



WE HOLD THE PROMISE
OF SUSTAINABLE SHARED VALUES

“**ISLAMIC FINANCE
FOR EQUITABLE
IMPACT**”

Keep it green

Sustainability Report 2019-2020

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

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Report Parameters

The Bank and References | (G102-1) - (G102-5)

Throughout this report, “KFH”, “the bank” or “we” are referring to the “Kuwait Finance House - Kuwaiti Shareholding Company Public (K.S.C.P).

Pursuant to the Memorandum of Association, the Ministry of Awqaf and Islamic Affairs, Ministry of Finance and the Public Authority for Minors' Affairs have established a Kuwaiti Shareholding Company as per the provisions of the Law Decree No. 72 of 1977. The Company is governed by the provisions of Law No. 32 of 1968 on Currency, the Central Bank of Kuwait and the regulation of Banking Profession, its amendments, Companies Law No. 1/2016, its amendments, Executive Regulations, Law No. 7 of 2010 on the Establishment of Capital Markets Authority and regulating Securities Activity, its Executive Regulations and the provisions of this Memorandum.

KFH is a listed public company in the main market and the premier market on Boursa Kuwait (Ticker “KFH”).

Scope of the Report Period and Cycle Covered | G102-50 / G102-52

This is the first Assured Annual Sustainability Report developed based on a comprehensive stakeholders and materiality practices and supported by GRI training prior to the development of the report. It is featuring the period of 1 January 2019 to 31 December 2020 and report on activities and operations in Kuwait. Some Information before and after these dates, and/or referring to other KFH's subsidiaries beyond the state's borders may be included to emphasize relevant context to the reporting period.

Referenced Reporting Guideline | G102-54

The report is prepared according to the Global Reporting Initiative Sustainability Reporting Standards: Core option.

Date of Previous Report Sustainability | G102-48 / G102-49 / G102-51

This is the first assured GRI report according to the GRI Standards 2016, and thus no Changes in Reporting, nor Restatements of Information are applicable.

Forward-Looking Statements

All statements included or incorporated by reference in this report, other than statements or characterizations of historical fact, are forward-looking statements. Such forward-looking statements are based on Kuwait Finance House's current expectations, predictions and estimates and are not guarantees of future performance, achievements or results. Forward-looking statements are subject to and involve risks and uncertainties and actual results, performance or achievements of Kuwait Finance House may differ due to paramount considerations that are expected in the landscape of the banking industry both nationally and regionally. While KFH's proven agility allows swift adaptation, however there are no assurance of the magnitude nor the pace of such changes, due to the rapid dynamics of the technologies and the markets we serve. Additionally, the emerging social disruptions and economic fallbacks caused by the COVID-19 pandemic can't be predicted due to its unexpected lasting impacts into 2021. Crisis response measures presented in this report doesn't constitute a commitment into the future, it only reflects actions taken during the reporting period and its subject to change according to national regulations and arising materials issues. The KFH is not under obligation to update any forward-looking statements made herein.

Mistakes and Typographical Errors

Any errors discovered following publication of the report will be corrected and displayed on our website. In consideration to the environment, our reports are published, as a downloadable PDF file from our website.

For Further Information: | G102-53

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About this Report

Objective & Context

This report, “Islamic Finance for Equitable IMPACT”, shares with our stakeholders the first edition of KFH’s new sustainability journey after four decades of service, and establishing a long-standing leadership position, both nationally and regionally. Looking back on our past services, activities practices and initiatives, our priorities always aimed towards longstanding contributions to our economy and community.

Today, as the first and largest Islamic bank in Kuwait since inception and till date, we have heightened our commitment, and we entered a new era of Sustainability Horizon by restructuring our Sustainability long-term vision and identifying our economic, environmental, social, and governance (EESG) material objectives

Across this report, we present comprehensive accounts of KFH’s business performance through sets of global EESG key indicators that reflects our practices across the various functions, products and activities.

Our key indicators were derived from KFH’s first Sustainability Strategy and reflect its materials issues in 2019 and 2020, while aligning and contributing to national needs and global developments.

[\(Read on: Committing to our Stakeholders\)](#)

We aim that this report will achieve multiple objectives:

- Set the foundation for consistent monitoring and reporting of our EESG Performance
- Provide a broad, yet defined, set of disclosures that address all our stakeholders.
- Complement and support our corporate disclosures as part of KFH’s transparent and trusted governance rules.
- Enhance communication with our stakeholders and allow them to provide additional perceptions and opinions about their expectations or concerns; thus, enabling KFH to continuously evolve towards a collective shared value.

Across the sections of this report, we share, not only our management approach and performance, but we extensively present the global and national context through which our practices have existed and/or evolved, and the drive behind our various decision-making. As the first and largest Islamic bank in Kuwait since inception and till date, our products and services development have adhered to the Principles of Islamic Finance and Sharia’ Compliance Rules. [\(Read on: Sharia Governance\)](#)

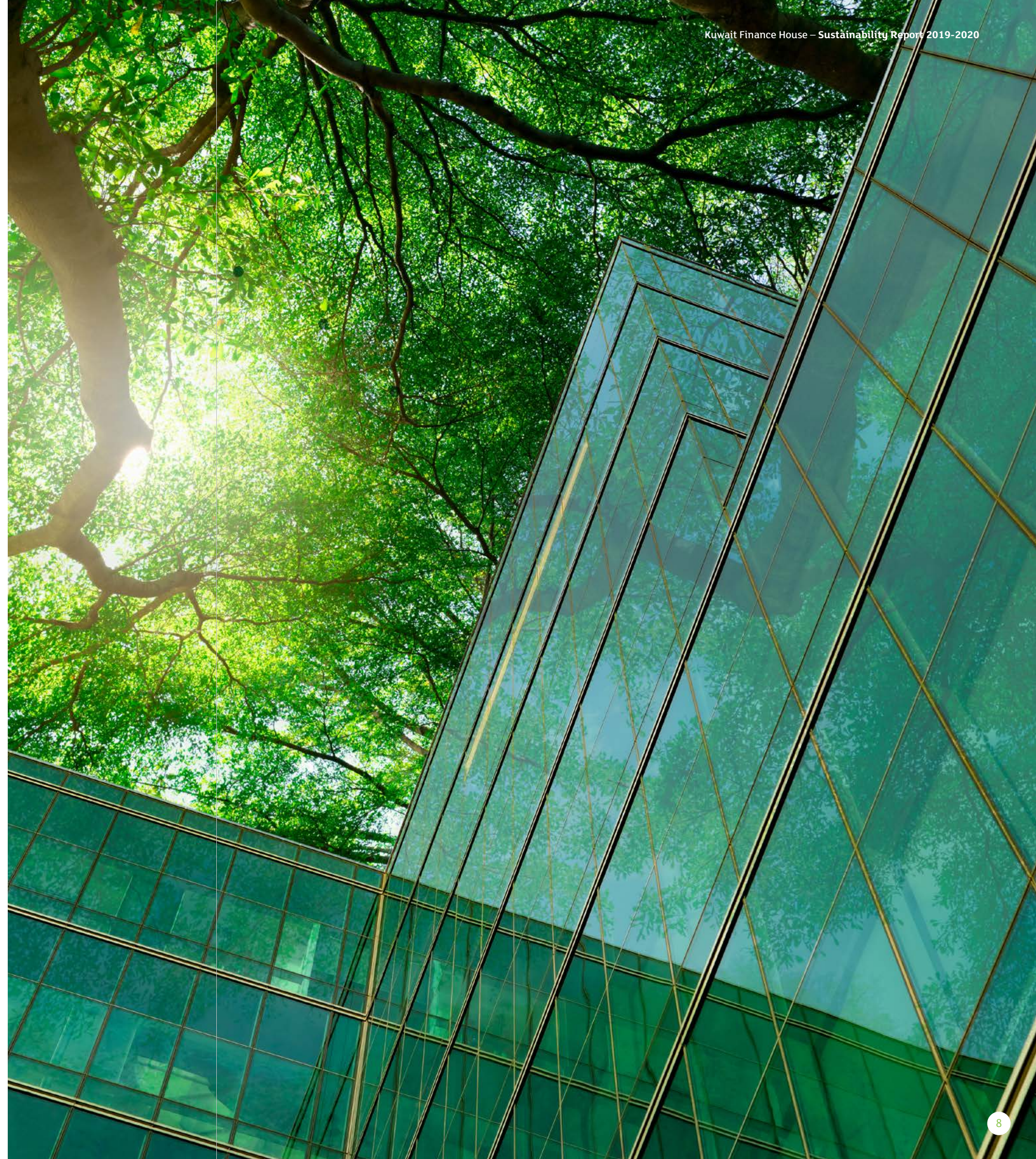
As the 2nd largest listed entity on the Kuwait Stock Exchange (Kuwait Boursa), our Economic Section and Financial Highlights provide a clear understanding of our business performance and growth. Those chapters are aimed to present our shareholders, investors and international agencies with all the needed indicators and insights from an ESG perspective. We are confident that their guidance and insights will greatly contribute to further mutual success and growth with KFH.

[\(Read on: Leading Economic Advancement\)](#)

Finally, and most importantly, standing as the 2nd largest Islamic Bank in the Arabia Gulf and the 2nd largest Islamic Bank globally in terms of total assets, **the bank has an inherit commitment and responsivity towards the core value for which it was established, that of helping communities where it operates.** [\(Read on: KFHs Sustainability Strategy & Serving Our Clients\)](#)

Through Islamic Finance, we offer the world an exceptional model of Global Equitable Economic Growth that has stand the test of time for over 1400 years. By practicing values of Islamic Principles of justice and transparency, we empower our stakeholders and support nations and their institutions towards a true Financial Access, Inclusion and Empowerment.

[\(Read on: Futuristic Catalyst for Financial Inclusion\)](#)



About this Report

Dedicated Reporting Governance

| G102-29 / G102-31 / G102-32

The development of this report was deployed upon the directives of the KFH's Board of Director early 2020, to identify, analyze, monitor and consolidate the Bank's Sustainability practices, and comprehensively report on all current indicators.

Delegating this critical assignment was entrusted to an elite Taskforce of the Bank's Governance Unit. The taskforce has launched a bank-wide induction on EESG indicators to mobilize the proper channels of data identification and classification. Additionally, a dedicated training was conducted to selective Focal persons from each of the bank's departments to ensure high quality of report information according to the GRI Standards (Accuracy, Balance, Clarity, Comparability, Reliability and Timeliness).

The Taskforce role equally included to ensure that reporting content adhere to GRI Standards in terms of Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness. The Taskforce has acquired third party independent expertise for advice on global EESG dynamics and best practices; to establish alignment to KFH's national context and its corporate strategic goals.

For the process of materiality mapping and development, internal and external and internal engagements were conducted.

About this Report

Acknowledgment

As the report sets out into its chapters, the Kuwait Finance House acknowledges the efforts deployed and invested by its Governance Taskforce, and our esteemed independent experts, to coordinate and develop the first edition of this new era of EESG Reporting through this report: **"Islamic Finance for Equitable IMPACT"**.

KFH's EESG Reporting Governance Taskforce	EESG Independent Auditing Experts
<p>Mohammed Al-Arbeed Representing Strategy and Treasury</p> <p>Fahad Al-Osaimi Representing IT, Operations and General services</p> <p>Wail Al-Oun Representing Risk and Compliance</p> <p>Khaled Al-Otaibi Representing Corporate Banking, HR and Shariah</p> <p>Fahad Al-Saad Representing PR, Retail and Private Banking</p> <p>Sharekh Al-Sharekh Representing Internal Audit, FCD and Legal</p> <p>Adnan Sumak representing PR</p>	<p>Ahmed Al Kiswani Partner Financial Services Leader - Kuwait</p> <p>Dr. Ehab Shalaby Sustainability Expert</p> <p>Ms. May Elwany EESG Strategy Expert</p> <p>Dr. Ahmed Belal Economic Expert</p> <p>Dr. Hesham EIssa Environmental Expert</p>
<p>Fahad Al-Osaimi Reporting Manager</p>	<p>Ms. May Elwany Reporting Manager</p>



To Our Stakeholders Message of the Chairman

Developing a sustainability strategy derives from Kuwait Finance House KFH's vision towards leading the global development of Islamic financial services and elevating it to the level of the most profitable, sustainable, and most trusted Islamic bank in the world. It also comes as an activation of KFH's mission to achieve the highest levels of innovation and excellence in customer service while protecting and developing the common interest of all parties involved with the institution.

Today, we have heightened our commitment by restructuring our Sustainability long-term vision and identifying our economic, environmental, social, and governance (EESG) material objectives across all six capitals: Financial, Human, Social, Natural, Intellectual and Physical.

KFH Group has various elements that prove it is moving forward and making great strides in its sustainability strategy in accordance with the latest international principles, standards, and frameworks. The Group has served 7.34MN customers by end of 2020 in the GCC, Asia, and Europe through over 522 branches, 1,535 ATMs and 15000 employees across our subsidiaries in Kuwait, Turkey, Bahrain, Malaysia, and Germany.

Our financial services are covering the increased population in different regions, for example KFH-Turkey customers in 2020 have increased by 13.6% compared to 2019, and KT Bank Ag- Germany customers have increased by 35% compared to 2019.

With regards to the financials, KFH successfully achieved solid financial results, reporting net profit of KD 148.4 million for shareholders during the year 2020. Net finance income increased by %15.8, and total assets and finance portfolio increased by %10.9 and %13.4 respectively compared to the previous year. KFH enjoys a high creditworthiness: Fitch Rating for KFH was A+ Long Term and F1 Short term with a stable outlook, and Moody's Rating was A2 Long Term and P-1 Short Term with a stable outlook. We are proud to have achieved these ratings and will continue to maintain safe and resilient banking standards for all stakeholders involved.

KFH contributes to the strategic goal **through financing mega construction projects** such as Limak's construction for the airport new passenger terminal which would facilitate positioning the Kuwait as trade and financial hub. KFH finances several infrastructure highways projects (Marmara Highway). **Such contribution supports the strategic pillar of Kuwait "Sophisticated Infrastructure", and in line with the Sustainable Development Goals SDG goal #9.**

Besides Kuwait 2035 Vision, KFH also contributes to SDG goals. Being globally acknowledged as being a world leading Islamic financial institution with a wide-spread network in almost every continent, this contributes to the strategic pillar of Kuwait "Global Positioning" and SDG goal #17.

In support to our society and to the efforts of the State of Kuwait amidst the COVID-19 pandemic, KFH had large contribution to the KD10 million fund for Covid-19 government relief measures. KFH provided financial and technical incentives for projects that take into account the environmental dimension in their implementation, especially when dealing with climate change, whether at the level of risks through adaptation projects or emissions reduction to mitigate emissions.

We are emphasizing the necessity of boosting investments regarding the integration of the environmental dimension into customers' projects and granting in-kind incentives to the projects most committed to the state plan, the Kuwaiti environmental law, and the protection of nature. KFH is moving forward in this strategy and successfully arranges green sukuk issuance for financing sustainability projects according to sustainable finance framework. We are committed to setting the stage to position Islamic Finance and Shari'a compliant practices as a main contributor to the principles for Responsible Banking and the Principles for Responsible Investment, while strategizing our community activities to allow their scalability and sustainability, thus creating long-term impact that can be carried out across our younger generation as a legacy of KFH.

Hamad Abdulmohsen Al-Marzouq
Chairman of Kuwait Finance House



To Our Stakeholders Message from our Chief Executive Officer

By developing KFH's integrated sustainability strategy, we aim at analyzing and measuring the economic, social, and environmental impacts, whether at the operational level or the level of business continuity, as well as identifying and managing environmental and social risks and opportunities, in a manner that creates value for all stakeholders and development partners.

We continue our efforts in the development of human resources, as well as enhancing transparency and credit rating in accordance with the latest international principles, standards, and frameworks by partnering with a global consulting firm, PricewaterhouseCoopers (PwC) for launching KFH first integrated Sustainability Strategy through the inclusion of ESG factors into the bank's activities, management, and operations.

Our initiatives in corporate social responsibility, which is key pillar of sustainability, had great impact on the societies. We have long track record of contributions towards social initiatives in all its categories; health, charity, environment, youth and sports, takaful, people with special needs, etc.

Sustainability is closely associated with KFH's financial performance. KFH reports sustainable growth in profits, enjoys high liquidity ratio and solid capital base that support business growth and adherence to regulatory requirements. We also continue our efforts of improving asset quality and developing credit facility policies and governance systems within best practices. **We are keen on increasing the investment in green sukuk from the total financing portfolio, especially regarding projects related to reducing carbon emissions and reducing the risks of climate change** and preserving the protectorate area. We give more focus to our environmental practices, for both green operations and financing, to enable a significant contribution to New Kuwait efforts, while playing a significant role in spurring growth to benefit current and future generations.

In 2020, the volume of customers current accounts balances increased by 45.0%. This achievement was made despite COVID-19 impact that was evident in 2020 due to the precautionary measures, stipulated by the State of Kuwait. With respect to savings account, customers can open saving accounts through KFH online and ATMs. This helped to increase the number of new accounts opened despite the fact that the branches were closed at the beginning of 2020 because of coronavirus pandemic. By digitalizing the account opening process, the management was able to increase the number of new accounts opened. **Financial inclusion and accessibility of banking services is key part of sustainability**, and we succeeded in making our banking services accessible 24/7, anywhere. The total transactions completed by KFH's customers through KFHonline on the website or the mobile app were nearly 140 million for the year 2020, **with a growth rate of 18% compared to previous year**.

The sustainability was implemented in the premises of the bank, where KFH inaugurated the largest automotive showroom in the Middle East; the green building "KFH Auto", with a total area of 38,000 square meters. This building is completely compliant with sustainability requirements.

Caring for the talents and attracting the youth is also an integral part of KFH sustainability strategy. We focus on continuously attracting new talents, especially Kuwaiti nationals. Kuwaiti hires represented 98% of the total hires in 2019 and 99% in 2020. We continue our transparency and communication of our policies and business conduct, while integrating ESG and Sustainability Values as part of the employees' thinking approach and bank's culture.

We at KFH continue our endeavors and steadfast commitment to advancing the bank's global commitments through alignment with international frameworks and standards, while focusing on business activities, communities, social, and environmental achievements, and in this report, we pride ourselves on sharing with stakeholders the Bank's ESG practices.

Abdulwahab Alrushood
KFH Group Acting Chief Executive Officer

1.

KFH
GROUP
AT
A GLANCE

1.1 History & Global Presence

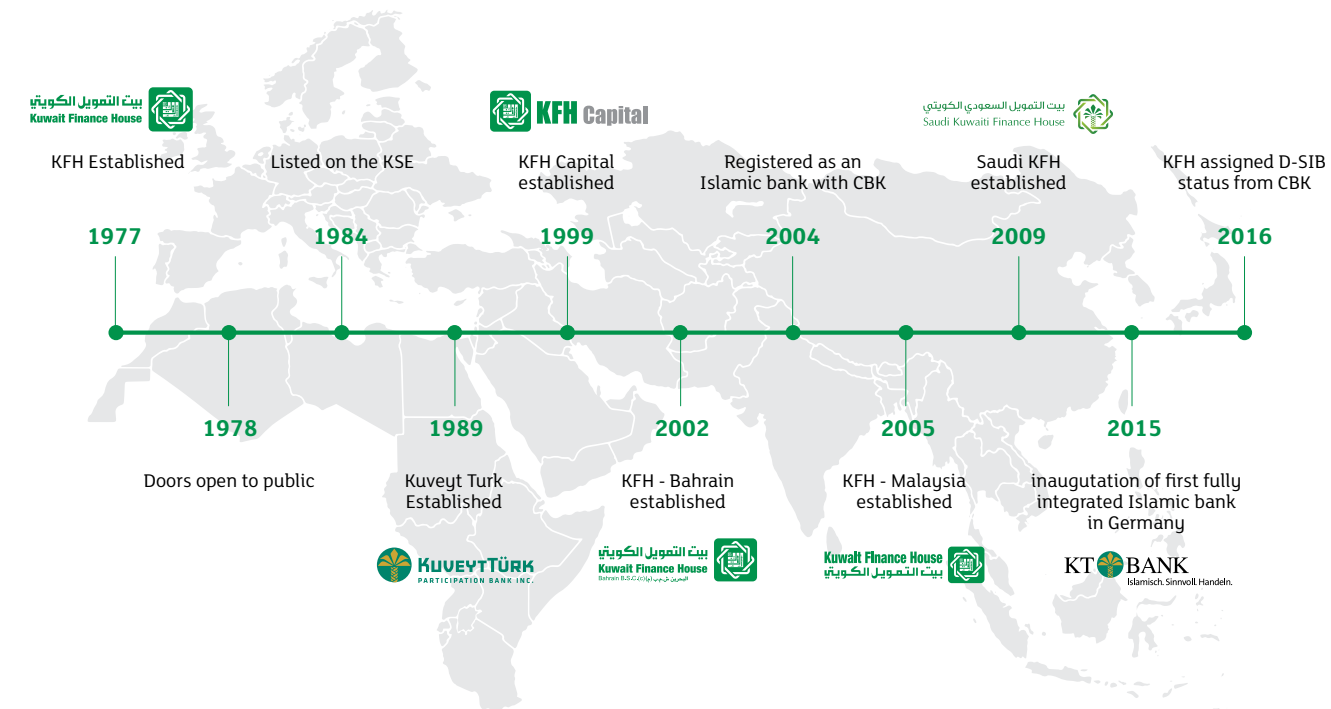
Established in 1977 by virtue of an Emiri decree, KFH has been opened to the public since 1978, and today it is proudly serving more 7.34MN customers till end of 2020.

Kuwait Finance House (KFH) is considered a pioneer in Islamic Finance or Shari'a Compliant Banking. Islamic banking refers to a system of banking, which is compliant with religious law called Shari'a, guided by Islamic principles of an integral and fair society. The cornerstone of Islamic banking and finance is transparency and honest dealings that achieves mutual benefits for the bank and customer. We at KFH provide services that exemplify those values.

Across the years of operations, the bank has expanded beyond Kuwait, and established its presence in six additional markets of the Kingdom of Bahrain, Kingdom of Saudi Arabia, United Arab Emirates, Turkey, Malaysia, and Germany.

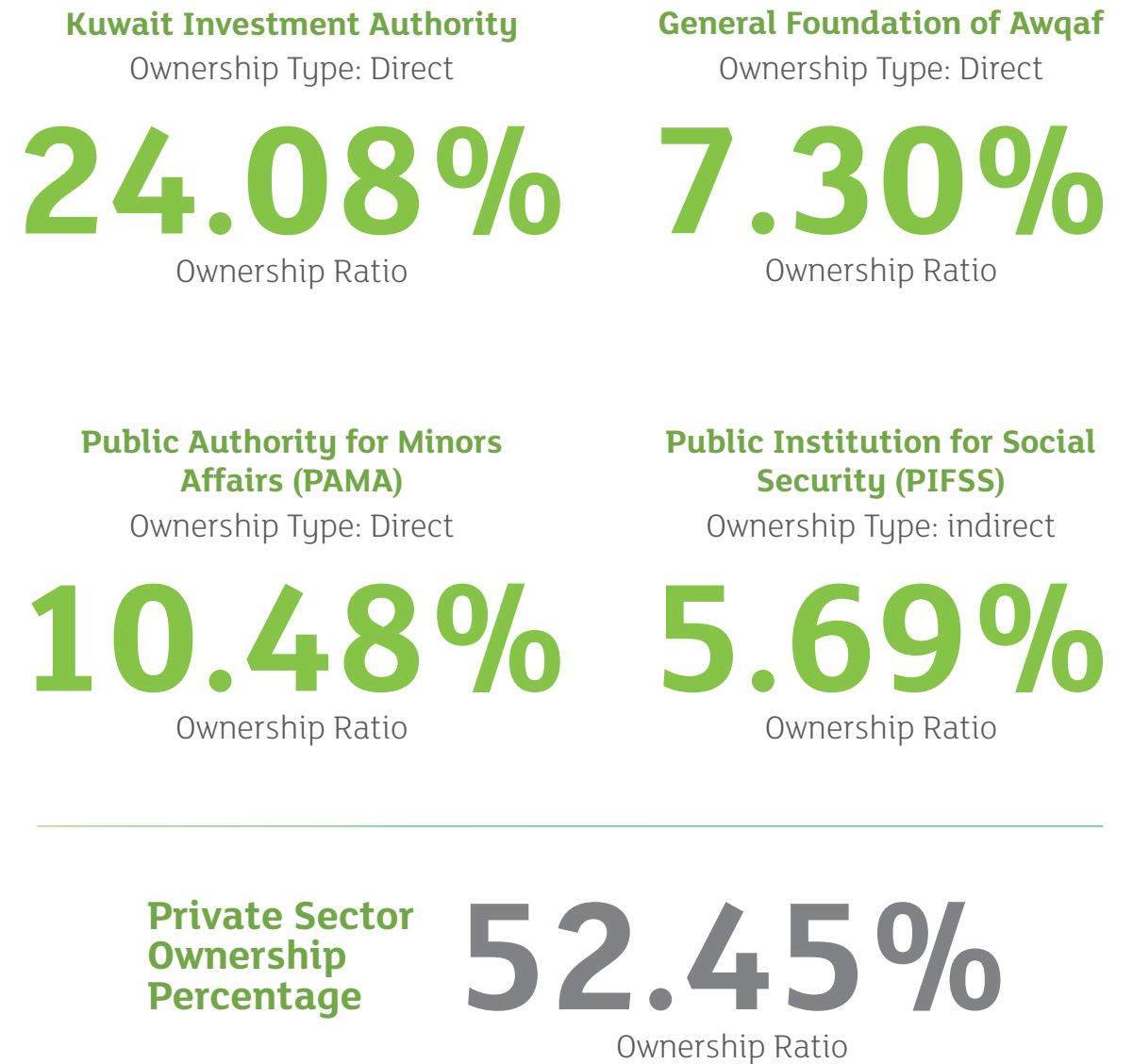
KFH has been the first and largest Islamic bank in Kuwait since inception and till date. The bank also holds the following market positions:

- The 2nd largest listed entity on the Kuwait Stock Exchange (Kuwait Boursa)
- The 2nd largest Islamic Bank in the Arabia Gulf
- The 2nd largest Islamic Bank globally in terms of total assets.
- The 1st Shari'a Complaint Bank in Germany
- The Largest participation Bank in Turkey



With an operating history of over 40 years, KFH has been listed on the Boursa Kuwait since 1984 and ranked the second largest listed company in 2019 with a market capitalization of KD 5.6 billion (USD 18.5 billion).

Almost 48% of KFH's ownership is held by the Government of Kuwait. KFH's largest shareholders include:



Full more details on "Subsidiaries" & "Affiliates": [Subsidiaries & Affiliates \(kfh.com\)](http://Subsidiaries & Affiliates (kfh.com))

1.2

Corporate Values, Vision & Mission



Values

Aligned with the Islamic Principles, our core Corporate Values guides our conduct and culture. Values of fairness, equity, accountability and most importantly, risk-sharing are fundamentals that empowered the bank to abide and respect the Shari'a Rules across all its business decisions. We take pride in those ethics and standards that we upheld for over four decades of services in our markets.

