returns on savings. When retired, the expected amount will be available to cover expenses, and Takaful cover.

### Takaful Insurance:

In our unwavering pursuit of Customer-centricity, we introduce “Takaful” Insurance—a product presented by Islamic banks against potential threats to properties, health, work, and income. It thrives on collective contributions, providing surplus options at term-end.

This product is a testament to our commitment to elevate Customer well-being, and it stands as a proud recipient of the prestigious “World’s Best Islamic Takaful” award from Global Finance 2022.

In adherence to Islamic Financing Principles, KFH is making a commendable endeavor to introduce innovation to the banking sector through a diverse range of Financing Products and Services, such as:

- Medical Care Financing
- Education Financing
- Car Finance

Our retail products aren’t just financial tools; but pathways towards a more sustainable and fulfilling future. We are resolute in our pursuit of excellence, for our Customers and for the well-being of the communities we serve.

### Communication Channels

We are dedicated to maximizing our Customer reach and engagement. Employing a multifaceted approach, we operate 58 branches in Kuwait, each serving as a vital touchpoint for our valued Customers, and we are targeting the opening multiple branches in 2023.

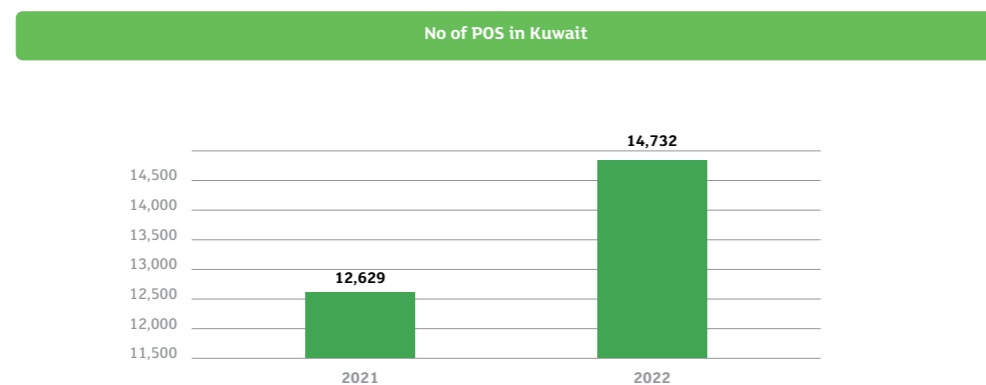
We also increase the number of offsite ATMs to enhance outreach with our Customers and provide convenient transaction points, especially in areas without branches. Mobile Near Field Communication (NFC) technology (Apple Pay, Samsung Pay, Fitbit) facilitates ATM transactions.

ATMs	2022
Al Asimah	117
Ahmadi	100
Farwaniya	98
Hawalli	91
Jahra	49
Mubarak Al-Kabeer	33

In addition to physical enhancements, we extend to digital innovation. By introducing video call capabilities through our ATM platform, Customers can open new accounts seamlessly. Furthermore, we’ve streamlined the process for transferring funds to Credit and Prepaid cards, empowering Customers with more flexible options for managing their finances.

Our growth in Point of Sale (POS) terminals is a testament to our proactive sales strategy. By directly engaging with merchants and offering fair pricing, we’ve successfully expanded our POS network, achieving a 16.6% growth rate from the previous year. We are targeting to reach further ATMs in 2023.

Figure 15: No of POS in Kuwait



## Remittances

This section highlights a pivotal aspect of our banking operations – remittances. This service facilitates cross-border transactions and fosters economic connections that transcend geographical boundaries. Remittances lie at the heart of global relationships, from empowering families' aspirations to supporting economic growth.

We showcase the impact of our efforts, providing insights into our Clientele, transaction volumes, and the balance between domestic and foreign remittances. Beyond the financial scope, our remittance services strengthen familial ties, enable education, and uplift communities. Additionally, they contribute to financial inclusion by facilitating access to banking services for migrant workers and their families.

The count of Customers engaged in remittance transactions for 2021 and 2022 reflects a growth rate of approximately 6%, while the combined value of remittance transactions for the same period indicates a growth rate of approximately 7%. These figures underscore the positive trajectory of our remittance services, emphasizing their significance in fostering global connectivity and socio-economic development.

## Chapter 4

# Driving Our Social Impact



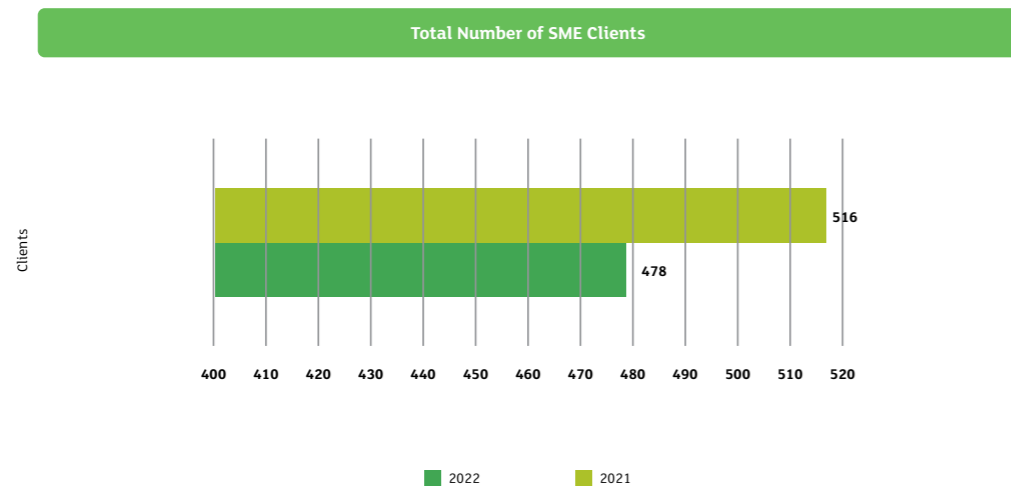
# Support for MSMEs

In pursuit of our commitment to supporting SMEs, KFH has undertaken several initiatives that target fostering entrepreneurship and economic growth. Our approach extends beyond traditional banking services and includes tailored online platforms, partnerships with government initiatives, and proactive responses to economic challenges. Exploring the following highlights provides insights into how we actively contribute to the prosperity of SMEs and entrepreneurs, aligning with our mission of social responsibility and sustainable progress.

- In 2014, we established a distinct SMEs Unit for tailored banking services. We also actively participate online through social media platforms and the newly developed SMEs dedicated website. The objectives of an online presence are to raise awareness for SME owners and provide a faster and more convenient application process.
- As a reflection of our dedication to social responsibility, KFH supports SMEs and Entrepreneurs by sponsoring various events and functions. This support is sometimes extended by providing funds through KFH's investment arm (KFH Capital).
- KFH collaborated with 'The National Fund for Small and Medium Enterprise Development,' taking on a significant role as a primary Bank responsible for conducting comprehensive analysis and delivering essential consultancy services to the fund's entrepreneurs.
- KFH took a leadership role in supporting Kuwait's SME community during challenging economic times and unforeseen circumstances, notably during the COVID-19 pandemic. We implemented initiatives to postpone or ease payment obligations for SMEs, providing crucial financial relief and support.

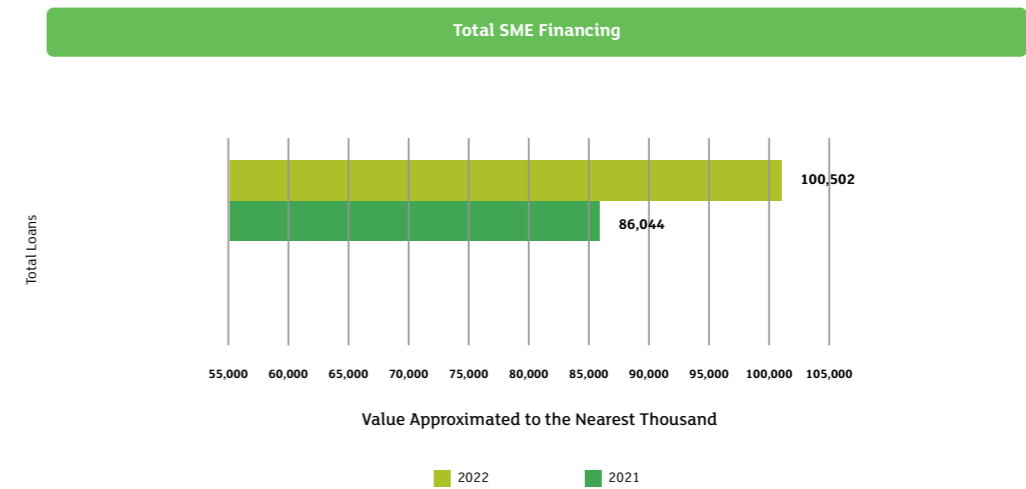
KFH played an active role in the implementation of two critical rescue programs. The first was the Rescue Guideline issued by the CBK in April 2020, followed by the SME Rescue Plan under Law 2/21, as mandated by the Kuwaiti Government. Both programs had 500+ submitted applications filtered and analyzed by the guidelines resulting in a KD 20mn worth of cash finance to support businesses facing challenges and stimulate economic recovery.

Figure 16: Total Number of SME Customers



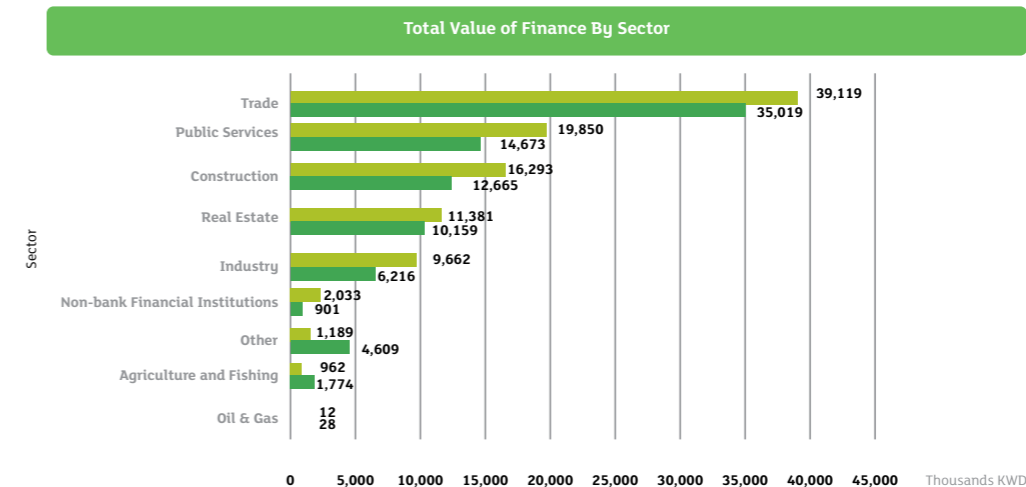
The Total Number of SME Customers chart illustrates an approximate growth of 8% in the total number of SME Customers from 2021 to 2022. This growth is significant not only as a measure of the bank's expanding client base but also as a key indicator of the bank's commitment to supporting the backbone of the economy.

Figure 17: Total SME Financing



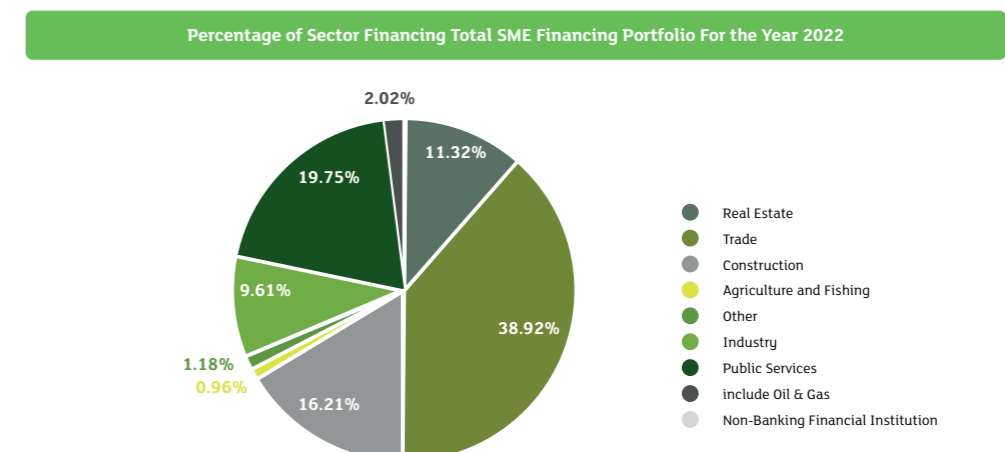
The Total SME Financing chart shows a significant uptick, revealing an approximate 17% increase in the financing provided to SMEs from 2021 to 2022. This increase underscores the bank's strategic emphasis on empowering SMEs

Figure 18: Total Value of SME Financing by Sector



The Total Value of SME Financing by Sector figure illustrates the distribution of SME financing by sector, with the Trade sector receiving the most substantial portion at 39,119 thousand KWD in 2022, reflecting a focused investment in sectors that are likely to bolster economic diversification and stimulate business activity.

Figure 19: Percentage of Sector Financing in Total SME Financing Portfolio for the Year 2022



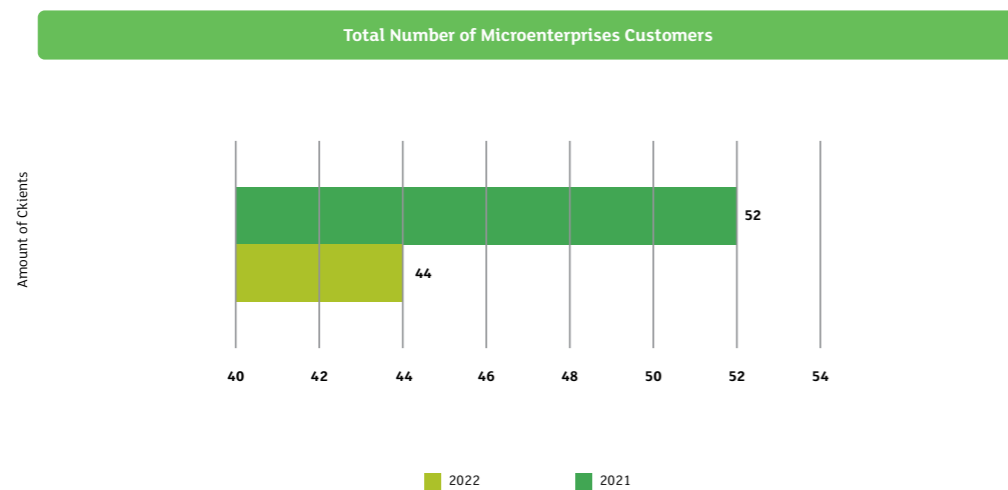
The Percentage of Sector Financing in Total SME Financing Portfolio for the Year pie chart details the sector-wise distribution of SME financing for 2022, with Trade dominating the portfolio at 38.92%. Real Estate and Construction are also prominent, at 19.75% and 16.21% respectively, indicating substantial investment in these sectors. Agriculture and Fishing is a significant, albeit smaller, focus at 11.32%, while Industry receives a moderate share of 9.61%. Public Services, Oil & Gas, and Non-bank Financial Institutions together account for less than 5% of the total financing, highlighting a lesser focus on these areas. An additional 'Other' category and an unspecified segment represent minor portions at 1.18% and 0.01% respectively, suggesting a concentration of financing in a few key sectors with minimal dispersion across other areas.

We leverage our solid capital base and liquidity to achieve a healthy SME portfolio growth and mitigate potential risks. Also, KFH's SME team possesses extensive expertise pertinent to various industries, enabling them to navigate the intricacies of segments, anticipate industry-specific challenges, and establish effective risk mitigation strategies. Our pricing strategy is tied to the Risk-Adjusted Return on Capital (RAROC) model output. This model considers collateral, expected loss, and expected utilization factors. This approach ensures that our pricing is fair and aligned with risk considerations, contributing to a well-structured and sustainable portfolio.

We deploy a 360 view of Customers' profitability to understand and analyze every aspect of our Customer's financial activities, interactions, and transactions to assess and enhance their overall profitability. This typically involves gathering and integrating data from various sources to create a holistic view that helps make informed credit decisions.

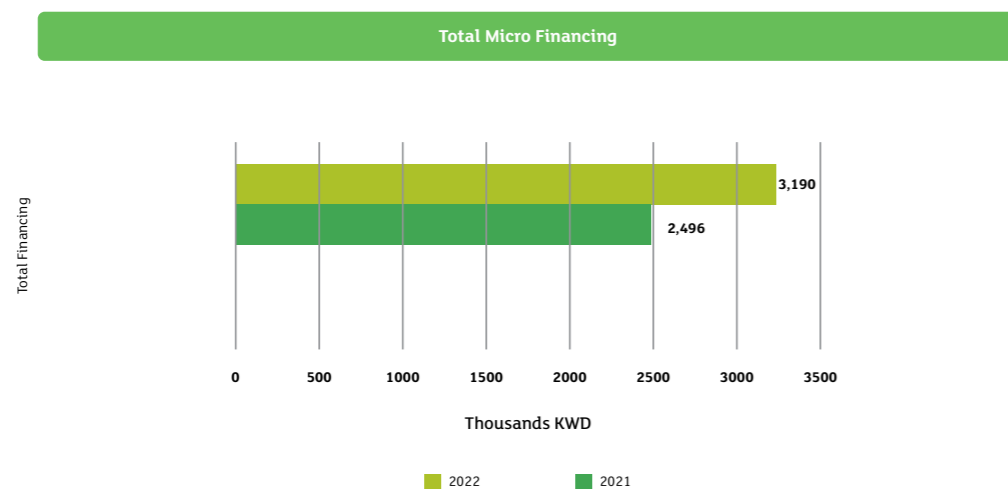
In 2021, we initiated the Micro Enterprise Unit, a significant step in expanding our services to support smaller businesses.