Today, as the world has transitioned to more sustainable practices, we continue on our very same path; one that unites the recent global efforts towards sustainable development with our long-standing traditional corporate values under the unchanging guidance of Islamic Principles; principles that have timelessly addressed economic, social and environmental challenges, achieved our responsible growth, positively improved the welfare of all stakeholders and that continue to create prosperity to all, individually and collectively.

(Read on: Risks and Material Issues)



Vision

To lead the "International Development of Islamic Financial Services", and to be the most trusted and sustainably most profitable Shariah-compliant bank, on the global level.



Mission

To deliver superior customer service excellence through innovative solutions; enabled by efficient operational management, while safeguarding the interests of all our stakeholders, and improving their welfare.

Culture: Islamic Principles (Social, Economic and Environmental)

Values: Fairness, Equity, Accountability and Risk-sharing

Ethical Conduct: Shari'a Compliance (Social, Economic, Environmental and Governance)

1.3

National Markets, Products and Services | G102-2

KFH Group is a global pioneer in the field of Islamic banking services, where it offers a wide array of innovative financial products and services, in each of its subsidiaries' market.

Products and Services		
<p>Integrated Banking Services</p> <p>KFH provides integrated retail and corporate banking services, including lending, to a diverse number of sectors: commercial, industrial, real estate and infrastructure projects, locally and globally. Through KFH Capital, KFH provides diversified package of services including investment banking assets, brokerage in money markets and a vast set of investment fund services. The bank conducts its activities through an integrated management system and operational units performing their core services efficiently and effectively.</p>	<p>Retail Banking</p> <p>Retail banking products are diverse and include savings, current and time-deposit accounts, personal financing solutions and long-term investment products. Customers can also invest through future certificates for education, marriage or retirement through KFH retail branches.</p>	<p>Corporate Banking</p> <p>The bank is recognized as the partner of choice for businesses that are looking to achieve business growth according to Islamic Principles. We offer Shari'a-compliant financing instruments, corporate advisory and syndication. We facilitate projects, trade, working capital and project financing for small, medium and large companies.</p>
	<p>Financing</p> <p>Our financing bundles and services meet customer's needs, particularly in Construction financing, Education financing, Medical Financing, Auto Financing, Real estate financing, in addition to debt settlement solutions for internal or external debts.</p>	<p>Investment</p> <p>Our investment services include strategic, medium and short-term investments. The majority of investments are in Kuwait, with others in the GCC and globally across other regions.</p>
<p>Digital Banking Services</p> <p>Retail banking sector made several distinguished initiatives and accomplishments to provide accessibility to banking and financial services to address customers' evolving needs.</p>	<p>Private Banking</p> <p>We offer lucrative returns to high net-worth customers who are becoming more selective in their investment choices. With strong presence in markets of growing investors' interest, supported by our extensive expertise in key sectors, we offer portfolio management services, finance and investment products.</p>	<p>Real Estate</p> <p>With over than 30 years of experience in the sector, which has now expanded beyond Kuwait to the international market, KFH provides real estate financing and leasing options as well as property development, marketing, and management solutions and services.</p>

The Group has served 7.34MN customers by end of 2020 in the GCC, Asia, and Europe through over 522 branches, 1,535 ATMs and 15,000 employees across our subsidiaries in Kuwait, Turkey, Bahrain, Malaysia, Germany.

Strategic Direction & Focus		Branches		ATMs		POs	Customers
		2019	2020	2019	2020	2020 vs. 2019	2020 vs. 2019
Kuwait		62	63	481	493	9.10%	4.69%
Turkey	Kuveyt Turk aims to lead the development of interest-free financial services and to become the most trusted and sustainably the most profitable participation bank in Turkey via the delivery of superior innovation and customer service excellence while protecting and enhancing the interests of all our stakeholders. Focus: Penetrating SME and commercial markets	430	434	894	994	11.84	13.60%
Malaysia	KFH Malaysia aims to be the one-stop ethical bank of choice for retail and corporate clients, offering the ease and convenience of full-digital/mobile coverage while maintaining the intimacy of personal attention and knowledge-based guidance in Malaysia Focus: digital products	14	11	19	18	N/A	3.30%
Bahrain	KFH Bahrain aims to be an example of modern Islamic banking, via advanced technologies to deliver personalized, end-to-end, fully automated digital services which are fast, secure, efficient and above all easy to access and use. Focus: Housing financing schemes, personal finance, and auto financing	9	9	30	30	N/A	19.70%
Germany		4	5	4	5	N/A	35%



2.

KFH
CORPORATE
STRATEGY &
PERFORMANCE

2.1 Our Corporate Strategy

With a mission to deliver superior customer service excellence, KFH's products are carefully designed to meet customer needs and preferences. Stemming from customer centricity approach, the bank considers its ability to provide innovative products and digitally enabled services are core elements of its strategic goals that allows the bank to continue its leading position in the markets where it operates. A key strategic enabler to achieve innovative and services excellence is our ongoing efforts to maintain efficient operational management.

Those four key pillars: Customer Centricity, Innovation, Services Excellence and Operational Efficiency constitute the founding base of our Corporate Strategy.

KFH Corporate Strategy Pillars	
Customer Centricity	Services Excellence
Innovation	Operational Efficiency

Our corporate strategy is developed in a manner to accommodate an aggregate-level of those four key pillars that can be carried out and adopted across our subsidiaries to suit the local market needs and preferences while always achieving the over-arching purposes of our KFH Mission Statement.

Strategy Pillars	Strategic Goals 2019-2021	Vision & Mission
1. Innovation 2. Services Excellence 3. Operational Efficiency	1. Growing Customers Acquisition 2. Innovative Products & Services 3. Simplified Experience 4. Digitizing Operations	To deliver superior customer service excellence through innovative solutions; enabled by efficient operational management, while safeguarding the interests of all our stakeholders, and improving their welfare.

To ensure the implementation of the over-arching purposes of KFH Mission statement to safeguard the interests of all our stakeholders, our Sustainability Strategy came in place to support the corporate strategy by putting emphasized on the economic, environmental, and social aspects that considers all stakeholders.

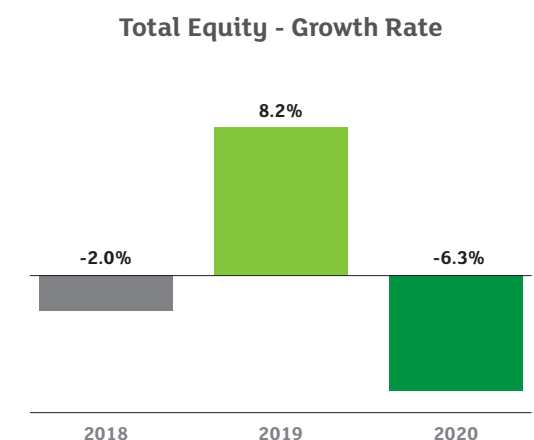
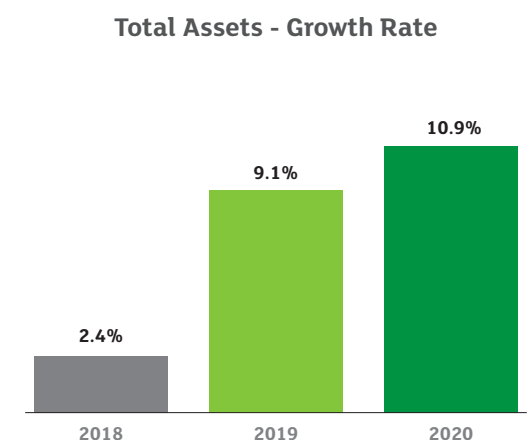
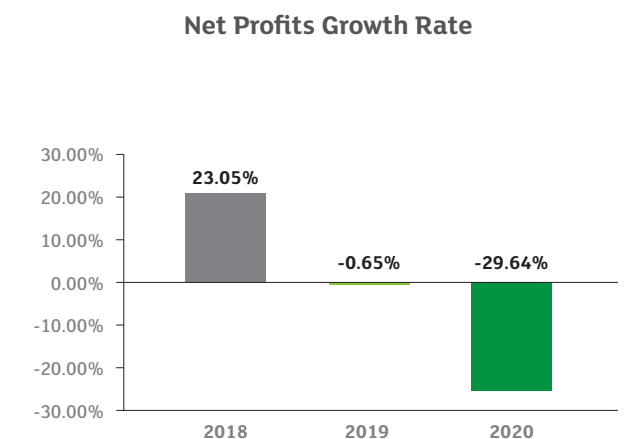
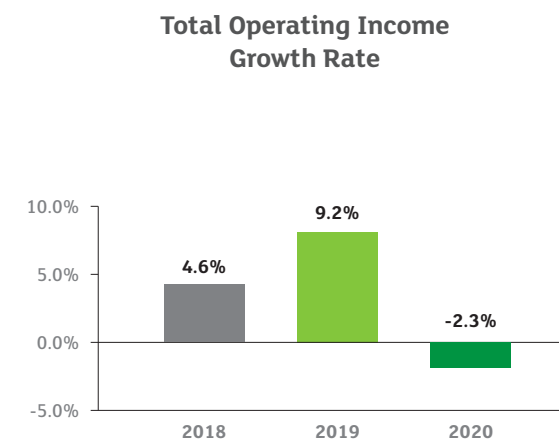
Those three dimensions have become more critical when the world has transitioned into an era of climate actions and sustainable economies that bring both risks and opportunities to the banking sector. This our vision is not only to deliver the highest sustainable profits, but more importantly to achieve our growth in line with the unwavering Shari'a principles and lead the "International Development of Islamic Financial Services", and to be the most trusted and sustainably most profitable Shariah-compliant bank, on the global level.

2.2 Key Financial Highlight | G201-1

The Group financial results for the year 2020 reflected the bank's continued success and progress towards growth and development. KFH has managed to realize a net profit of KD 148.4 million for shareholders during the year 2020, as net finance income increased by %15.8 while total operating income declined by %2.3 compared to last year. The Group efforts have succeeded in optimizing costs as total operating expenses declined by %2.7 compared to last year. Other indicators have also recorded a remarkable performance where total assets and finance portfolio increased by %10.9 and %13.4 respectively compared to last year. KFH has allocated KD 284 million provisions for credit and impairment losses, i.e., an annual increase approximating %44.3 including precautionary provisions, as a hedging step to encounter any possible pandemic impacts. Customers deposits approximated KD 15.3 billion as the group succeeded in attracting deposits approximating KD 1.8 Billion during the year 2020 i.e., an increase by %13.0 compared to its volume as at the end of 2019. These results indicate clearly that KFH indicators have not been affected by the negative impacts imposed by the COVID19 pandemic on economic sectors including the Kuwait banking sector.

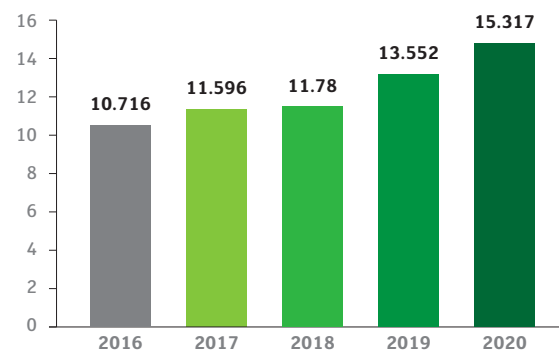
Group's Performance Highlights (USD Million)

- %21.0 Growth (2018-2020) Total Assets: 2018: 58,589 - 2019: 63,986 – 2020: 70,906
- %30.1 Growth (2018-2020) Customer Deposits: 2018: 38,839 - 2019: 44,722 – 2020: 50,511
- %(-0.8) Decline (2018-2020) Total Revenue: 2018: 3,573 - 2019: 4,010 – 2020: 3,544
- Net Profit to Shareholders (34.9)% Decline (2018-2020): 2018: 752- 2019: 828 – 2020: 490

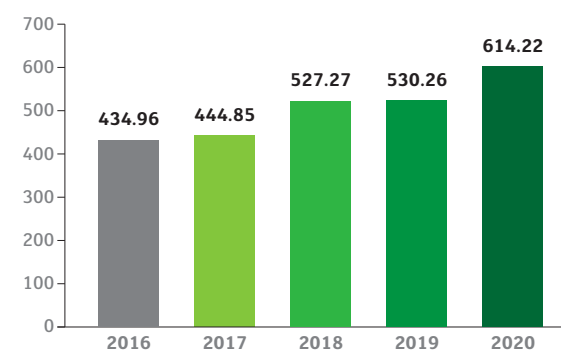


2.3 Awards & Recognitions

Depositors' Accounts (KD B)



Net financing income (KD M)



KFH's Kuwait Listing, Stock Data and Shareholders Earning

Listed on the Boursa Kuwait in 1984, KFH enjoys a leading global position with an outstanding performance, with current listing in the Premier Market Index at Boursa Kuwait. KFH ranked the second largest listed company in 2020 with a market capitalization of KD 5.2 billion (USD 17.0 billion)

It is notable to mention that the year 2020 witnessed the listing of Boursa Kuwait in the MSCI Index for Emerging Markets. KFH share was one of the 7 securities listed in the index. This listing comes after the listing of KFH in the S&P Dow Jones Index for Emerging Markets in 2019 and the FTSE Russell for Emerging Markets in September 2018.

Stock Data

Ticker: KFH

Market Cap (December 2019): KWD 5.6 Billion

2017: 29.46 FILS

2018: 36.36 FILS

2019: 33.12 FILS

KFH's stock is the most liquid stock in full years 2019 and 2020, providing an outstanding amount of liquidity to the market valued at KWD 1,263 million in 2019 which increased highly by 62% to reach KWD 2,053 million in 2020.

In 2019 and 2020, KFH was the highest Kuwaiti Bank in the Premier Index in terms of traded volumes, estimated by 1,810 million shares in 2019 which increased massively by 70% in 2020 reaching 3,089 million shares.

Moreover, KFH was the most traded share in Premier's Banking Sector in 2020 with a very high number of trades estimated by 218 thousand trades. KFH continues to attract international investors whereby foreign shareholders increased from 7.44% in 2019 to 10.14% in 2020 which ensures the attractiveness of the share.

KFH's Kuwait Rating

The group sustainable growth and financial performance have reflected in our credit ratings as a country and as an Islamic institution, as of 2020:

- Fitch Rating for KFH **A+ Long Term and F1 Short term** with a **stable** outlook.
- Moody's Rating for KFH **A2 Long Term and P-1 Short Term** with a **stable** outlook.

We are proud to have achieved these ratings and will continue to maintain safe and resilient banking standards for all stakeholders involved.

Best Islamic financial Institution in the World	2019	Global Finance
Best Islamic Financial Institution in Middle East	2019	Global Finance
Kuwait's Best Bank	2019	Euromoney
Kuwait's Best Bank for Asia	2019	Asiamoney
Best Islamic Financial Institution in Turkey (Kuveyt Türk)	2019	Global Finance
Best Islamic Financial Institution in Europe (KT Bank) Germany	2019	Global Finance
Best Islamic financial Institution in the World	2020	Global Finance
Kuwait's Best Bank	2020	Euromoney
Bank of the Year Kuwait	2020	The Banker
World Best Islamic Fund Manager (KFH Capital)	2020	Global Finance
World Best Islamic Takful (KFH Takaful)	2020	Global Finance
Best Islamic Financial Institution in Turkey (Kuveyt Türk)	2020	Global Finance
Best Islamic Financial Institution in Europe (KT Bank) Germany	2020	Global Finance

3.

NEW
SUSTAINABILITY
HORIZON

The background is a solid green color with several overlapping, semi-transparent, leaf-like shapes in a lighter shade of green. These shapes are arranged in a fan-like pattern, starting from the bottom left and moving towards the top right, creating a sense of growth and expansion.

3.1 Sharia Compliant Sustainability

ISLAMIC BANKING, the Supporter of Nations and Governments towards Institutionalized Financial Access and Inclusion

The emerging practice in Islamic finance of integrating social solidarity instruments, (i.e. Takaful) and risk-sharing principle (i.e. Murabaha), closes the gap between the existing models of traditional banking and financing, and aligns greatly to a for-profit social enterprise.

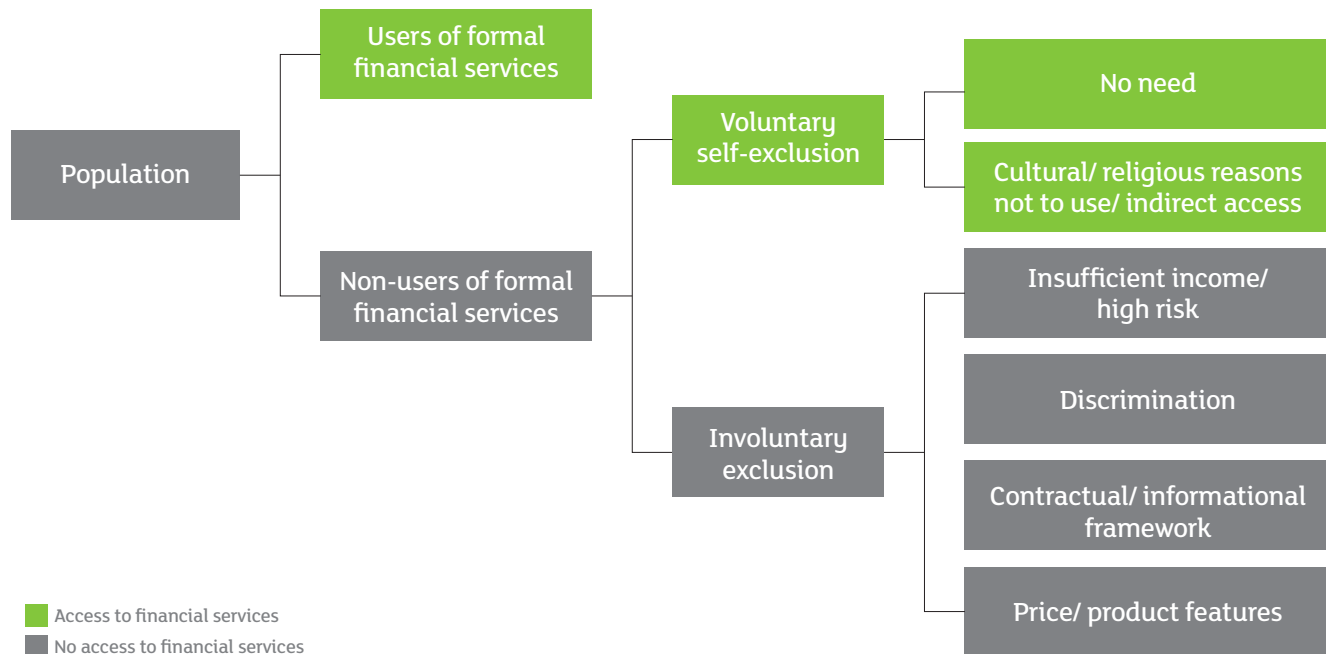
Islamic financial institutions, through their progressive approaches in developing their line of products and services, are making a positive and sustainable presence on communities.

The increased use of equitable financial instruments and the presence of strong Shari'a Compliance oversight are commonly attractive and related to impact investment, leading to the development of a sound ecosystem that encourages greater institutionalization of Islamic Finance, and enables the development of facilitative and inclusive regulations, and strong governance and transparency.

At KFH, we continue to provide a successful and sustainable model to Governments and their agencies, regulators, multilateral institutions and international communities to adopt this inclusive financial system as an enabler for true financial access and a global equitable world.

For over 40 years, KFH has invested in building the required institutional capacity, and managed to empower all its stakeholders. Moreover, as we grew, we have capitalized and evolved by harnessing the advantages of digitalization. Through our network of subsidiaries, we provide a larger access to finance than ever before.

Observing the root causes of financial exclusion, as stated by the world bank (below graph), each of our Islamic financial instrument has or can provide solution to the inherent challenges of financial access and consequently support economic growth.



■ Access to financial services
■ No access to financial services

Due to the fact that Shariah-compliant Ecosystem holds its own inherent rules and policies, the role of Islamic finance is a powerful alternative to conventional finance in advancing value-driven solutions and practices.

Finally, by continuously evolving through the use of cutting-edge technologies, we mobilize additional diverse range of inclusive solutions of non-traditional methods and instruments to serve ALL Stakeholders, as reflected in KFH's New Sustainability Strategy.

By continuously evolving through the use of cutting-edge technologies, we mobilize additional diverse range of inclusive solutions of non-traditional methods and instruments to serve ALL Stakeholders.

Our Islamic financial instruments can provide solution to the inherent challenges of financial access and consequently support economic growth

3.2 KFH's Sustainability Strategy

After four decades of service, and bridging to a leadership position, KFH takes pride to have overcome 2020 with the desired resilience and stable footing to continue serving its stakeholders. Looking back on our past services, activities practices and initiatives, our priorities always aimed towards longstanding contributions to our economy and community. Today, we have heightened our commitment by restructuring our Sustainability long-term vision and identifying our economic, environmental, social, and governance (EESG) material objectives across all six capitals: Financial, Human, Social, Natural, Intellectual and Physical.

KFH EESG Strategy Statement

KFH Kuwait commits to delivering the highest quality of inclusive banking products and service excellence, generating and promoting positive impacts and returns to all stakeholders, while preventing and mitigating negative implications. It commits to address and protect its stakeholders' evolving needs and wellbeing, preserve natural resources consumption in services, products, and operations. It governs according to Islamic Principles in achieving financial growth, developing banking services, addressing risks and opportunities, & conducting stakeholders' relations.

Our Sustainability Strategy covers over 62 economic, environmental, social, and governance objectives, with the following strategic goals:

- Economic Dimension: Global Islamic Finance Leadership
- Social Dimension: Positive Impact to all stakeholders
- Environmental Dimension: Green Products and Operations
- Governance Dimension: Shari'a Compliant Governance

The Strategy objectives are mapped at the implementation level to address and advance the required practices through financials, customers, internal process and people & organizational capacities.

Today, our Strategy Map constitute the foundation of our short- and medium-term material issues, which are reported across the section of this report. *(Read on: Materiality)*

The Sustainability Strategy also aligned to KFH's Strategic Corporate Goals of 2019-2021 for Growing customers acquisition, innovative products & services, simplified Experience, and digitizing operations. To ensure an efficient and effective implementation of the EESG Strategy, we have considered potential emerging risks and opportunities, thus allowing the bank the required agility to address new market dynamics and any changes in our corporate directions.

Our Sustainability Strategy covers over 62 economic, environmental, social, and governance objectives

4.

COMMITTING TO OUR STAKEHOLDERS



Stemming from our Islamic Values and Principles, stakeholders dialogue was always a key enabler to engage with our communities and stakeholders and efficiently implement our strategic objectives in a manner that addresses the evolving interest of all stakeholders.

We share a proactive relationship with our internal and external parties through regular communications by our Chiefs officers, departmental representatives, and relations managers, whom we consider the KFH proxies on the relevant functions and topics that they are in charge of.

The management decision to undertake a more scientific approach to revamp its Sustainability Strategy, was a pivotal cornerstone in our stakeholders' management and materials issues identification. As part of the development process of this report, the bank has taken the following steps:

1. Restructured its Engagement Plan.
2. Established its Stakeholders Categories based on Sustainability best practices.
3. Conducted assessment of engagements' outcomes.
4. Identified and prioritized its Materials Issues, considering the disruption of COVID-19 & climate risks.
5. Set forth its Material Topics.

4.1 Stakeholders Engagement

a) Stakeholders' Categories and Engagement Plan | G102-40 / G102-42 / G102-43

Aligning with Islamic Principles, our corporate culture is based on true value creation, thus our constant and diligent proximity to our stakeholders is a default responsibility to address their changing needs in light of market changes. In line with this notion, engagement is part of our systematic business process through a set of internal procedures through communication channels and with different frequencies and that correspond to the required level of our relationship with each stakeholder.

However, for the purpose of this report, a specific exercise was conducted to ensure a better internal alignment of all functions on the Sustainability expectations and ESG considerations that should and have become an integral part of our practices:

- A dedicated Sustainability Taskforce was formulated to oversee the development of the report, including the identification of external stakeholders across all bank's functions.
- Third part expertise was acquired to support the taskforce team in conducting Internal induction on Sustainability for a selective group of focal points, to ensure understanding and alignment on ESG emerging issues in the sector.
- Taskforce team run extensive in-person interactions and focus group discussions.
- A full-fledged review was completed on all updates of our financial services ecosystem and our social and environmental commitments, in light of national priorities, regional directions and global practices).

b) Engagement Channels and Material Issues | G102-44

As a result of our engagement plan, a stakeholder mapping and material issues were received from each department with listing on departmental external stakeholders, channels and frequency of communication, and outcome of the external engagements with stakeholders. It can be summarized as follows:

Stakeholders Categories	Method of Communication	Material Issues Raised
1 Shareholders & Investors	<ul style="list-style-type: none"> • Quarterly financial results • Regular analysts' communication • Annual analysts and investors meetings • Annual General Meetings • Interactive and comprehensive disclosures on website. 	<ol style="list-style-type: none"> 1. Financial Performance and Growth 2. Dividends Distribution 3. Strong corporate governance, risk management and ratings. 4. ESG Responsible Services and Operations 5. Brand Leadership 6. E&S (Environmental & Social) Investment & Lending (Shari'a Compliance)

2 Board of Directors	<ul style="list-style-type: none"> • Board meetings • Board committees' meetings • Annual General Meetings 	<ol style="list-style-type: none"> 1. Capital positioning 2. Strategy implementation 3. Business Continuity and Crisis Management 4. Employees Commitment 5. Business culture, ethical behavior & Integrity 6. Environmental Practices 7. Reputational Management 8. Employee Excellence & Commitment 9. Digital leadership
3 Regional Markets	<ul style="list-style-type: none"> • Key government meetings • Regional Forums and Conferences • Advisory Market research 	<ol style="list-style-type: none"> 1. Shari'a Compliance 2. Financial Performance and Growth 3. Brand Leadership
4 Government & Regulatory Bodies	<ul style="list-style-type: none"> • Regulatory reporting • Quarterly and Periodic meetings with Top Management. • Daily and periodic communications • Site visits • As mandated and need-based 	<ol style="list-style-type: none"> 1. Financial performance 2. Governance and compliance 3. Compliance with legal and regulatory requirements. 4. Anti-corruption and anti-bribery measures 5. Risk management 6. Socioeconomic & Environmental impacts 7. National Priorities
5 Employees	<ul style="list-style-type: none"> • Performance Appraisal Meetings • Employee engagement surveys. • Designated HR Business Partners. 	<ol style="list-style-type: none"> 1. Business culture, ethical behavior & Integrity 2. Health and Safety 3. Talent acquisition and retention 4. Benefits & Compensations 5. Equal opportunities 6. Diversity & Inclusion 7. Learning and development 8. Credit Risk Policies update and training
6 Sustainability Partners & Industry Associates	<ul style="list-style-type: none"> • Need based 	<ol style="list-style-type: none"> 1. Green Finance and Investments 2. Commitment and reporting on Regulatory ESG practices 3. Energy Efficiency and Waste Management 4. Climate Actions
7 Clients and Beneficiaries	<ul style="list-style-type: none"> • Accounts and Management • Clients Advisory • Daily interactions at branches • Call centers • Social Media Platforms • Emails • Press releases • Brand activations • Customer satisfaction surveys 	<ol style="list-style-type: none"> 1. Data privacy 2. Innovative segmented services 3. E-banking and digital services 4. Premium quick branches services 5. Financing Entrepreneurship activities 6. Affordable banking (youth) 7. Responsiveness through all client's touch points. 8. Expanded outreach of branches & Accessible Services 9. Innovative segmented services 10. Responsible Communication on services
8 Suppliers	<ul style="list-style-type: none"> • Pre-tendering meetings • Supplier audits • Briefings & feedback on new policies • Project-based satisfaction surveys • Tailored communication for major suppliers 	<ol style="list-style-type: none"> 1. Supply chain risks and performance 2. Fair tender process 3. Transparent Vendors' Assessment 4. Fair selection of suppliers 5. Sustainable Contracting Terms 6. Investment in local suppliers 7. Timely payment 8. Grievance Mechanism 9. Green products for banks renovation new and installations
9 Community	<ul style="list-style-type: none"> • NGOs and civil society organizations • National Development Forums • CSR activities 	<ol style="list-style-type: none"> 1. Contribution to National Development 2. Investment in social and economic programs 3. Employment Creation 4. Environmental and Social impact of operations
10 Environment	<ul style="list-style-type: none"> • National laws • International standards • Projects' partnerships requirements 	<ol style="list-style-type: none"> 1. Carbon footprint 2. Energy Management 3. Water management 4. Waste management 5. Green Procurement 6. Resources planning and consumption 7. Green Finance and Investment

4.2

KFH Material Topics

G102-44 / G102-46 / G102-47

For the purpose of this reporting cycle, **the Bank mapped its material issues to National Priorities, regional direction, global practices and sought specific feedbacks on latest sustainability issues that are material to the banking industry** on the three sustainable dimensions, while addressing the specific challenges and needs of our stakeholders for this reporting cycle and in light of the disruptive COVID-19 circumstances.