Figure 20: Total Number of Microenterprises Customers



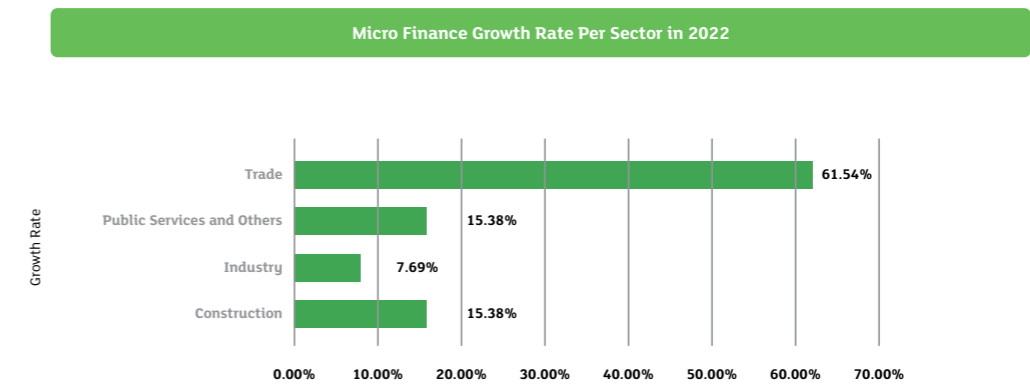
The Total Number of Microenterprises Customers bar chart showcases a positive trend in the banking sector, indicating an increase in the total number of microenterprise clients from 44 in 2021 to 52 in 2022, displaying 18% increase, highlighting the bank's growing engagement with this segment of the economy. We target a further increase of 50% by the end of 2023.

Figure 21: Total Microfinancing



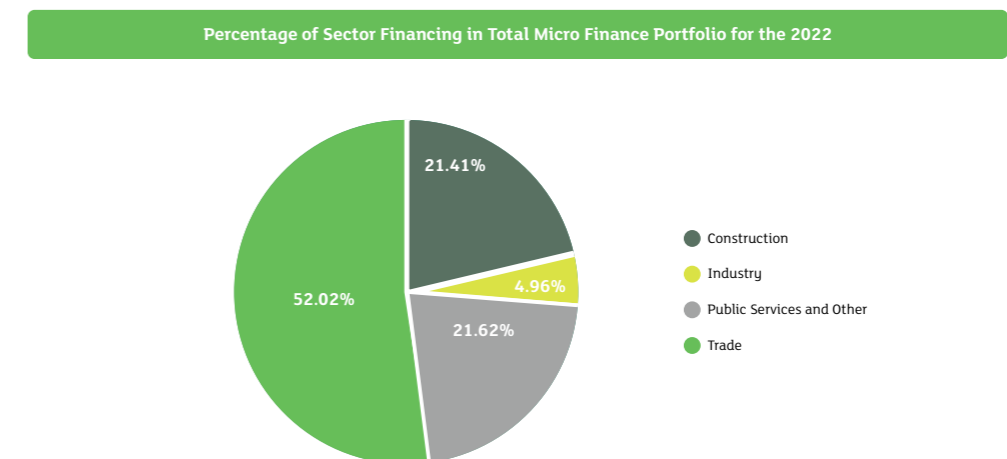
The Total Micro Financing chart indicates a significant rise in total micro financing, with Financing increasing from 2,496 thousand KWD in 2021 to 3,190 thousand KWD in 2022, a 28% growth rate, demonstrating the bank's enhanced support for micro enterprises. We target a further increase of 16% by the end of 2023.

Figure 22: Micro Finance Growth Rate Per Sector in 2022



The Micro Financing Growth Rate per Sector in 2022 chart reveals a dominant growth in micro financing within the Trade sector, which soared by 61.54% in 2022, significantly outpacing the Public Services and Others, and Construction sectors, both of which grew by 15.38%, while the Industry sector observed a more modest growth of 7.69%.

Figure 23: Micro Financing Portfolio by Sector in Year 2022



The Micro Financing Portfolio by Sector in 2022 pie chart shows the sector with the largest allocation is Trade, commanding just over half of the total with 52.02%, which underscores its significant role in micro financing. Both Construction and Industry are equally important but considerably less than Trade, each constituting a little over one-fifth of the portfolio at 21.41% and 21.62%, respectively. These figures suggest a balanced emphasis on infrastructure development and industrial activities within the micro financing space. Public Services and Others have a much smaller share at 4.96%, indicating that these areas are less prioritized within the portfolio. This distribution reflects a focused investment strategy with a strong inclination towards trading activities and a moderate, balanced support for construction and industrial sectors, while other areas receive minimal financing.

## A Journey Towards Inclusive Financial Access

KFH has developed a multi-layer framework, in where tiers provide tailored Shari'a-compliant products to different segments. These tiers are based on different demographics such as gender and age.

### KFH Banking Tiers



#### “Baiti” Program: For Children up to 14 Years.

This program is designed to gradually teach children how to save. Accordingly, its main objective is to cultivate saving habits, build financial confidence, and promote financial goal-setting. Children participating in this program are members of the “Baiti Club”, where they can participate in an online game that further develops their financial knowledge in a fun and interactive manner.



#### “Hesabi” Program: For Youth up to 25 Years.

This program is designed to promote and communicate tailored financial products effectively and offers that align with the lifestyle and preferences of the youth demographic. Therefore, this program includes reward gifts, weekend deals, e-banking services, and prepaid cards issuance.



#### “Al Sundus” Program: For Female Customers over 21.

This program is designed to fit adult female Customers’ specific needs. The program includes tailored financial services and offers, roadmaps for female-only branches, and tailored advice and investment plans.



#### “Al Rubban” Program: For Male Customers over 21.

In contrast, this program is designed to address adult male Customers’ needs. Services include the unique Al Rubban Card design to provide exclusive offers from major retailers, easily selling and buying gold bullion through “Gold” account, a range of flexible and diverse investment plans, and many more tailored services.



#### “Al Ruwad” and “Al Tamayoz” Programs.

These programs address elite KFH Customers from both genders. Accordingly, services in this program include real estate financing, buying and leasing cars, long-term investment plans, dedicated relationship managers, dedicated lounges, and much more.

### Adapting to Digital Transformation Challenges

Our pursuit of financial inclusion is intricately tied to adopting of robust digital banking solutions, empowering us to reach and serve a broader spectrum of individuals and communities. Accordingly, in 2022 we developed a digital strategy to leverage our digital infrastructure and cutting-edge technologies, enabling accessibility for individuals and communities previously underserved by traditional banking systems.

Our journey towards financial inclusion through digital transformation comes with its challenges. These challenges may include:

- Resistance to change as the organization transitions towards a digital future. To address this, KFH plans to invest in comprehensive change management strategies, fostering a culture that embraces innovation and facilitates a smooth transition. Clear communication and training programs will be implemented to ensure that all stakeholders understand the importance and benefits of digital transformation.
- Legacy systems and infrastructure may pose obstacles to seamless digital integration. To overcome this, the Bank will adopt a phased approach to modernization, allowing for the gradual replacement or enhancement of existing systems. Leveraging cloud-based solutions and integration platforms will facilitate the integration of new technologies with legacy systems, ensuring a harmonious coexistence.
- Data integration and management challenges may arise as the Bank deals with vast information. KFH is well-prepared to tackle this by implementing robust data management systems. This involves developing data governance frameworks to ensure data quality, security, and privacy. The Bank will also utilize advanced data analytics tools to derive valuable insights from the wealth of information.

By proactively acknowledging and effectively addressing these challenges, KFH demonstrates its commitment to navigating the digital transformation journey with resilience and foresight.

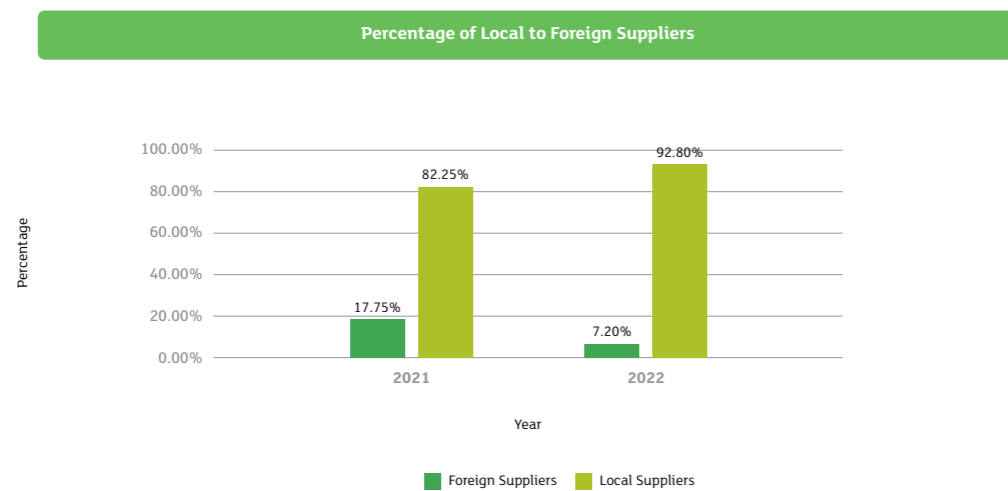


# Ethical Procurement

At KFH, our commitment to sustainability goes beyond providing sustainable banking services. Choosing suppliers has considerable implications for our environmental and societal responsibilities. We acknowledge that local suppliers offer logistical advantages, such as reduced transportation emissions and a shared commitment to Kuwait's sustainability objectives, emphasizing responsible sourcing and eco-conscious practices. Furthermore, by supporting local suppliers, we actively contribute to job creation within our community, fostering stronger bonds and facilitating meaningful engagement.

In line with our dedication to these principles, we are pleased to announce a noteworthy adjustment in our supplier composition for the current reporting period.

**Figure 24: Percentage of Local to Foreign Suppliers**



The Percentage of Local to Foreign Suppliers chart highlights a shift towards local suppliers, which constituted 92.80% of the total in 2022, up from 82.25% in 2021, while reliance on foreign suppliers decreased from 17.75% to 7.20% during the same period.

### The Path Ahead

We have taken a proactive approach to procurement by formulating a comprehensive policy guided by Shari'a principles. Under this policy, our existing supplier selection criteria adhere to global standards. These criteria encompass essential factors, such as compliance with Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) regulations, alignment with expertise and resources, and a rigorous screening process to identify and prevent potential conflicts of interest during vendor registration.

As part of our ongoing efforts to enhance our procurement policy, we are poised to integrate an even more rigorous screening process for our suppliers. This thorough screening will consider environmental criteria, aligning our supplier selection process with our effort towards environmental responsibility. We are dedicated to strengthening our policy, ensuring it reflects our values and principles while contributing to a more sustainable and responsible future.

# Enabling our Local Community

## Our Corporate Shared Value Approach

At KFH, our commitment lies in creating shared values by promoting of "A financial system based on genuine social values and positive actions, leading to comprehensive social growth and inclusion for all."

As the pioneer Islamic Bank in Kuwait, with over four decades of dedicated service to our Customers and communities, KFH stands firm in its role as a social impact leader and its unwavering dedication to social responsibility. We achieve this through our Corporate Shared Value (CSV) approach.

Our CSV approach is built on four key elements:

1. Centered around five primary CSV Pillars.
2. Collaborations and partnerships with trusted entities.
3. Implementation of defined CSV programs and projects within each pillar.
4. Vigilant monitoring and evaluation of projects using multiple indicators, including:
  - Total funding by KFH under each pillar.
  - Number of beneficiaries impacted by KFH's initiatives.

## KFH CSV Pillars

KFH identified its CSV pillars based on the common needs of its communities while supporting fundamental human rights in five key areas that contribute to the economic and social well-being of all stakeholders involved.

We identify CSV opportunities based on the following: **Government development strategy and direction, community and public trends, local and global environmental, health, and humanitarian causes.** Programs are developed through sponsorships, partnerships, and collaboration with public, private, and non-profit organizations.



### Our Social Impact

Guided by Islamic Principles, our social impact is at the core of our strategy and corporate values. This is achieved by supporting the Bank's social Takaful and our CSV activities in many fields. Primarily Healthcare and Sports, Education and Youth Development, Social Development and Inclusion, Heritage Preservation, and Environmental Protection in a manner that reflects the Bank's vision of continuously reinforcing financial and social support as well as engagement with all segments of the community. Moreover, KFH initiatives aim to create a direct and indirect economic and environmental impact that complements our efforts towards creating shared value while addressing various social challenges faced by different segments within the community.

### Market Leader in CSR

During 2022, KFH strengthened its leading position in corporate social responsibility and maintained sustainable growth. KFH was classified by Euromoney as a Market Leader in CSR at the state level of Kuwait for the year 2022. This recognition confirms the Bank's prominent social role, characterized by diversity and comprehensiveness in several aspects, and its contribution towards promoting sustainable development and paving the foundations for the developmental role of the private sector.

### Community Support, Partnerships, and Investments

In 2022, KFH undertook over 200 initiatives and activities under its CSV Pillars in partnership with over 40 organizations in various sectors, such as education, environment, health and well-being, community awareness and recreation, youth and sports, humanitarian aid, and other sustainability-related initiatives.

KFH's aspires to continue strengthening its social role by utilizing its financial and human capital across its communities to implement various programs under its five CSV pillars towards sustainable development.

KFH most prominent strategic partnerships and collaborations include, but are not limited to:



- Kuwait Banking Association (KBA)
- CBK
- Ministry of Interior
- Ministry of Health
- Ministry of Education
- Kuwait Municipality
- Environmental Public Authority
- Public Authority of Agriculture Affairs and Fish Resources
- CODED Academy
- Kuwait University
- The Public Authority for Applied Education & Training (PAAET)
- AlSadu Society (Sadu House)
- Kuwait Red Crescent Society (KRCS)
- Dasman Diabetes Institute
- Kuwait Olympic Committee
- The Touristic Enterprises Company

### CSV's First Pillar: Healthcare and Sports

We actively acknowledge and address health risks and challenges in the communities we serve. We are a significant supporter and contributor to the healthcare sector, enhancing service quality and capacity in the public healthcare system, and engaging in initiatives benefiting civil society.



#### Segment-Specific Programs

People with critical and chronic illnesses  
Low-income segment  
Youth and the General Community

#### Project-Focused Programs

Investments in Healthcare  
Health Awareness Campaigns  
Community Well-being  
Promote a healthy and active lifestyle

#### KFH's Financial Contribution to the Healthcare Sector

Direct Infrastructure Investments  
Financial support (funding or sponsorships)  
Donations  
Employees Volunteerism

### Our Health and Sports Initiatives

#### KFH's Investment - Al Salam Hospital: KFH Subsidiary

Al Salam Hospital established in 1964. Ever since, it has continued its success and distinction to become one of the largest, and leading private hospitals in the healthcare sector in Kuwait and the Middle East. KFH's investment in the field of health and medical services added value to the capabilities of the private health sector providing world-class quality standards and contributes to improving the medical service for Kuwaiti citizens and residents, in line with the government's vision of prioritizing and strengthening the level of medical services, as a part of the comprehensive development plan. The hospital endeavors to enhance human medical talents and capabilities by hosting Doctors from around the Globe.

The hospital includes a Medical Development Center (MDC) accredited by the Kuwait Institute for Medical Specializations (KIMS) as a sustainable learning center. The center is also accredited by the American Heart Association (AHA) as an international training institute for lifesaving and first-aid courses. Since the start of the initiative, Al Salam Hospital's Medical Development Center has received multiple certifications from the AHA for its well-established educational program to the community.

As part of its social responsibility towards the community, the center empowers healthcare workers and non-health sector individuals with the right tools and knowledge to deal with emergencies by providing certified Cardiopulmonary Resuscitation (CPR) and first aid courses. Many of the beneficiaries of this program include parents, schoolteachers, and students of different ages. In 2022, 145 course attendees were non-medical individuals, 236 were employees within the healthcare sector, and 91 were students attending MDC's annual summer camp for kids at Al Salam Al Assima Hospital.

Al Salam Hospital plays a significant role in raising awareness through campaigns focusing on medical subjects such as breast cancer, prostate cancer, diabetes, blood donation, and medication safety through various initiatives. These include organizing events, delivering lectures, and engaging on social media platforms. The hospital's doctors and medical professionals conduct informative lectures in companies, schools, and universities, educating the community about these critical health issues. Furthermore, nursing employees are present during events to provide on-site services for attendees, such as measuring blood pressure and sugar levels. Al Salam Hospital's commitment to these awareness campaigns underscores its dedication to promoting health and well-being within the community.

The upcoming opening of Al Salam Al Ahmadi Hospital, an extension of the esteemed Al Salam Al Assima Hospital, marks a major achievement in Kuwait's healthcare journey. Equipped with advanced amenities and a team of highly proficient medical experts, Al Salam Al Ahmadi Hospital is poised to transform healthcare services and elevate medical practices, reaffirming Al Salam Hospitals' dedication to exceptional patient care and innovative medical advancements.