The process for defining the report content and the topic Boundaries have been conducted with respect of the GRI reporting principles and have taken distinctive stages:

We mapped our material issues to National Priorities, regional direction, global practices and sought specific feedbacks on latest sustainability issues that are material to the banking industry.

Identification

The listing of the **68 intersecting Material Issues** was concluded as indicted (**table 1**) based on:

- Shari'a Principles
- Historical material issues
- National Sustainable Development Plan (New Kuwait 2035)
- Regulatory and Governmental Directions
- Strategic engagements and participation in national and regional dialogues
- Relevant Industry reports
- Regional and Global sustainability trends and challenges

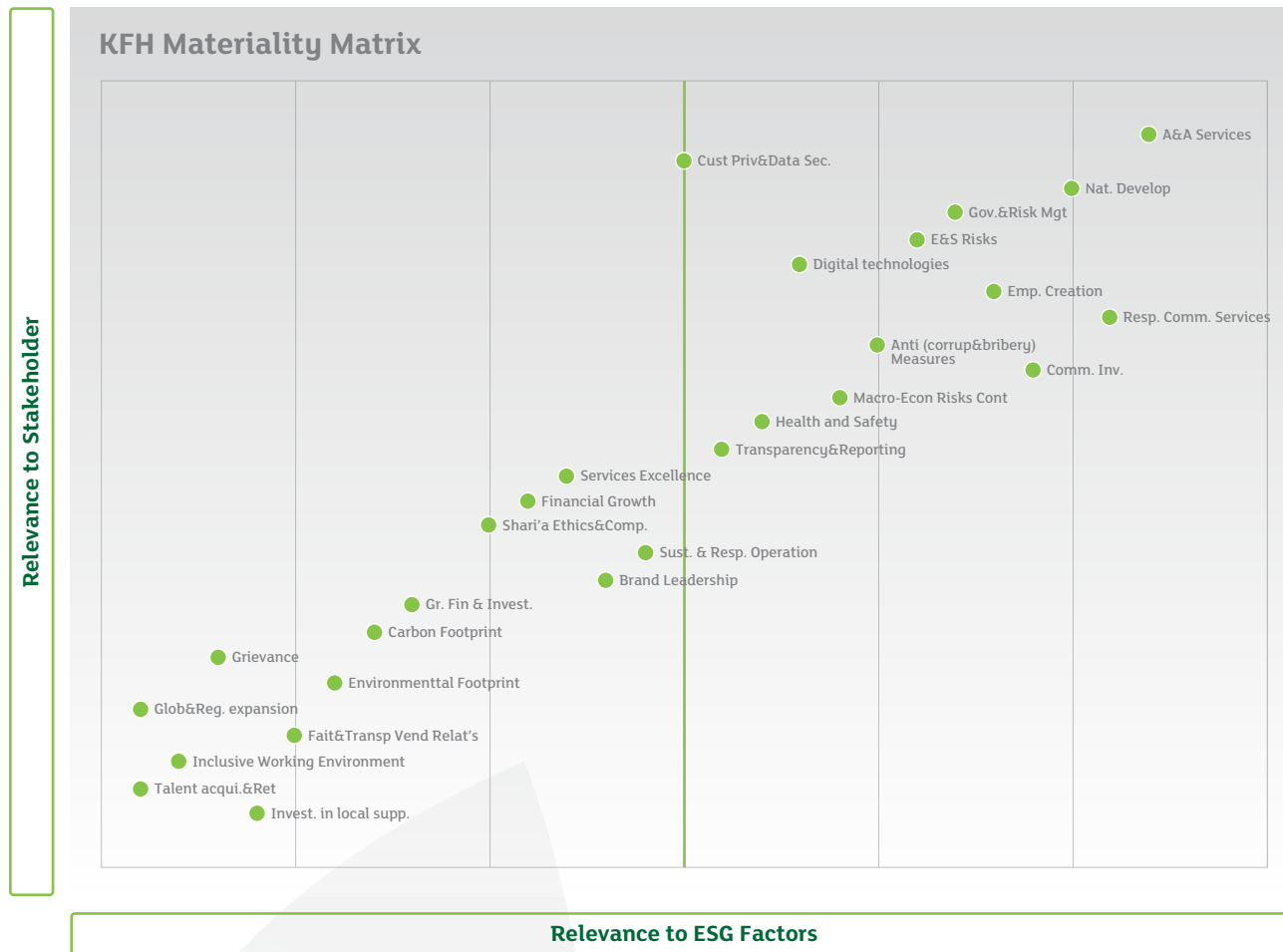
Categorization & Prioritization

- This list of **Material Issues** was re-visited, mapped and aligned to KFH's strategies and policies.
- A list of shortlisted **Material Topics** was concluded and prioritized based on the strategic importance to each stakeholder group through the same various channels as indicated in the primary stakeholder's engagement methods.

Integration

The Prioritized Material Topics are mapped to the three sustainability dimensions: economic, environmental and social, to create our Materiality Matrix for this reporting cycle.

	Material Topics	Importance to Stakeholders	Importance to Sustainability	Topic Boundary
1	Affordable and Accessible Services	High	High	External
2	Responsible Communication on services	High	High	External
3	National Development	High	High	External
4	Community Investment	High	High	External
5	Employment Creation in local communities	High	High	External
6	Governance and Crisis Management	High	High	Internal/External
7	E&S Risks	High	High	Internal/External
8	Anti-corruption and anti-bribery measures	High	High	Internal/External
9	Macro-economic Risks Controls	High	High	Internal/External
10	Digital technologies	High	High	Internal/External
11	Health and Safety	High	High	Internal/External
12	Transparency and Reporting	High	High	Internal/External
13	Customer Privacy and Data Security	High	High	Internal/External
14	Sustainable and Responsible Operation	High	High	Internal
15	Brand Leadership	High	Medium	External
16	Service Excellence	High	Medium	External
17	Financial Growth	High	Medium	Internal/External
18	Shari'a Ethics and Compliance	High	Medium	Internal/External
19	Global and regional expansion	High	Low	External
20	Green Finance and Investments	Medium	High	External
21	Carbon Footprint	Medium	High	External
22	Environmental Footprint	Medium	High	Internal/External
23	Fair and Transparent Vendors Relations	Medium	Medium	Internal/External
24	Investment in local suppliers	Medium	Medium	Internal/External
25	Grievance	Medium	Medium	Internal/External
26	Inclusive Working Environment	Medium	Medium	Internal/External
27	Talent acquisition and retention	Medium	Medium	Internal



1	Affordable and Accessible Services	H	H
2	Responsible Communication on services	H	H
3	National Development	H	H
4	Community Investment	H	H
5	Employment Creation in local communities	H	H
6	Governance and Crisis Management	H	H
7	E&S Risks	H	H
8	Anti-corruption and anti-bribery measures	H	H
9	Marco-economic Risks Controls	H	H
10	Digital technologies	H	H
11	Health and Safety	H	H
12	Transparency and Reporting	H	H
13	Customer Privacy and Data Security	H	H
14	Sustainable and Responsible Operation	H	H
15	Brand Leadership	H	M
16	Service Excellence	H	M
17	Financial Growth	H	M
18	Shari'a Ethics and Compliance	H	M
19	Global and regional expansion	H	L
20	Green Finance and Investments	M	H
21	Carbon Footprint	M	H
22	Environmental Footprint	M	H
23	Fair and Transparent Vendors Relations	M	M
24	Investment in local suppliers	M	M
25	Grievance	M	M
26	Inclusive Working Environment	M	M
27	Talent acquisition and retention	M	M

5.

Leading Economic Advancement | G102

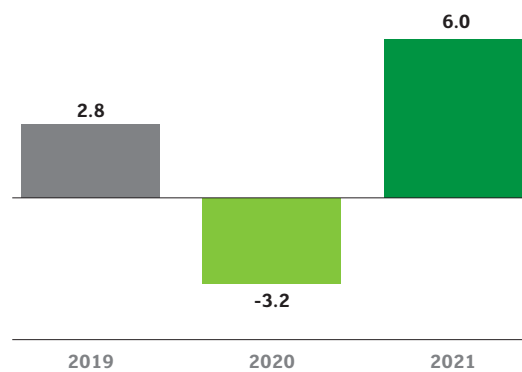


5.1 Global and National Economic Scene

World Economic outlook report stated that uncertainty is the dominate factor in the global economic scene; especially under the COVID-19 pandemic. Economic recoveries are conflicting across countries and sectors, reflecting the pandemic-induced disruptions and the extent of policy support. The outlook reflects the policies effectiveness toward limiting the expected damage from this unprecedented crisis.

Global growth is projected at (+6.0%) in 2021, compared to (+2.8%, -3.2%) in 2019 & 2020. The projections for 2021 is stronger reflecting expected increase in the fiscal support in a few large economies. Nevertheless, high uncertainty surrounds this outlook projections, related to the path of the pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalization, and the evolution of financial conditions.

Global Economic Outlook (July 2021)



On the national frontier, Kuwait is known as a welfare state. After a slight recovery in 2018, Kuwait's economic growth slowed down in 2019 due to lower oil output and weaker oil prices that affected the expansion of the non-oil sector. Due to the COVID-19 pandemic, it plummeted in 2020 but it is expected to bounce back in 2021, the following table shows the progress of main economic indicators:

Source: World Economic outlook report, IMF July 2021

Main Indicators	2018	2019	2020 (e)	2021 (e)
GDP (billions USD)	140.7	134.6	107.9	126.9
GDP (Constant Prices, Annual % Change)	1.2	0.4	- 8.1	0.7
GDP per Capita (million USD)	30.4	28.3	22.1	25.3
General Government Gross Debt (in % of GDP)	14.8	11.8	11.5	13.7
Inflation Rate (%)	0.6	1.1	2.1	2.3
Current Account (billions USD)	19.9	22.1	0.9	10.9
Current Account (in % of GDP)	14.1	16.4	0.8	8.6

IMF – World Economic Outlook Database, April 2021

Depending on stability of oil output and prices, government spending, employment and credit growth are expected to support economic activity in the short term. Kuwait's public finances is relatively strong, with a debt-to-GDP ratio of 11.5% in 2020. But the global context of the COVID-19 pandemic may lead to an increase in the debt ratio to 13.7% in 2021. To offset the negative impact of the pandemic, Kuwaiti Government is expected to increase spending to boost credit, employment and wages.

Low fiscal revenues combined with reduced oil export earnings, due to falling global oil prices and OPEC oil production in the wake of the Covid-19 pandemic, have pushed the current account surplus down from 16.4% of GDP in 2019 to 0.8% in 2020. The current account balance is estimated to rise to 8.6% of GDP in 2021 (IMF, April 2021). Inflation ticked up to 1.1% in 2019 from 0.6% a year earlier, and then 2.1% in 2020 (IMF, April 2021).

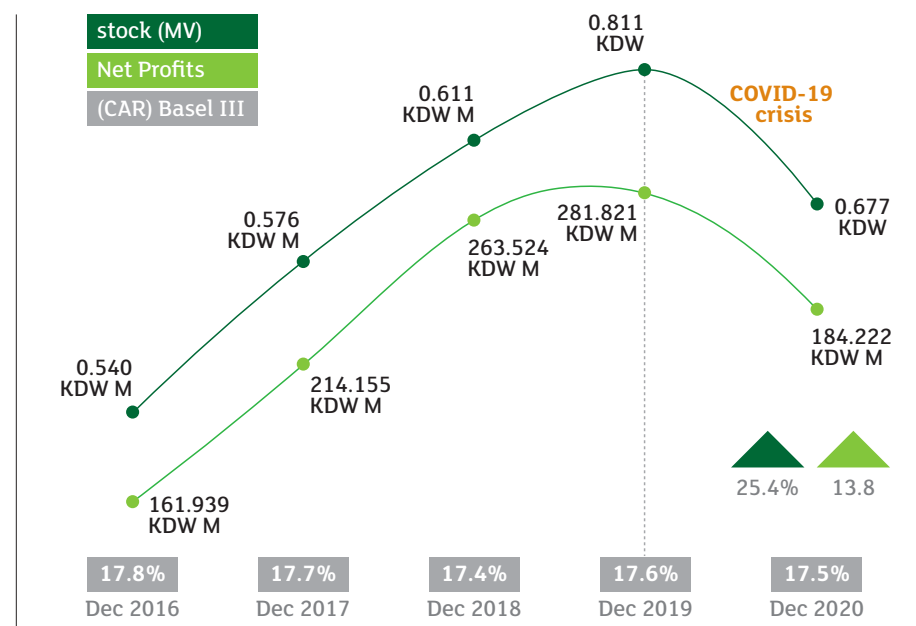
¹ "The Great Lockdown", World Economic Outlook Report, IMF April 2020

² World Economic Outlook Report, IMF July 2021



5.2 KFH Financial Performance

financial performance, over the reporting period, showed strength and resilience, as reflected by the key performance indicators with respect to the bank's financial position, creditworthiness, ability to deal with exceptional fluctuations and circumstances, and to meet challenges with high efficiency. The Covid 19 pandemic economic effect was reflected in the decline in profits for 2020, as investment income and net operating income decreased due to the difficult operating environment, in addition to KFH additional precautionary allocations to meet any future repercussions of the pandemic, as well as to maintain asset quality and capital base durability. Following are selected indicators that represent KFH's financial performance during the reporting period:



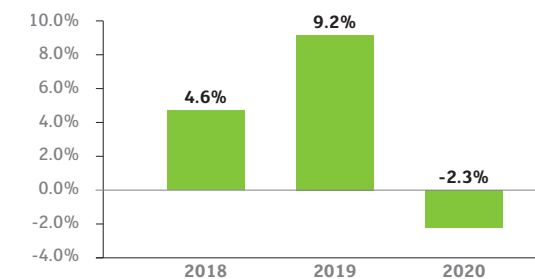
Source: World Economic outlook report, IMF July 2021

KFH stock value and net profit has been on the rise since 2016; and reached the peak in 2019, reflecting an increase of 25.4% and 13.8% consequently for the period (2016-2020). The decline in 2020 was due to the impact of COVID-19 pandemic.

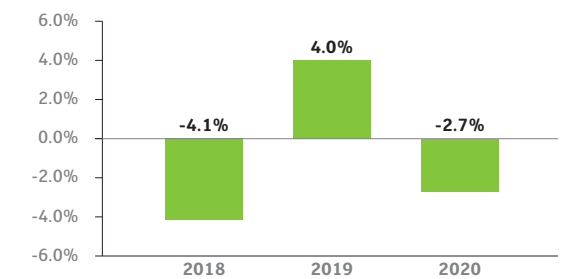
In compliant to the directive (2/RBA/357/2015) issued by the Central Bank of Kuwait (CBK), KFH as a licensed Islamic Banks in the State of Kuwait adopted the Net Stable Funding Ratio (NSFR) as part of CBK's continuous implementation of Basel III reforms.

KFH Capital Adequacy Ratio (CAR), as a measurement of a KFH's risk-weighted credit exposures is used to protect depositors and promote the stability and efficiency of financial system. KFH's CAR reported during the report scope timeframe is more than double the standard required by Basel III standard (8%), this reflects KFH's ability to absorb losses without being required to cease trading. The ratio reported reflects high stability and supports depositors' confidence. (for more information refer to: Basel III and Leverage Public Disclosures (kfh.com)).

Total Operating Income Growth Rate



Total Operating Expenses (Growth rate %)



Our total operating income shows upward trend during the reporting period except for 2020 that witnessed a decline estimated at 2.3% due to Covid-19 impact.

The financing cost and distribution to depositors' decrease was due to the reduction in benchmark rates worldwide, improvement in CASA deposits at Kuwait and group level, and lower distributable profits impacting distribution to depositors mainly Mudarba depositors.

operating expense witnessed fluctuation during the reporting period due to decline in staff cost because of labor law amendments in 2017, and lower staff cost at the group level.

Key Ratios	2016	2017	2018	2019	2020
Financing receivables / Depositors' accounts	76.29%	79.48%	78.01%	69.90%	70.17%
Capital Adequacy Ratio (CAR)	17.88%	17.76%	17.47%	17.67%	17.53%
Return on Assets (ROAA)	1.00%	1.30%	1.51%	1.40%	0.90%
Return on Equity (ROAE) (Quarterly Average)	9.30%	10.20%	12.45%	13.00%	7.63%

5.3 Islamic Finance & Green Finance at KFH

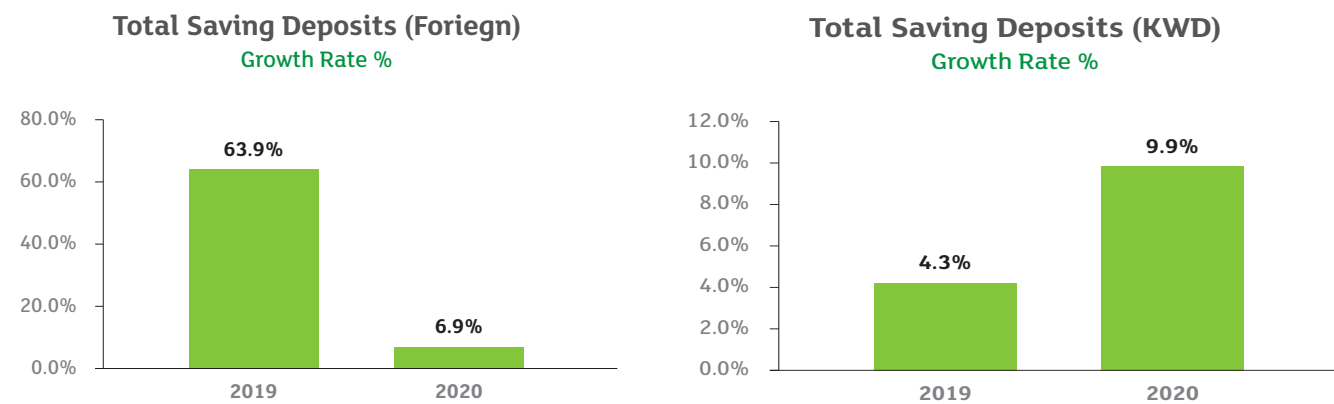
The Next 100 Global Awards – 2020 Best Islamic Retail Bank
Global Banking & Finance Review 2020



Islamic Financial Services sector in Kuwait is well established, with a long history in both Islamic banking and takaful (Islamic Insurance Model). The segment has expanded in recent years, building upon the country's commitment toward sharia-compliant banking, insurance and investment products. The government has passed a series of laws and regulations aimed at further developing Islamic finance, and there remains a strong demand for such products.

Turkish Lira (from KFH Turkey) devaluation was the main reason for the lower growth in financing receivables to depositors' ratio in 2019, and 2020 compared to the base year 2017.

KFH Saving and Investments pool of products and services show continuous progress over the reporting period as indicated by the following illustrations that demonstrate clients trust in KFH:



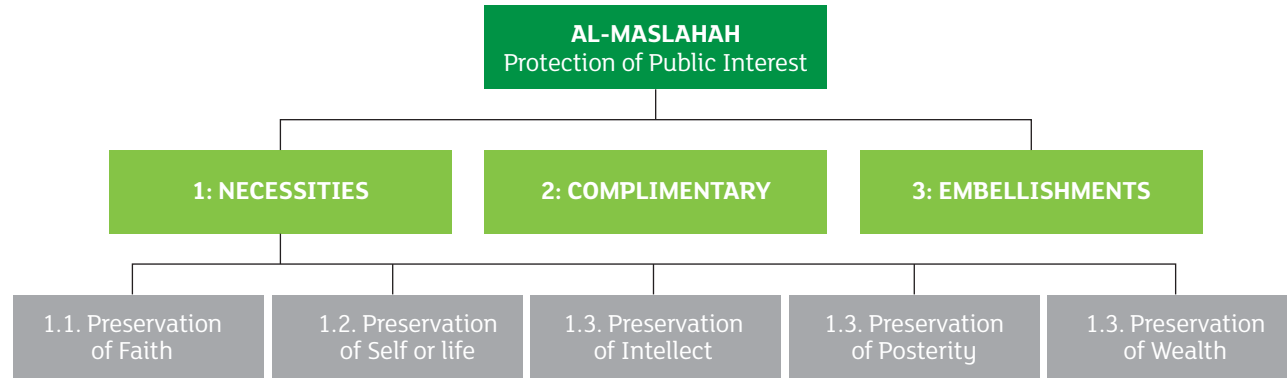
“KFH is a market leader in Islamic Financial Banking.”

NATIONAL	REGIONAL	GLOBAL
1st and largest Shari'a-compliant bank in Kuwait	2nd Largest Shari'a-compliant bank in the Arabian Gulf	2nd Largest Shari'a-compliant bank in the world

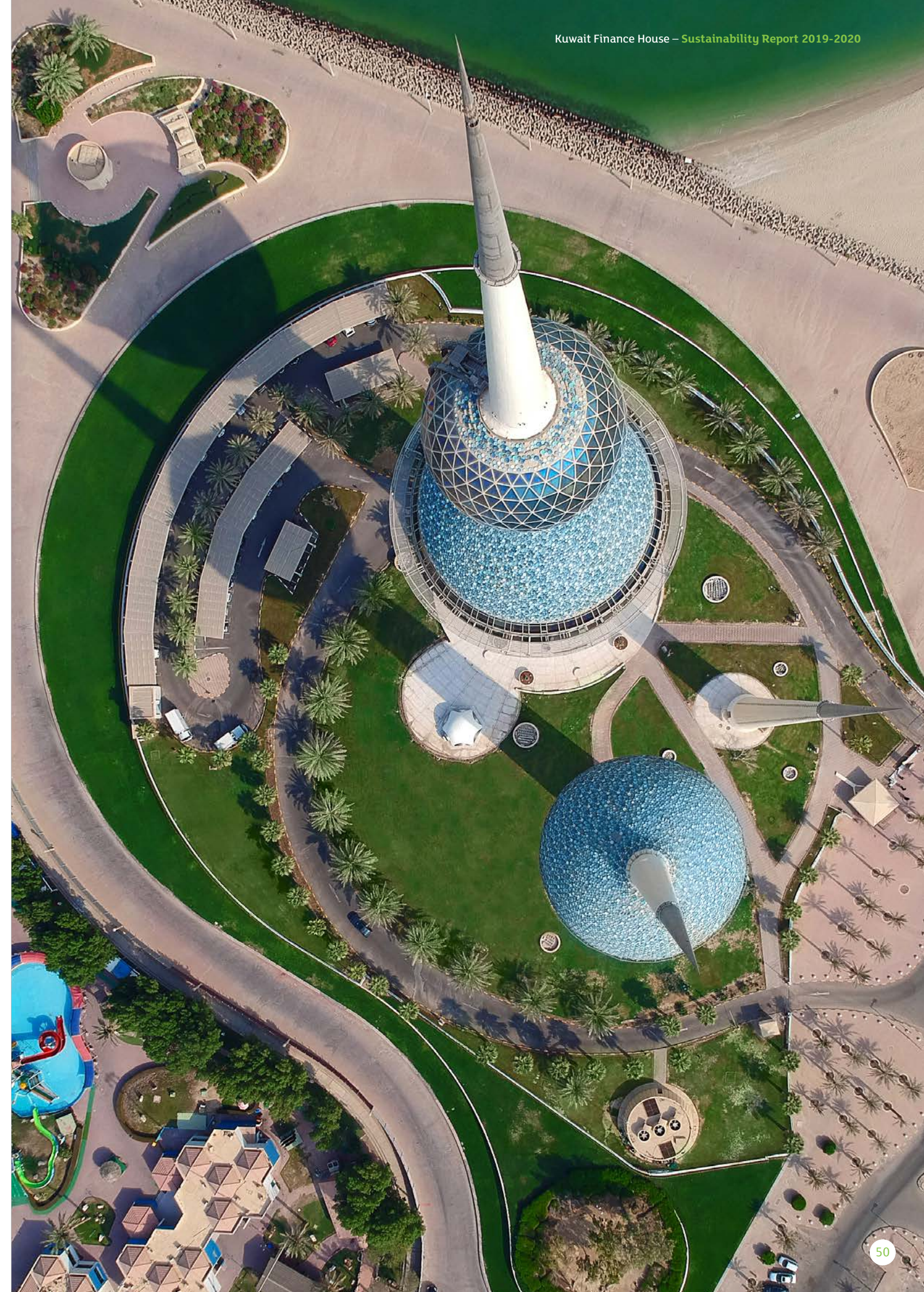
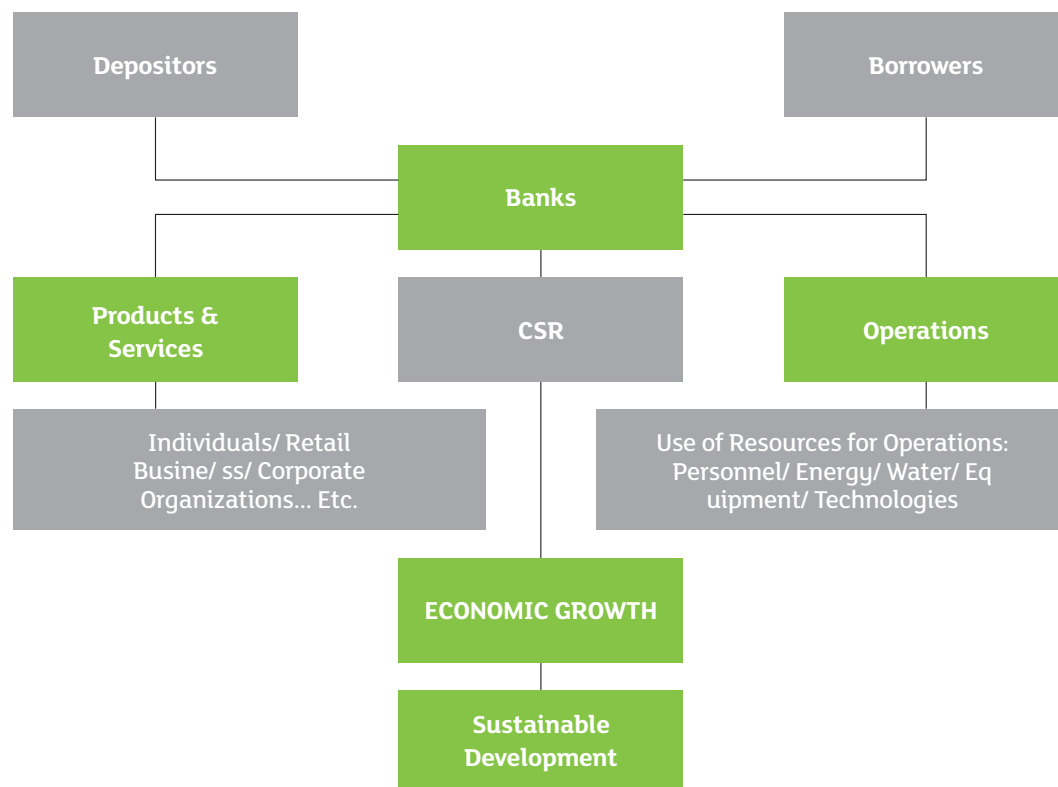
KFH perceives itself as a partner in progress in any country or market that it exists inside. Therefore, sustainability and ESG integration is of essence in KFH's operating environment. Following the Islamic financial service model allows KFH to present its impact toward Sustainable Development Objectives:



As Kuwait progresses toward its “New Kuwait Vision 2035” and implementing its “National Development Plan” focusing on sustainable economic growth, and improving living standards to its citizens, all major private sector corporations have a duty to this plan. KFH is determined to lead the way forward to the unified sustainability vision. A main pillar in the “New Kuwait Vision” is financial leadership, preserving cultural heritage, and strong institutions. Supported by regulatory requirements from the regulatory bodies that have a direct effect, such as the Central Bank of Kuwait, Boursa Kuwait and Capital Market Authority, all of which promote corporate transparency and promotion of environmental, social and governance aspects of business, all our activities/investments integrate the environmental and social aspects as part of our “Shari’a-Compliant” process.