### Health and Sports Partnerships

- KFH has fostered several awareness activities, in collaboration with Dasman Diabetes Institute, to spread health awareness concerning diabetes disease, considering the prominent risks it carries.
- Partnership with Ministry of Health in various health awareness programs throughout the year: Hajj vaccinations and health precautions, Cancer, Diabetes and campaigns against COVID-19 and for vaccinations.
- Partnership with Flare Fitness, a locally owned gym, to organize a fitness challenge during holy month of Ramadan
- Partnership with Kuwait Olympic Committee to sponsor and support Olympic Games – Padel Tournament hosted in state of Kuwait as well as official partner for KFH Padel Tour 3
- Relaunched KFH Walk program in partnership with V-Thru, a locally owned lifestyle app, to organize V-Fit daily virtual walking challenges to encourage people to exercise and lead a healthy active lifestyle in a community based challenge while allowing them opportunity to support planting trees campaign by KFH through amount of steps walked.
- Partnership with AlSalam Hospital, a subsidiary of KFH Group, through various joint campaigns advocating for general health and wellness.
- Partnership with Suffix, a local sports events company, to organize KFH Obstacle Challenge the first of its kind in Kuwait integrating all ages and segments of the community including people with disabilities while effectively supporting SME corporate partners specialized in health and fitness field by offering them free event space for their participation in an exhibition on the sidelines.
- KFH renewed partnership with the specialized sports app (Li3ib), launched by a group of young Kuwaiti entrepreneurs making fitness and healthy lifestyle easily accessible through mobile phones while co-organizing various community fitness events.



**CSV's Second Pillar: Education and Youth Development**

At KFH, prioritizing the development of skilled young professionals stands as a key strategic focus. With more than 44 years of actively supporting our community and contributing to education, our commitment remains steadfast in fostering a thriving and diverse economy for the upcoming generations. Recognizing the significance of cultivating a competitive market with a skilled youth workforce, we also align with national efforts to enhance education, boost youth productivity, and strengthen competitiveness in line with the broader development plan.

**Our Education and Youth Initiatives**

**Institute of Banking Studies (IBS)**

In 2022, KFH extended its support to The Institute of Banking Studies, totaling KWD 687,825. IBS has been a vital collaborator within Kuwait's banking and financial sector for over four decades, contributing technology and expertise to this essential domain. Its diverse services now include professional certification programs, executive development courses, training sessions, assessments and tests, English language training, e-learning, and specialized library offerings encompassing banking, business, and finance research publications.

**Education and Youth Development Partnerships**

Kuwait University
National Union of Kuwaiti Students
Kuwait Technical College
Australian College of Kuwait
CODED Academy
Gulf University of Science and Technology
College of Business Administration in KU
College of Engineering and Petroleum in KU
Public Authority for Applied Education and Training
College of Business Administration in KU

**Education and Youth Development Initiatives**

- KFH Mubadereen Team: Supporting a group of national entrepreneurs and initiators in various fields under the KFH umbrella.
- CODED programs are provided to children to help them learn the basics of coding and technology using the latest tools, and introduce teenagers to the basics of developing video games and apps. In 2022, CODED Academy adapted KFH's "Keep It Green" initiative towards environment protection into its curriculum. The participants learn the concept of "Green Coding", focusing on coding for sustainable solutions.
- KFH supports children's rights through its subsidiary at AlSalam Hospital that organizes free CPR Life Saver workshops for primary school teachers to be trained and well-equipped when dealing with health emergencies for their students.
- KFH sponsors and participates in career fairs organized by universities and colleges around Kuwait.
- KFH sponsored the graduation projects for over 500 students.
- As part of KFH's continued partnership and support to PAAET students and the educational process through sponsorship of student extra-curricular activities and career fairs.
- Summer programs for the Customers of both (Hesabi) for youth and (Baiti) for children. Summer programs comprised financial literacy and entertainment activities, lectures, workshops and field visits. The program was designed to support and train fresh graduates.
- Professional elite training program designed for high achievers with high GPAs, the KFH Forssa program combines workshops and on-the-job training for fresh graduates giving them the boost they need to excel in their careers at KFH.

**CSV's Third Pillar: Social Development and Inclusion**

KFH's unwavering commitment to community development encompasses diverse of initiatives that necessitate collaborative efforts from the Bank and its partners. With a clear goal in mind, KFH continues to play a significant role in advancing social development, particularly for underprivileged segments, through partnerships with public authorities and NGOs, thus enhancing their well-being in various ways.

Furthermore, KFH has proactively taken a leadership role in supporting community well-being projects. Through collaboration with The Enterprises Company (TEC), KFH has contributed to the Winter Wonderland Kuwait theme park project, aiming to bolster recreational opportunities and state tourism, while aiding local SMEs involved in its operations.

In addition, KFH's media content comprises over 100 initiatives covering financial inclusion, education, women's empowerment, health, community awareness, youth engagement, humanitarian aid, individuals with special needs, and sustainability. This content is disseminated through diverse platforms like social media, television, print, and digital media, ensuring widespread accessibility to various of audiences.

KFH has Mechanisms to facilitate employee engagement and involvement with charitable partners: Every year during the holy month of Ramadan, KFH Volunteers Team engages in a month-long campaign dedicated to volunteer work. This includes distributing Futour meals (breaking-fast) and other acts of kindness and goodwill .

The KFH Volunteers Team is also actively involved in environmental initiatives, participating in activities like tree planting and beach/sea clean-ups to promote a greener and cleaner environment.

To facilitate these efforts, we established a dedicated community involvement team. This team plans and coordinates volunteer activities, forges partnerships with nonprofit organizations, and offers guidance for employee-led initiatives. These activities are conducted annually and semi-annually, reflecting our commitment to positively impacting our communities.

**Social Development and Inclusion Key Partnerships**

Zakat House
KRCS
Ministry of Awqaf and Islamic Affairs
KFAS
CBK
KBA
Kuwait Fire Department
PADA

## Social Development and Inclusion Key Initiatives

### Economic Empowerment and Financial Awareness

KFH has proactively raised awareness about financial fraud and enhanced financial literacy as part of its support for the CBK's "Diraya" awareness campaign. The Bank has gone the extra mile by delivering messages about banking services and products in sign language to ensure inclusivity for individuals with hearing impairments, aligning with the "Be Aware" campaign in collaboration with the KBA.

Continuing its commitment to promoting banking services and Customer rights for those with special needs, KFH has conducted innovative banking awareness initiatives. These include an experiment to assess university students' banking knowledge, offer educational guidance, and emphasize the importance of reviewing and comprehending contracts before engaging in banking transactions. These efforts are integral to the Bank's contribution to the "Be Aware" campaign, part of its broader CSR endeavors.

KFH supports the "Be Aware" campaign activities to spread financial education in society and raise awareness among the public about their rights regarding dealing with banks, so that they are aware of financial and banking transactions. This is through publishing videos, educational materials, and awareness messages through the Bank's social media channels, website, ATM screens, and display screens in branches, newspapers and other media outlets.

The "Be Aware" campaign addresses several topics, such as the consumer and housing finance process, banking cards, awareness of the rights of Customers with special needs, advice related to cybersecurity and the protection of Bank accounts, clarifying the mechanisms for submitting a complaint and protecting the rights of Customers, as well as introducing the functions of the banking sector and its role in stimulating and developing the economy.

Furthermore, KFH is dedicated to enhancing public awareness about the risks associated with cybercrimes, bolstering financial literacy, and elevating security standards in financial transactions. Customers are encouraged to stay vigilant by safeguarding confidential information, such as account details, banking cards, passwords, PINs, and Card Verification Values (CVVs). Additionally, they are advised to exercise caution when receiving unsolicited calls or messages, especially from unfamiliar sources, whether via phone or social media.

### KFH contributed to the national labor support program with KWD 9,258,797 in 2022.

#### •Zakat House and Charity Donations

Establishing Zakat House was a pioneering step to revive one of the Islamic pillars and facilitate its fulfillment. It works on collecting and distributing Zakat and charities in the best, most efficient, and legally permissible ways that suit society's rapid developments and needs..

### KFH total contribution to Zakat and Charity Donations amounted to KWD 11,222,867 in 2022.

#### 1-The Kuwait Foundation for the Advancement of Sciences (KFAS))

The Kuwait Foundation for the Advancement of Sciences (KFAS), a private non-profit organization, continues its 40-year journey to harness science, technology, and innovation in Kuwait, and to promote modernization, a better quality of life and a sustainable future for the Kuwaiti people. In line with the long-term vision of the late Amir Sheikh Jaber Al Ahmad Al Jaber Al Sabah and supported by leaders in the private sector, an Amiri Decree was issued in 1976 for the establishment of the Foundation, with a focus on advancing and integrating science, technology, and innovation (STI) throughout the country.

KFH contribution to KFAS is KWD 3,248,672 in 2022.

#### 2-Inclusion of Special Needs::

KFH has established multiple new practices to ensure the inclusion of people with special needs by dedicating six branches fully equipped with ramps and accessible pathways, to allow our customers with physical challenges to access the premises easily. As well as ATMs with voice-enabled features and Braille-equipped keys to support the sight-impaired customers. Moreover, KFH has 51 customer-facing employees fully trained in sign language assigned to assist customers across the six branches.

KFH has also partnered with Public Authority for Disability Affairs (PADA) as the first Bank in Kuwait to launch a comprehensive program to include of people with disabilities by offering them on-the-job training programs and full-time job opportunities.

### 3- Our Takaful

KFH Takaful Insurance continues to lead at the top among Takaful insurance companies in Kuwait regarding market share taking fifth place among Kuwaiti insurance companies in terms of gross direct insurance premiums in 2022.

KFH Takaful Insurance has been ranked as the best Takaful company in Kuwait for the second year in a row by Global Economics for 2022.

For the fifth year in a row, Reinsurance agreements have been renewed with Swiss Re Company – Switzerland, which is considered one of the largest reinsurers in the world due to the company's quality results over the years, in addition to the renewal of the group takaful reinsurance agreements with Gen Re – Germany, which is also considered one of the largest reinsurers globally. This confirms KFH Takaful's strategy in sustainability, its relations with reinsurers, and its positive results.

The Company's website and application have been updated within the framework of the company's endeavor to provide quick and simplified services to Customers to keep pace with digital development. Customers can browse the website and learn about the insurance products and services provided by KFH Takaful and the possibility of issuing and buying a number of Takaful insurance products. This expansion is in line with the company's strategy and reflects our keenness to provide the best possible services to our Customers, by delivering the easiest e-payment solutions, giving Customers a sense of comfort and confidence, which is an important step towards increasing the company's market share and providing a modern technological means to complete transactions.

KFH Takaful has added (Online Payment Links), a new service in the system that facilitates Customer's payment process safely and reliably and executes transactions automatically according to the applicable controls and instructions without the need to visit the company. The Customer receives the insurance policy immediately after completing the payment process, which confirms the company's strategy towards developing electronic transactions to serve its Customers.

KFH Takaful has launched "Al Baraka" policy, a new health insurance policy designed specifically for residents who have reached the age of (60) years. It is a unified and mandatory policy for granting, renewing, or transferring work permits.

The company has 121 employees, of which 20% are local nationals while others are from diverse nationalities.

### CSV's Fourth Pillar: Pillars of Shari'a and Heritage Preservation

One of our KFH's priorities is the adherence to and continuation of our Islamic Sharia'a Pillars and Heritage, including our culture, norms, customs, religion, and traditions. For this reason, KFH is promoting our heritage and supporting its preservation through specialized products and services, along with modern, technological solutions, and dedicated Ramadan activities.

#### KFH Zakat Contribution (Third Pillar of Islam):

In 2022, KFH total contribution to Zakat amounted to KWD 11mn of which:

- KWD 4mn were dedicated to the Gharemeen Debt project in Kuwait.
- KWD 1mn was dedicated to the Gharemeen Debt project in Bahrain.
- KWD 4.66mn were dedicated to various good deeds and Charity projects inside and outside Kuwait

In 2022 KFH organized various CSV initiatives promoting our heritage and supporting its preservation with most prominent as follows:

- Acknowledging the historical importance of Souq AlMubarikya, an agreement was signed with Kuwait Municipality, and KFH pledged around KWD 8mn to fund the restoration project of Souq AlMubarikya area affected by the fires which destroyed nearly 17 buildings within the historical souq.
- KFH offers "Al-Kheir" card. While offering special discounts and promotions at Kuwait's most renowned stores, this prepaid card is also a charity card. KFH donates 0.25% of the transaction value to the charity fund with every transaction. Through this unique card and in coordination with the Ministry of Awqaf and Islamic Affairs, KFH can send underprivileged people on pilgrimage to Hajj and Umrah, covering all expenses, which include travel ticket, visa, accommodation, and transportation. In 2022, the available charity fund amounted to KWD125,000 and could cover entire costs for 50 needy individuals.
- KFH supported the release of a significant app update to the Holy Quran application, available on both Google Play and Apple Store, with enhanced features that are easily accessible for all smartphone users. This is a gift from KFH to all users around the globe.
- KFH has implemented a variety of Ramadan activities such as "Connect with Good Deeds in Ramadan", which includes Iftar initiatives, activities and various social contributions, awareness initiatives, and daily engagement with the community.
- KFH renewed its partnership with and support for ALSadu Society in efforts to promote and preserve Kuwait's cultural heritage. In 2022, ALSadu Society was officially recognized as a non-governmental advisor to UNESCO, a proud achievement enriching cultural development and national identity while promoting and preserving Kuwait's textile heritage.
- KFH continued its partnership with Kuwaiti author and historian Dr. Abdulmohsen AlKharafi, who produced two books that aim to protect history and culture while serving as an inspiration for future generations. The first book covers Kuwait's history in trade and commerce, highlighting entrepreneurs from previous generations. The second book covers Kuwait's history in charity and humanitarian aid highlighting our forefathers' good deeds.

**Heritage Preservation Key Partnerships**

Ministry of Awqaf and Islamic Affairs
KFH “Connect with Good Deeds” Ramadan Campaign
Kuwait Municipality
Zakat House
KFH National Days Campaign
AlSadu Society (Sadu House)
Sponsorship of Kuwait National TV program “Wesam AlQuran”
Sponsorship of cultural books by Dr. Abdulmohsen AlKharafi

**CSV’s Fifth Pillar: Environmental Protection**

Aligned with our Islamic values of moderation, responsibility, and discouraging excess, KFH demonstrates a vigilant approach to consumption, prioritizing environmental impact reduction in our daily operations. We actively integrate eco-friendly products into our services. This ethos extends to our community through our CSV initiatives. Our "Keep it Green" initiative, fostering environmental protection for sustainability, expanded in 2022 with its sub-initiatives and partnerships.

**The First Eco-Friendly Bank Card in Kuwait**

In line with KFH’s proactive approach towards enhancing its services and providing environmentally conscious solutions, we were the first Bank in Kuwait to introduce credit cards made from 85.5% recycled plastic. The eco-friendly cards were launched during KFH Sustainability Conference and offered to Customers designed in Kuwait’s flag to highlight the importance of collective effort towards protecting our country’s environment.

More than 40% of new credit cards issued in 2022 were made from recycled plastic with the aim to gradually increase and make all cards issued Environmentally friendly, KFH has also enhanced its digital services and provides environmentally conscious solutions like paperless transactions and digital wallets for cash-less payments.

**Environmental Protection Key Partnerships**

SEEDS
Environment Public Authority (EPA)
SIDRA
Green Vision volunteers team
AlAsima Governate
Kuwait Municipality
PAAF

**Environmental Protection Key Initiatives**

In 2022 KFH organized various CSV initiatives towards environment preservation and protection with the most prominent as follows:

- KFH continued the “Keep it Green” in-house program launched in 2021. The initiative aims to promote a sustainable environment and serves as an umbrella for several sub-initiatives, programs, and activities under it.
- KFH continued its partnership with the Environment Public Authority (EPA) to support various awareness campaigns promoting the protection of the ecosystem and its diversity on land and sea.
- KFH continued its partnership with the Public Authority of Agriculture Affairs and Fish Resources (PAAF) to support nationwide projects to plant more trees and renovate public spaces with landscaping projects to enhance the community environment.
- KFH continued its partnership with the Green Vision volunteers’ team and environmental activist Shabeeb AlAjmi to sponsor planting trees in the Plant and Wildlife Reserve in AlAbdali. This project aims to promote the preservation and diversification of plants and the natural ecosystem. Over 1500 trees were planted during 2022.
- Partnership with SIDRA initiative to establish Kuwait’s first carbon off-set online platform. The platform has also been enhanced to serve as a library for information on Kuwait’s natural habitat that can be used by researchers or people with interest.
- Partnership with the Ministry of Interior (MoI) and Coastal Guard to raise awareness of protecting sea and marine life with field activities and distributing sea kits that include environmentally friendly tools and first aid.

# Chapter 5

## Investing in Our People and Culture



## Creating an Inclusive and Empowered Workforce

Inclusion lies at the heart of our commitment to sustainability at KFH. We believe that a truly sustainable future can only be achieved by fostering a society that values and embraces the diverse abilities of all its members. With this profound conviction that we have forged a transformative partnership with the Kuwait Society for the Handicapped (KSH), centered around the principles of inclusivity and empowerment.

### Our Partners



One of the most important objectives of KFH's partnership with KSH is to ensure the integration of people with disabilities into the community. The partnership aims to qualify them for training and development opportunities, leading to job placements that provide them with a sustainable income to enhance their psychological status.