Economic Sustainability	Environmental Sustainability	Social Sustainability
Shari'a Screening of Investment	Quota funding to organizations not harming the green environment	Islamic training and education to staff
Allocation of profits	Amount of donation given to environmental awareness	Scholarships
Zakat Payment	Introduction of green products and services	Products and services labeling (approved by the sharia's committee)
Qard-Hassan (non-bearing interest loans)		
Charity-Sadaqat-Waqf		
Disclosure of earnings prohibited by shari'a		



5.4

KFH Management of Investment and Finance

KFH strategy and policies for investments and project finance.

As a leader of Shari'a-compliant banks, KFH applies the sustainability core in its activities, operations, and business lines. KFH's sustainability pillars are evident not only in respecting the physical environment, but also in adhering to the social dimension as a core in Islamic banking.

KFH investment and finance strategy is geared toward supporting national priorities by focusing on government mega projects, large local companies, and special care for Small and Medium Enterprises (SMEs). KFH offers a wide spectrum of products and services that attend to our clients and partner's needs.

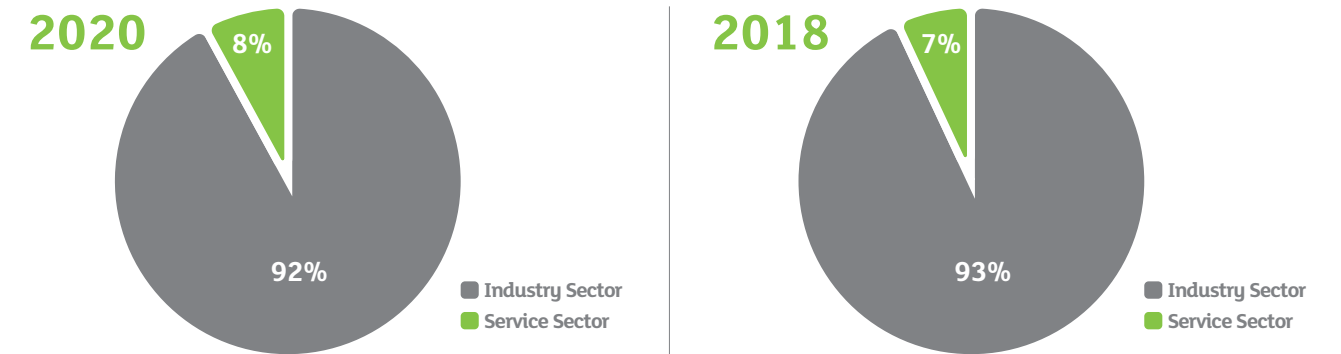
As part of the core values and Strategy, KFH perceives itself as a development partner in all countries it operates in. Therefore, KFH act as a partner in achieving "New Kuwait: Vision 2035" in its five themes and seven pillars.

KFH investment and finance strategy is geared toward supporting national priorities by focusing on government mega projects, large local companies, and special care for Small and Medium Enterprises (SMEs)

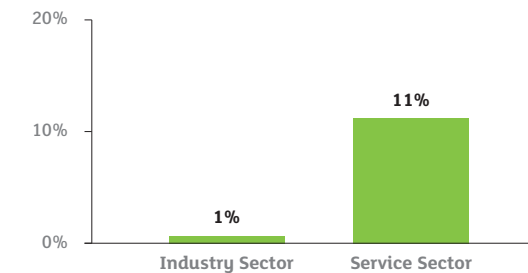
5.5

KFH Portfolio Analysis and Impacts: Prosperous & Diversified Economy

KFH supports private sector leadership in developing a diversified economy. Our records show that over the reporting period (2018-2020), an increase in the finance to the private industrial sector of 1% on average annually and increase in the finance to the private Service sector of 11% on average annually.



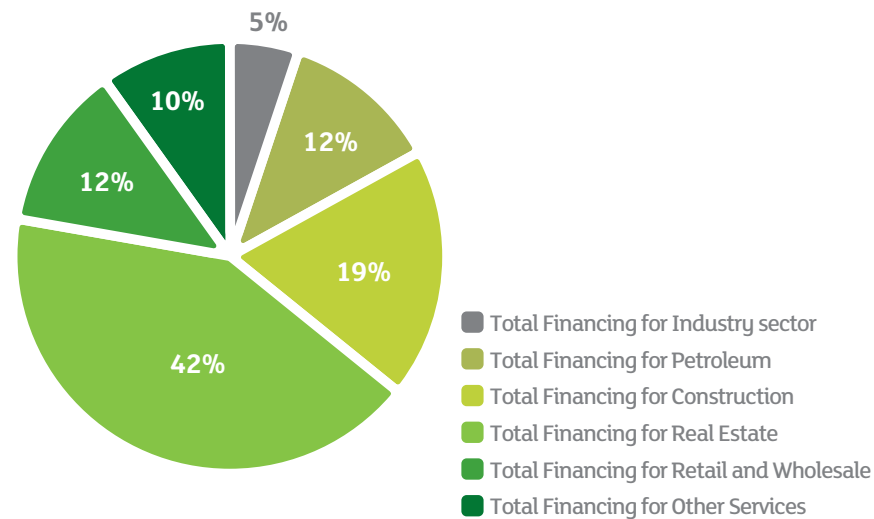
Average Annual Growth Rate (2018 to 2020)



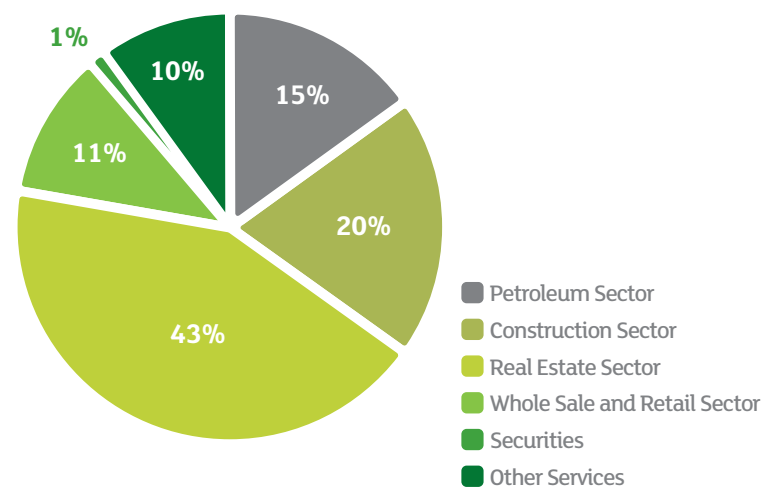
5.5.1 KFH Corporate Portfolio

KFH Contribution to Sustainable and diversified Economy, Sustainable living Environment, Developed infrastructure, and Global Positioning Pillars

KFH Financial Services to Main Economic Sectors Activities 2019



2020



5.5.2 Projects Flagship

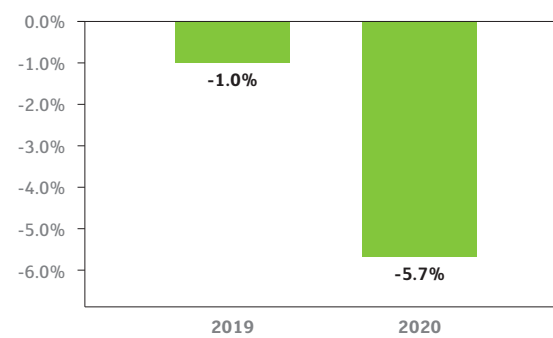
Project Name	Description	Sector	Amount granted for finance
Kuwait Petroleum Co.	KFH played a key role being the underwriter and mandated lead arranger of a syndicated financing facility	Oil & Gas	KD 1 billion
Islamic Tranche	KFH has led and acted as a facility agent for the Islamic tranche	Financial	KD 400 million
Sukuk	KFH Capital played as a syndicate placement manager and the issue manager of the sukuku	Financial	more than US\$ 4.5 Billion
Kuwait Petroleum Co.	KFH has played the role of Mandated Lead Arranger to a finance transaction	Oil & Gas	KD 350 million
Marmara Highway Project	participated in the financing of Marmara Highway Project in Turkey as part of a syndicated finance provided by several banks and financial institutions	Infrastructure	KD 60 million
Sukuk	KFH Capital has played the role of the main arranger for a first time Sukuk issuance transaction, for the Saudi Telecommunication Company	Financial	US\$ 1.3 Billion
Real Estate	major financial advisory mandate transaction for a major real estate project in the Kingdom of Saudi Arabia	Real Estate	SR 6 billion
Kuwait Integrated Petroleum Industries Company	mandated lead arranger for Kuwait Integrated Petroleum Industries Company for KD 390 million syndicated facility that had a KD 156 million Islamic tranche	Oil & Gas	KD 390 million
LIMAK	financing 50% of LIMAK's KD 249.2 million facility for the construction of Kuwait International Airport's new passenger terminal.	Infrastructure	KD 124.6 million
Hessah Al-Mubarak District project	KFH extended a facility for MENA Homes Real Estate Company (a Kuwait Projects Company Holding "KIPCO" subsidiary) for the development of Hessah Al-Mubarak District project.	Real Estate	KD 120 million
Duqm Refinery	KFH has arranged a syndicated finance transaction for Duqm Refinery	Oil & Gas	US\$ 500 Million
Canakkale Project	financed the Canakkale Project in Turkey through a KD 72 million finance transaction		KD 72 million

5.6 Retail Portfolio and Services

KFH Offers services across a growing number of markets including Kuwait, Malaysia, Bahrain, Turkey and Germany. Retail banking products are diverse and include savings, current and time-deposit accounts, personal financing solutions and long-term investment products. Customers can also invest for their future education, marriage or retirement through KFH retail branches.

KFH Current accounts decreased during the reporting period due to rules and regulation of CBK to close all inactive accounts. Also, due to applied policies and procedures that current accounts can only be opened through branches, COVID-19 impact was evident in 2020 due to the precautionary measures, stipulated by the State of Kuwait, branches were closed for some time. Therefore, the number of new current accounts opened in 2020 was lower than previous years. Despite these facts, the growth of current accounts increased of around 27%.

Number of Current Account (Growth Rate %)

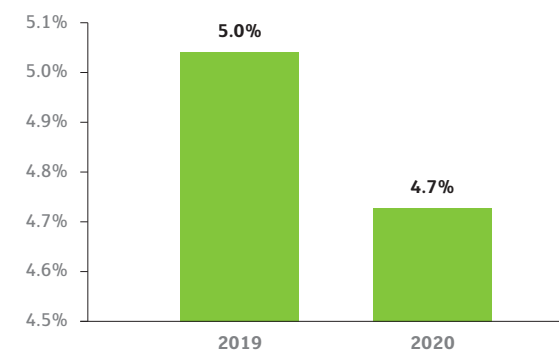


With respect to savings account, Customers can open saving accounts through KFH online and ATMs. This helped to increase the number of new accounts opened despite the fact that the branches were closed at the beginning of 2020 because of coronavirus pandemic. By digitalizing the account opening process, the management was able to increase the number of new accounts opened. Customers also choose saving accounts over electron account (which can be also opened online) because saving accounts distribute profit as opposed to electron account, which is a non-profit bearing account (free funds). Additionally, because of the deferment of the customers' installments, some customers opt to open saving accounts to save the uncollected installment and this also contributed to the increase in the volume of new accounts.

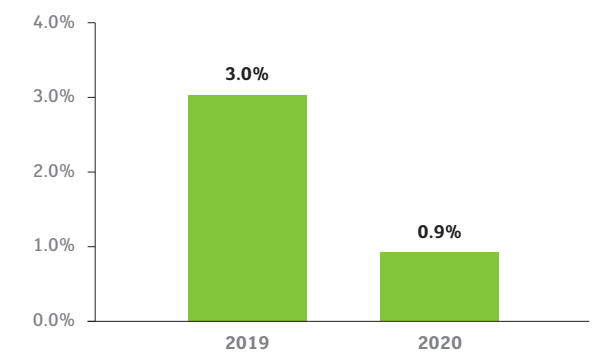
As part of diversified retail services, our government pension accounts has been growing steadily over the reporting period, with an average growth rate of (2%) annually. Also, Private sector Salary Accounts have increase by 5% on average annually overthe reporting period.

The Volume of KFH Car Loans showed an increase of 15.6% in 2019 compared to 2018, but due to COVID-19, a sharp decline of 27.5% in 2020 compared to 2019. The volume of "Baiti" Accounts witnessed an increase of 12.8% in 2020 compared to 2019 volume.

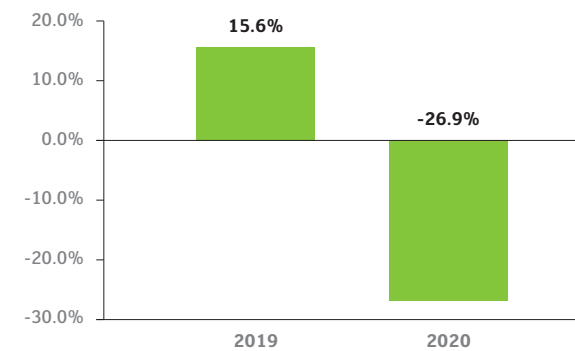
Gov. Pension Accounts (Growth Rate %)



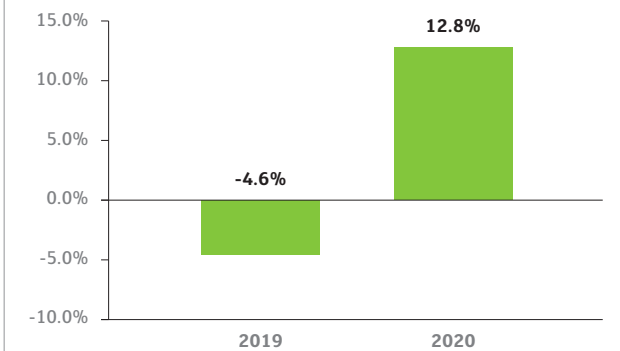
Private Sector Salary Accounts (Growth Rate %)



Total Value of Car Loans (Growth Rate %)



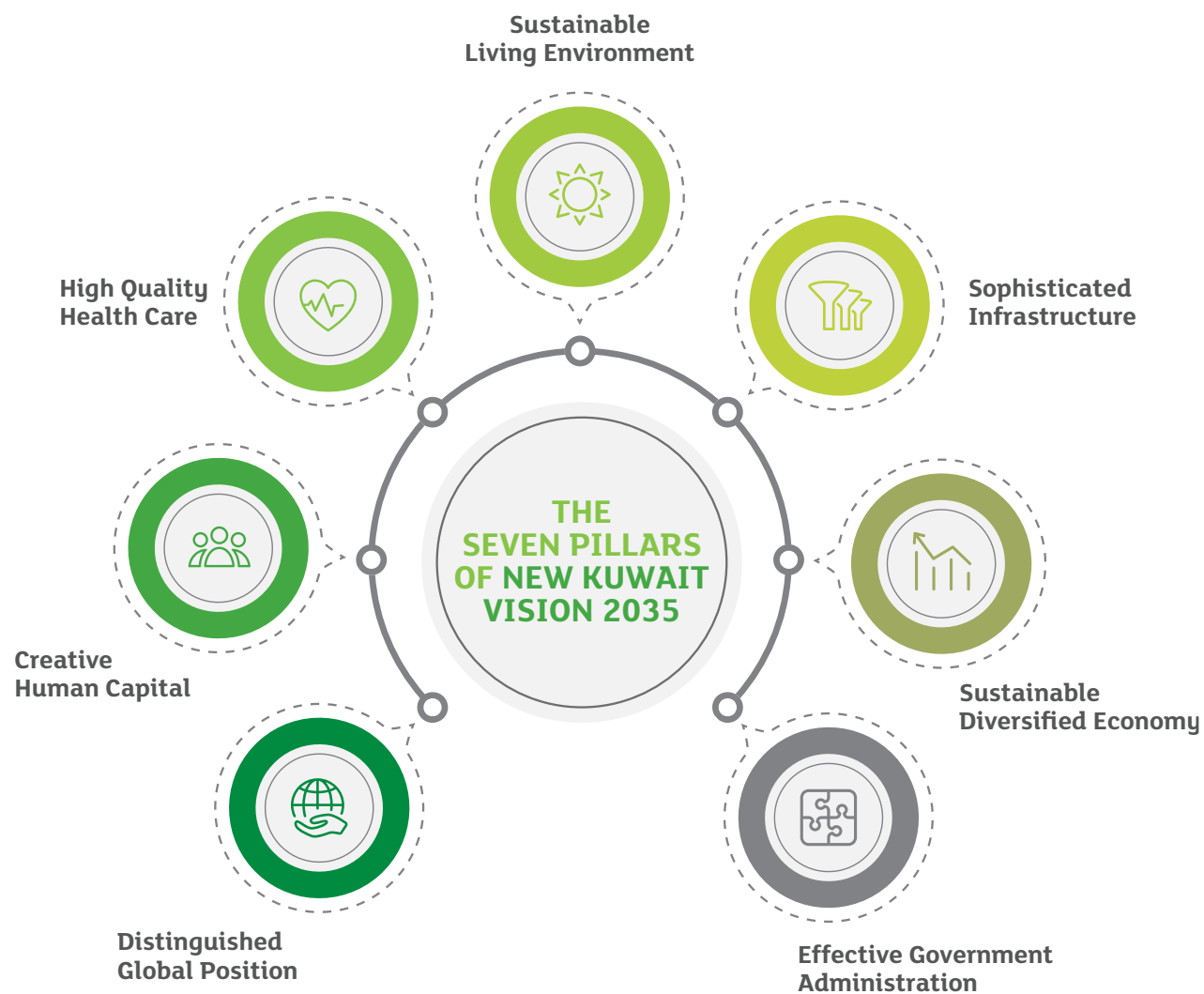
Total Value of " Baiti" Accounts (Growth Rate %)



5.7 Mapping with Kuwait 2035 Vision and SDGs

Prior to the adoption of the Global Sustainable Development Agenda in 2015, State of Kuwait formulated its 2035 Vision that pivots on 5 strategic Themes to be implemented over 5 sequential development plans targeting a transformational development agenda toward a "New Kuwait: vision 2035".

NEW KUWAIT VISION 2035 FIVE STRATEGIC DIRECTIONS AND SEVEN PILLARS



Currently, Kuwait is on the path of achieving the strategic goals and targets through the development plans, the infrastructure is the core sector, KFH contributes to the strategic goal through financing mega construction projects such as Limak's construction for the airport new passenger terminal which would facilitate positioning the Kuwait as trade and financial hub.

Besides Kuwait 2035 Vision, KFH also contributes to SDG goals. Being globally acknowledged as being an Islamic bank market leader with a wide-spread network in almost every continent, this contributes to the strategic pillar of Kuwait "Global Positioning" and SGD goal #17. Through the banking services and projects finance and facilities, KFH aligns with "Sustainable Diversified Economy", and "Sustainable Living Environment" pillars, in addition to SDG goal #8.

KFH Takaful service, specifically medical insurance that is geared toward ensuring good health and well-being of the clients, directly contributes to SDG goal #3 and in line with "High Quality Health Care" pillar. KFH also provide finances for the construction and real estate sectors that supports SDG goal #11



6.

Safeguarding Equitable Clients' Service



6.1 Islamic Finance

The oldest practice of social and economic equity in the history of mankind

Over 1400 years ago, Islamic Finance (IF) has set the culture, values and principles through which communities have shared risks and profits, in one of the most unique and sustainable value propositions to mankind.

Established based on Islamic Principles of social equity and economic welfare to all community members, Islamic Banking and Financing are, by nature of its provisions, the oldest practice of financial inclusion, risk-sharing, asset-building, community wellbeing, prohibition of harm to one's health and environment, among many other causes.

Those explicitly articulated provisions and practices can be easily mapped to almost every single Sustainable Development Goal of modern days. Those inherit practices have positioned Islamic Banking and Financing as powerful enablers of Financial Access and Inclusion, thus supporting nations' economies to equitably thrive.

To understand the full extent of IF's social impact, and its associated economic outcomes, one needs to understand: 1) the fundamentals of banking according to Shari'a, 2) perception of money in IF, 3) Time Value in Islamic Financial System, and 4) Prohibitions under Shari'a Compliance.

1) Shari'a Compliance in Banking

Sharia' depends on group of principles and regulations to organize the life of individuals, including those related to their dealings, trading or transactions with others (Mu'amalat), which includes financial transactions.

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 Sharia' Compliance.

As an outcome, Sharia' compliance establishes a unique set of inclusion and exclusion criteria that ensures 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.

(Read on: Sharia' Risk Governance)

2) 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. (Read on: Long Term Deposits and Investments)

3) Time Value in Islamic Financial System

Historical Islamic Financial Systems recognized the time value for money. 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 loan repayment period for a due loan 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.

(Read on: Performance of SMEs Financing)

4) 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 or evaluated or properly described.

The last prohibition is globally recognized as a fundamental reason of financial exclusion of underprivileged and unbanked population that are often intimidated or feared-away from formal banking and financing opportunities due to their literacy to the terms and systems of banking.

As a result, 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.

G417-2 / G417-3

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

6.2

KFH ISLAMIC FINANCE, the Futuristic Catalyst for Financial Empowerment

Through an array of products and services offerings and bundles, KFH caters for a diverse set of segments through its Personal and business Banking, where Financial Inclusion characteristics can be observed through three lenses:

- Customer Gender
- Customer Age
- Customer financial ability/Income

However, the most prevailing characteristic that sets KFH apart, is the practice of Islamic Social Finance, through three main channels:

- The promotion and application of risk-sharing contracts, instead of rather than risk-transfer in the financial system. This provides a viable alternative to the conventional debt-based financing.
- The integration of SUKUK Insurance across the largest spectrum of products and services.
- The redistribution of wealth in the society through specific instruments such as Zakah, Sadaqat, Qard-al Hassan, and others, through which the economically more able segment of the society shares the risks facing the less able segment of the population.

Those historical financial engineering methods has proven their abilities to stand the test of time. They have become vital to advance financial inclusion and enhance access to finance to promote economic development and social equity.

At KFH, our products and services are carefully designed through SIX distinguished Banking Tiers that are developed to address specific customers' needs and provides value-driven impacts. Our Banking Tiers include six different Programs dedicated to men, women, children, low-income, and high-net worth customers.

6.3

Banking with Impact

a) KFH Banking Tiers for Meaningful Financial Inclusion

Our banking tiers take in consideration gender needs, age specifications, and income abilities. **The Tiers represent various value-driven products that reflect the bank's commitment to establish trust, reliability, convenience and affordability** between the bank and its customers and other stakeholders integrated in transactions process, as per Shari'a Principles, such as Tawaruq, Takaful and others.

The analysis of product-fitting of those unique set of programs, reflects those commitments. In summary, three key conclusions can be drawn as follows:

- All services offered for youth under the age of 21 features four distinct products dedicated to this age segment, regardless of the monthly income which can range from KD 300 to KD 10,000. This shows that the products are truly age-designed and fitting for both genders.
- At the age of 21, the threshold of products increases to a total of 30. The additional and multiple number of products reflects the very nature of the age: an age that bridges from youngsters to adults, capable of making sound financial decision and require most diverse banking facilities and services.
- Starting from the age of 22, for both genders, our customers enjoy a bundle of 52 products based on customers' monthly income that he/she desire to invest or use for the various products. Accordingly, KFH provides various options that suits a client's financial abilities where salary can start as low as KD 500 to KD 1,499, or balance between KD 8,000 and KD 49, 999. Additional products are made available for high net-worth clients.

KFH Personal Banking Tiers represent a wide array of value-driven products that reflect the Bank's commitment to establish trust, reliability, convenience and affordability

KFH Banking Tiers

"Al Ruwad" Program and "Al Tamayoz" Program

Tailored for the elite of KFH clients, offering a dedicated customer relationship manager.

It includes multiple free banking services, including high limit credit cards and many other privileges and promotions.

"Al Rubban" Program

for our men clients over 21 years old.

The program is designed for It provides bundles of products and services that caters for our clients' wide array of commitments.

"Al Sundus" Program

for our female clients over 21.

The program is designed for It features privileged and dedicated services of privacy and upscaled treatment.

"Hesabi" Program

for Youth of 15 to 21 years old of age

The program is designed to meet the needs of this age segment in line with their active lifestyle. This program presents for youth many exclusive offers. They can invest their money and gain profit.