Since the inception of our partnership with KSH in 2021, We have successfully enabled 20 KSH trainees to participate in extensive training programs across various functions and departments within KFH.

Our commitment to inclusivity and diversity extends beyond training programs. We have engaged with partner organizations, such as LinkedIn, Script, HR Invest, and GUST, to help us identify and connect with potential candidates. These collaborations have enabled us to expand our reach in finding qualified individuals, including those who have recently graduated or possess exceptional potential.

The Bank has taken deliberate actions to improve workforce diversity, promote equal opportunities, and reduce discrimination. This commitment encompasses the following key initiatives:

We instituted a Cross-Generational Mentoring Program. This program pairs junior employees with their more experienced senior counterparts, creating opportunities for knowledge exchange and bridging generational divides.

Furthermore, our efforts extend to targeted graduate recruitment, where we actively seek talent from diverse backgrounds. We understand the value of experienced personnel and, as a result, have implemented Senior Employee Retention Programs to retain and leverage their expertise.

Our commitment to inclusivity also encompasses creating an accessible workplace for employees with disabilities. To achieve this, we regularly assess workplace accessibility, invest in assistive technologies, and make necessary accommodations for employees with disabilities. Additionally, we foster an environment of acceptance and understanding by partnering with disability organizations and providing relevant training.

KFH Group is dedicated to supporting and empowering people with disabilities. KFH designed a welcoming, accessible, and safe workspace for people with disability, who reached 163 employees in 2022. Our goal is to further bolster our disability hiring efforts, with a clear objective of reaching a 4% representation within our workforce over the next five years. We will accomplish this through focused recruitment strategies and inclusive programs.

Furthermore, KFH employees are constituted of 35+ nationalities, where over 80% of them are from the Middle East, which represents 12 different nationalities including Kuwait, Egypt, Jordan, Syria, and Lebanon. Additionally, the remaining employees contribute to the global perspective with their diverse origins, comprising 7% from Europe, 4% from Asia, and around 1% from various other regions.

Additionally, 11.65% of our workforce comprises contractors and temporary employees, providing a stable foundation of full-time staff.

## Gender Equality and Women's Empowerment

As an organization, we are dedicated to continually advancing gender equality and promoting women's empowerment by upholding our values. We take great pride in the fact that in 2022, KFH Kuwait's workforce comprised 22% women, with 7% holding senior management positions. Female presentation in the Middle Management Level is 11% and in the Lower Management Level is 25%. We track female representation metrics annually across all levels and our senior leadership reviews this progress.

We proudly to highlight our recent agreement with the UN to implement and promote the Women's Empowerment Principles. This partnership represents a significant stride towards fostering empowerment and gender equality within our organization.

At KFH, we firmly believe in providing equal pay for equal work, regardless of gender. Our remuneration and salary policies do not differentiate between women and men, ensuring fairness and equity for all employees with a steady zero salary gap between women and men.

## Promoting Employee Well-Being

At KFH, the well-being of our employees is a top priority. We take great care to ensure that our workforce operates in a safe and healthy environment, adhering to national labor laws and regulations. We go the extra mile by providing a range of well-being benefits to support all our colleagues.

KFH offers life insurance designed to provide financial protection to its employees in the unfortunate events of death or disability. Moreover, disability benefits are integrated into the life insurance policy. In the event of disability, employees receive additional coverage to safeguard their financial interests. This demonstrates KFH's commitment to the welfare of its workforce, even in unforeseen circumstances.

Health care is an integral aspect of wellbeing and positively impacts our employees' lives. Despite the absence of a legal mandate, KFH is committed to offering extensive medical assistance to its employees and their families. This inclusive approach ensures that each employee can benefit from health care coverage as per the applicable policy, which reflects our strong belief in comprehensive support for the well-being of our employees and their loved ones.

### Benefits

Employees Benefits	Description
<b>Education Assistance</b>	Employees are entitled to Education Assistance per KFH HR Policy & Procedures.
<b>Annual Leave Passage</b>	KFH employees are entitled to return flight tickets in advance or cash equivalent in line with KFH HR Policy & Procedures.
<b>Non-Profit Financing</b>	KFH provides employee financing (Non-Profit financing) as part of the employee value proposition. Profit-free financing is granted to employees as per the terms and conditions of the program.
<b>Medical Insurance</b>	KFH provides Medical Insurance Coverage for Employees, Spouse and up to 3 Children.
<b>Work Injuries Insurance &amp; Death At Work Or Due To Work</b>	KFH provides insurance coverage for Work Injuries and Death at work or due to work as per the insurance policy for employees.
<b>Overtime</b>	KFH employees are eligible for overtime per KFH HR Policy & Procedures.
<b>Other Allowances</b>	In such cases KFH provide Allowances for the employees based on the nature of work (e.g., Transport-On call-Night Allowance-Headset...etc.)
<b>End of Service Benefits</b>	KFH employees are eligible for End of Service Benefits per KFH HR Policy & Procedures.

### Parental leave

At KFH, we empathize with the challenges and overwhelming nature of new parenthood. So, we support our employees throughout their journey into parenthood by offering comprehensive and flexible parental leave packages. Our commitment is reflected in these leave options' number of calendar days.

Parental Leave	2021		2022	
	Female	Male	Female	Male
<b>Total number of employees entitled to parental leave</b>	306	1585	304	1542
<b>Total number of employees who took parental leave</b>	42	114	53	116
<b>Total number of employees who returned to work during the reporting period following their parental leave</b>	42	114	52	116
<b>Total number of employees who returned to work following their parental leave, and were still employed 12 months after their return to work</b>	42	114	41	110
<b>Rates of Employee Return to Work and Employee Retention</b>	<b>Return to Work Rate:</b> 100%	<b>Return to Work Rate:</b> 100%	<b>Return to Work Rate:</b> 98.11%	<b>Return to Work Rate:</b> 100%
	<b>Retention Rate:</b> 100%	<b>Retention Rate:</b> 100%	<b>Retention Rate:</b> 78.85%	<b>Retention Rate:</b> 94.83%

## Ethical Workplace

KFH's Policies emphasize maintaining a professional and ethical workplace and respecting local customs and Islamic values. They strictly prohibit any form of disrespectful, discriminatory, or harassing behavior. Employees are responsible for upholding high standards of conduct and ensuring a discrimination-free environment. Incidents should be reported to management and HR, and KFH promises to handle them confidentially and professionally. The Bank values fairness and expects employees to treat each other unbiasedly.

Employees can contact their HR Business Partners to discuss any employee-related issues. Furthermore, a system is put in place where employees can apply for a grievance, and the policy ensures that all grievances are settled in a fair manner and in line with Kuwaiti Labour law and other laws, ethics, and morals that are applicable locally.

We have set up confidential reporting channels that allow our employees to express concerns and manage employee complaints or incidents related to discrimination, such as bullying and harassment, confidentially. Our HR team is well-equipped and trained to handle these matters effectively. Notably, in 2022, there were no reported instances of discrimination at KFH. Additionally, we are committed to upholding workers' rights to exercise freedom of association and collective bargaining across our operations and supply chain.

Furthermore, a Whistleblowing Policy recognizes best practices and allows employees in good faith to submit a confidential or anonymous allegation of misconduct or potential wrongdoing.

The Bank has implemented specialized training and recruitment programs, incorporating underprivileged groups as part of our commitment to supporting community inclusion and diversity in hiring. In 2022, KFH employed a total of 684 individuals from underprivileged backgrounds. These initiatives build upon existing policies that strictly prohibit discrimination.

## Nurturing a Positive Work Culture

In 2022, KFH continued its commitment to employee satisfaction and retention. With survey's impressive 84% employee engagement ratio at the Kuwait level and 83% at the Group level, the Banks's dedication to fostering a positive work culture was evident. Following the survey, we analyze the data to pinpoint challenges. Subsequently, we craft action plans, with actionable strategies to overcome these challenges. To ensure the effective execution of these plans, each department designates an employee responsible for implementing their respective strategies.

Also, our voluntary turnover for full-time employees is under 7.8%, which we closely monitor as a KPI. This indicates strong workforce retention and satisfaction.

KFH's pursuit of excellence was rewarded with two prestigious Brandon Hall awards for business process automation and HR employee engagement survey. These awards resulted from the organization's focus on innovation and continuous improvement, leveraging cutting-edge technology to optimize business processes and enhance productivity.

Employee recognition was a paramount focus at KFH, exemplified by our Qadha program. Qadha is an umbrella of all Recognition and Awards programs for KFH and OS employees established in 2022. We acknowledged the outstanding dedication and hard work of over 900 employees since the program was kicked off through a comprehensive system of monthly, quarterly, annual, and on-the-spot rewards. This impressive recognition rate comprised 16% of our valued employees.

In 2022, we also initiated a pilot with five departments for our Happiness Team to create a happy and healthy work environment that boosts productivity and engagement, and fosters positivity at the workplace.



## KFH's Dedication to Training and Development

KFH's unwavering dedication to the growth and development of its employees has been a cornerstone of its success. With a steadfast focus on enhancing and improving the qualifications of its workforce, the institution has achieved remarkable milestones.

	Training Course - 2022	Number of Seats		Employee Category Receiving the Training	Total Training Hours
		Males	Females		
1	Inhouse Training	2664	774	All Categories	14280
2	New Recruits	1469	449	Coordination	16476
3	Virtual Learning	176	98	Coordination, Middle M, Senior M.	3696
4	Certification	39	11	Coordination, Middle Management	1864
5	Participation into Public	68	28	Coordination, Middle M, Senior M.	3996
6	Seminar/Webinar	13	6	Coordination, Middle M, EM	50
7	Training Abroad	17	4	EM, Middle M, Senior M.	156
8	Conference	111	34	EM, Middle M, Senior M.	504
9	Self-Study	4324	954	All Categories	9496
	<b>Total Numbers</b>	<b>8881</b>	<b>2358</b>		<b>50518</b>

KFH demonstrates its commitment to fostering global experience among its employees by providing external training and educational opportunities for personnel beyond Kuwait's borders. During the year 2022, 21 employees completed a total of 156 hours in specialized programs offered by renowned international institutions.

Year	External Training Course/ Education	Number of Employees Provided with Courses	Total Training Hours
2022	Training Abroad	Males: 17, Females: 4	156

	Average Training Hours per Employee in 2022
Average Training Hours per Employee	16
Average Training Hours per Male Employee	15
Average Training Hours per Female Employee	18

KFH maintains a comprehensive succession planning policy. This policy aims to identify high-potential employees capable of advancing to positions of higher responsibility within the organization. By implementing a systematic and long-term approach, KFH ensured a continuous flow of talented individuals to meet its management needs.

The succession planning program focused on creating a structured career development plan for employees identified as potential candidates for senior roles and above. To be considered for succession planning, candidates had to meet specific criteria, including clearing competency gaps in their current positions, achieving or progressing toward the competency profile of the target position, and maintaining a consistently good level of performance in their appraisals over the last three years.

## Performance Development

In 2022, KFH undertook a diligent approach to ensure that its employees were provided ample growth and development opportunities through regular performance reviews. These assessments served as valuable tools to identify individual strengths, address areas for improvement, and foster a culture of continuous learning and improvement.

When examining gender representation, it was evident that KFH was equally dedicated to empowering both male and female employees. Among the workforce, a significant 77.03% of the male workforce and 22.97% of the female workforce had the opportunity to undergo performance reviews, indicating an inclusive approach to employee growth.

## Health and Safety

In 2022, our commitment to health and safety across our banking operations saw significant progress. Comprehensive training, including a new evaluation system for security personnel, was implemented to ensure emergency readiness. Introducing of a flashing alarm system in control rooms enhanced overall security measures. This approach proved effective during a fire incident at one of our branches, showcasing the success of our safety protocols.

In the broader context of occupational health, we launched awareness initiatives, including months dedicated to breast and prostate cancer. Mandatory pre-employment health assessments and comprehensive medical insurance coverage for work-related injuries underscore our dedication to employee well-being. Communication strategies ensure the dissemination of health and safety messages through various channels, fostering a culture of well-being across our banking organization.

Meanwhile, we implemented a new guard evaluation system that proved highly effective, enhancing our ability to assess and optimize security measures.



# Workforce Data 2022

Total No. of Employees: 2828

Figure 25: Employees by Gender

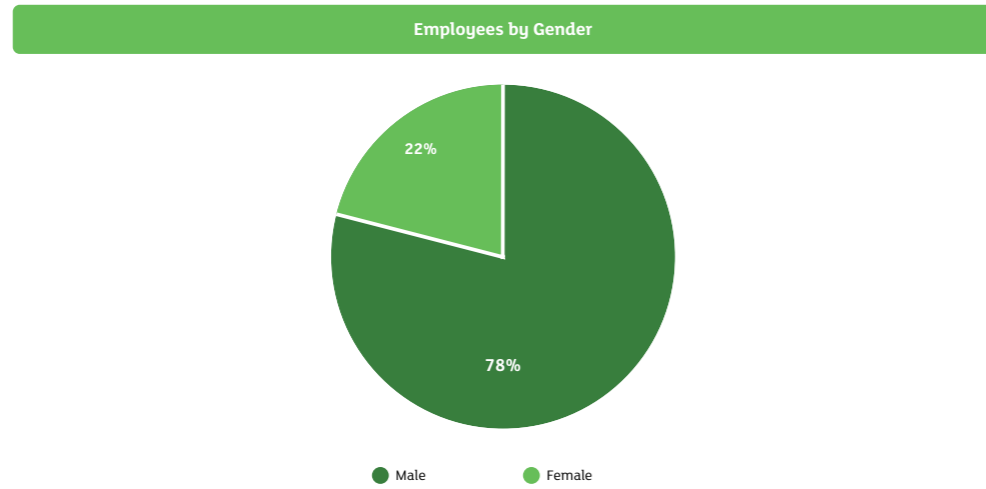
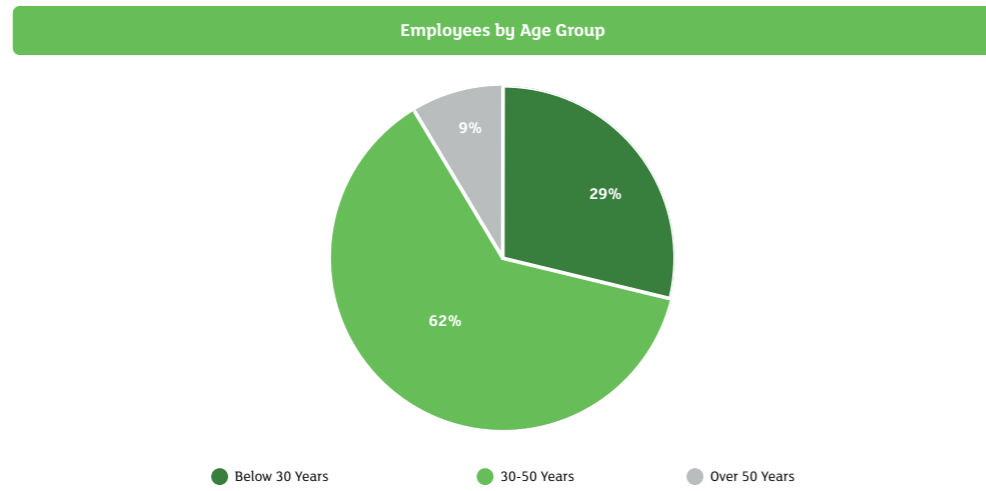