The program will be upgraded automatically to "Alrubban", "Alsundus" or "Altamayyoz" programs when client turn 21 years

(Read on: Empowering Youth)

"Baiti" Program

for Kids up to 14 years old of age.

The program is designed to help raising children with the habit of saving.

KFH has developed "Baiti" account and program. It's a saving account and program with many privileges to strengthen the conduct of saving and for better future of our children.

(Read on: Early Financial Education)

6.4

Takaful and Murbaha, Safeguarding Inclusive Growth | G203-2

Under Personal Banking Services, KFH offers the following products:

- A) Accounts
- B) Long Term Investment Plans
- C) Investment Deposits
- D) Financing
- E) Cards

Islamic TAKAFUL & Murabaha
The Practical Catalyst for Social Long Term Shared Value

SOCIAL VALUE CREATION



a) Accounts With Purpose

At the core of the "Account" products, Shari'a compliance enables financial inclusion to be positioned as a default foundation of product development, where the defining feature in all Personal Accounts is that they are accessible, affordable, and support social cohesion through Islamic redistributive mechanisms of Takaful, or Murbaha.

All accounts have no opening fees, some have opening balance as low as KD 10, which represent an average of 5% of a worker minimal monthly wage as set by National Law. ATM cards and daily cash withdrawal up to 2,000 KD from any machine are also the common feature.

All banking branches (1 ATM for each branch) produces the smallest bill of KD 5 note by withdrawing KD 5 only for the entire withdrawal transaction, which is considerably important in a population that relies heavily on its workers' segment as part of its economic drive.

Accounts With Purpose: the defining feature in all Personal Accounts is that they are accessible, affordable, and support social cohesion through Islamic redistributive mechanisms of Takaful, or Murbaha.

In a geographical landscape of remote population concentration outside the Capital, all accounts holders have the ability to manage account through KFH online and the hotline calls "Allo Baitk" [\(Read on: Digital Services\)](#)

As the core of a financial inclusion notions, the Islamic Principles of Takaful prevails and is distinguished. KFH offers four accounts to individuals, two of which are considered as a good will loan (Qard Hasan), therefore it is not subject to profit or loss, while the other two products utilize and optimize the customer's account balance to be invested according to "Mudaraba" principle, where the customer receives profits on quarterly basis.

The Electron Account takes the lead as the lowest opening balance of KD10, with no opening fees, and the ability to be issued a Credit Card.

While all accounts are eligible for customers starting the age of 21, one account is dedicated to help parents for early savings and to raise children with the habit of SAVING. KFH has developed "Baiti" account which can be opened in the child's name at the date of birth and up to 14 years and is based on "Mudaraba" principle and with an opening balance as low as KD 10. The account is an Investment Saving with Annual Profits (Invests 60% of lowest monthly balance with Profits announced and distributed at the end of KFH financial year

In support to national efforts for financial inclusion and the protection of non-Kuwaitis working in non-governmental organizations, KFH has established the AMIL account to facilitate the transfer of their salaries through their employers and make their finance accessible and manageable at their will and convenience through ATMs, The account has achieved a growth ratio of (10.4)% in 2020 compared to 2019.

Following our governing principles of transparency and availability of information, all "Profits Announcements" are publicly available on our website. "Profit" Announcements (kfh.com)

In support to national efforts for financial inclusion and the protection of non-Kuwaitis working in non-governmental organizations, KFH has established the AMIL account

Account Type/ Name	Opening Balance	Access to online/ digital banking	Value Proposition
Electron Account	No account opening fees. Opening Balance 10 KD ATM card fee is 5 KD. Withdraw up to 2,000 KD Ability to Get Credit Cards Starting of 21 of age	Ability to manage account through "KFH online" and the hotline calls "Allo Baitk".	treated as a good will loan (Qard Hasan), therefore it is not subject to profit or loss.
Current Account	No account opening fees. Opening Balance 1,000 KD Withdraw up to 2,000 KD Free ATM card. Starting of 21 of age	Ability to manage account through "KFH online" and the hotline calls "Allo Baitk".	treated as a good will loan (Qard Hasan), therefore it is not subject to profit or loss.
Saving Account	No account opening fees. Opening Balance 100 KD Free ATM card for the first year. Withdraw up to 2,000 KD Ability to Get Credit Cards Starting of 21 of age	Ability to manage account through "KFH online" and the hotline calls "Allo Baitk".	OPTIMAL SHARIA'A COMPLIANT INVESTMENT The account balance is invested according to "Mudaraba" principle. Profits are announced and distributed quarterly.
"Baiti" Account	No account opening fees. Opening Balance 10 KD Free ATM card for the first year. Membership "Baiti" Club Investment Savings with Annual Profits (Invests 60% of lowest monthly balance with Profits announced and distributed at the end of KFH financial year).	Ability to manage account through "KFH online" and the hotline calls "Allo Baitk".	Help raise children with the habit of SAVING. Opened in the child's name at the date of birth and up to 14 years. Account based on "Mudaraba" principle.
Al AMIL	No account opening Fees Subscribe to SMS Baitak (Free) Free ATM card for the first year Cash withdrawals via local ATM's KFH, local banks, and K-Net).		Support the inclusion of workers non-Kuwaitis working in non-governmental organizations. through a specialized salary's transfer in Kuwaiti Dinar for KD 1 "salaries transfers fees" per worker.

b) Long Term Investment Shared Value

Value Proposition

Through offering long term investment plans, KFH aspires to create a shared value (CSV) that supports one of KFH largest revenue stream of Personal Banking, while offering its customers a long term social and economic value proposition that is affordable and sustainable.

Our investments' plans are designed with dedicated offerings in mind, offerings that cover the five basic needs for all individuals: Medical Care, Economic Welfare, Education, Marriage and Retirement:

- "Shifaa" Investment Plan: secures medical expenses for critical or other illness that may occur
- "Injaz" Investment Plan: secures start-up or a seed-amount for starting a private business or venture
- Jameati" Investment Plan: secures expenses for client's children university education
- "Rafaa" Investment Plan: offers opportunities to save for children's marriage expenses
- "Thimar" Investment Plan: secures returns for after retirement

KFH Long-term Investment Plans creates a shared value by offering its customers a long term social and economic value proposition that is affordable and sustainable



Benefits:

All KFH long term investment plans offer a bundle of convenient and sustainable benefits as follows:

1. Convenience and affordability of a monthly payments plan based on monthly savings, while earning higher investment returns (accumulate profits) on client's savings.
2. Flexibility to change target amount or monthly saving amount at any time.
3. Additional option for the client to other deposit fixed amounts in addition to the monthly saving amounts without affecting the schedule of the plan.
4. Automatic monthly transfer of the saving amount from customer's KFH account to his/her dedicated investment account.
5. Ability to withdraw up to 60% of the saved amount by the end of 1st year and up to 60% once every year.
6. Upon completion of the saving period, the targeted saving amount and the accumulated profits will be available.
7. Investment account/plan can be closed at any time, and all the saving and the declared profits in the account are refunded.
8. The plan is automatically covered by Takaful Insurance protection. The policy covers any unpaid monthly dues in case of death or total disability (sickness or accident) during the saving period.

"Takaful" Insurance

"Takaful" Insurance is a product presented by Islamic banks against potential threats on properties, health, work and income. The main difference between conventional insurance and "Takaful" insurance is that the former has uncertainty or "Gharar" in Sharia' terminology, since the client pays a certain amount of money but doesn't know precisely what he gets in reward particularly if the client needed no compensation. In such case, all the paid amounts go to the conventional insurance firm while the client is not rewarded in this case.

"Takaful" Insurance, on the other hand, is based on solidarity and donation between groups of people, each of which pays a specific amount of money in one financial pool. If any member of this group is worthy for compensation according to the terms of agreement, the whole group donates the compensation to this member. In "Takaful" insurance, the role of the insurance company is limited to invest the money and manage the compensation procedures.

The "Fund Pool" in "Takaful" insurance company is divided into two separate funds:

"Contributors' Pool": Consists of clients' contributions. All compensations are funded from this pool.

"Shareholders' Pool": The money in this pool is funded by the shareholders in order to run the company activities including investing contributors' funds in safe and profitable funds.

If "Takaful" insurance period ends with surplus in the contributors' pool, the client has one of the following options:

- Client can be refunded his share of the surplus amount.
- Use the share of the amount to renew "Takaful" insurance document.
- Grant the amount to the company as bonus for their good performance.

Eligibility

Service Offering	Objective	Value Proposition	Eligibility
"Shifaa" Investment Plan	"Shifaa" is designed to secure medical expenses for critical or other illness that may occur	<ul style="list-style-type: none"> • Target saving amount ranges between KD 4,000 to KD 60,000 • Saving period ranges between 5 years to 15 years. 	The client should be between 21 to 60 years of age.
"Injaz" Investment Plan	"Injaz" is designed to secure start-up or a set amount for starting a private business or venture	<ul style="list-style-type: none"> • Target saving amount ranges between KD 3,000 to KD 120,000. • Saving period ranges between 2 years to 15 years. 	The client should be between 21 to 55 years of age.
"Jameati" Investment Plan	"Jameati" is designed to secure expenses for client's children university education	<ul style="list-style-type: none"> • Target saving amount ranges between KD 3,000 to KD 120,000. • Saving period ranges between 4 years to 18 years. 	The client should be between 21 to 61 years. Eligible to apply till the child reaches 14 years of age.
"Rafaa" Investment Plan	"Rafaa" is designed to offer opportunities to save for children's marriage expenses	<ul style="list-style-type: none"> • Target saving amount ranges between KD 4,000 to KD 120,000. • Saving period ranges between 4 years to 25 years. 	The client should be between 21 to 61 years of age. The client's son or daughter should be less than 20 years.
"Thimar" Investment Plan	"Thimar" is designed to secure returns for after retirement	<ul style="list-style-type: none"> • Target saving amount ranges between KD 4,000 to KD 120,000. • Saving period ranges between 5 years to 39 years. 	The client should be between 21 to 55 years of age.

Performance

Despite a challenging year for all individuals in 2020, we are proud that the bank has gained new clients and closed its year with a continuous growth rate at 8.27%. We consider this improved status as a reflection of how KFH is entrusted by its clients to be their Partner of Choice for their long-term impact on their investments.

Long Term Investment Plan Performance	Customers Growth Rate (2020 vs. 2019)
"Shifaa" Investment Plan	0%
"Injaz" Investment Plan	12.34%
"Jameati" Investment Plan	4.33%
"Thimar" Investment Plan	13.54%
"Rafaa" Investment Plan	4.19%
Grand Total	8.27%

c) Investment Deposits Suited for ALL Clients

In contrast to the Long-Term Investment Plan, KFH recognizes the needs of individuals to enjoy diverse shorter terms saving options that suits their financial ability during any and all internals of their lives, without having to limit the decision to a dedicated or conditioned long-term goals.

KFH's Investment Deposits offers all clients such diverse shorter-terms options that encourages them on savings and achieving healthy returns on those savings.

In contrast to the Long-Term Investment Plan, KFH recognizes the needs of individuals to enjoy diverse shorter terms saving options that suits their financial ability during any and all internals of their lives, without having to limit the decision to a dedicated or conditioned long-term goals.

Stemming from the principle of shared-risk and affordability to all clients' segments that motivate and enable financial inclusion, KFH provides multiple benefits:

- No opening fees required for all investment deposits' types.
- The lowest option for a deposit at KD 1000, in addition to other various monthly deposits values.
- Various options for returns (monthly, quarterly or annually).
- The flexibility to renew, unless otherwise requested prior to maturity date.

KFH's Investment Deposits offers all clients multiple short-terms options, aiming to encourages savings that suits their financial ability, while achieving healthy returns on investments

Through 7 different Investment Deposits options, the client has:

1. Eligibility to get credit card by blocking amount from the deposit.
2. Eligibility to receive other bundled benefits, including credit card by blocking amount from the deposit
3. Being served through "Allo Baitak" call service, "kfhone" service or by all ATM machines.
 - Each of our offering is unique in its own. Al Sidra offer the lowest deposit amount at KD1000, while Al Dima offers the quickest monthly returns over 12 months period of the plan against KD 5000 deposit. Both are invested based on "Mudaraba" principle
 - A third model is "Al Kawther" Deposit, that is an annual investment deposit of minimum KD 10,000, yet returns are monthly distributed without the need to wait end of year. This deposit makes high profit and is invested based on "Mudaraba" principle
 - While a fourth option, "Al Khomasiyah", has a relatively lower minimum deposit at KD5000, but with the longest investment period of 5 years. It is one of the highest returns, and profit is distributed annually.
 - A client's fifth option is a unique offering of "Al-Nuwair" which is available in Kuwaiti Dinars & in US Dollars, with Flexible investment periods starting from one month up to 36 months (3 years) and the ability to determine the investment period by number of days starting from 30 days and more. It requires minimum deposit amount is KD 1,000 or USD 15,000, yet for deposits between 50,000 KD or 100,000 USD will get higher expected returns. The client must have the ability to await profit distribution by the due date not the end of financial years. This particular investment is based on sharia principle "Wakala" Investment that promises the customer with expected investment returns, but with the ability to reinvest the profits to achieve higher returns.
 - Matching Al-Nuwair in its investment in foreign currencies, the "Foreign Currencies" Investment Deposit provides even a larger pool of options for currencies choices in US dollars, Pounds Sterling and Euro, to generate high profit. While the minimum deposit amount is USD 10,000, or Euro 10,000 or Sterling Pound 5,000, however profits are distributed quarterly without the need to wait for the due date. This deposit is invested based on "Mudaraba" principle.
 - The 7th and very last option is "CONTINUOUS" INVESTMENT DEPOSIT" with minimum deposit amount of KD 5,000 and profits are distributed annually for the extended undefined duration by nature of the deposit offering, but it is always protected based on "Mudaraba" principle.

Following our governing principles of transparency and availability of information, all "Profits Announcements" are publicly available on our website. "Profit" Announcements (kfh.com)

Investment Options	Value Proposition
"CONTINUOUS" INVESTMENT DEPOSIT	<ul style="list-style-type: none"> • Minimum deposit amount is KD 5,000. • Profits are distributed annually and deposited directly into the customer's account. • The deposit is available only in Kuwaiti Dinar • This deposit is invested based on "Mudaraba" principle.
"Al Sidra" Investment Deposit	<ul style="list-style-type: none"> • Minimum amount to open this deposit is 1,000 KD. • "Al Sidra" Profit is distributed by end of KFH financial year. • This deposit is invested based on "Mudaraba" principle.
"Al Dima" Investment Deposit	<ul style="list-style-type: none"> • "Al Dima" is the fastest investment deposit. • Investment Period is 1 to 12 months options. • With monthly or quarterly returns without having to wait until the end of maturity date. • Profits are distributed quarterly for the 3 to 12 months deposits. • Minimum deposit amount is KD 5,000. • The deposit is available only in Kuwaiti Dinar. • This deposit is invested based on "Mudaraba" principle.
"Al Khomasiyah"	<ul style="list-style-type: none"> • "Al Khomasiyah" is one of the highest returns. • Five years investment. • Minimum deposit amount is KD 5,000. • Profit is distributed annually and deposited directly into customer's account. • This deposit is invested based on "Mudaraba" principle.

"Al Kawther" Investment Deposit	<ul style="list-style-type: none"> • "Al Kawther" Deposit is an annual investment deposit in Kuwaiti Dinars yet returns are monthly distributed without the need to wait end of year. • Minimum deposit amount is KD 10,000. • This deposit is invested based on "Mudaraba" principle.
"Al Nuwair" Investment Deposit	<ul style="list-style-type: none"> • "Al-Nuwair" is available in Kuwaiti Dinars & in US Dollars. • Flexible investment periods starting from one month up to 36 months (3 years) and the ability to determine the investment period by number of days starting from 30 days and more. • Minimum deposit amount is KD 1,000 or USD 15,000. • Deposits with amounts more than 50,000 KD or 100,000 USD will get higher expected returns. • The ability to reinvest the profits at each renewal to achieve higher returns. • Profit distribution by the due date not the end of financial years. • Client can change the deposit amount on due date. • An innovative investment deposit, based on sharia principle "Wakala" Investment that promises you expected investment returns with the ability to reinvest the profits to achieve higher returns.
"Foreign Currencies" Investment Deposit	<ul style="list-style-type: none"> • This investment deposit is available in US dollars, Pounds Sterling and Euro, to generate high profit. • Minimum deposit amount is USD 10,000, or Euro 10,000 or Sterling Pound 5,000. • Profits are distributed quarterly without the need to wait due date. • This deposit is invested based on "Mudaraba" principle.

Performance

Compared to 2019, in 2020, the growth rate of the TOTAL number of depositors was 3.2%, with 2.0% growth in the volume of deposits.

Investment Deposits Performance 2019	Growth of Number of Depositors	Growth of Volume of Deposits in KD
"CONTINUOUS"	-0.4 %	-5.32%
"Al Sidra"	6.4 %	7.05%
"Al Dima"	15.5 %	10.55%
"Al Khomasiyah"	5.5 %	4.52%
"Al Kawther"	36.6 %	29.61%
"Al Nuwair"	2.9 %	11.08%
"Foreign Currencies"	- 0.2%	-4.38%

6.5 Social Islamic Finance

Stemming from the cohesion of society, and contributing to all aspirations, KFH aims to driving economic stability, supporting all individuals and businesses and advocating for entrepreneurship.

Through Islamic Financing Principles and its protective umbrella of multiple financial instruments, KFH bring innovation to the banking sector through an array of Financing Products and Services:

- A) Consumer Finance (Medical and Educational)
- B) Cars
- C) Rescheduling for New financing & Repayment

Social Islamic Finance aims to achieve societal cohesion, to drive economic stability, to support all individuals and businesses, and to advocate for entrepreneurship.

a) Consumer Financing bring social wellbeing

KFH supports its clients with the opportunity to receive medical care in the best medical facilities, hospitals and specialized clinics.

At time of medical challenges, which often leaves families in a vulnerable status, any individual can approach KFH and apply for a medical care without the needs to transfer his/her salary. Once the credit process is approved, the client become eligible to financing up to KD 25,000, with installments options for up to 5 years. Furthermore, first installment does not become due before 6 months. It is up to customer's choice.

In 2020, the demand curve has declined due to COVID-19 condition which was expected to direct individuals to a new emerging format of medical care. The implication is yet to reveal itself as we progress in the years to come. However, we have continued to finance those who were in need. It is worth noting that the Bank remain a direct contributor to Medical Care through Al-Salam Hospital during the crisis, with the ultimate objective to serve our society, regales of which products or services they may choose for their situation.

[\(Read on: CSR Programs\)](#)

Medical Care Financing

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[\(Read on: CSR Programs\)](#)

Education Financing

KFH accompanies its clients in shouldering life's obligations to meet their academic needs. The bank was a pioneer in launching this type of financing in Kuwait. It was an unprecedented Product in the country.

The product finances the fees of universities, schools, or specialized education institutions, through monthly installments. The year 2019, the Bank financed its first client, however 2020 has put a pause on demand due to expected focus by individuals on the COVID-19. The Bank continues to make this financing product available to all desiring clients, with wishful prayers that the pandemic will soon resort to an improved status that will allow individuals to refocus on their different needs. [More on: Consumer Finance \(kfh.com\)](#)

b) Commuting, at affordable prices

While car financing is a common offering that commercial banks provide to their clients, however given KFH ownership of the largest Showroom in Kuwait, it is only natural to couple our commitment to our less privileged segments by extending this financing channel at a more affordable level. Used Cars financing is an innovative financial empowerment offering that the bank has undertaken by capitalizing on its existing technical team of experienced salesmen and trusted suppliers.

Under one roof at Shuwaikh Showroom, and along with new cars options, the largest collection of used cars is made available for clients, through a well catered offering that include:

- Salary transfer is not required.
- Financing up to KD 25,000.
- Grace period of 12 month for the first installment
- Various selling services and financing solutions compatible with Islamic Shari'a.
- Full transparency in transaction details for customers.
- On the spot approval in case all credit terms and conditions are fulfilled.
- Competitive profit margin.
- Special section for ladies.
- Expedited completion of transaction.

Up to 2019, we were able to serve customers for their transportation needs in a steady growth rate. in 2020, the financed clients growth .rate was (-9.22%) compared to 2019, it only attributed to shift of individual's priorities due to COVID-19 Status

Other Car Financing options are available, such as the innovative product of "Operation Lease", "Financing Car Abroad", or "Financing (Against Cash Collaterals)". [More on: Cars \(kfh.com\)](#)

Commuting, at affordable prices is made possible by KFH through the largest collection of used cars, all under one roof at the Shuwaikh Showroom

6.6

Debt Re-financing

A second chance to life for individuals in debt

At KFH, there is no challenge without a solution. KFH supports individuals to acquire a second chance to clear their debts and gain a re-financing opportunity for the following commodities:

1- Purchasing the following consumer goods:

- Medical service – Treatment plan.

2- Purchasing the following Installment materials:

- Buying a land for the purpose of construction.
- Buying a house.
- Building a house.
- Rebuilding a house.

Reflecting the true meaning of “Baitak” (YOUR HOME), everyone is eligible to this KFH’s offering. We extend this support and service for all individuals, Kuwaiti Nationals, and expats as well as KFH’s account holders and non KFH account holders.

The re-financing products are offered through two innovative services:

- Debt with KFH: "Rescheduling for new financing" service
- Debt with other banks: Repayment of External Debit Service

Both services allow clients to closing current debit (with KFH or other banks) and apply for new finance through KFH.

6.7

Installment Finance driving Employment Creation

In Islamic Principles, there is no powerful position than the one where we can uphold an active role in securing the wellbeing of all parties involved in a contractual agreement through defined values of fairness and accountability, with an aim to drive collective prosperity to each individual and the society at large, both economically and socially.

In line of this commitment, KFH strives to support all individuals and businesses in their endeavors that would positively impact the economy and contribute to employment opportunities and sustainable markets across the various supply and value chains in our country.

Construction and Real-estate being one of the largest sectors, in terms of capital needs, technical requirements, long term investment and manpower, KFH gives a focused attention to the industry and its stakeholders by providing a reliable and generous ecosystem where all parties can best use their expertise and optimize their returns.

For that reason, KFH has developed a number of financing products and advisory services that cater for this sector, as follows:

- "Construction Works and Materials" Financing
- "Real Estate" Financing
- Finance Against Collateral

a) "Construction Works and Materials" Financing

This product is designed to support customers financing the following:

- Construction materials for private housing.
- Government land plots / private housing.
- Government houses/ private housing.

Without the need to a Guarantor in most of the cases, KFH provides the following services:

- Financing up to KD. 70,000.
- Grace period of 12 month for first installment.
- Installment period up to 15 years.
- Possibility of rescheduling the debt in the future, as per KFH terms and conditions.
- Competitive profit margin.
- No advanced profit deduction.
- No salary transfer is required.

The bank also provides Project follow up by professional engineers:

- Consultation and guidance before and during construction process.
- Consultation for getting best prices from best contractors and material suppliers.

More details on accepted Type of constructional works: [Construction Works and Materials \(kfh.com\)](http://Construction Works and Materials (kfh.com))

Installment Finance for Construction and Real-estate positively impact the economy and contribute to employment opportunities and sustainable markets

6.8 Advancing SMEs and Entrepreneurship Ecosystem

b) "Real Estate" Financing

To facilitate our customers pursuit of a residential property inside and outside Kuwait, KFH offers a complete solution for real estate financing to address the needs of our customers through residential mortgage financing.

Inline with our default value proposition of ensuring convenience and affordability, KFH role continues to extend beyond the traditional and sole purpose of financing, We aim to achieve two additional main objective: a) to advocate and facilitate social cohesion and economic collaboration among members of communities by allowing conjunction with more than one customer to purchase the suitable property, and b) to enable the sense of security and sustainability of our clients by also acting as the advisor and mediator in the procurement and contractual terms between our clients the real-estate vendors. **This is accomplished through the following:**

1. The property is subject to fair evaluation by property appraisal experts accredited by Kuwait Finance House (KFH) in order to guarantee a fair price upon purchase.
2. Available in conjunction with more than one customer to purchase the suitable property.
3. Our customers are able to receive financing up to KD 70,000 for each joint customer.
4. Possibility of free ownership of the property and registration of ownership in the name of the customer and/or collaborating customers who are in solidarity with the primary customer.
5. The possibility of extracting the amounts from Kuwait Credit Bank (KCB) if the customer has a payment from the mentioned bank.
6. Guaranteeing the right of the customer promising purchase, so that no payments is made to the seller until the transfer of ownership in the name of the customer promising purchase.
7. Following the issuance of the real estate registration document on behalf of the customer at the Ministry of Justice through Kuwait Finance House (KFH).
8. Possibility of financing properties outside Kuwait.

c) Finance Against Collateral

This product aims to two main objectives:

1. Allow clients to operate and manage their running financial commitments on the short or medium term, while holding on to their capital financial assets on the long term, which is then released at the end of the contractual terms and maturity date of the financing period.
2. Create an indirect impact on the economy through employment creation as it is designed for the customers' segment that seek to launch private projects in real estates, clinics, architectural/ contractor firms, law firms, crafts shops, ranching, farming, health clubs, among others.

The product is a commercial finance for individuals, granted against full financial guarantee, whether fixed deposits or personal saving account belongs to client, for the whole debt amount. This product covers the commercial needs of individual clients, where the maximum financing limit is set due to the value of the deposit, or the amount blocked from the saving account.

Financing is made through quarterly, semiannual, and annual payments and up to 60 months, while payments are due on customer on monthly basis.

To ensure mutual accountability and responsibility of the clients, the following conditions are in place:

- Deposit must be under the client's name.
- Deposit must cover 105% of the full financing amount including costs and profits.
- No maximum limit for client's financing amount.
- Debt cannot be deducted from client's salary account.
- Salary is not considered as income for the client and will be totally disregarded.
- Mutual accounts are not acceptable.

a) Supporting the Economy

The increased pursuit for greater access to finance for businesses is long recognized as the driver for employment creation and economic growth.

In a rapidly expanding ecosystem of micro, small and medium enterprises (MSMEs), Islamic Finance once again prevails in providing innovative solutions to market challenges based on Shari'a Complaint products and services that entail risk-sharing, affordability, ease of process and transparency. Those key characteristics have repeatedly been proven to increase the movement of MSMEs to a state of trust.

provide the opportunity for Islamic finance to offer its multitude of financial solutions. Being a core segment of Islamic finance, the **Islamic capital market (ICM) through its multitude of platforms offers multiple funding options** to help businesses innovate, invest in their workforce, expand markets and grow in the process of fostering entrepreneurial skills. By providing easy access to financing for MSMEs, Islamic finance creates a financial system ingrained with elements of economic and social justice

Through KFH solutions, we strive to continue growing an ecosystem that of economic and social justice through alternative funding instruments. **Our services create financial avenues that enable mobilization among entrepreneurs, capital formation, and scalability opportunities of their businesses.**

Our Digital Services further empowers our clients with connectivity and efficiency. With the scale of our business, we strive to play an active role to further develop an Islamic Digital Economy to advance the comprehensibility of the inclusive Islamic financial system.

(Read on: Our Digital Services)

Today, and through a bundle of Shariah-compliant banking and financing solutions, corporate banking provides a number of products and services to businesses that are designed to facilitate their entire needs to maintain and grow their performances.