Figure 26: Employees by Age Group



Total Number of New Hires: 392

Figure 27: New Hires by Gender

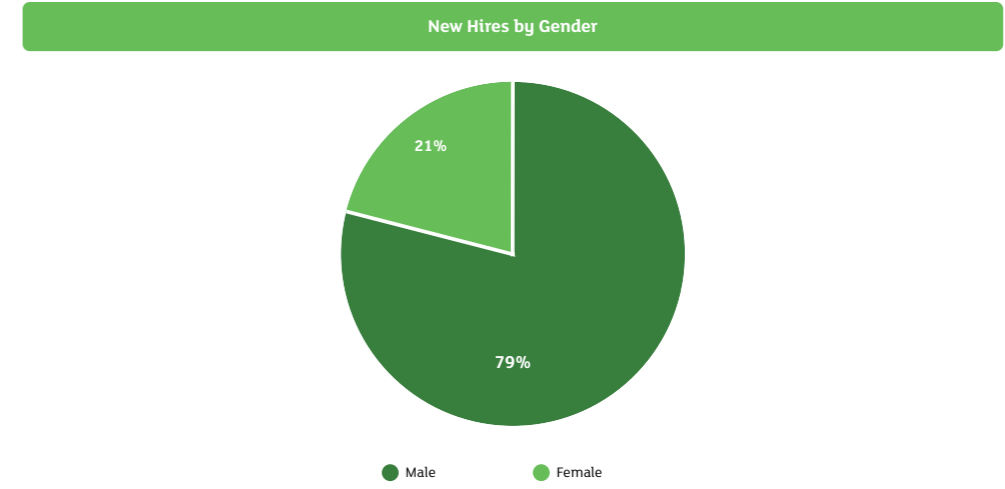


Figure 28: New Hires by Age Group

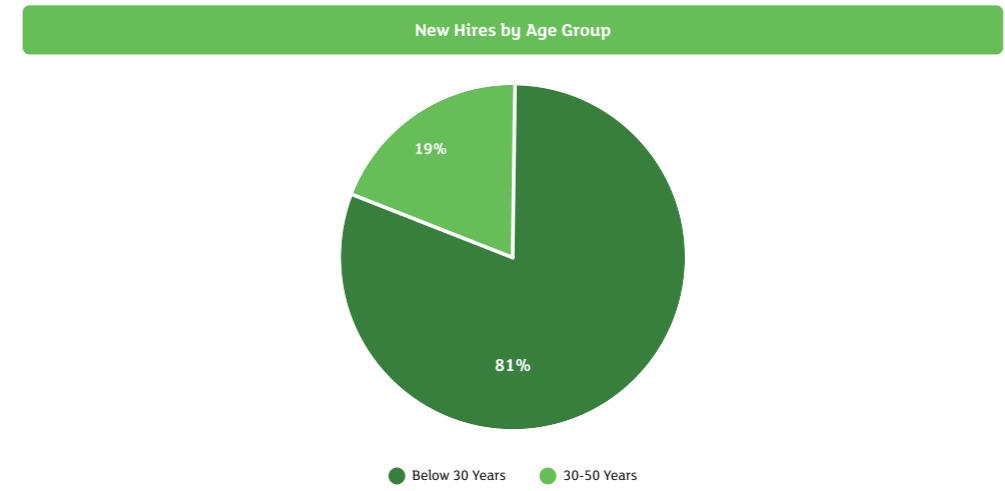


Figure 29: Turnover Rate by Gender

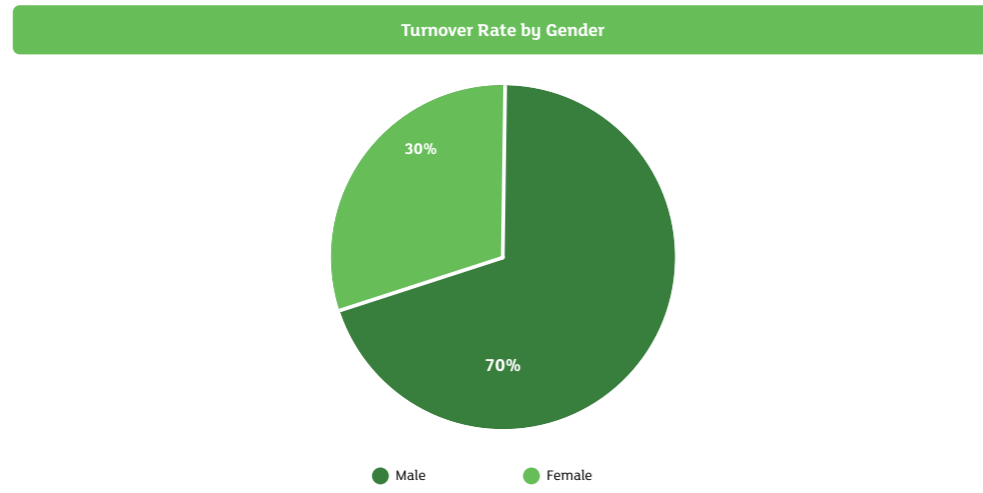
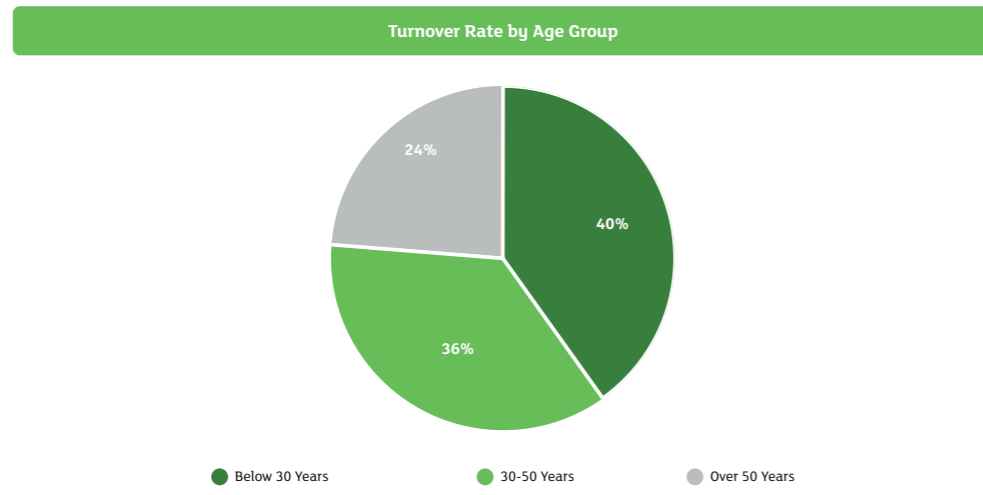


Figure 30: Turnover Rate by Age Group



## Chapter 6

# Islamic Compliant Governance



# Corporate Governance & ESG Oversight

Governance is a cornerstone of our commitment to sustainability, a "Core Value." It influences sustainability reporting across the dimensions of Marketplace, Environment, Workplace, and Community (MEWC). Our governance aligns with national and international ESG frameworks, forming the basis of our strategy to integrate ESG into our practices and address material concerns per global norms and local needs.

In 2022, KFH continued strengthening its ESG standards, positioning itself as a leading bank in the region. It has adopted a sustainability strategy aligned with Kuwait's 2035 vision and the Sustainable Development Goals (SDGs), resulting in resilience, compliance, and progress toward KFH strategic goals.

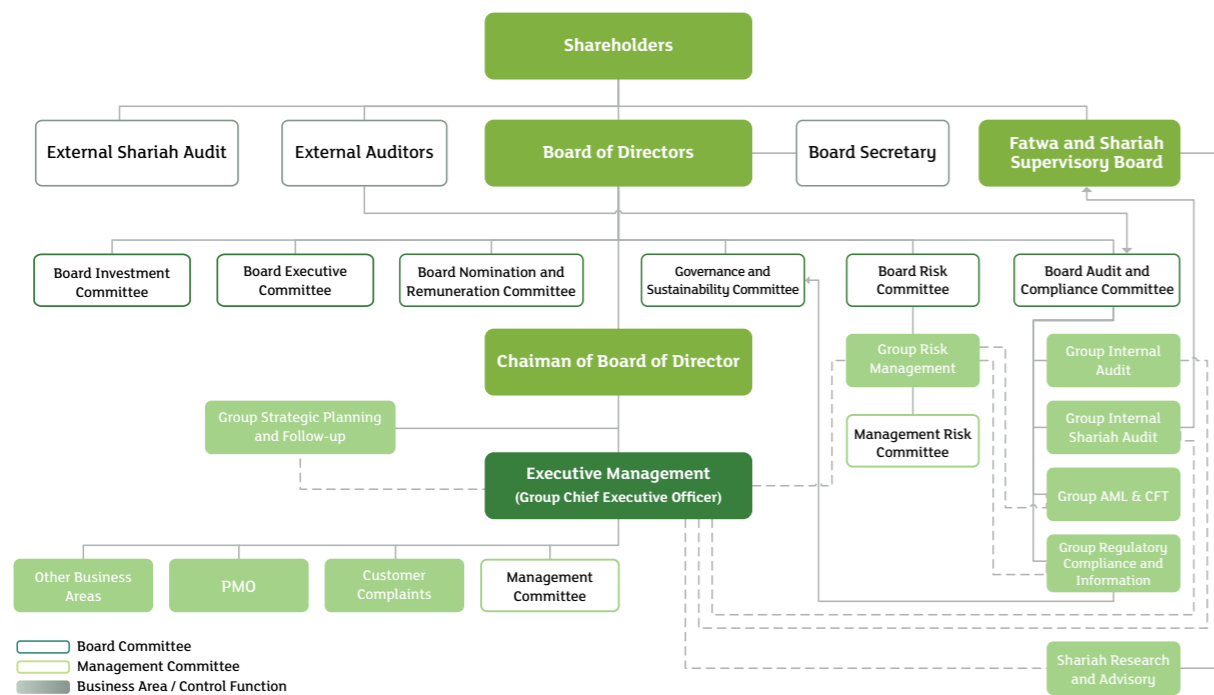
KFH's long-term commitment to sustainable business practices has enhanced its leadership, ability to navigate challenges, and provide value to stakeholders by promoting consistency and integration among Governance, Strategy, and Sustainability.

KFH also emphasizes Shari'a-compliant banking practices and follows a comprehensive "Corporate Governance Manual" for sustainability and growth. Their governance structure shapes their corporate culture, ensures regulatory compliance, and supports their role in promoting justice, equality, and shareholder rights.

The Board of Directors (BoD) plays a crucial role, setting high standards for professionalism and integrity, and guiding strategic operations to deliver sustainable value within a responsible regulatory framework.

(For more: the Corporate Governance Manual is available online on KFH's website.)

## BoD Oversight



The BoD bears the overall responsibility of KFH, including the development of strategic goals, risk strategy, sound governance principles, and the application and oversight of the proper application of these goals and principles. It supervises executive management, including the CEO. The BoD also bears full responsibility for ensuring compliance with CBK requirements and safeguarding the interests of shareholders, depositors, creditors, employees, and other stakeholders. It oversees KFH's prudent management and adherence to applicable rules, regulations, and bylaws.

Additionally, the BoD plays a crucial role in recognizing and overseeing ESG-related aspects, along with their impacts, risks, and opportunities. They establish and implement the Bank's sustainability strategy, regularly reviewing sustainability performance reports and taking necessary actions. The Governance & Sustainability Committee supports these efforts by leading the strategy's development and monitoring its performance. To address ESG-related matters and their consequences, the BoD and the Committee utilize various tools, including risk assessments, social impact assessments, stakeholder engagement, and due diligence. These measures help assess potential impacts, mitigate adverse effects, and identify opportunities to enhance sustainability performance, which are then acted upon.

## Our BoD

BoD Diversity and Independence	2020	2021	2022
Percentage of BoD seats occupied by women	8.33%	8.33%	8.33%
Non-executive members on the BoD	100%	100%	100%
Male members on the BoD	91.7%	91.7%	91.7%
Independent members in the BoD	16.67%	16.67%	16.67%

## BoD Committee Membership Key



<p><b>EC</b> <b>GSC</b></p> <p><b>Mr. Hamad Abdul Mohsen Al Marzouq</b> Chairman Director Since: 2014</p>	<p><b>EC</b> <b>NRC</b></p> <p><b>Mr. Abdul Aziz Yacoub Alnafisi</b> ViceChairman Director Since: 2014</p>
<p><b>ACC</b> <b>NRC</b></p> <p><b>Mr. Noorur Rahman Abid</b> Independent Non-Executive Director Director Since: 2014</p>	<p><b>NRC</b> <b>EC</b> <b>RC</b></p> <p><b>Mr. Motlaq Mubarak Al-Sanei</b> Non-Executive Director -Representing Kuwait Investment Authority Director Since: 2017</p>
<p><b>ACC</b> <b>IC</b></p> <p><b>Mr. Mohammed Nasser Al Fouzan</b> Non-Executive Director Director Since: 2020</p>	<p><b>ACC</b> <b>IC</b> <b>GSC</b></p> <p><b>Mr. Salah Abdulaziz Al-Muraikhi</b> Non-Executive Director - Representing Kuwait Investment Authority Director Since: 2018</p>
<p><b>RC</b> <b>IC</b> <b>EC</b></p> <p><b>Mr. Khaled Salem Al Nisf</b> Non-Executive Director Director Since: 2014</p>	<p><b>GSC</b> <b>RC</b></p> <p><b>Ms. Hanan Yousif Ali Yousif</b> Non-Executive Director - Representing Kuwait Awqaf Public Foundation (KAPF) Director Since: 2019</p>

<p><b>IC EC ACC</b></p> <p><b>Mr. Fahad Ali AlGhanim</b> Non-Executive Director Director Since: 2014</p>	<p><b>EC RC IC</b></p> <p><b>Mr. Muad Saud Al Osaimi</b> Non-Executive Director Director Since: 2014</p>
<p><b>ACC NRC GSC</b></p> <p><b>Mr. Hamad Abdullateef Al Barjas</b> Non-Executive Director Director Since: 2020</p>	<p><b>RC GSC</b></p> <p><b>Mr. Ahmed Meshari Al Faris</b> Independent Non-Executive Director Director Since: 2020</p>

(Read More on BoD biographies in KFH's Annual Report 2022.)

### BoD Committees and Meetings



KFH has six standing committees: Audit and Compliance Committee, Nominations and Remuneration Committee, Risk Committee, Executive Committee, Governance and Sustainability Committee, and Investment Committee. Each of these committees has a written charter approved by the BoD.

During fiscal year 2022, the BoD held 16 meetings. During this period, all the incumbent directors attended at least 75% of the aggregate of the total number of meetings of the BoD and the committees of the BoD on which each such director served, during the period for which such director served.

All KFH's BoD committees are appointed for the same tenure of the BoD; three years.

Board of Directors		Board sub- committees					
		Executive	Audit & Compliance	Nominations& Remunerations	Risk	Governance and Sustainability	Investment
Chairman	Mr. Hamad Abdul Mohsen Al-Marzouq	•				•	
Vice Chairman	Mr. Abdul Aziz Yacoub Al-Nafisi	•		•			
Board Members	Mr. Fahad Ali Al-Ghanim	•	•				•
	Mr. Muaz Saud Al-Osaimi	•			•		•
	Mr. Khaled Salem Al-Nisf	•			•		•
	Mr. Noorur Rahman Abid		•	•			
	Ms. Hanan Yousif Ali Yousif				•	•	
	Mr. Hamad Abdullateef Al-Barjas		•	•		•	
	Mr. Salah Abdulaziz Al-Muraikhi		•			•	•
	Mr. Motlaq Mubarak Al-Sanei	•		•	•		
Mr. Mohammed Nasser Al-Fouzan		•				•	
Mr. Ahmed Meshari Al-Faris				•	•		

<b>Audit and Compliance Committee (ACC)</b>	<b>Number of Meetings: 5</b> <b>Average Attendance Rate: 100%</b>
<ul style="list-style-type: none"> <li style="width: 30%;">• Mr. Noorur Rahman Abid (Chair)*</li> <li style="width: 30%;">• Mr. Fahad Ali Al-Ghanim</li> <li style="width: 30%;">• Mr. Salah Abdulaziz Al-Muraikhi*</li> <li style="width: 30%;">• Mr. Mohammed Nasser Al-Fouzan*</li> <li style="width: 30%;">• Mr. Hamad Abdullateef Al-Barjas</li> </ul>	
* Financial expert	

### Duties and Responsibilities (Include but Not Limited to the Following):

The ACC is responsible for helping the BoD fulfill its supervisory responsibilities on accounting operations in the Bank, current control systems, dealings of essential persons, corruption practices in the market, internal audit rules, compliance procedures, and the duties of financial reporting management with internal and external auditors of the Bank and regulatory authorities to ensure compliance with regulatory requirements and alignment with the best practices in the market.

The main functions of ACC include, but are not limited to, the following:

- Reviews scope, results, and extent of KFH internal and external audit adequacy.
- Reviews accounting issues that have a material impact on financial statements.
- Reviews KFH internal controls and ensuring the sufficiency of human resources allocated for control positions.
- Reviews KFH financial statements before presenting the same to the board and ensure the adequacy of allocated provisions.
- Ensures KFH's compliance with the related laws, policies, rules, and regulations.
- Assesses the effectiveness and sufficiency of the Internal Shari'a Audit function and the extent of its contribution to ensuring compliance with Islamic Shari'a rules and principles (specifically the Fatwas and decisions issued by the FSSB).

## Annual Performance Appraisal

- ACC conducts an annual performance appraisal of the Group Chief Internal Auditor, the Head of Regulatory Compliance and Governance, the Head of AML and CFT, and the Head of Internal Shari'a Audit.

Nomination and Remuneration Committee (NRC)			Number of Meetings: 6
			Average Attendance Rate: 100%
• Mr. Noorur Rahman Abid (Chair)	• Mr. Abdul Aziz Yacoub Al-Nafisi	• Mr. Motlaq Mubarak Al-Sanei	
• Mr. Hamad Abdullateef Al-Barjas			

## Duties and Responsibilities (Include but Not Limited to the Following):

### Committees' Nominations

- Assists the BoD in nominating members of each Committee based on membership criteria and ensuring that there is a sufficient number of non-executive directors in each committee to ensure the independence of their decisions.
- Recommendations to appoint the CEO and deputies, Chief Financial Control and any other Director who reports directly to the CEO, Except the Chief Risk Management who is elected by the Risk Committee, and the Chief Internal Audit and the Chief of Compliance whom are elected by the Audit and Compliance Committee as well as the Customer Complaints Manager.
- Provide suggestion on the Bank Fixed and variable remuneration policy structure and raise the same to the board of directors for approval.

### BoD Memberships

- Gives recommendations to the BoD regarding the nomination for BoD membership in accordance with approved policies and standards and CBK instructions regarding nomination rules and policy for BoD membership. This includes verification of the requirements essential for ensuring the independence of the independent member.
- Provides recommendations to the BoD for the nomination, re-nomination, or cancellation of Shari'a Supervisory BoD membership while ensuring the transparency of appointment and reappointment of the Shari'a Supervisory BoD and evaluating its effectiveness.
- Conducts an annual review of the required appropriate skills for Board membership, prepares a description of the capabilities and qualifications as are necessary for membership, conducts an annual review of the board's structure, and raises recommendations about the changes that can be applied in line with KFH interest.

### Annual BoD Assessment

- NRC conducts an annual assessment of the Board's overall performance and that of each member separately. Such assessment covers the expertise and knowledge of Board members, the evaluation of their powers and authority, and their leadership qualifications.

### Critical Issues and Board Knowledge

- Provides information and summaries about critical issues to KFH and submits reports and information to Board members, ensuring that Board members are continuously updated with the latest banking business-related affairs. For this purpose, the board should attend specialized scientific seminars and conferences in the field of banking and financial business.

Risk Committee (RC)			Number of Meetings: 5
			Average Attendance Rate: 100%
• Mr. Ahmed Meshari Al-Faris	• Mr. Khaled Salem Al-Nisf	• Mr. Muad Saud Al-Osaimi	
• Mr. Motlaq Mubarak Al-Sanei	• Ms. Hanan Yousif Ali Yousif		

## Duties and Responsibilities (Include but Not Limited to the Following):

- Providing advice to the Board on KFH strategy, and current and future risk appetite, as well as supervising the Executive Management's implementation of such strategy.
- Ensuring a proper risk management framework across KFH, including risk strategies, risk appetite, policies, procedures, tools, and methodologies.
- Review Risk management standards and internal controls to ensure proper management of material risks in bank businesses and provide supervision over credit risk, capital market risk, liquidity risk, asset and liability management and other relevant risks.
- Review new regulatory instructions in capital markets and amendments made on accounting standards and other developments.

Reviewing risk policies and strategies in KFH as approved by the Board. Executive management is responsible for the implementation of these strategies in addition to the development of policies and procedures to manage various types of risks.

Executive Committee			Number of Meetings: 10
			Average Attendance Rate: 98%
• Mr. Hamad Abdul Mohsen Al-Marzouq (Chair)	• Mr. Abdul Aziz Yacoub Al-Nafisi	• Mr. Khaled Salem Al-Nisf	
• Mr. Muad Saud Al-Osaimi	• Mr. Fahad Ali Al-Ghanim	• Mr. Motlaq Mubarak Al-Sanei	

## Composition of the Committee

The Executive Committee members are appointed by the Board, and selected from the Board members, but are not to be included in the Executive Management team. The number of the Committee members shall not be less than six, including its president, who can be the Chairman of the BoD, whereas the Committee's membership shall be synchronized with that of the BoD.

The Executive committee may propose a risk department structure, mission, responsibilities, and methods of development provided that the department structure and duties shall be reviewed by the risk committee as a preliminary step for having it approved by the Board.

Furthermore, the Executive Committee may use external consultancy entities to support the efforts of the Committee in the Bank and enhance the efficiency of the role assigned to this committee.

## Duties and Responsibilities (Include but Not Limited to the Following):

- Supervising the execution of the Bank's business plan and strategy, overseeing performance efficiency, reviewing performance reports, and raising recommendations to the Board in this respect.
- Reviewing and approving financial transactions and investment offers presented by the Executive Management as per the authorization list determined by the Board.
- Approving or rejecting any proposals related to finance, liquidity, and/or market risks within the limits of the BoD regarding the maximum credit concentration limit per Customer.
- Reviewing Management strategy, provisions, and plans to recover bad debts, if any.
- Periodical reviewing of the diversity and durability of the financial portfolio.
- Coordinating with the Risk Committee to prepare periodic reports to update risk limits and potential aggravation.

Governance and Sustainability Committee (GSC)			Number of Meetings: 3
			Average Attendance Rate: 93%
• Mr. Hamad Abdul Mohsen Al-Marzouq (Chair)	• Mr. Ahmed Meshari Al-Faris	• Mr. Hamad Abdullateef Al-Barjas	
• Mr. Salah Abdulaziz Al-Muraikhi	• Ms. Hanan Yousif Ali Yousif		

### Duties and Responsibilities (Include but Not Limited to the Following):

- Developing a framework and preparing a comprehensive updated governance manual to have it approved by the BOD, then publishing it on the Bank's website.
- Reviewing the adequacy of the Bank's policies and practices related to governance standards.
- Reviewing and evaluating the adequacy of the code of business conduct, ethics, and other approved policies and guidelines inside the Bank.
- Reviewing the main issues related to shareholders' relations and the Bank's contributions to charity works.
- Reviewing the governance section in the Annual Report regarding the extent of the Bank's compliance with the governance manual and performing an annual evaluation of the Committee and its duties, including an annual review of the Committee's responsibilities and authorities.
- Annual evaluation of performance in terms of the Governance and Sustainability Committee and its duties as well as the annual review of the Committee's authorities and functions.
- Overseeing the implementation of KFH's sustainability strategy and mitigating climate risks.
- Reviewing the Bank's Annual Sustainability Report prior to submitting it to the BOD for final approval.

Investment Committee			Number of Meetings: 4 Average Attendance Rate: 100%
• Mr. Fahad Ali Al-Ghanim (Chair)	• Mr. Salah Abdulaziz Al-Muraikhi	• Mr. Khaled Salem Al-Nisf	
• Mr. Muad Saud Al-Osaimi	• Mr. Mohammed Nasser Al Fouzan		

### Duties and Responsibilities Include:

The Committee is responsible for assisting the Board in setting up general principles of investment, supervising investment activities of the Bank and its subsidiaries according to the authorities bestowed by the board to this committee and ensuring the extent of compliance with the investment objectives of the Bank.

### Duties and Responsibilities (Include but Not Limited to the Following):

- Assisting the Board in supervising the Bank's investment assets, including investment funds and portfolios. The Committee shall raise its recommendations to the Board and follow up on investments aligned with approved policies.
- Reviewing the reports associated with the Bank's current investments, the conditions of international and local capital markets, and all data that enables the committee to practice its responsibilities professionally and effectively.
- Advising the Board on any material changes to the investments of the Bank.
- Following up the implementation of the strategic policies and goals set by the Board regarding all investment activities.
- Reviewing all proposed new investments verifying their compliance with the Board instructions, and presenting recommendations to the Board accordingly.
- Raising recommendations to the Board on any topic it deems suitable.
- Obtaining any required information concerning the investment portfolio status through the CEO.
- Reviewing executive management's recommendations on the consolidation of current investments and raise the same to the Board.
- Conducting any other responsibilities and duties assigned thereto by the Board.
- Forwarding its recommendations to the Board in case any need arises to increase or decrease the capital of the companies in which the Bank is a shareholder.

### Board Leadership Structure

KFH Board do have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the BoD, as the Board believes that it is in the best interests of our organization to make that determination from time to time based on the position and direction of our organization and the membership of the Board. At this time, Mr. Hamad Abdul Mohsen Al Marzouq, a Non-executive Director, serves as Chairman of the Board, and Mr. Abdulwahab Issa Al-Rushood serves as Acting Group Chief Executive Officer.

#### Chairman's Role

Considering the significance of this role, the Chairman ensures the proper functioning of the Board, maintains mutual trust, and ensures that the decision-making process is based on sound grounds and accurate information. He ensures the exchange of viewpoints with the Board members and ensures timely reporting of enough information to Board members and shareholders. The Chairman plays a significant role in maintaining a constructive relationship between the Board and the Executive Management and ensuring KFH has sound governance principles.

#### Chief Executive Officer

The Bank's Chief Executive Officer (CEO) plays a pivotal role in the growth of KFH. CEO's responsibility for managing and evaluating KFH's overall performance lies within his role.

#### The Relationship between the BoD and the Executive Management

KFH maintains cooperation and clear segregation of duties, functions, and powers between the BoD and Executive Management, thus satisfying a fundamental requirement of sound corporate governance. As such, the Board takes responsibility for providing guidance and leadership, while the Executive Management takes responsibility for drawing up and implementing the strategies and policies approved by the Board while ensuring that the Board and its members are independent from the Executive Management. The Board also ensures that Executive Management strictly complies with the policies preventing and prohibiting the activities and relations that might contradict and compromise sound corporate governance principles, i.e., the Conflict of Interests Policy and the Remuneration Policy.

# KFH Governance Framework

Our Board-approved Corporate Governance Framework has outlined activities, responsibilities, policies, and procedures for managing and monitoring compliance, ethics, and risks across the Bank. Our employees are expected to be aware of the Bank's Code of Ethics, and to act according to our vision and principles. As such, we ascertain that all our employees receive ethics training to maintain the highest ethical standards in our services.

Our Governance Code targets our main principles: transparency, accountability, acknowledgement of responsibility, and justice and equality.

## Key Principles:

The following principles were targeted upon drafting the Bank's present Governance Code:

### 1. Governance at KFH Group Level:

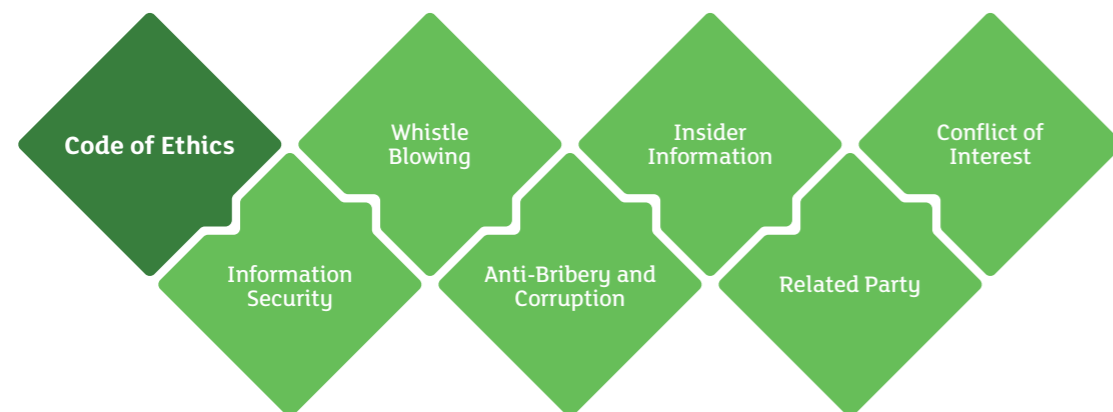
KFH Group is committed to complying with the Group's corporate governance policy, emphasizing transparency and credibility, and staying in line with the highest international standards and best practices. The Governance and Sustainability Committee reviews the Group's performance periodically and updates the policies and procedures that regulate the Group's business. This is to ensure that the policies and procedures meet and serve the needs of the Group to achieve its strategic goals, ensuring the existence of mechanisms that facilitate communication between the Group companies and monitoring governance implementation at the Group level.

### 2. Disclosure and Transparency:

At KFH, we adopt a clear framework that strengthens the principle of disclosure and transparency and ensures fairness and equality in the timely arrival of information to stakeholders, aligning with regulatory authorities and international best practices. The first Sustainability Report issued by KFH in accordance with GRI Standards is a strategic ESG disclosure document in the Bank's history. By publishing this Report, KFH aimed to conduct a comprehensive and consistent evaluation that reflects KFH's practices and management approaches at all levels of sustainability. In addition, it paved the way for future sustainability disclosures while focusing on the importance of stakeholder participation in KFH's decision-making process to ensure serving and protecting their interests.

### 3. Enhancing the Code of Business Conduct:

At KFH, we ensure all employees fully adhere to the Code of Business Conduct. The BoD annually reviews the policies regulating the Code framework to ensure that KFH enjoys integrity and credibility. The following illustration provides KFH's Code of Business Conduct in relation to its Related Party Transactions.



## Shari'a Supervisory Board at KFH is based on four main pillars:



The General Assembly of KFH appointed the honorable members of the Fatwa & Shari'a Supervisory Board (FSSB) for the year 2022. The FSSB comprises (5) members who issue Shari'a opinions and decisions and ensure KFH compliance with Shari'a regulations.

## Members:

- Sheikh Professor Dr. Sayyid Mohammad Al-Sayyid Abdul Razzaq Al-Tabtaba'e (Chairman of Fatwa & Shari'a Supervisory Board)
- Sheikh Professor Dr. Mubarak Jeza Al-Harbi
- Sheikh Dr. Anwar Shuaib Abdulsalam
- Sheikh Dr. Khaled Shujaa' Al-Otaibi
- Sheikh Dr. Esam Abdulrahim Al-Ghareeb

(Read More on FSSB members biographies in KFH's Annual Report 2022.)



## Top Executive Management Annual Compensation

The total remuneration charged for the year 2022 to the CEO and his deputies is KWD 4,120,510. The remuneration package of each executive in this category included fixed and variable pay components including salaries (basic and cash / non-cash benefits /allowances), short-term incentives including fixed and variable annual cash bonuses, and long-term incentives and end-of-service benefits.

## Nominating and Selecting the Highest Governance Body

KFH Chairman of the Board is a non-executive Board Member separate from the Group Chief Executive Officer position.

The Nomination and Remuneration Committee conducts an annual review of the appropriate skills required for Board membership; it prepares a description of the capabilities and qualifications, conducts an annual review of the Board's structure, and raises recommendations about the changes that can be conducted in line with KFH interest. The Board members are subject to approval from the CBK and then subject to election from the shareholders in the annual general assembly.

The shareholders have the right to vote annually on the annual general assembly (in every tenure), on selecting KFH's BoD based on the one-share-one-vote principle for all its outstanding shares, excluding Treasury shares. The independent Board Member(s) are subject to clear governance terms and conditions set by the CBK; if a candidate is nominated, they are subject to approval from the shareholders at the annual General Assembly.

KFH Board Members, including independent Members, collectively hold the qualifications and expertise in these areas of responsibility to enable them to best serve the interests of KFH, its shareholders, and stakeholders.

The NRC assists the Board in the selection/appointment of BoD and Committees by setting the basic criteria for such memberships, aiming to create a Board that is capable of challenge and motivation to achieve KFH strategic objectives and perform in all aspects.

In light of KFH's advancement to embed ESG in the Bank's culture across its entire ecosystem, in 2022 the Board has a structured induction and training plan for the Board members which will be active in 2023.

## Remuneration

### Remuneration Policy

To ensure transparency, integrity and fairness of remuneration, KFH's Corporate Governance Manual includes a dedicated pillar on Remuneration Policies and Schemes as follows:

- The Board oversees the design, control, activation, and review of KFH's remuneration system to ensure the effectiveness of the process.
- NRC is responsible for establishing the Board's guidelines regarding all remuneration-related matters.
- The Payroll Management Policy is a part of HR Policies in KFH and serves as the remuneration policy, including all requirements mentioned in CBK's Corporate Governance Instructions. The policy includes all components of financial remuneration, considering the enhanced risk management in KFH. The policy has also been designed to attract qualified and experienced professionals. The executives' remuneration includes fixed and variable components, including their current and deferred remunerations and short and long-term incentives, where 30% of their annual bonus is deferred for three years and end-of-service indemnity. The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the employee's grade in the Bank, the job function, and market practice.

### KFH's remuneration system has the following compensatory components:

- Fixed Remuneration
- Variable Remuneration
- Short Term Incentives
- Long Term Incentives

Rewarding employees is directly linked to the Bank's short/long-term performance. It also aligns to the remuneration packages with the Bank's short/long-term risk appetite. The policy has mechanisms in place to control the total remuneration based on the Bank's financial performance, and in the case of poor performance, implementing a Claw Back mechanism (explained below).

### Top Management Remuneration Guidelines

- All elements are set at an appropriate level considering market practices, wage indicators, and similar skills.
- Remuneration is used to encourage and motivate effective performance on an ongoing basis.
- Remuneration is linked to key business goals defined by the Board, as well as KFH's performance and risk duration.
- Remuneration is granted to achieve the interests of shareholders together with the top management. Shareholders also have the right to vote on executive remuneration based on the one-share-one-vote on executive remuneration; based on one share one vote principle for all of its outstanding shares.

### Claw Back Policy

The NRC has a policy regarding the recoupment of executive compensation, commonly referred to as a "claw back." Subject to the discretion and approval of the Board, this policy enables the company to seek recoupment of incentive-based compensation awarded to any current executive officer of the Bank in situations where the Board has determined that the Bank is required to prepare an accounting restatement due to the material noncompliance by the Bank with any financial reporting requirement under the securities law, or a lower award would have been made to the executive officer based upon the restated financial results.

The Board has full and final authority to make all determinations under this policy, including, without limitation, whether the policy applies and, if so, the amount of cash bonus or other incentive-based compensation, if any, to be repaid by any executive officer. In each such instance, as determined by the Board, the company will, to the extent permitted by applicable law, seek to recover incentive-based compensation received by such individual in excess of the amount that would have been received under the accounting restatement. Any recoupment under this policy is to be in addition to any other remedies that may be available to the company, including such remedies contained in the company's equity grant agreements, employment letters, if any, and applicable law.