Services	Products
<ol style="list-style-type: none"> 1. Merchant Services 2. KFHONLINE for corporates 3. KFH Certified Supplier 4. E-Transfer Forms 	<ol style="list-style-type: none"> 1. Al Murbaha 2. Alistisna 3. Real estate Murbaha 4. Cooperative Marketing Finance 5. Letters of Guarantee 6. Tawaruq.

b) our Performance

KFH has dedicated a more focused effort to SMEs in the last 5 years. In 2014, The Group Corporate Banking has established a dedicated unit for SMEs financing, followed by a decision to formalize a Micro Finance Unit early 2021, which has become operational at the time of publishing of this report.

We are proud that we were able to maintain an economic momentum in the market in the midst of such a critical disruptive year. More importantly, we take pride that our financing terms and risk-sharing principles continues to decline over the last three years.

Islamic capital market (ICM) through its multitude of platforms offers multiple funding options for MSMEs. Our services create financial avenues that enable mobilization among entrepreneurs, capital formation, and scalability opportunities of their businesses.

KFH launched a dedicated online platform to accelerate responses to businesses under the CBK "SMEs Stimulus Finance Program", leading to growth of 13 % in financing compared to 2019.

Detail	2020	2019	2018
SME's NPF %	0.02%	0.26%	0.15%

6.9

Tawaruq, Islamic Trading in modern history

Tawaruq is recognized among Islamic Banking and Sharia Compliance practices as the best representation of Financial Inclusion that can be offered to communities in our modern times in the trading ecosystem. It is the simplest and fastest form of trading in modern times.

It is the simplest form of trading of commodities among individuals, based on the values of fair pricing, transparency, convenience and speed. Commodities can include all types of products that are permissible under Shari'a Rules, but excluding gold and silver. Most commonly trading is heavily focused on metals, palm oil and

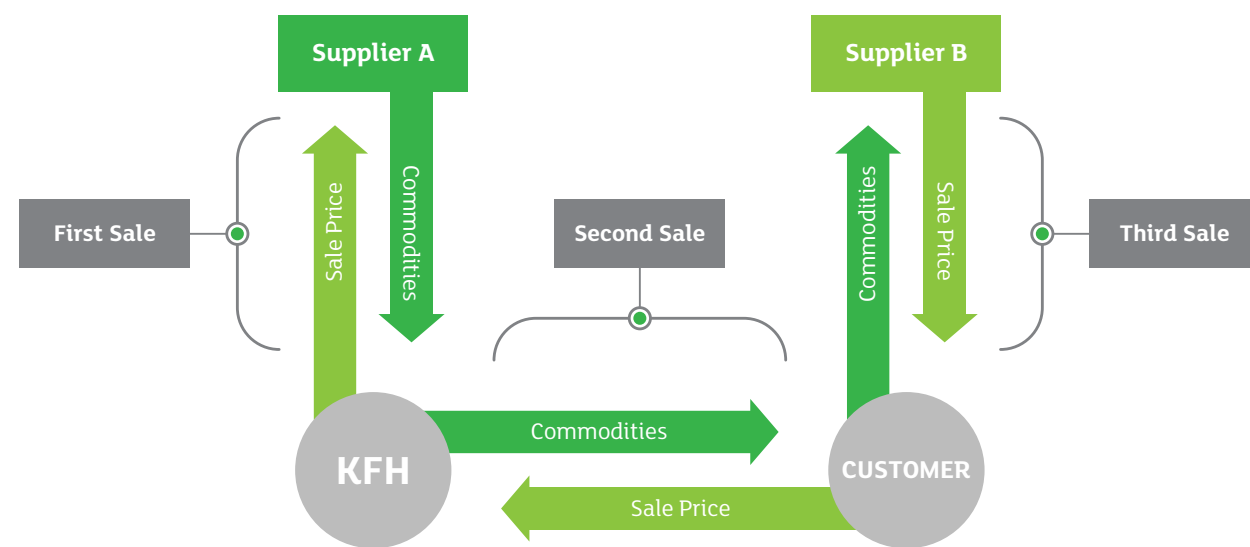
At the center of this trading transaction, the bank formulates a financing arrangement among three parties: supplier, customer, and buyer (second different supplier). The bank's role is to initiate and regulate the first transaction with the supplier and ensure that at the end of a series of sales, the customer will be receiving the cash he/she needs.

The process runs as follows:

1. KFH will purchase commodities from Supplier A based and pay the sale price on spot. (First Sale)
2. After owning the commodities, KFH will sell them to Customer based on Murabaha but sale price will be paid on deferred. (Second Sale)
3. After owning the commodities, Customer (or through his agent) sells them to Supplier B (or end buyer) and will be paid the sale price immediately. (Third Sale)

In this process, the customer may appoint an agent to sell the commodities on his behalf and should preferably someone other than the seller of the second sale (the Bank).

If the Tawaruq is done through an online trading platform, a broker (in place of supplier) will sell the commodities to the Bank whilst another broker will purchase them from the customer to complete the process.



The intervention of the bank as the proxy mediator ensures the prevention/elimination of any fraudulent practices or unfair pricing that could harm the customers and prevents them from acquiring the needed cash at the end of the third transaction (or contract).

Non-compliance or Fraudulent practices include non-existence of commodities by the vendor, customer taking ownership and possession of commodities before selling them to the end buyer or selling them back to the same original vendor. As per Sharia' compliance, all those procedures and factors are screened and governed by the bank to ensure that ALL THREE sales transactions have taken place properly and with three different parties involved (supplier, customer and buyer)

This product and its related services are available for all customers through all KFH branches, and it takes as short as 2-4 business days to be completed, which represents one of the fastest forms of economic activities that is basic as a trading practice, but very dynamic and inclusive from a Sustainability perspective.

6.10 The Digital Islamic Economy

6.10.1 A Global Overview

The Digital Economy defined as: “incorporating all economic activity reliant on, or significantly enhanced by the use of digital inputs, including digital technologies, digital infrastructure, digital services and data. It refers to all producers and consumers, including government, that are utilizing these digital inputs in their economic activities.”, as reconfirmed by the latest 2020 OECD report for the for the G20 Digital Economy Task Force.

Over 36 key indicators have been globally identified across the areas of Infrastructure; Empowering Society; Innovation and Technology Adoption; and Jobs and Growth. They serve as benchmark to map organization and business performances and their contribution to the Digital Economy.

Muslim consumers worldwide contributed US\$107 billion to the global digital economy of \$1.9 trillion in 2014, and at a 17% CAGR their spending has grown faster than the rest of the digital economy. They were estimated to reach \$277 billion by 2020.

With the adaptation of digitization, the global Islamic financial landscape is valued at \$2.2 trillion in 2020 and expected to continue growing 10% to 12% over 2021-2022, as reported by S&P Global Ratings. The rapid digitization of financial services, especially during the Covid-19 pandemic contributes to this. Islamic financial institutions are riding this wave and embrace digital channels as they will enable not just the opportunity to reach new customers, but also allow for the ability to operate at the standard other traditional and technology-based platforms and companies.

The industry continued to grow despite the COVID-19 pandemic, although at a slower pace than in 2019, with global Islamic assets expanding by 10.6% in 2020 against growth of 17.3% the previous year.

Moreover, over the 12 months of 2021, progress appears on a unified global legal and regulatory framework for Islamic finance. It is recognized to potentially assist in maturing the level of standardization that the Islamic finance industry has faced for decades.

Financial inclusion has garnered global attention. Through Digital Islamic finance, we aspire growth of financial and economic inclusion.

6.10.2 KFH Developing an Islamic Digital Ecosystem

The dynamics for a sustainable financial inclusion rely on the development of proper supporting infrastructure, new and innovative Islamic financial products and robust technology-assisted platforms. Dedicated strategies are developed to address the specific objectives of each our customers, such as access to individuals, Corporates, youth, entrepreneurs, and much more.

We strive to navigate an equilibrium of digital innovation and cyber and data controls that provide both quality and security to our customers who have entrusted KFH for over four decades.

Our Goal: Empowering Society

Our Approach: Innovation and technology adoption

Our Enabler: Technological Infrastructure

6.10.3 The DIGITAL “WAYS TO BANK” at KFH

In KFH we provide a multitude of digital services that set the stage for a true economic and social value creation and advance the transition of Islamic Banking and Finance as key players into today's Digital Economy.

The DIGITAL “WAYS TO BANK” at KFH

- | | |
|--|----------------------------|
| 1. KFH Go (Smart branches with no staff) | 8. SMS service |
| 2. KFH ATMs | 9. KFH Assistant (Chatbot) |
| 3. KFHONELINE Mobile App | 10. KFHONELINE Web |
| 4. “Allo Baitak” call service | 11. ECorp for corporates |
| 5. KFH Kiosk for instant card issuance | 12. KFH Branches |

With the promise for a shared and better future, KFH's digitization we enable the capital market to provide MSMEs and Entrepreneurs with multiple avenues to access alternative ways to banking and financing.

In 2020, and for the first time ever, our customers were given the facility to open bank accounts online using digital signature in cooperation with the Public Authority for Civil Information through Hawiyati App without visiting the Branch and benefit of all KFHONELINE different digital banking services.

We have launched “Baiti Online” service that allows Parents to manage the accounts of their children through KFHONELINE web and Mobile App with great experience.

6.10.4

KFH Strategic Digital Direction

Against this backdrop of global digital growth, KFH has formulated multiple strategic directions:

- From Technology-Enabled to Customer-Centric Technology
- Hybrid Digital and Non-Digital Interactions
- Prominent and Unconventional Collaborations

a) From Technology-Enabled to Customer-Centric Technology

Considering the rise of fintech companies and neo digital banks, we have embarked into a deeper understanding of the customer journey empowered by technology.

We have bridged from the usage of technology as a tool and towards its usage as enabling driver for value creation under our Customer-Centric approach.

We are proud to have created additional depth and dimension to our shared value proposition. For your customers we have improved accessibility, cost-efficiency, and speed. For the business, we have improved our cost efficiency through synergies, enhanced our customer retention and increased our customer-base.

- Efforts have resulted in attracting 103.5 thousand new users, of which 49.9 thousand have full access privilege to KFH Online services.
- Accordingly, we have increased KFHOnline services daily transactions limits to KD 20,000 considering the users increasing demand in this service.
- Our digital services have increased the number of accounts on KFHOnline by %24 compared to end of 2019.
- Opening time deposits have increased by %169
- Cheque deposit transactions through KFHOnline have increased by %38.
- KFH Pay service reached 3 times its size compared to end of 2019, Also 709.7 thousand banking transfers were performed in favor of other banks' customers.
- Banking card activation requests increased by %46.
- Applications to obtain new banking cards increased by %23 with %9 increase in reloading transactions in these card accounts.
- Swift transactions increased by %35 and transfers made by parents to their children' accounts increased significantly, which indicates increased trust in KFH's secured e-banking applications.
- Due to the limited investment opportunities during the pandemic, transfers to KFH Capital for investment purposes in the bourse increased remarkably by %144.
- Applications to obtain online finance increased by %84
- Applications to open gold account online had increased by %66 along with an increase in the volume of purchasing gold by %136 and its sales volume increased by %18.

total volume of transaction Growth rate y-o-y		Number of customers Growth rate y-o-y	
2018-19	2019-20	2018-19	2019-20
15%	18%	46%	11%

b) Hybrid Digital and Non-Digital Interactions

Despite the digitalization trends and the COVID-19 circumstances, hybrid services are still the preferred form of banking for most customers across the world. Particularly in countries, such as Kuwait, that is standing between emerging and developing markets, certain clients' segments continue to prefer human interactions for advisory, while they continue to benefit from the convenience of our digital platforms. This hybrid presence of KFH represents our continued responsibilities to promote financial inclusion to all marginalized segments, that do not necessarily address only individuals of lower income who needs advisory, but also those who are elderly or not with digital preferences. In addition, those new to Islamic Finance and Shari'a Complaint Services tend to aspire for one-to-one interaction and advisory from our Customer Relation Manger. This can be also quite relevant to financing SMEs.

Branches

Stemming from this ecosystem and our responsibility, we are proud that KFH has the largest number of branches in Kuwait at 63 branches, yet it has excelled in fast-forwarding its digital services.

It is important to mention that dedicated branches in each governorate are agreed upon with the Central Bank of Kuwait to provide additional services to special needs customers. All our employees at those branches are periodically trained on multiple levels of Kuwaiti sign language in cooperation with the Training and Development Department

ATMs

At the simplest form of digital access, our ATMs holds this position as an enabler for financial inclusion for the larger segments. Our targets have maintained its course to increase 10 ATMs per year. In 2019, we have opened 54 new ATMs with a growth rate of 12%, while in 2020, we have achieved above our target of 12 new ATMs at 2% increase. At end of 2020, we had 493 ATMs in Kuwait market.

493 ATMs, 10 KFH Go smart branches

Starting 2018, KFH provides KFH Go smart branches which have reached 10 branches spread in various areas of Kuwait including Kuwait International Airport. KFH Go branches enable customers to benefit from the various banking services including: instant cheque book printing, instant banking cards printing without prior request, receipt of gold biscuits (10g), account opening (gold, saving, winner, automated service), buy/sell gold, cash withdrawal without card and using mobile through QR Code, civil ID or phone No., printing Iban certificate, commercial transactions request "Murabaha", credit and prepaid cards request, update information and mobile No., banking cards activation, opening deposits and accounts and many other finance and banking services.

The last services in first bank in Kuwait customers can now benefit from a variety of banking services through ATMs without using cards as these transactions are performed through available digital portfolios: KFH Wallet, Samsung Pay, Garmin Pay and Fitbit Pay.

We take in consideration some determining factors for the geographical distribution of our ATMs. At the top of those factors is the accessibility to our customers. We focus on malls, commercial or trading markets, petrol stations, large companies and governmental locations. We also take in consideration the ease of accessibility and convenience in terms of traffic in the selected locations.

Points of Sale (POS)

KFH has ramped up its POSs

offering and currently acquired a large market share after a growth rate of **9.1% in 2020 compared to 2019.**

This was a result of two key business decisions:

- Separation of Sales Function from the support function, which allowed the Sales Teams to be dedicated to acquiring new business.
- Change in the Pricing strategy by offering the merchants 2 competitive packages options to select from them.

Points of Sales has grown 9.1% in 2020

c) Prominent and Unconventional Collaborations

With the emergence of fintech and other enablers and partners, our collaborations include both prominent established partners and vendors, yet we undertake new bold endeavors to cooperate with emerging, yet innovative, suppliers for securing our digital platforms and enhance our digital portfolio and services.

KFH, Fastest Issuer of Visa Cards in Kuwait

- Kuwait Finance House KFH has announced that it is the First bank in the world to introduce banking card issuance using a “Hybrid Solution” powered by NCR’s Self Service Kiosk and Interactive Banker solution. Customers at their convenient time will be able to print their banking cards 24x7 using KFH “Self Service KIOSKs” or by scanning a QR code, or with the help of any KFH branch representative who will be able to provide the same service via an “Instant Card Issuance Tablet” while ensuring prompt and smooth service.
- Accordingly, KFH has uniquely introduced a complete and instant Self Service issuance of banking cards where customers can initiate and complete the whole card issuance process across more than 100 “Self Service” terminals installed in branches and shopping malls within 3 minutes.
- KFH was awarded MasterCard award as the best performance of Airlines Card in GCC for the year 2018 with a growth in external spending by %55 and an annual increase in issuance by %75.
- Considering the continued success of Visa Signature, KFH has market share by %25.

First bank in the world to introduce banking card issuance using a “Hybrid Solution” powered by NCR’s Self Service Kiosk and Interactive Banker solution.



Our Partners and Vendors

Our Partners and Vendors for Digitization		
1	The Public Authority for civil information.	integration for MYID / Address validation
2	Zain Kuwait.	portal for bill payment
3	IBAN.com	subscription for IBAN/account number validation
4	KFH Capital	payment and transfer services to KFHC account
5	Ripple	payment and transfer services
6	K-Net.	payment services
7	Western Union	payment and transfer services
8	Future communications company (FCC)	Messaging service provider
9	Al-Dyar	PACI MyID services
10	Infobip	WhatsApp service
11	ITS	multiple services
12	ProgressSoft	multiple services
13	AION digital (digital services)	multiple services

6.10.5

KFH’s Digital Transformation

a) Information-Technology-based Digital Culture

- We have invested thoroughly in technology and internal digital system through simple but highly significant goals i.e., increase flexibility and security, enhance operational efficiency, and provide higher value to our customers. We strongly believe that our digital policy and the open applications and platforms methodology represent our strong competitive advantages, especially through our IT sector which was the life nerve of KFH during the pandemic. IT showed outstanding distinction, flexibility and innovation, thus reflecting positively on all business sector and taking our services to a new higher level. Thanks to our heroes who worked relentlessly during the crisis and achieved magnificent results despite the dangers they have encountered.
- Our strategic plan aims to establish a huge new data center as one of the most significant steps that would carry Information Technology to new horizons of digital capabilities i.e. reaching a 100% system availability by using Active/Active system which works continuously without any interruption, and ensuring flexibility of business using the private cloud option that enables our systems to work and operate anywhere while ensuring speed of business and recovery from any disasters as well as the optimization of cost by using technologies for KFH group and subsidiaries.
- The year 2020 witnessed the completion of several projects despite the difficult operating conditions. This has contributed to the completion of the digital infrastructure (e.g. Jazeel Digitalization project in Kuwait and Bahrain, e-model digitalization project and swift digitalization).
- We have also launched KFH IT DevOps which is another digitalization process that enables IT staff to make necessary changes instantly. It is one of the main pivots for completing the structure of the digitalization process in KFH.
- Information technology support services were evidently present during the pandemic and lock down periods as they worked 24/7 non-stop. IT service has provided all operational environments with their needs of technology, carried forward all required files and monthly closures, provided timely data for users from various department in KFH, executed all new requirements based on the instructions of regulatory and official authorities during the said period, provided more than 700 personal laptops with all special programs and applications to help employees work remotely and provided all social media communication means to ensure proper convening of meetings remotely.
- IT support has enabled the call center staff to receive from their homes customer's calls and had continued to provide IT support to all KFH sectors during the full and temporary lockdown periods.

b) Enhanced Operational Models

- Operations sector worked on the automation of all our comprehensive operations, thus improving quality, minimizing cost, increasing productivity and enhancing operational discipline and quality of operational performance.
- We have conducted structural changes to improve control and accountability in our operations by employing an innovative digital strategy. We use digitalization, automated learning, and artificial intelligence to increase operational efficiency, reinforce customer's experience and cope with other FinTech companies and other financial institutions to accelerate our progress.
- In the year 2020 and despite the COVID19 pandemic and the lockdown procedures, KFH operations sector has launched and participated in several transformation projects which adopt the FinTech concept e.g. online cheque deposit systems which are considered as leading systems for technological channels to enable customers to check and deposit cheques through their smart phones.
- This process has led to a significant improvement in the quality of service provided to the customers while using the innovative clearance platform.
- This initiative will cover the main payment functions e.g. the automatic clearing room, the protection of the release of wages, salaries, centralized bills payments and the payments through smart phones and digital currency. Group operations department has added a new dimension in providing digital techniques such as SWIFT through the most modern technique SWIFT-GPI which enables KFH customers to track and follow up money transfer right from the beginning till the amount is received by the beneficiary through internet channels and smart phones.

6.10.6

TECHNOLOGY and Data Security

c) Data Centers

- Our investments have allowed us to upgrade data centers and infrastructure, improve performance, and establish a more flexible basic system. We are in the process of upgrading several applications by using highly advanced technologies to benefit from this new environment. We have used artificial intelligence to develop and process our back-office operations in a swift and timely manner, thus giving the best experience to the customer with low cost and high efficiency.
- We believe that these investments in technology and the merge between the unique customer experience and the digital back-office operations shall be the source of competitive distinction. Collaterals management during and pre-pandemic is considered as one of our outstanding advantages and distinction.
- We focused in 2020 on enabling market players to register their collaterals more efficiently and achieve finance and operational efficiencies. Our new collaterals platform is intended to largely enhance our ability to attract new subscribers, support all types of new collaterals and increase speed through the platform which we have launched earlier in coordination with Group Corporate Banking. This step aims to activate a strong system to establish and manage collaterals.
- We have managed to automate collaterals in various systems (real-estate, shares, cash, funds ...etc.) based on a new sharia compliant credit limit and a new finance facility swiftly with less effort and no errors.
- Meanwhile, the new platform shall enable us to extract plenty of smart reports and provide information in advance to the concerned employees to conduct immediate intervention and accurate follow up.
- The management has developed the real estate appraisal department by expanding its control and supervision on the accredited real estate appraisal offices, reviewing appraisals accurately, setting standards for the evaluation and development of such offices.

d) Data Analytics and Businesses Appraisals

- Our newly integrated systems and processes enabled us achieve fair and honest appraisal of real estate assets whether for KFH or customers, improve mechanisms and procedures to complete transactions swiftly and accurately, provide reliable real estate reports highlighting prices and follow up market developments, namely studies determining the impacts of the pandemic on the economic sector and ensure its stability in coordination with regulatory authorities, CBK, decision makers and related parties.
- Centralization stands as an operational model that enables KFH to unify all operations at the group level, add a new dimension to quality control, and improve the fields of training and support.
- KFH has managed to complete several central initiatives in 2020 by shifting operational tasks from business and adapting them with the special operations platform. Accordingly, all ATM renewal operations and money market transaction processing operations have been consolidated in a joint service center. Operations sector has started to facilitate and process finance transactions and issuance of centralized liability certificates to KFH group banks abroad. We are working on improving and unifying finance channel tools to add a new dimension to the vital operational distinction

The role of technology has earned great significance to mobilize digital financial inclusion, notably in the application of artificial intelligence, machine learning and data analytics.

For KFH, the use of technology goes beyond the purpose of driving business growth, it addresses the needs of marginalized or new to bank segment to acquire information at their fingertips, thus make informed financial decisions. Our platforms, largely our website, is one of the most comprehensive channels for information dissemination, knowledge-sharing and interactive communication.

On the other hand, technological advancement brings about concern and rise to cyber-security threats and breaches. At KFH, increasing level of measures and awareness on cyber-related issues are top priorities that are placed as a core pillar under our Governance Rules. As an inherit principle of our Shari'a, we exhibit profound commitment to this cause as an integral and basic right to all individuals.

KFH is certified according to ISO/IEC 27001:2013 for Cyber and Data Security

a) Governance

We at KFH ensure the safety of customers data and specifically address data privacy in a highly professional manner.

Our customers' data confidentiality is considered as a top priority. Customers Information / Personal Identifiable Information (PII) are labeled as 'Confidential' or Private Information, so as to be treated with extreme care to avoid any data leakages. Which means any database extract, mail, document, folder, system, media, print material, which contains PII data are truly secured.

A right mix of well-trained staff, latest technology and effective processes are in place to carefully ensure 'Confidentiality', 'Integrity' and 'Availability' of our customers' data as stipulated in the globally established ISMS (information security management system)

Our Information Security Management Framework is governed by our Information Security policies and approved by the Board of Directors. KFH Management makes sure that KFH policies and procedures are fully aligned with Central Bank of Kuwait and CMA guidelines, and explicit specific directive is indicated and emphasized on our Governance Manual [\(Read on: Governance\)](#).

Additionally, the bank has an established information security which is head by DGM and Cyber Risk function headed by DGM approved by the Board of Directors. The head of information security and Cyber risk has the required skills, knowledge and competence for the position. Cyber Risk team is responsible for establishing the policies and the standards pertaining to the execution and monitoring of cyber security controls in line with the strategy of the bank and the risk appetite. whereas information security team responsible for security operations monitoring, compliance and vulnerability management. The Head of Cyber Risk reports to the Chief Risk officer on the ability of the bank to manage information security and cyber security risks and follow-up the implementation of its respective objectives through Risk Management Committee.

Information Security and Cyber Security Risk Systems are part of the Internal Annual Evaluation of Internal Control Review (ICR).

[\(Read on: Governance\)](#). Our Information and Data Security Policy governs all of the Bank's business lines.

b) Scope, Objectives & Certification

The Scope of the ISMS at KFH Includes the Group Information Technology Division, Including Information Security, the Data Centre and Disaster Recovery Site Hosting the Business Applications, Servers, Databases, and Network Infrastructure for Providing IT Services" According to latest Statement Of Applicability_ version 1.0 dated 31/1/2020.

The ISMS central framework enabled the bank to manage, monitor, review and improve our information security practices. By implementing the ISMS, we have advanced our ability to secure information, increase resilience to cyber-attacks, and reduce the costs associated with information security.

Built on the internationally recognized three pillars: people, processes and technology, the Bank's undertook a long process in late 2019 and 2020 as follows:

- Assessed our information security management system, compared to the ISO/IEC 27001 requirements.
- Reviewed established procedures and controls in line of the to the ISO/IEC 27001 requirements.
- Aligned our Internal Control Review (ICR) to the ISO/IEC 27001 requirements.
- Conducted External Independent Certification Audit.

As result, and based on third-party independent audit, KFH now hold its ISO/IEC 27001:2013 certification since February 2021, valid for three years. The Bank also hold Attestation Of Compliance (AOC) and Report On Compliance (ROC) as per Payment Card Industry Data Security Standard (PCI DSS v3.2.1) relating to Merchant Services, Billing Management, Fraud & Chargeback, Payment Gateway, POS, Internet and Call Center process of Kuwait Finance House and its supporting IT Systems which includes Networks, Applications, Databases, People and Processes related to Cardholder Data Environment. The Bank conducts annual external audit.

We are proud to report that total number of substantiated complaints received concerning breaches of customer privacy were recorded at 35 cases. Upon investigation, all cases were closed with no merit or liability on the bank, as it was concluded that no breach of security nor information was from the bank's part. In addition, the bank has no cases of complaints nor sanctions received from the Financial Regulatory Authority. | **G418-1**

c) Customer rights and responsibilities

Since 2013, the Central Bank of Kuwait has issued multiple directives and instructions related to the protection and rights of customer. It has also established a customer protection unit to answers the public inquiries through a dedicated telephone service. Furthermore, the CBK issued a comprehensive guide on Customer Protection, which has been integrated into KFH Policies through a total of 19 key pillars, including information on services. The KFH Customer Protection Guide is publicly available on its website.

[Customers_Protection_Guide_en.pdf \(kfh.com\)](#)

Our customers also have the right control of their data according to best practice, such as the right of access, rectification and deletion of individual data). Dedicated contact details is publicly available on the Bank's website where Customer can raise the request by sending an email to KFH data privacy office. Privacy Notice [\(kfh.com\)](#)

KFH's Customer Protection Guide and its 19 key pillars adhere to the directives and guidelines of the Central Bank of Kuwait

d) Training on Data Security

The Bank conduct annual training dedicated to all employees. In addition, training is also conducted to all contractors having access to KFH data in the areas of Data Security and privacy-related Risks as follows:

All the staff and contractors go through the online E-learning training annually.

e) Communication to Stakeholders

As part of our good governance, transparency and compliance to Regulators and our own Shari'a Rules, KFH provides very comprehensive guidelines on Data Privacy and Security to all its stakeholders through its website.

The website is periodically updated in the event of newly published regulatory directives or internal policies changes. Information can be found on:

- Cookies & Data Privacy Notice [\(kfh.com\)](#)
- Privacy Notice [\(kfh.com\)](#)
- Information Security Guide [\(kfh.com\)](#)

Our website covers the following topics:

Customer Data Privacy	KFH Mobile App
Bank Card Security	Personal Information
ATM Skimming	Social Engineering
ATM Security	Phishing
Online Banking	General Security Tips
3D Secure	Enhanced online payment security

7.

Empowering Our Employees



The bank recognizes that its success in sustaining a leading and pioneering position in the markets that it serves is undoubtedly attributed to the efforts of its people who show their profound commitment every day through their high performance, vibrant engagement, and adaptability to market trends and challenges.

An Employer of Choice

Driven by our Group's approach of investing in our human capital, KFH Kuwait has a dedicated talent acquisition domain that focuses on expanding the ratio of the national talent hires reaching 98% of the total hires in 2019 and 99% in 2020. From the younger generation, Kuwaiti fresh graduates hired in 2019 were 47% out of total hires. In 2020, 176 Kuwaitis joined

Moreover, the bank invests in accredited training programs delivered by renowned international business schools for our Identified High Potential Employees (HiPos), as well as for our Executive Leadership. In addition, four Scholarships were provided in 2019 and another Four offered in 2020, with 452,860 KWD in 2019 and 417,390 KWD in 2020 as financial support to national educational institutions for banking studies (IBS).

These factors create a balanced "Culture of Choice", where talent acquisition, retention, and development are major strategic priorities, leading to our long-lasting employees' satisfaction and motivation, unwavering commitment to performance enhancement and organizational growth, and consistent engagement which have an increased score ratio of 4% in 2020 compared to 2019

Those factors altogether make KFH earned a recognized inherit merit of being the "Employer of Choice" in the Kuwaiti banking sector.

Value Creation

At KFH Kuwait, we are proud of creating an ethical, fair, and balanced working environment to prepare our employees as leaders for the future following the fundamentals of Islamic principles and our corporate values. Accordingly, we continue our role as a responsible Islamic bank, focusing on maintaining and continuously investing in our human capital through recruitment, training, and development. This approach shapes a Value Creation Model and a "Culture of Choice" where our employees can develop their skills and career prospects, effectively engage with all levels of management, and see their needs and views reflected in our strategic initiatives and business practices.

Our Value Creation		Practices and Performance
1.	Inclusive Working Environment	<ol style="list-style-type: none"> 1. Equal Employment Opportunities 2. Diversity and Inclusion in Workforce 3. Recruitment and Retention 4. National Talent Hires
2.	Sustainable Economic and Social Welfare	<ol style="list-style-type: none"> 1. Fair Pay and Equality in Wages 2. Benefits and Compensations 3. Retirement and Pension Plans 4. Parental Leave 5. Wellness Program 6. Flexible Remote Work
3.	Professional Growth and Career Development	<ol style="list-style-type: none"> 1. Training Opportunities 2. Performance and Career Development 3. Talent Acquisition 4. High Potential Employees (HiPos)
4.	Effective Communication	<ol style="list-style-type: none"> 1. Multi-level Internal Communication 2. Performance Appraisal Meetings 3. Employee engagement surveys 4. Designated HR Business Partners 5. Advanced Technologies
5.	Ethical & Transparent Culture	<ol style="list-style-type: none"> 1. Islamic Principles Conduct 2. Grievance and Advice 3. Collective Bargain Agreements

Our Human Capital of 2,083 talented employees, supported by the HiPo (High potential) program under the Succession Planning Program since 2014.

7.1 Inclusive Working Environment | G102-7 / G405-1

a) Equal Employment Opportunities

The Group provides equal opportunities and encourages diversity and inclusion for its employees serving in its areas of operation without any limitations of age, gender, colour, national origin, marital status, physical ability or cultural and religious beliefs. This is clearly stated as part of our HR Policy.

And despite the global challenges posed by the COVID-19 pandemic, KFH Kuwait continued supporting its human capital as well as national employment during the past two years.

KFH Kuwait Employees	2018			2019			2020		
	under 30	30 -50	over 50	under 30	30 -50	over 50	under 30	30 -50	over 50
Number of Employees (Male)	531	1,278	245	534	1,301	254	469	1,355	259
Number of employees (Female)	254	273	19	262	301	22	228	345	26
Total Number per age	785	1,551	264	796	1,602	276	697	1,700	285
Total Male Employees	2,054			2,089			2,083		
Total Female Employees	546			585			599		
Total of both genders (all ages)	2,600			2,674			2,682		

b) Diversity and Inclusion in Workforce

Gender Diversity

Furthermore, KFH Kuwait strives to continuously enhance gender equality and women's empowerment. 2020 was a difficult year for the global markets, nonetheless, we retained a steady presence at 22% of female employees in our total workforce.

Workforce Diversity by gender 405-1	2018	2019	2020
% of employees (Female) to the total of employees	21%	22%	22%
% of employees (Male) to the total of employees	79%	78%	78%

Age Diversity

Our diverse age segments range from 30 YO, 30 to 50 YO, and above 50 YO. In 2020, during the turbulent times of the pandemic, the percentage of employees under 30 moderately decreased while the number of employees between 30-50 and employees over 50 increased.

Retention rates in 30-50 YO category makes up 63% of our total taskforce. They represent two unique generations that have accompanied and learned from banking expertise, as well as witnessed all the new emerging trends that evolved the financial industry into new innovative sector. They are the backbone of our business supporting the top management and KFH's strategy implementation.

The 50 and above category, remains the gurus. They reflect their longstanding relation with the bank and their loyalty to our brand. KFH Kuwait is proud of having onboard professional bankers with extensive experience that have spent more than half of their career years serving the banking sector, and while they only constitute 11% of our workforce, they are considered as our foundational members transferring knowledge to younger generations and maintaining KFH's legacy throughout all these years of development.

Our teams under 30, represent 26% of our employees, yet they comprise the highest rate in new hires. Recruiting new, young talents is of high importance for KFH, as we focus on building a skilled and agile generation for the banking sector in Kuwait while contributing to the youth development and career prospects in their country.

% of employees by age 405-1	2018	2019	2020
% of employees (under 30) to the total of employees	30%	30%	26%
% of employees (30 to 50) to the total of employees	60%	60%	63%
% of employees (above 50) to the total of employees	10%	10%	11%

c) Recruitment and Retention | G102-8 / G401-1

Gender Status in New Hires and Turnovers

New Hires in 2020

99%
KUWAITI
NATIONALS

85%
UNDER
THE AGE OF 30

67%
EXECUTIVE
LEADERSHIP

Turnover status in female employees has increased and new hires dropped in 2020 compared to the progress marked during the previous two years. These figures were a common change that was noticed in the national market due to the pandemic, witnessing the critical role of women in looking after their families and children at these unprecedented times.

Meanwhile, male new hires had a moderate increase in 2020 reaching 75% compared to 71% in 2019.

It is worth mentioned that the bank has approved 1 hour grace period allowing parents to drop off their children at school we also Have permission requests under "School Affairs" specifically so parents (both female and male personnel) can take their children to school in the first two weeks of their re-opening.

TURNOVER Ratio by gender 401-1	2018	2019	2020
% of new hires (Female) to the total of new hires	11%	64%	71%
% of new hires (Male) to the total of new hires	89%	36%	29%

NEW HIRES Ratio by gender 401-1	2018	2019	2020
% of new hires (Female) to the total of new hires	23%	29%	25%
% of new hires (Male) to the total of new hires	77%	71%	75%

Age Status in New Hires and Turnovers*

KFH demonstrated a firm reassurance of our responsible approach as an employer and major market participant that provides financial security for seniors in times of crisis. For the age category above 50 YO, the turnover rate dropped to 0% in 2020 compared to 2019 that was 2%, while we maintained new hires ratios in 2019 and 2020.

The turnover rate in the middle age category of 30 to 50 YO declined from 14% in 2018 to 9% in 2019, however, during the pandemic year in 2020, we had an increase to 12%. At the same time, new hires in the same category have decreased from 15% in 2019 to 13% in 2020. However, new hires ratio at 13% remained higher than the turnover ratio at 12% in this category in 2020 to ensure an attractive employment opportunity in times of crisis.

The youngest age category under 30 remains the highest in terms of both turnover and new hires across the three years 2018, 2019 and 2020.

The high turnover ratio is attributed to different reasons. Our exit interviews allow the banks to better understand what prompted employees to leave the organization, the top 3 reasons were:

- Another Job Opportunity
- Growth Prospects
- Personal Problems

However, it is part of KFH Group's unaltered mission to invest in younger generations by recruiting talents and build a dynamic workforce of fresh graduates for the Kuwaiti banking sector. Our new hires in that category reached 85% of the total new hires in 2020.

TURNOVER % by age	2018	2019	2020
% of new hires (under 30) to the total of employees	86%	89%	88%
% of new hires (30 to 50) to the total of employees	14%	9%	12%
% of new hires (above 50) to the total of employees	0%	2%	0%

NEW HIRES % by age	2018	2019	2020
% of new hires (under 30) to the total of employees	83%	84%	85%
% of new hires (30 to 50) to the total of employees	17%	15%	13%
% of new hires (above 50) to the total of employees	0%	1%	1%

NEW HIRES Numbers by Gender and Age Categories	2018			2019			2020		
	under 30	30 -50	over 50	under 30	30 -50	over 50	under 30	30 -50	over 50
New hires (Male)	181	43	0	199	42	3	113	19	2
New Hires (Female)	59	7	0	88	10	0	39	5	0
TOTAL Number per age	240	50	0	287	52	3	152	24	2
Total of BOTH genders and ages	290			342			178		

7.2 Sustainable Economic and Social Welfare

Employment Levels Status in New Hires and Turnovers

Our employment levels are structured as follows:

- Category 1 - Clerical
- Category 2 - Coordination
- Category 3 - Middle Management
- Category 4 - Senior Management
- Category 5 - Executive Management

Our employment levels help us define salaries and employee benefits per category. They are also critical to identify career development that best serves both the employee and our organisational needs. This is reflected in our new hires composition where our highest ratio is at category 2 which includes all personnel that is directly related to the coordination needs for the past two challenging years. Despite the high turnover rate within this category, however, our new hires are at the same level as the departing employees

TURNOVER%	by employment category	2018	2019	2020
% of new hires for Category 1		31%	38%	29%
% of new hires for Category 2		69%	58%	71%
% of new hires for Category 3		0%	4%	0%
% of new hires for Category 4		0%	0%	0%
% of new hires for Category 5		0%	0%	0%

NEW HIRES	by employment category	2018	2019	2020
% of new hires for Category 1		18%	23%	25%
% of new hires for Category 2		76%	73%	71%
% of new hires for Category 3		5%	4%	3%
% of new hires for Category 4		1%	1%	2%
% of new hires for Category 5		0%	0%	0%

d) Employment of Kuwaiti nationals

We focus on continuously attracting new talents and especially Kuwaiti nationals. Kuwait hires represented 98% of the total hires in 2019 and 99% in 2020. From the younger generation, Kuwaiti fresh graduates hired in 2019 were 47% out of total hires. In 2020, 176 Kuwaitis joined our taskforce.

In addition, Kuwaiti nationals comprised of more than 65% of the Executive Leadership Team in 2019 and 67% in 2020. | G202-2

With a gradual increase in National employment, KFH will aid in solving some of the challenges the country is currently facing, by:

- Reducing unemployment rate
- Providing career opportunities for Youth
- Developing Kuwaiti nationals in the banking sector
- Better life quality and prospects for the Kuwaiti population

a) Fair Pay and Equality in Wages | G405-2 / G202-1

To contribute to Kuwait's 2035 vision aiming at supporting gender equality while transforming the country into a financial hub, and while considering the current global disruptions that require a people-centred approach, KFH Kuwait recognises its role towards the provision of sustainable welfare to all Kuwaiti households by providing through its employees. This can only be achieved through fair and equal wages and permanent contracts at all employee levels. Adhering to national laws and regulations of minimum wages across employment levels, KFH Kuwait provides equal wages and remuneration for both genders in any job category at the same employment level. Having an annual merit increases as per employee's performance plus a salary plan cycle for promotions and salary adjustments, which is reflected in salary growth ratio of 5% and 4% for 2019 and 2020 respectively.

b) Benefits and Compensations | G401-2 / G201-1 / G201-3

In 2020, KFH Kuwait's total payroll amounted to 92 MN KWD. Our direct economic contribution can be observed as KFAS KWD 1.4 Mn, NLST KWD 2.6 Mn and Zakat KWD 1.5 Mn. KFH Kuwait's spending on employee benefits amounted to 12 MN KWD amount. In addition, the provision of other benefits to full-time employees is part of our commitment to economic empowerment and sustainable wellbeing for our employees. These benefits apply since the contractual agreement, in alignment with the national labor law and regulations and are complemented by additional benefits such as company vehicles, educational grants, and flight tickets as further support from KFH Kuwait to its valuable employees.

Employees Benefits G401-2	Description	Beneficiaries (employees / family members)
1.	Life insurance Life Insurance policies are issued for our employees for the cases of death, permanent total or partial disability (Due to Accident & Sickness). In addition to coverage of funeral cost in case of passing-away.	Employees
2.	Health care G403-3 / G403-8 All sponsored & non-sponsored employees and their eligible dependents residing in the State of Kuwait in accordance with their employment contract benefit from the medical insurance coverage scheme.	Employee, Spouse and up to 3 Children
3.	Disability Under sound corporate practices, employees who have become unable to execute their jobs, can have their contract terminated only if the Medical Authority Board or a recognized medical institution has determined them unfit to perform. However, even in those cases, employees are entitled to a full end of service indemnity and compensation according to rules set by the Kuwait Labor Law and Social Pension Law. KFH does not terminate an employee during his treatment period if the illness was due to a work injury.	Employees
4.	Housing Grade allowance is provided to employees based on their contract and grade Allowance which may cover housing.	Employees; Differs with Grade
5.	Company vehicles KFH may provide a company car based on the business need. The staff member receiving a company car shall not be eligible for a Transport Allowance.	Employees
6.	Educational grants Education's grant is provided to employees based on grade/Level (Grade SM2 and above employees are entitled to receive a yearly Education Assistance on an invoice basis and not exceeding the entitlement amount)	Managers and above.
7.	Ticket or monetary equivalent Monetary Equivalent is provided to employees based on grade/Level (Middle Management level and above (Spouse and children) below Middle management level employee only. (Top three airlines in terms of Price, in addition to fuel Expenses & Surcharges)	Managers and above (Spouse and Children) Below Manager Level (Employee only)
8.	Retirement and Pension Plans KFH provides end of service (EOS) Benefits for all its employees as per Kuwaiti Labour Law. Also, KFH's contributes for Kuwaiti Staff Social Security.	

7.3 Professional Growth and Career Development

In 2019 and 2020, the following employees were eligible and used their benefits:

Benefits	2019	2020
Educational Assistance	279	270
Health insurance claims	276	236
Ticket Payment	2412	2551

c) Parental Leave G401-3

Abiding by the international labour standards on maternity protection, the national labour law, as well as our internal policies, KFH Kuwait provides to all its female employees fully paid maternity leaves for a total period of 70 calendar days, apart from other types of leave. This leave can start before or after the delivery of the child, provided that the leave duration after delivery is not less than 40 calendar days. As for male employees, we provide a paid paternity leave within one week of his childbirth, respecting the family values and importance of such precious moments. In 2020, 40 employees took maternity leave, and 100% of them returned then to work, exhibiting our employees' satisfaction and loyalty working for KFH.

Maternity Leave 401-3	2018	2019	2020
Employees entitled to maternity leave	546	585	599
Employees that took paternity leave	56	44	40
Employees that returned to work in the reporting period after end of leave	56	44	40

d) Wellness Program

Stemming from the bank's commitment to social wellbeing beyond the working space, KFH has brought forward the Wellness Program which was launched in 2018 with the purpose of assisting its employees to enjoy work-life balance through a tailored fitness program to the users' needs. The program is provided free of charge to all the banks' employees, regardless of their employment level. It also offered benefits and exclusive discounts to all employees' family members.

To help our employees reset their wellness goals upon relaxing COVID19 measures, we have worked with an industry leading partner to launch the second version of our wellness program. Since its launch, more than 1,000 employees and family members have joined and benefited from the program.

e) Flexible Remote Work

Our employees have demonstrated loyalty and resilience during these unprecedented times of the pandemic to ensure we maintain service excellence. To assure our task force on the safety of our work environment, multiple protocols were put in place and policies have been updated to include remote work procedures and eligibility for certain functions, and in line with directives from Health Authorities to maintain physical distancing. In addition, new learning platforms have been utilized to ensure we equip our talent with the latest toolkits and frameworks required for them to achieve their job requirements.

a) Training Needs Assessment and Plan

KFH Kuwait develops an "Integrated Development Plan" for all its staff, supported by an our HRI internal. The Plan is updated on annual basis. The plan is developed based on training needs assessment and it includes both technical and behavioural development programs.

The training is developed with consideration to three main elements:

- Identification of training needs of employees, based on the yearly performance appraisal process.
- Identification of departmental internal training needs by Key Business Areas' Heads and based on updated strategic objectives in their respective functions.
- Coordination between the training department and the HR Business Partners to review training needs and to further align it with other training or awareness sessions mandated by the various regulators.

Mandatory training and awareness session are conducted across all bank's functions and often and include AML (Anti Money Laundering), Information Security, and Shari'a compliance. All new hires are included in such sessions as part of their orientation during the probation period.

b) Training Opportunities

Training Hours | G404-1

Due to the COVID-19 challenges and our applied COVID-19 internal protocol, our total training hours provided in 2019 dropped to 11,890 in 2019 compared to 79,232 hours in 2018.

Our average training hours has significantly dropped in 2020 to 12.17 per employee compared to 23.72 in 2019, due to the COVID-19 situation. However, the bank made significant efforts to provide as much training as possible in 2020, reaching 44,193 hours, which is almost triple the training hours conducted in 2019. Maintaining training hours reflects KFH's keen investment in its employees' and development to enable them to address evolving organizational needs and market trends.

Training of Unique Employees Training Hours						
Unique Employees #	2018		2019		2020	
	Male	Female	Male	Female	Male	Female
Skills Development	444	90	691	224	411	70
Technical	1417	368	2168	528	2255	561
Total Training Hours	79,232		11,890		44,193	

10 board members in 2019

Training Opportunities	2018	2019	2020
Board Members	10	10	12
Employees	637	2622	307
Total Training Opportunities	647	2622	319

Average training hours	2018	2019	2020
Per employee	26.22	23.72	12.17
Per male employee	26.43	26.34	14.03
Per female employee	25.31	33.35	14.50

Training Programs | G404-2

KFH Kuwait also allocates a budget to offer external training opportunities to the management level and selected specialized levels through training programmes and conferences abroad to upgrade employees' skills and enhance their performance equips employees with the necessary expertise to meet strategic targets in a changing work environment. The scope and frequency of external training are based on our allocated budget and our business needs and supplier costs.

In 2019 and 2020, a total of 1,040 external training opportunities were provided to 2,813 number employees in the following areas:

Business Area	Total
Board Secretary	5
Chairman Office	3
Digital Transformation and Innovation	1
Group CEO Office	41
Group Corporate Banking	87
Group Financial Control	68
Group Human Resources	114
Group Information Technology	254
Group Internal Audit	27
Group Internal Shariah Audit	6
Group Legal	27
Group Operations	295
Group Retail and Private Banking	1719
Group Risk Management	112
Group Strategic Planning and Follow-up	18
Group Strategy and Corporate Affairs	1
Group Treasury and Financial Institutions	32
Shariah Research and Advisory	3
Grand Total	2813

Anti-corruption Training | 205-2

Special attention is directed to training in anti-corruption policies and procedures. In 2019 and 2020, a total of 63 awareness and training on anti-corruption were conducted to 2,769 number employees from the following functions:

Business Area	Total
Board Secretary	5
Chairman Office	3
Digital Transformation and Innovation	1
Group CEO Office	41
Group Corporate Banking	85
Group Financial Control	68
Group Human Resources	111
Group Information Technology	230
Group Internal Audit	27
Group Internal Shariah Audit	6
Group Legal	27
Group Operations	293
Group Retail and Private Banking	1708
Group Risk Management	110
Group Strategic Planning and Follow-up	18
Group Strategy and Corporate Affairs	1
Group Treasury and Financial Institutions	32
Shariah Research and Advisory	3
Grand Total	2769

c) Performance and Career Development | G404-3

Our Performance and Career Development assessment is a dynamic process and is linked to our training needs assessment and plan to ensure effective training outcome and fair recognition and develop to each employee based on his/her responsibilities and personal career path.

The training needs of employees, during the yearly performance appraisal process, are identified and documented, according to the following criteria:

- Requirements of their present job
- Promotions and transfers
- Skills gaps and/or development needs

1) Process to assess employee performance, and career development

- In KFH we reward for performance and the career development is directly linked with the employee career progression either within the same area or lateral move. Overall, we have a clear career path that is linked to performance and development.

2) Frequency of the review cycle

In KFH we have four phases that is linked to Performance Management:

- Objective Setting that takes place in February – March
- Midyear review that takes place in June
- Annual Appraisal that takes place in November – December
- Performance Improvement Plan (PIP), usually we have two PIP cycles in the year. One during March/April/May, the other one during August/September/October.

3) Conduct of the assessment

The assessment is monitored by HR Performance Management and controlled by the business and line manager specifically, in addition to staff self-appraisal.

The assessment is conducted during the Annual Appraisal phase:

- Staff Self-appraisal: The line manager will transfer the appraisal request to the staff. Staff will conduct a self-assessment on objectives and competencies through Oracle (HRIS).
- Meet with the Line Manager: The line manager will conduct a one-to-one meeting with you, explaining the objectives progress and competencies development. Staff needs to ensure to explain him/her self-appraisal and provide any feedback to the line manager.
- Submitting Draft Score: The line manager will submit a draft score of staff appraisal through Oracle (HRIS), which will then go through the calibration process.
- Meet with the Line Manager for Final Result: Once the calibration process is completed, line manager will then be able to view and share the final appraisal result with the staff.

Performance and Career development reviews	2018	2019	2020
% of total Male Employees received performance evaluation	97.71	95.55	94.58
% of total Female Employees received performance evaluation	90.48	96.58	89.15
% of total Employees received performance evaluation	96.20	95.77	93.36

It is observed that during 2020, only 93.36% of the employees has received performance reviews, with female reviews drop from 96.58% to 89.15%, this was attributed to the fact that the majority of KFH females works in the Retail Branches. Therefore, during Covid-19 pandemic, most of KFH branches were closed and few branches were operating. In addition, as per our HR policy, staff who did not work for a period of six months will be considered as ineligible for performance appraisal and will not be part of the annual appraisal.

d) High Potential Employees (HiPos)

The HiPo (High potential) program was established under the Succession Planning Program since 2014 and its main objectives are to retain high potential staff and provide them with the necessary leadership training required for them to step into more senior roles. The HiPo program serves as a pool for the long- and short-term successors of key position holders at the bank. The program is approved by the Board of Directors and is reviewed quarterly through a Succession Planning Committee.

The HiPos are employees that have received top performance ratings in the past 3 years and show clear leadership potential in terms of their engagement, ability and aspiration. The selection is then validated using SHL HiPo assessments that enable us to understand their abilities vs their aspirations and motivations. The assessment supports the development of HiPos by clarifying exactly what competencies need to be worked on. Development meetings are then scheduled with those assessed and their managers to cater to their personal development needs.

The HiPo program revolves around behavioral training in the areas of creativity and innovation, negotiation skills, communication skills, and collaboration. HiPo managers are then invited to join a mentoring program and a high-end program offered by Harvard Business Publishing that is co-created and designed specifically for KFH HiPos. The program title Leading Business Excellence focuses on “Leading the Team” and “Leading the Business” that aim to develop a change mindset by understanding the value of continuous change and then effectively leading and implementing change initiatives, and developing a culture of accountability and high ownership through efficient performance management, building a high performing team.

In 2019, total of 10,590 training hours were provided, while the number dropped to 3,212 hours in 2020 due to COVID-19 situation. However, our investment in development of our HiPos and Successors remained at 29% of our entire training spend, clearly making sure our future talent is being prepared. In 2020, it was mandated that 33% of the learning and development budget serve the Succession Planning Program that includes the HiPo Program. The HiPo pool represents 9% of the total staff at KFH.

7.4

Effective Communication

Internal communication has a key role in maintaining organizational excellence. Our success in communicating with our employees at KFH Kuwait is clearly shown in our remarkable employee engagement score which have increased 4% in 2020 compared to 2019. To ensure effective communication, we implement a set of actions that facilitate internal engagement channels and practices:

1. Multi-level Internal Communication:
 - › Digital: Emails, SharePoint portal, Instagram, Screens, Wallpaper, Screensavers,
 - › Physical: Internal posters
2. Performance Appraisal Meetings twice a year.
3. Employee engagement surveys on an annual basis
4. Designated HR Business Partners: Each Business Area has its own allocated Business Partner from HR, with a total of 6 Business Partners who are the point of contact sometimes between multiple Business Areas.

Our internal communication is equally enabled through a number of digital and technological tools that facilitate speedy, open and transparent communication among the various functions and across the different management levels. MyHR is an internal platform of communication between all KFH and HR on the Sharepoint facility. All needed information from staff and what HR requires to announce, all is being shared on this platform.



7.5 Ethical & Transparent Culture

| G102-16

a) Code of Conduct, Values, principles, standards, and norms of behavior (102-16)

Driven by our Islamic principles, our Code of Conduct Policy represents how we protect and deal with our employees, as well as how our employees are expected to behave in their working environment towards all stakeholders, in compliance with the Shari'a practices.

On our HRIS system, the staff is required to declare that they have accessed, reviewed and understood the latest updated version of (The Code of Business Conduct and Ethics) and (Whistleblowing policy) documents once every year. Both documents are available and accessible to all staff through HRIS. To seek advice about and report on behavior, employees may refer to the Code of Business Conduct and Ethics Policy Document (Group HR).

We have also launched an internal Code of Conduct Campaign to spread more awareness to KFH staff. This was supported by uploading the KFH Code of Business Conduct and Ethics Policy on MyHR SharePoint for all staff to review.

Overall Guidelines for Proper Conduct

KFH conducts its business with honesty and integrity, with respect for the interests of its business allies, and under Sharia compliance, and prevailing work principles.