# Shareholders and Stakeholders' Rights

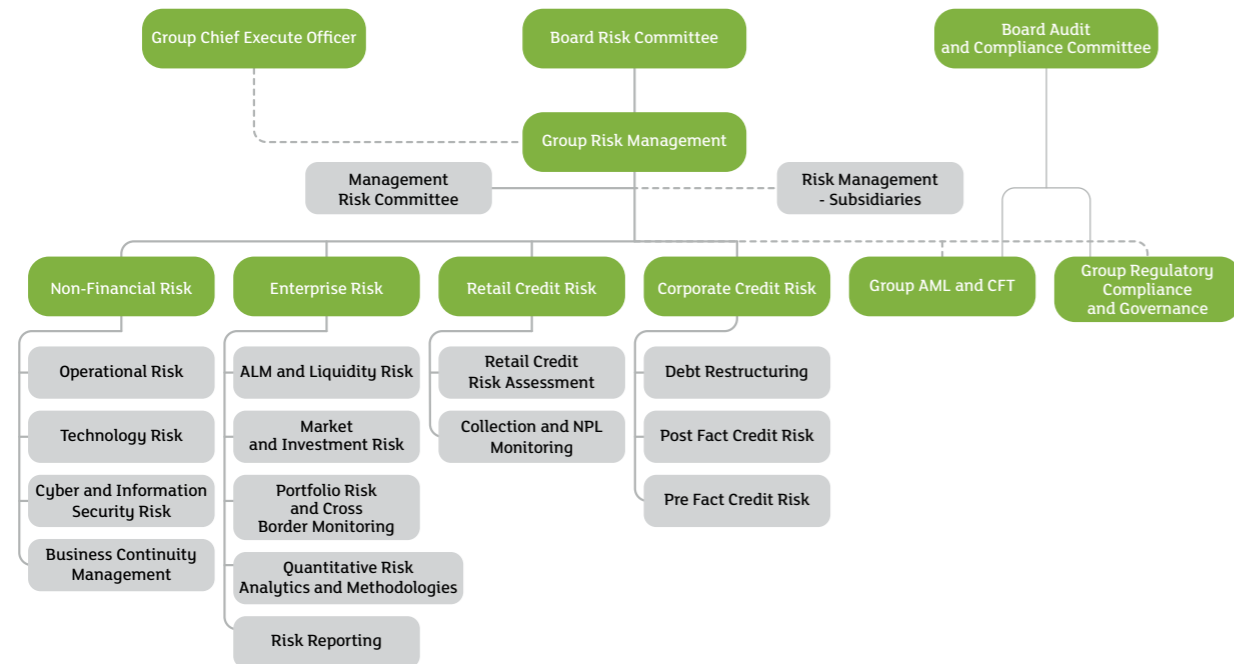
At KFH, we guarantee the protection of the rights of shareholders and stakeholders by implementing policies and procedures that ensure fair treatment of all shareholders, including those in the minority, through two specialized business units. The first unit follows up on shareholder affairs while the second one follows up on investors' affairs. KFH shareholders enjoy equal rights without discrimination. They have the right to participate in the General Assembly meetings (ordinary and extraordinary), vote on agenda items, elect members of the Board of Directors, receive dividends, obtain information and data on the Bank's activities, and all other due rights as provided in the Memorandum and Articles of Association and in accordance with Laws and regulations issued by the regulatory authorities.

# Risk Management

Identifying and proactively managing risk in all aspects of our business is essential to KFH's long-term success. . We aim to minimize potential adverse effects on our financial performance and operations by balancing our risks and returns exposure. Embedding a risk management culture in all our business processes ensures that an ethical culture is adopted throughout our organization. We strive to improve our risk management practices in line with industry standards, CBK guidelines, and ESG considerations.

Our policies require thorough credit risk assessments for our financing and investment practices, including comprehensive credit risk analysis. Collateral to support any exposure is a crucial consideration and is regularly evaluated to verify coverage. KFH does not engage in any activity or exposure that may pose reputational risks to the Bank.

## Risk Governance



KFH risk governance structure comprises both Board and Management-Level committees. This structure is being enhanced continuously to ensure the efficient use of management time and focus on committees with significant Risk Management involvement. The structure, committee mandates, composition, and charters are reviewed and approved by the Board before circulation.

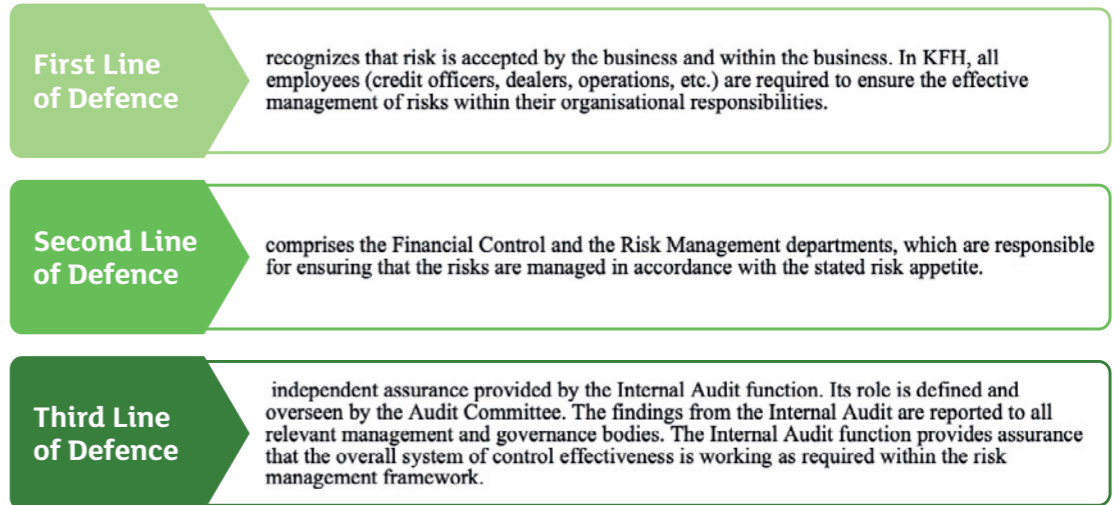
## Management Risk Committee (MRC)

MRC supports and helps management understand, oversee, and manage key Group risk exposures, including climate, environmental, and social risks. It aims to optimize the Group enterprise risk profile within the context of the group-approved strategy, risk appetite, and regulatory requirements, and embed and maintain a risk-aware culture within the Group. The key role of MRC is to support Board RC in achieving its duties and objectives set by the Board through advice, facilitation, monitoring, and follow-up on the execution of decisions and in maintaining high-risk governance standards.

## Risk Mitigation

KFH has implemented Risk Governance at the Group level in Turkey, Bahrain, and Malaysia to enhance comprehensive oversight and risk management across the organization. This implementation aims to facilitate the integration of risk management into the decision-making supervisory process. KFH employs a hybrid approach in credit and investment decision-making, actively involving both business units and the risk management function. This strategic integration of risk management ensures decisions are guided by independent, experienced judgment, and aligns with the Bank's internal risk management guidelines and strategy.

The governance model is based on the concept of three lines of defense. Each line of defense describes specific risk management and control responsibilities.



## E&S Risk Management

Environmental and social risks are recognized as significant drivers within the external environment, impacting various traditional risk categories, including credit risk, market risk, technical insurance risk, and reputational risk. KFH has seamlessly integrated a range of environmental and social risks, including climate risk, into its risk management framework, aligning with Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Currently KFH is in the second phase of which is the testing and implementing of the ESRM.

## E&S Risk Screening and Monitoring Procedure

KFH develops a process through which the Financial Institution (FI) screens a proposed investment to determine if it will proceed with it. The FI will assign a category according to low, medium, or high environmental risk to determine the scope of the environmental and social due diligence necessary to identify risks. This will enable the FI to determine early on if a potential investee company represents environmental and social risks that are too significant to be exposed to.

## Environmental and Social Due Diligence (ESDD)

ESDD involves the systematic identification, quantification, and assessment/evaluation of environmental and social risks associated with a proposed transaction. This process also helps identify the mitigation measures necessary to reduce any environmental including climate change, and social risks. The extent of the environmental and social due diligence and level of detail is based on the transaction's environmental and social risk category.



### ESDD Questionnaire

One of the most crucial steps in the due diligence process is collecting and reviewing documentation, which includes publicly available information and documents requested from the company. The Consultant develops an Environmental and Social Due Diligence (ESDD) Questionnaire to facilitate this.

## Digital Transformation in Risk Management: Enhancing Efficiency and Managing Risks

KFH's Risk Management department has embarked on a transformative journey towards digitalization, embracing innovative approaches to streamline processes and mitigate potential risks. Integrating digital technologies has paved the way for increased efficiency, accuracy, and proactive risk management strategies.

Leveraging cutting-edge applications like Power BI to digitize reports, we launched the UI-Path Robotic Process Automation (RPA) Solution. This initiative was designed to automate the generation of Enterprise Risk Management (ERM) reports, streamlining the production of risk-related data. Through this automation, we aimed to accelerate report generation while maintaining high accuracy.

Looking ahead, we are gearing up to implement "RiskGPT1," a transformative project infused with Artificial Intelligence and Machine Learning capabilities. This forward-looking endeavor is poised to revolutionize how we approach risk assessment, enabling us to uncover deeper insights and proactively address emerging challenges.

## Risk Culture, Training, and Awareness

KFH is committed to fostering a robust risk culture with well-defined roles and responsibilities for risk ownership and management. The goal is to embed risk management deeply within KFH's culture, integrating risk considerations into overall decision-making. This involves enhancing Risk Management's capabilities to become equal partners with business sectors. Leadership sets the tone for risk culture, including the CEO, CRO, and senior management. All employees are responsible for comprehending the risks they handle, embracing proactive risk attitudes, and making decisions aligned with risk-adjusted returns. Timely escalation of significant risk matters, adherence to policies, and awareness of contingency plans are essential. Non-compliance may result in disciplinary action.

KFH's Risk Management department reinforces the risk culture by conducting collaborative risk awareness training sessions and workshops with Human Resources (HR). These sessions focus on management's duty in risk identification, assessment, monitoring, control, and reporting. Balancing profitability with effective risk assessment is stressed, drawing lessons from global financial market cases. The department's role as an independent risk assessor and policy developer is highlighted. To ensure alignment among three lines of defense and proper risk mitigation implementation, dedicated yearly Risk Training is provided to all Bank employees.

# Internal Audit

## Independency and Appointments

The Internal Audit function conducts its activities independently under the supervision of the Group Chief Internal Auditor in KFH. The Board's approval must be obtained upon the appointment of the Group Chief Internal Auditor whereas the internal auditors shall be appointed after obtaining the approval of the Chief Internal Auditor; the latter reports functionally to the Board Audit and Compliance Committee and is authorized to have full, free, and unrestricted access to all the Bank functions, records, property, and personnel.

## Duties

- The primary duty of the Internal Audit function is to provide an independent and objective assurance on the design and operating effectiveness of risk management, internal controls and governance processes.
- The Internal Audit function also reviews the reliability and integrity of information, compliance with policies and regulations, safeguarding assets, economical and efficient use of resources, and established operational goals and objectives.
- The Internal Audit function does not outsource any of the main internal audit tasks. If KFH needs to assign some of such activities to external entities, CBK's approval must be obtained and provided that this arrangement shall be for specific purposes and for a limited period.

## The key responsibilities of the Internal Audit function include the following:

- Verify the sufficiency and effectiveness of internal control systems.
- Verify that KFH activities conform with the relevant laws, policies, regulations, and instructions.
- Examine specific business activities relating to KFH's financial position, internal control systems, risk management.
- Provide advice and guidance on control aspects of new policies, systems, processes and procedures.
- Undertake audit activities as requested by the Board, Committees and Management, and provide relevant assessment.

# Compliance

As part of the second line of defense in our Control Environment, the Compliance Function is considered to be one of the essential elements in the context of Banks' risk management due to the special nature of non-compliance risks that include legal or regulatory penalty risks, financial risks, reputation risks and others, to which KFH may be exposed in the event of not complying with laws, regulations, instructions, code of business conduct and good banking practices.

## Governance

The BoD approves the roles and responsibilities of the Compliance Function and is given independence and sufficient authority to ensure its duties within the Bank effectively. Further, the management of the Bank shall not intervene with the activities of the Compliance Function and have the authority to access the BoD.

A standalone Compliance Policy ensures that the Bank complies with all legislation pertaining to the Bank's activities. The policy is periodically reviewed, and the application of its set of rules is verified.

### Duties of Compliance Function

- It advises the BoD and the Top Executive Management on the compliance of the Bank with the regulatory rules, instructions and legislations and updates them at all times on the latest developments.
- At least once a year, it identifies and assesses non-compliance risks that face the Bank and the Bank's plans regarding how efficiently such risks are managed.
- It raises its reports to the Board Audit and Compliance Committee on how efficiently such risks are managed by the Bank, if found. Despite the above duties of the Compliance function, the Bank's compliance remains the responsibility of the BoD and the Bank's Top Executive Management.

## Compliance with Laws and Regulations

In case of any misconduct, inappropriate actions, or alleged claims, an internal investigation is carried out, and if proven true, CBK and the General Assembly are notified, and proper authority takes over the investigations and legal actions. In 2022, no fine was imposed on the Bank due to a fraud case or violation to comply with CBK instructions.

# The External Audit

The External Audit enables an environment of good corporate governance to be reflected in KFH's financial records and reports. The external auditor is selected and appointed by the shareholders upon the recommendation of the Audit and Compliance Committee as well as the Board. The Audit and Compliance Committee sets the appropriate standards to ensure that the external audit process is carried out in a manner that achieves the Dual Audit principle.

### External Auditor Report about internal Controls Systems covers the following:



The external auditor provides and discusses the auditing report with the Audit and Compliance committees. Such meetings are in the presence of the Executive Management. Further, the Audit and Compliance Committee meets with the external auditor at least once a year in the absence of the Executive Management.

To ensure the integrity and effectiveness of the external audit and in line with the decisions issued by CMA and CBK in Kuwait, the BoD established appropriate policies concerning conducting a rotation for external auditors. The external auditors shall abide by the instructions imposed by the regulatory authorities (CBK – Capital Market Authority – Ministry of Commerce and Industry). This ensures that no laxity in supervision may result because the external auditors continue to cover the same audit areas for many years.

# Code of Conduct

KFH has procedures set out in its Code of Business Conduct and Ethics Policy for managing conflicts of interest and a standalone policy in place. According to the Conflict-of-Interest policy and its relevant procedures, the BoD, top management, and all employees always abide by the Bank's interest across all their dealings.

KFH expects its employees to avoid any personal activities and financial or non-financial interests that may conflict with their commitment to perform their jobs effectively.

A conflict of interest arises when an individual within KFH has a personal, financial, or any other interest in conflict with such interest or the misuse by this person of his position in the company to achieve a personal interest. The individual must disclose any possible conflict of interest with the company to their direct manager and take necessary steps to correct such conflict.

Our code of conduct has been translated into English and Arabic, in line with our multilingual workforce.

## Conflicts of Interest – BoD

**The Board serves under a dedicated Conflict of Interest policy, including, but not limited to the following:**

- The Board members shall avoid practicing in activities likely to create a conflict of interest.
- Establishing policies and procedures to prevent the conflict of interests between the board members, the top executive management, and the employees.
- Obtaining the Board's approval on any activity carried out by a board member, which may result in a conflict of interest.
- The Board members shall disclose any matter that may result, or has already resulted, in a conflict of interest.
- The Board members shall abstain from voting on any matter that may imply a conflict of interest or may have an impact on the objectivity of the voting.
- All transactions with related parties shall be treated equally. The same applies to the Board's dealing with issues in case of non-compliance with the policy.

The annual general meeting discloses all related parties (KFH BoD) dealings.

Board members always are in continuous development through inductions and training that provide a more precise understanding for sound and objective opinion on the affairs of KFH.

Regular training and participation in conferences and seminars occur yearly to enhance skills and experience in the finance and banking business, in line with the future visions and risks facing KFH and the surrounding environment. The ESG / Sustainability training programs were commenced in 2022.

## Related Party Transactions

KFH is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related person transactions can present a heightened risk of actual or apparent conflicts of interest.

Related Party Transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party, irrespective of whether a price is charged, or whatever that price is.

Related Party Transactions are governed by KFH's Related Party Transaction Policy which states the rules and procedures that govern such transactions. Any credit extension to KFH's related parties, including Board members, are made in accordance with the same terms and conditions applied to other Customers without any preferential terms, and in conformity with the instructions issued by the CBK. Related Party Transactions must be disclosed in line with the requirements of the CBK and other regulatory authorities.

A Board member should refrain from participating in BoD meetings that will involve discussing or voting on items related to the private business of the concerned Board member.

The Related Party Transactions are monitored and audited by Internal Audit to verify that such transactions are aligned with the Related Party Transactions policy.

All Related Party Transactions must be disclosed according to the rules and regulations of the local governing body i.e. CBK and International Disclosure Standards.

## Anti-Bribery and Corruption

Anti-Bribery and Corruption Policy explicitly prohibits any transaction, including facilitation payments, which could constitute a bribe or a corrupt payment to or from a public official, a body, a private entity, or an individual. KFH's policy applies to its employees and those representing the firm, including any business partners operating on KFH's behalf. In addition, KFH considers the anti-bribery and corruption policies of potential new business partners as it conducts its due diligence.

### AML/CFT

We have developed a comprehensive suite of AML/CFT policies and procedures that covers Customer risk profiling, Customer due diligence, transaction monitoring AML/CFT, monitoring and training, name screening, and payment screening. Our automated AML/CFT transaction monitoring system was implemented to identify potentially suspicious transactions. Additionally, the Bank has an embargo solution that works to block swift transactions in accordance with legal and regulatory requirements and our AML/CFT policy.

The Compliance Department works with the Learning and Development Department to deliver annual introductory AML/CFT awareness training sessions to all employees, and tailored AML/CFT training to specific employees, including our BoD, based on their specializations.

In 2022, all our employees have undertaken anti-corruption training.

### Fraud Prevention

In our efforts to prevent fraud, KFH's Enterprise Risk Management unit (EFRM) implemented Use Cases (UCs) based on data analysis and fraud trends pertaining to external fraud for phishing and smishing cases. ERFM closely monitors and enhances to reduce false positive alerts and improve efficacy. The unit internally circulated its advisories to explain the Fraud Triangle, a three-legged model outlining three components that increase the risk of fraud (opportunity, incentive, and rationalization), and to create awareness of the importance of creating an anti-fraud culture in the Bank. We regularly communicate to our Customers that KFH will never ask for confidential, personal, or financial information that should not be shared with anyone. We monitor Visa/Master Card alerts, pretrain to newly identified fraud campaigns, and take necessary actions. We also observe merchants for suspicious transactions and activities, blocking them if they demonstrate fraudulent transactions based on KFH analyses and investigations. We conduct credit risk assessments which are based on KFH's internal risk rating and the CBK rating.

Our BoD has allocated significant resources to develop a strong and resilient compliance function. While the target operating model for the function has been agreed upon, we look forward to carrying out the necessary and significant restructuring and recruitment to develop the new function and upgrade the existing compliance suite of our automated regulatory solutions through a dedicated strategy and budget.

### Acceptance of Gifts

Directors and employees should refrain from accepting any monetary or otherwise gifts from Customers or contractors. Small gifts such as corporate gifts, calendars etc., may be accepted, bearing the inscription of the giver.

The offer of invitations, gifts, payments, services, hospitality, or other benefits that could affect the concerned director or employee's ability to exercise independent judgment should in all cases be notified to the Chief HR Officer.

Employees must not solicit or accept gratuities, directly or indirectly, from Customers, or other parties dealing with KFH in connection with work that the employee is responsible for.

(For more: Regularity Requirements "Transparency Principle" is available online on KFH's website.)

## Digital Transformation

KFH's approach to digital transformation within the AML and CFT Department focuses on automating routine manual processes, reducing human intervention, and enhancing operational effectiveness and efficiency.

KFH's Digital Transformation Initiatives:

- Transaction Monitoring Optimization: The AML and CFT Department successfully launched a digital transformation project that optimizes the transaction monitoring process using RPA. Bots now conduct the first level of investigation within the automated AML and CFT system, improving efficiency and accuracy.
- KFH automated Know Your Customer (KYC) update and inquiry requests through a customized Customer Relationship Management (CRM) workflow. This eliminates manual processes, reducing errors and enhancing compliance.

Future Digital Transformation Projects

- KFH plans to explore using RPA technology to optimize other screening processes, improving efficiency and accuracy in compliance efforts.
- The Bank is considering upgrading its AML and CFT systems with new and advanced features, staying at the forefront of compliance technology.

## Digital Solutions for Monitoring AML

The Bank uses automated AML and CFT systems to monitor and screen Customer transactions, including cash, non-cash, and transfers. Customized scenarios are created for different risk levels, and transaction monitoring is optimized using RPA technology.

## Human Rights

We align with the UN Guiding Principles on Business and Human Rights and the International Bill of Human Rights. To ensure these principles are upheld throughout our operations and partnerships, we extend our diligence to our partners by implementing partners by implementing a Supplier Code of Conduct, comprehensive training programs, and stringent contracting processes. All employees are required to complete mandatory training on our human rights policies, with specialized modules tailored for high-risk functions.

We strongly believe in engaging with stakeholders, including potentially affected groups, to solicit their perspectives on the impact on human rights. These consultations are meticulously documented, and the valuable insights gathered are consistently integrated into our ongoing human rights strategy. Furthermore, we actively seek targeted engagement with communities on specific projects, understanding that community feedback is pivotal in our human rights' due diligence efforts.

Our policies and procedures provide clear guidance for addressing potential human rights incidents, emphasizing transparency in our investigations, corrective actions, and engagement with affected stakeholders.

- KFH has not encountered any human rights impact incidents.

## Child and Forced Labour

KFH does not support any form of child labour or forced labour in any form, within or outside the domain of its premises and operations.

## Whistleblowing Policy

Our Whistleblowing Policy ensures that no one will be at risk of retribution or retaliation because of raising a concern, even if they are mistaken. KFH does not, however, extend this assurance to someone who maliciously raises a matter they know is untrue.

The Whistleblowing Policy provides confidentiality to all directors, officers, managers, employees, customers, and business partners who report, in good faith, suspected violations by other directors or employees. Any individual making a disclosure will retain their anonymity unless they agree otherwise. Regarding the reporting of Whistleblowing, employees may connect with GCEO, the Chairman of the Audit and Compliance Committee, or the Chairman of BoD through a "Whistleblowing" e-mail.

The whistle-blower's concerns are reported to the concerned Business Unit(s) and the Higher Administrative Investigations Committee without revealing their identity. The appointed party decides on the most appropriate and fair investigation channels and resources to handle all complaints raised. If necessary, complaints may be re-directed to the Audit and Compliance Committee and/or BoD to reach a decision.

If the situation involves discrimination or harassment, the affected individual should immediately bring the matter to the attention of their Line Manager and/or HR. KFH is dedicated to handling such matters confidentially and professionally while respecting the rights and privileges of all parties involved. Subsequently, HR must assess whether the violation aligns with the actions classified as misconduct in KFH's Disciplinary Code and Procedure to take the necessary steps.

Employees who raise concerns internally are informed of the entities or persons handling the relevant matter, how they can contact them, and if further assistance is required.

KFH can only provide the employees with as much feedback without any infringement on the duty of confidence owed by KFH to the opposing person(s) in question. Employees' identities are not disclosed without prior consent. Where concerns cannot be resolved without revealing the identity of the employee raising the concern, (e.g., if their evidence is required in court), KFH enters a dialogue with the employee concerned as to whether and, how the matter can proceed.

## Grievance Mechanisms

In KFH, there are two types of grievances for our internal employees.

### Performance Management Grievance

- Eligibility: All KFH employees are eligible for grievance within 10 working days of sharing the final appraisal.
- Objective: To reinforce fairness and transparency in KFH performance cycle.
- Purpose: The Grievance Process aims to give the employees the chance to officially speak to his management and HR about their concerns and worries. It is also a chance for HR to explain to employees the fairness of the process and the reason for their final rating. This will result in more trust in the performance cycle and higher employee satisfaction.

### Disciplinary Grievance

- Eligibility: KFH employees who received a disciplinary action, salary deductions, or penalties. The request must be initiated within 15 working days of the penalty day.
- Objective: To provide KFH employees with the opportunity to appeal against disciplinary actions taken against the employees.
- Purpose: The Grievance Process aims to give the employees a second chance to defend themselves. It is also a chance for HR to explain to employees the fairness and the reason for the disciplinary action taken against them. This will result in more clarity behind the disciplinary action taken against the employees, fostering higher employee satisfaction.
- In all cases, the process relieves the employees and maintains their rights. Therefore, HRBP should meet with the employees and listen to their concerns, then meet with the Employee Support function to discuss the final decision.

## Employee Complaints

In 2022, eight reported complaints from employees were related to misconduct from other colleagues. Disciplinary action was taken against employees who had committed the misconduct during work as per the Violations and Penalties Regulations. Out of the reported incidents, only three were confirmed as corruption cases, and the employees involved were Fired following thorough and proper investigations.

## Cyber Security and Information Protection: Empowering Resilience at KFH

In response to the growing significance of information security in the banking and financial sector and in compliance with the CBK's governance and regulations guidelines, KFH has established a dedicated unit focused on managing information security and cyber risks. This unit is an integral part of KFH's cyber resilience strategy. Its main purpose is to tackle the challenges arising from the fast-paced advancements in banking technologies and safeguard internal and external data from external security threats.

KFH's governance framework emphasizes the critical role of the BoD in overseeing information security and cyber security risks, and its authority to directly approve strategies, policies, and rules related to information security and cyber security. The Head of Cyber Risk reports to the Chief Risk Officer on the Bank's ability to manage information security and cybersecurity risks. It monitors the implementation of the respective objectives through the Risk Management Committee.

KFH is ISO 27001:2013 certified and holds Attestation of Compliance (AOC) and Report on Compliance (ROC) as per the Payment Card Industry Data Security Standard (PCI DSS v3.2.1). Additionally, implementing the Information Security Management System (ISMS) enables KFH to manage, monitor, review, and improve its information security practices. The Bank also implemented an advanced Endpoint Detection and Response (EDR) solution to respond to and mitigate advanced cyber-attacks swiftly. During 2022, KFH continued to strengthen its cyber security resilience by upgrading its infrastructure, migrating to a next-generation Cyber Defense Center, and deploying advanced analytics tools for anomaly detection.



# Chapter 7

## Environmental Stewardship





As an Islamic financial institution, KFH Group greatly emphasizes Environmental Sustainability as a fundamental aspect of its social responsibility. It adheres to Islamic Shari'a principles, which promote environmental preservation. Accordingly, KFH is developing guidelines to enhance energy efficiency, and we anticipate their implementation soon. Additionally, KFH is formulating an environmental preservation policy that specifically focuses on paper usage and closely monitors paper consumption.

## Greenhouse Gas (GHG) Emissions

Recognizing the significance of climate change, KFH is actively addressing its impacts and embracing the opportunities it presents. Our commitment to climate change adaptation aligns with evolving regulations related to this critical issue.

In 2022, the CBK issued a circular emphasizing the importance of ESG principles in the banking sector. We understand that climate change can create opportunities and pose risks to our business.

Our dedication to this cause extends beyond compliance; it aligns with global sustainability standards and positions KFH as a trailblazer in environmental initiatives within the financial industry. We recognize that sustainability is not just a corporate responsibility but a crucial element of our commitment to a greener and more sustainable future.

Year	Scope 1 (mtCO2e)	Scope 2 (mtCO2e)	Total GHG Emissions (mtCO2e)
2018*		13,367.95	13,367.95
2019*		13,841.71	13,841.71
2020*		12,573.16	12,573.16

\*Note: Table provides a breakdown of GHG emissions within operational boundaries. From 2018 until 2020, we calculated the emissions from the four largest premises owned by KFH in Kuwait.

To gain a comprehensive insight into KFH's GHG Inventory, an assessment covering the complete Scope 1 & 2 GHG Inventory was initiated. This assessment encompasses branches, headquarters, and major administrative offices, with the results presented in Table below.

Year	Scope 1 (mtCO2e)	Scope 2 (mtCO2e)	Total GHG Emissions (mtCO2e)
2021*	7,358.99	34,916.01	42,274.99
2022*	8,215.12	33,797.53	42,012.65

\*Note: Table provides a breakdown of GHG emissions within operational boundaries. Starting in 2021, we expanded our boundaries to include GHG emissions from all branches, as per our carbon footprint assessment. GHG emission is calculated in accordance with the GHG Protocol.

In 2021 and 2022, we expanded our reporting boundaries for Scope 1 and 2 emissions, moving beyond the initial four largest premises and incorporating all our operating branches and offices in Kuwait into our GHG emissions calculations. This expansion was a strategic move to better assess our carbon emissions comprehensively and set the stage for strategic measures aimed at reducing our carbon footprint.

KFH's commitment to addressing climate change is underscored by the development of its Carbon Footprint (CF) reports. The first report in 2021 marked the start of a critical process, followed by the CF 2022 report, in which we enhanced our data collection process. The reduction in our Scope 2 values is not an actual reduction but it resulted from improved data collection methods and the decreased reliance on estimated data, incorporating actual energy consumption figures from our branches and offices. The insights from these reports are instrumental in formulating and tracking the effectiveness of our GHG assessment and emission reduction strategies.

## Energy Management

At KFH, we are dedicated to responsible energy management, which is a key component of our environmental stewardship initiatives. In 2021 and 2022, we took significant steps to enhance our energy management efforts. We expanded our reporting boundaries from just calculating the energy usage of our four largest premises to include all operating branches across Kuwait. This expansion allows us to more accurately assess our energy management practices on a wider scale. By including all our branches, we gain a comprehensive understanding of our energy consumption, which is crucial for developing more effective energy-saving strategies and initiatives.

Reporting Year	Total Electricity Consumption (kWh)
2018*	17,138,393
2019*	17,745,776
2020*	16,119,433
2021	51,727,417
2022	50,070,408

\*Note: From 2018 until 2020, we calculated the energy consumption from the four largest premises owned by KFH in Kuwait. Notably, the environmental data for 2021 and 2022 has been reinstated, incorporating all branches' energy consumption as per our carbon footprint assessment.

### Reducing Our Energy

#### Highlight

KFH is proud to announce that KFH Auto-Showroom became the first Banking Auto Showroom in Kuwait to receive the GSAS certificate - Gold level

KFH continues implementing efficient initiatives in its internal operations to enhance and improve its environmental performance. The KFH Group applies the same environmental requirements to the management of its facilities as it does to its financing activities. We are committed to reducing our emissions through the way we work, travel, and do business through:

- KFH inaugurated the Middle East's largest green automotive showroom, 'KFH Auto,' spanning 38,000 square meters and fully compliant with sustainability standards.
- Digitalization of internal processes, replacing headlights with Light-Emitting Diode (LEDs) in the headquarters and branches, rationing electricity consumption using self-powered technology, and replacing old ACs with new efficient and environment-friendly machines that consume less electricity.
- Raising awareness of low-carbon travel for business and commuting, improving video conferencing and teleworking tools to reduce the need for travel, replacing fleet vehicles with more efficient models, and accelerating the shift to a hybrid or electric fleet.
- Involving our business partners in our goal to transition to a low-carbon economy, raising the number of tenders to suppliers that include circular economy principles, and new catering procurement, repair, and maintenance services contracts.

## Valuing Water

Kuwait faces a significant freshwater shortage due to low rainfall, high evaporation rates, and its arid desert environment. At KFH, we prioritize water conservation by using modern faucets, efficient toilets, and water-saving mixers to reduce consumption. We source water from Ministry of electricity and water desalination systems and discharge it through local utilities. Furthermore, the Ministry of Electricity & Water & Renewable Energy does not distinguish between water withdrawal and water discharge in terms of volumes, so we do not have current data regarding the water consumption at the moment but we shall strive to distinguish between water withdrawal and water discharge in the future.

Reporting Year	Total Water Consumption (m3)	Number of Employees	Water Intensity per Employee (m3/person)
2018	7,830,249	2,600	3,012
2019	7,968,321	2,674	2,980
2020	3,939,457	2,682	1,469
2021	7,941,124	2682	2,961
2022	7,445,400	2828	2,6323

\*Note: Table represents total water consumption of KFH branches in Kuwait.



# GRI Index



# GRI Index

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	2-20 Process to determine remuneration	<b>97</b>
	2-21 Annual total compensation ratio	--
	2-22 Statement on sustainable development strategy	<b>86</b>
	2-23 Policy commitments	through the report
	2-24 Embedding policy commitments	through the report
	2-25 Processes to remediate negative impacts	through the report
	2-26 Mechanisms for seeking advice and raising concerns	<b>107</b>
	2-27 Compliance with laws and regulations	<b>102</b>
	2-28 Membership associations	<b>19,72</b>
	2-29 Approach to stakeholder engagement	<b>26</b>
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<b>Material topics</b>		
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	<b>27</b>
	3-2 List of material topics	<b>28</b>
<b>Economic performance</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>32-35</b>
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	<b>30</b>
	201-3 Defined benefit plan obligations and other retirement plans	--
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	--
<b>Indirect economic impacts</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	through the report
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported	<b>36,58</b>
<b>Procurement practices</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>60</b>
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	<b>22,60</b>
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	--
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	<b>105,106</b>
	205-2 Communication and training about anti-corruption policies and procedures	<b>22,105</b>
	205-3 Confirmed incidents of corruption and actions taken	<b>107</b>
<b>Anti-competitive behavior</b>		
<b>GRI 206: Anti-competitive Behavior 2016</b>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	no incident in the reporting period
<b>Energy</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>112,113</b>
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	<b>113</b>
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<b>GRI 303: Water and Effluents 2018</b>	303-5 Water consumption	<b>114</b>
<b>Biodiversity</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>68,69</b>
<b>GRI 304: Biodiversity 2016</b>	304-2 Significant impacts of activities, products and services on biodiversity	<b>68,69</b>
<b>Emissions</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>112,113</b>
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	<b>112</b>
	305-2 Energy indirect (Scope 2) GHG emissions	<b>112</b>
	305-3 Other indirect (Scope 3) GHG emissions	<b>112</b>
	305-4 GHG emissions intensity	<b>112</b>
	305-5 Reduction of GHG emissions	<b>112</b>
<b>Employment</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>72-82</b>
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	<b>76,82</b>
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	<b>--</b>
	401-3 Parental leave	<b>74</b>
<b>Occupational health and safety</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>79</b>
<b>GRI 403: Occupational Health and Safety 2018</b>	403-6 Promotion of worker health	<b>74-79</b>
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>78</b>
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	<b>78</b>
	404-2 Programs for upgrading employee skills and transition assistance programs	<b>78</b>

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<b>Diversity and equal opportunity</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>72,82</b>
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	<b>72,82,87</b>
<b>Non-discrimination</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>76</b>
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	<b>76</b>
<b>Child labor</b>		
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	<b>106</b>
<b>Forced or compulsory labor</b>		
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	<b>106</b>
<b>Local communities</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>61-69</b>
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	<b>23, 61-69, 106</b>
<b>Marketing and labeling</b>		
<b>GRI 417: Marketing and Labeling 2016</b>	417-2 Incidents of non-compliance concerning product and service information and labeling	<b>37</b>
<b>Customer privacy</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<b>45</b>
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	<b>45</b>

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