Board members and employees of KFH will at all times conduct themselves in a manner that:

- Supports the objectives of KFH
- Serves the overall best interests of KFH rather than any particular constituency
- Brings credibility and good will to KFH
- Respects principles of fair play and due process
- Demonstrates respect for individuals in all manifestations of their cultural and linguistic diversity and life circumstances
- Respects and gives fair consideration to diverse and opposing viewpoints
- Demonstrates due diligence and dedication in preparation for and attendance at meetings, special events and in all other activities on behalf of KFH
- Demonstrates good faith, prudent judgment, honesty, transparency and openness in their activities on behalf of KFH
- Ensures that the financial affairs of KFH are conducted in a responsible manner
- Avoids real or perceived conflicts of interest
- Conforms with the Articles of Association and policies approved by the Board, in particular this Code, Confidentiality and Conflict of Interest policies
- Conforms in all aspects with the Laws of Kuwait, and all jurisdictions in which the bank and its employees may operate.

b) Mechanisms for advice and concerns about ethics | G102-17

Our Whistleblowing Policy ensures that no one will be at risk of retribution or any form of 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 staff members. Any individual making a disclosure will retain their anonymity unless they agree otherwise. Regarding the reporting of Whistleblowing, staff may connect with GCEO, Chairman of Audit and Compliance Committee, or Chairman of Board of Directors, through a "Whistleblowing" e-mail.

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

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

KFH can only provide the employees with as much feedback without any infringement on the duty of confidence owed by KFH to opposing person(s) in question. Employees' identities are not disclosed without prior consent. Where concerns are unable to 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.

c) Grievance Mechanisms

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

Performance Management Grievance

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

Disciplinary Grievance

- Eligibility: KFH staff who received a disciplinary action, salary deductions, penalties. The request must be initiated within 15 working days of the incidence occurrence.
- Objective: To provide KFH staff with the opportunity to appeal against disciplinary actions taken against the staff.
- Purpose: The purpose of the Grievance Process is to give the staff a second chance defend him/herself. It is also a chance for HR to explain to staff the fairness of the and the reason for the disciplinary action taken against him. This will result in more clarity behind the disciplinary action taken against the staff fostering higher employee satisfaction in return.
- In all cases, the process is to relief the staff and to maintain his rights. Therefore, HRBP should meet with the staff and listen to his concern, then meet with Employee Support function to discuss the final decision.

d) Collective bargaining agreements | 102-41

Within our national ecosystem, all banks and companies operating in Kuwait are legally bided by the National Labor Law that regulates and guides all collective bargaining agreements.

8.

Developing Our Communities



8.1

Four decades of Social Impact Leadership

Founded as the first Islamic bank in Kuwait, and after 43 years in serving our customers and the communities it operates, KFH reaffirms its social impact leadership and commitment towards social responsibility through strengthening its CSR initiatives and partnerships throughout all these past years to create a real impact and long-lasting positive change on the Kuwaiti society.

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 along with our CSR activities in many fields, primarily **the Healthcare and Sports, Education and Youth Development, Social Development and Inclusion, Heritage Preservation and the Environmental Protection** in a manner that reflects the bank's vision of continuously reinforcing financial and social support, as well as communication with all segments of the society. For that reason, KFH CSR activities address not only various social challenges faced by youth, women, and vulnerable segments, but we also create a direct and indirect economic and environmental impact that complement our efforts towards creating shared value.

During 2019, Kuwait Finance House has strengthened its leading position in corporate social responsibility and achieved a sustainable growth strategy in areas of diversification, integration, and professionalism. KFH also introduced a diversified package of sponsorships and programs, comprising over 200 CSR initiatives, in education, environment, health and wellbeing, community awareness, youth and sports, voluntary activities, humanitarian aid, and other sustainability-related initiatives.

In 2019 and 2020, KFH has undertaken over 400 CSR activities under its CSR Pillars in partnership with over 50 organizations.

8.2

Our CSR Approach and Strategic Pillars

At KFH, we are bound to create shared value by supporting “A financial system based on genuine social values and good deeds towards achieving comprehensive social growth and inclusion for all”.

KFH's CSR approach encompasses different elements:

1. Structured around five key CSR Pillars
2. Partnership and collaboration with trusted entities.
3. Implements defined CSR programs and projects under each pillar
4. Monitors and evaluates our projects through multiple indicators
 - Total amount of KFH's funding under each pillar
 - Number of beneficiaries that were impacted by each of KFH's initiatives

KFH CSR Pillars

KFH has identified its CSR pillars based on the common needs of our communities while supporting fundamental human rights in five key areas that contribute to the economic and social wellbeing of all stakeholders involved.



CSR Partnerships and Collaborations

1.	Ministry of Interior	1.	Sadu House
2.	Ministry of Health	2.	Kuwait Red Crescent Society
3.	CODED Academy	3.	KAACH
4.	Li3ib App	4.	Bayern Munich Football Academy
5.	AlOjeri App	5.	Dasman Diabetes Center
6.	Kuwait University	6.	Dr. Abdulmohsen AlKharafi
7.	GUST	7.	Entrepreneur Magazine
8.	AUM	8.	Kuwait National Jet Ski Team
9.	ACK	9.	Diversified Integrated Sports Clinic (DISC)
10.	PAAET		

KFH development of CSR Programs

We identify CSR opportunities based on the following: Government direction, community/public trends, local and global environmental, health and humanitarian causes.

Programs are developed through sponsorships, partnerships and collaboration with public sector, private sector and non-profit organizations.

8.3

Our CSR Programs and Activities

| G201-3/ G203-1

As a leading financial institution in its communities, KFH aspires to continue strengthening its social role by utilizing its financial and human capital across its communities to implement various programs under its five CSR pillars towards sustainable development.

Pillar 1. Medical and Health Care

KFH acknowledges the various health risks and challenges that are faced by the communities where it operates, hence, it has been a major health contributor and advocate supporting since its inception the health care sector, as well as the national efforts of improving the service quality and capacity of the public health care system as well as supporting activities of the civil society.

Our Programs are Segment-specific

1. People with critical and chronic illnesses
2. Low-income segment
3. Youth and the General Community

Our Programs are Project-focused

1. Investments in Healthcare
2. Health Awareness Campaigns
3. Community Wellbeing
4. Promote healthy and active lifestyle

KFH's financial contribution to the health care sector includes:

1. Direct Infrastructure Investments
2. Financial support (funding or sponsorships)
3. Donations
4. Employees Volunteerism

Program/ Projects / impacts	Partner/s	Year
KFH has fostered several awareness activities to spread health awareness concerning diabetes disease, considering the prominent risks it carries.	Dasman Diabetes Institute	2019
Participation in cancer and diabetes awareness campaigns and organized many events to raise the awareness among society individuals	AlSalam Hospital	2019 2020
Establishing an ambulance center in collaboration with the Ministry of Health	Ministry of Health	
KFH signed a partnership agreement with the highly regarded Diversified Integrated Sports Clinic (DISC) to create a more dynamic, effective and efficient working environment.	Diversified Integrated Sports Clinic (DISC)	2019
Partnership with Ministry of Health in various health awareness programs throughout the year: Hajj vaccinations and health precautions, Cancer, Diabetes and in 2020 campaigns against COVID-19 and for vaccinations	Ministry of Health	2019 2020
Partnership with Kuwait National Jet Ski Team for 2019/2020 season	Kuwait Sea Club	2019 2020
KFH signed a partnership agreement with the special football app (Li3ib), launched by a group of young Kuwaiti entrepreneurs	Li3ib App	2019 2020

A Consistent SUCCESS STORY since 1964

Al Salam Hospital

Accredited by the Kuwait Institute for Medical Specializations, as a sustainable learning center

This is one of our biggest success stories in the Medical and Healthcare fronts. KFH Capital, one of the bank's subsidiaries, has acquired 76.09% of the Al Salam Hospital with a capital of over KWD 13mn. KFH Capital has then invested in the hospital's development and expansion with the establishment of the Cardiology, Orthopedic Centers following the latest global developments at the high-profile hospitals.

Al Salam International Hospital was founded in 1964. Ever since, it has continued its success and distinction to become one of the largest, most successful, and leading private hospitals in the health care 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 global doctors.

The hospital includes a medical development center which is accredited by the Kuwait Institute for Medical Specializations, as a sustainable learning center. The center is also accredited by the American Heart Association as an international accredited training institute for life saving and first aid courses.

As part of its social responsibility towards the community, the center empowers non-health sector workers with the right tools and knowledge to deal with emergencies by providing certified first aid courses free of charge. The beneficiaries of this program include schoolteachers and parents who regularly supervise on children.

In 2020, AlSalam launched a new medical consultancy platform "I Trust" which provided free online consultations using video calls. More than 22,000 free consultations were offered to various segments in the community during the lockdown period.

CSR Pillar 2. Education and Development of Youth

The development of skilled young professionals is one of our major strategic priorities at KFH. With over 40 years as a leading community provider and educational contributor, we aim to continue our support through investing in the development of a prosperous and diversified economy for our future generations.

At KFH, we realize the importance of developing a competitive market with a skilled youth workforce, while supporting the national efforts towards achieving the national development plan of enhancing the education system and youth productivity and competitiveness.

KFH's Partnerships

1. CODED Academy
2. Kuwait University Engineering and Petroleum College
3. Public Authority for Applied Education and Training
4. College of Business Administration – Kuwait University

Program/ Projects / impacts	Partner/s	Year
KFH Mubadereen Team – supporting a group of national entrepreneurs and initiators in various fields under KFH umbrella.	-	2019 2020 (since 2018)
Supporting children's learning the basics of coding and technology using the latest tools. Supporting teenagers in learning basics of coding and development of video games and apps Supporting advance coders and developers in enhancing their skills through a HACKATHON event	CODED Academy	2019
KFH organized an honoring ceremony to recognize 120 students of the distinguished secondary schools graduates for the academic years: 2017/2018, 2018/2019.		2019 (since 2017)
KFH sponsored the graduation projects for the students of Engineering and Petroleum College.	Engineering and Petroleum College	2019
Supporting students and the educational process through sponsorship of student extra-curricular activities and career fairs	Public Authority for Applied Education and Training	2019 2020 (since 2018)
Summer programs for the customers of both (Hesabi) for youth and (Baiti) for children. Summer programs comprised scientific and entertainment activities, lectures, workshops and field visits It fostered the events of the 11th International Invention Fair in the Middle East titled (Investors – Inventors Forum) and participated in the Job fair through Forsa Program. The program was designed to support, attract and train fresh graduates.	College of Business Administration – Kuwait University and the Center of Excellence in Management and the English Language School (ELS).	2019
Sponsorship of Madhala Expo	Madhala	2019
Sponsorship of NUKS USA conference and Sponsorship of CBA graduation ceremony		2019
KFH participated as a platinum sponsor in the activities of the 12th International Invention Fair of the Middle East.		2020
KFH sponsored and participated in Kuwait Tech International Expo 2020, the only and largest technology event in Kuwait		2020

CSR Pillar 3. Social Development and Inclusion

Addressing only one side of a social challenge is often results in short-term outcome, but not always in a sustainable long-term impact, for this end, KFH commitment to the community entails a wide spectrum of interconnected activities that requires parallel and collective efforts by the bank and its partners.

To put our objective in motion, KFH focuses and remains a major contributor to the social development of underprivileged segments and their inclusion by entering into partnerships with public authorities and NGOs to reach people in dire need and improve their wellbeing through multiple forms:

1. Zakat Contribution
2. Humanitarian Donations
3. Community Development

KFH's Partnerships

- Kuwait Zakat House
- Kuwait Red Crescent Society (KRCS)

1) Zakat Contribution

Total Zakat and donations contribution in 2019 10,300,262

- Support Zakat House and good deeds projects inside Kuwait

Total Zakat and donations contribution in 2020 6,786, 417

- Support Zakat House and good deeds projects inside Kuwait
- Support Kuwait Government COVID-19 fund

2) Humanitarian Donation

KFH and Kuwait Red Crescent Society (KRCS) have co-signed an agreement to support the KRCS' social and humanitarian projects and initiatives.

In 2019, KFH renewed its partnership with KRCS by signing an agreement to support King Hussein Cancer Center in Kingdom of Jordan. KFH provided financial aid with the amount of KD80,000 to cover medical treatment of cancer in children and adults.

In 2020, KFH renewed its partnership with KRCS by signing an agreement to support efforts against the spread of COVID-19. We sponsored the on-field duty stations which were used by front-liners from Ministry of Interior, Ministry of Health, Civil Defense and KRCS with the amount of KD25,000 to cover 30 locations.

3) Community Development

a) Main Projects

Program/ Projects / impacts	Beneficiaries Segments	KFH Funding in KWD
KFH contribution to The Institute of Banking Studies for Training programs for the banking sector	Banking sector staff	455,410
KFH contribution to Kuwait Foundation for the Advancement of Sciences	Community	2,449,643
KFH contribution to national labor support program	KFH Employees	6,468,918

b) Project: Inclusion of Special Needs

KFH has initiated multiple new practices to ensure the inclusion of people with special needs. KFH dedicated 6 branches fully equipped with ramps and accessible pathways to allow our customers with physical challenges to easily access the premises. As well as ATMs with voice-enabled features and Braille equipped keys to support the sight-impaired customers. Moreover, KFH has 15 customer-facing staff fully trained in sign language assigned to assist customers across the 6 branches.

c) Project: Support to COVID-19 disruptions

In support to our society and to the efforts of the State of Kuwait amidst the COVID-19 pandemic, KFH played a role in supporting and financing the companies affected by COVID19, by providing facilitated finance services to SME and other economic entities hardest-hit by the pandemic, thus aiming to cover the needs of these corporates and sectors and prevent the short-term liquidity crises from turning into a solvency crisis.

Moreover, KFH played a great role in dealing with pandemic repercussions as evidenced by the initiative of the CBK in collaboration with government and the banking sector to defer the installments for 6 months for all bank customers. This initiative had great impact on the families and contributed to maintaining their financial level unaffected. In addition, the bank made an additional contribution to the fund that has been placed at the disposal of the Council of Ministers

KFH was the largest contributor to the KD 10 million fund to support the government's efforts to combat Coronavirus impacts..

CSR Pillar 4. Heritage Preservation

One of our KFH's priorities is the adherence to and continuation of our Islamic heritage, including our rules, norms of behavior, customs, and traditions. For this reason, KFH is promoting our heritage preservation through specialized products and services, along with modern, technological solutions, and dedicated Ramadan activities.

Our CSR activities supporting our heritage are focused on specific activities as follows:

- KFH launched the high-quality version 4 of the Holy Quran Application available on App Store for I-Phone and I-Pad users with enhanced features. This is a gift from KFH to all users around the globe.
- KFH has implemented a variety of Ramadan activities such as "Increase Good Deeds in Ramadan", which includes Iftar the Fasting campaign, activities and various social contributions, awareness initiatives and daily communication with the public.
- KFH also offers "Al-Kheir" card. This prepaid card while offering special discounts and promotions at Kuwait's most renowned stores, is also a charity card. With every transaction, KFH donates 0.25% of the transaction value to the charity fund. Through this unique Islamic card and in coordination with the Ministry of Awqaf and Islamic Affairs, KFH was able to send underprivileged people for pilgrimage to Hajj and Umrah covering all expenses which include traveling ticket, visa, accommodation and transportation.
- As of December 2020, the available charity fund amounted to KD87,415 however due to COVID-19 related travel restrictions, this annual initiative was postponed until regulations go back to normal.

In 2019	In 2020
<ul style="list-style-type: none"> • Strategic partnership with Sadu House • Sponsorship of cultural books by Dr. Abdulmohsen AlKharafi • Strategic partnership with AlOjeri Calendar App • Ramadan Campaign • Sabah AlAhmad Cultural Village • KFH National Days Campaign • Dar AlAthar Al-Islamiyah 	<ul style="list-style-type: none"> • Sponsorship of cultural books by Dr. Abdulmohsen AlKharafi • Ramadan Campaign • Sabah AlAhmad Cultural Village • KFH Quran App • KFH National Days Campaign

CSR Pillar 5. Environmental Protection

In line with our Islamic principles of moderation, responsibility and strongly discouraging overindulgence, at KFH, we monitor and economize in our consumption and take due care in regard to our environmental impact as part of operations. As we are also in the process of integrating more green products as part of our services. In line with those practices, our care extends to the community through our CSR activities.

Our environmental efforts

In 2019, the Bank has provided sponsorship to the International Inventions Fair of Middle East in collaboration with Kuwait Science Club

In 2020, in our effort to support environmentally sound practices aligned with the national development plan, KFH provided social responsibility products that serve the requirements of the future, and by issuing green sukuk in financing projects that benefit the environment and society and attracting investment institutions interested in Islamic instruments. KFH also participated in the green sukuks issued by Indonesian Government.

8.4

Our Takaful

In 2020, KFH Takaful won World's Best Islamic Takaful Award by Global Finance Magazine. KFH Takaful showed strong momentum in the expanding Islamic insurance market. The creation of a new app and website boosted customer demand, in part by simplifying access to the bank's wide range of insurance products, including housing and travel plans. KFH Takaful's medical insurance line also recorded good growth in 2019, and the bank is active in reinsurance as well.

KFH Takaful has worked on developing internal control frameworks and ensured compatibility and compliance with the best governance standards.

Coping with advanced technology, the company has launched several digital insurance products to facilitate insurance policies issuance procedures for customers through KFH Takaful website and application. This development has contributed largely to the increase in productivity and facilitation of obtaining insurance services.

To enhance quality after sale service during the pandemic, KFH Takaful has provided online customer claims service through KFH Takaful app. In addition, online reservation service has been launched to enhance digitalization strategy and comply with the precautionary procedures, social distancing and official health instructions and procedures.

The company has 126 employees, out of which 19% are Kuwaitis while others are from different nationalities.

9.

Preserving our Environment



9.1 Overview and Introduction

Since the beginning of the seventies of the last century, interest in preserving the environment has become a priority for human activity, especially after the Stockholm Conference in 1972. At this time, the world unanimously agreed to stop or at least reduce the pollution that affected the environment.

In 1992, the Earth Summit on the environment was held in Brazil and resulted in the issuance of a set of international agreements on the protection of the environment, the climate and the preservation of ecosystems. The most important of these agreements were Combating climate change in what is known as the Framework Convention on Climate Change, as well as the Convention for the Protection of Biological Diversity and the Convention to Combat Desertification.

There is no doubt that the State of Kuwait, with its positive interactions with international systems, has increased interest in the environment in the country, as Kuwait signed and agreed to all international agreements related to the protection of the environment and established the Environment Public Authority in 1995 in addition to regulating environmental work within the state

Kuwait ecosystem

The State of Kuwait is characterized by a very dry desert environment, which makes it one of the most vulnerable countries in the world to severe climatic waves, especially after the aggravation of the climate change crisis. Kuwait overlooks the Arabian Gulf and includes many protectorate areas. Kuwait is also considered one of the countries on the Arabian Gulf most affected by climate change.

Summer in Kuwait is scorching hot and windy. The prevailing wind blows from the land; therefore the influence of the sea is minimal. From June to August, the temperature is normally around 45/46 °C (112/115 °F) during the day and around 29/30 °C (84/87 °F) at night. High-temperature records are around 52/53 °C (125/127 °F). Relative humidity is very low (it often falls below 10%), and in combination with the wind, it can cause dehydration, therefore, all public and private buildings and hotels are equipped with air conditioning, which entails that the environmental dimension in human activity was and should occupy an important priority in planning this activity. On the other hand, the extraction of fossil fuels represents the largest percentage of the GDP in the State of Kuwait, and therefore one of the State's goals is to try to reduce the negative environmental effects of these activities.

The environment is defined as everything that surrounds man, lives and coexists with him and achieves an ideal balance, while environmental pollution is defined as everything that enters the ecosystem from solid, liquid or gaseous substances, and causes damage to it, negatively affecting the natural life of humans, animals and plants, and can take patterns Multiple, such as chemical or radioactive pollution, or in the form of energy (such as noise, heat, or light)

the first national communication submitted to the United Nations is expected that the extent of inundation of the coastal area in Kuwait will reach 241 km², with about 65,000 people at risk when the sea level in the Persian Gulf rises to half a meter, which is the least likely scenario in this regard.

The report included calculating the worst possibility, which is a sea level rise of two metres, and the total submerged lands would be 542 km, which is equivalent to 3% of Kuwait's lands. An order that calls for taking the necessary precautions in the projects to be established on the coastal strip.

Environmental work methodology in Kuwait

The environmental work methodology in the State of Kuwait extends through three main dimensions, which are the Environmental Protection Law No. 99 of 2015, which developed the environmental work system within the country, as well as the international environmental agreements and treaties approved and accustomed by the state, in addition to the national umbrella embodied in Kuwait's Vision for Sustainable Development 2035.

The environmental work methodology in the State of Kuwait extends through three main dimensions, which are the Environmental Protection Law No. 99 of 2015, which developed the environmental work system within the country, as well as the international environmental agreements and treaties approved and accustomed by the state, in addition to the national umbrella embodied in Kuwait's Vision for Sustainable Development 2035. Proceeding from these dimensions, it was necessary for all institutions operating in the State of Kuwait to work on the transformation towards integrating the goal of preserving the environment, reducing pollution, reducing carbon emissions, and preserving natural reserves within the work systems within each institution.

The state Plan for Sustainable Development 2035

Kuwait Vision 2035 aims to transform the State of Kuwait into a regional and global financial and commercial center that attracts investment in which the private sector leads economic activity, achieves human development, encourages the spirit of competition and raises production efficiency under a supportive institutional body that works to consolidate national values, preserve social identity and human development and provides The appropriate infrastructure for an encouraging and developed business environment, based on the need to preserve and protect the environment against the dangers of pollution and face the effects of climate change, based on the vision of His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, may God protect him and sponsors, and in implementation of his lofty visions in this regard. The State of Kuwait has all the basic ingredients to move towards achieving this future vision and providing investment and development opportunities, such as a distinguished geographical location, a good legislative structure, an integrated judicial system, and a balanced international foreign policy.

9.2 KFH Environmental Work Methodology

(The environment in Islam)

The methodology of preserving the environment in the Kuwait Finance House, being a financial institution operating under the Islamic system, is based not only on the previous positivist methodologies, but also from the fact that the Islamic religion has commanded people to preserve the environment, as the noble verse stipulates Surat Al-A'raf "Do not corrupt the earth after its reform."¹

سورة الاعراف – الآية 85 " ولا تفسدوا في الارض بعد اصلاحها"¹

From this point of view, the Corporation has begun to develop frameworks for the work system, whether within the Corporation or for the projects that are funded by setting the goal of preserving the environment and reducing pollution within the system of projects that are funded. So, the environmental and social aspects are taken into account when conducting businesses and developing products & services.

Accordingly, financing projects according to the Islamic Principles do consider all risk-sharing aspects, including those related to environmental risks. Projects Finance are established based on projects' compliance to environmental standards, whether those defined by the Kuwaiti Environmental Law or comply with international agreements related to the preservation of the environment.

On the other hand, our institution, as one of the largest drivers of economic activity in Kuwait, we are always working to be a role model for our customers through internal environmental compliance policies with the aim of our internal activities being compatible with international and national standards in environmental commitment.

9.3 KFH Environmental Protection Systems

KFH strives to achieve multiple objectives: 1) providing the appropriate environment for employees, 2) achieve a degree of environmental commitment, in regard to energy and water consumption and dealing with solid waste.

a) Consumptions | G302-1 /G303-5

Consumptions	2018	2019	2020
Energy KW/H/year	49653653	19972592	19918987
Water M3	8149566	7782289	3939457

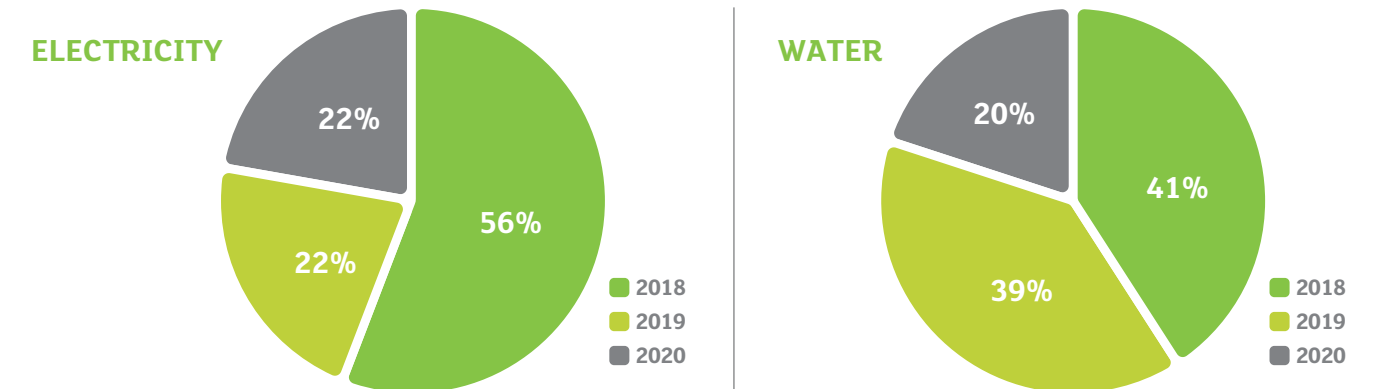
The previous table shows a decrease in the value of energy consumption during the reporting period from about 49 million kilowatt-hours to about 20 million kilowatt-hours, at a rate of about 60% within three years. This reduction is due to the efforts made in the following areas:

1. Rationing the consumption of electricity and water using self-powered technology.
2. Replacing head lights with LEDs in the H.O and branches.
3. Replacing Old A/Cs with new efficient and environmentally friendly machines that consumes less electricity.

On the other hand Water scarcity is one of the most critical challenges facing the State of Kuwait, as the state relies mainly on desalinating sea water as a main source of water, which means an increase in the cost of consumption of water | G303-1.

Therefore, to realize to address this problem, KFH always works to maintain the volume of water consumption at the lowest level possible, through the installation of modern faucets systems inside the establishment that reduce water consumption. It also has replaced old toilets in multiple buildings, using water-saving mixers that reduce consumption. These measures have contributed to a 51% decrease in water consumption in 2020 compared to 2018.

It is notable to mention that one of the reasons for the decrease in consumption in general is the result of the COVID-19 pandemic, which entailed taking precautionary measures and reducing working hours and the number of workers, which led to a decrease in consumption.



b) Solid waste management

Solid waste management in Kuwait is considered as another critical environmental problems due to the volume of waste generated and the limited land suitable as a landfill area. However, the Environment Public Authority is working to solve this problem by supporting the concerned sectors. At KFH, we are always working to reduce the volume of daily solid waste generate by supporting digitization systems to reduce paper and ink consumption. On the other hand, we annually contract a specialized company to manage the discharge of solid waste in a safe manner.

c) Carbon Emissions

Carbon emissions are intensifying the problem of climate change globally. In this context, KFH continues to exert its best to maintain energy consumption at minimum levels. The following figures records the position of carbon emissions in the Bank in tons

Indirect Emissions – owned G305-2	2018	2019	2020
Scope two ³	35189	14154	14116 ⁴

Emission Reduction G305-5	2019	2020
Tons/year	21035	21073
%	59%	58.8%

d) Environmental Compliance | G307-1

Among KFH's top priorities is the compliance with the provisions of the Environmental Law in dealing with various environmental issues, thus, it is recorded that during the reporting period, no fines related to environmental violations were applied.

Preserving The Environment though Financing

KFH is considered a leader in Islamic Banking. It is the first Islamic bank established in the State of Kuwait in 1977, and today it is one of the largest Islamic banks in the world. It is considered a model for financing mechanisms in accordance with Islamic Sharia, which was the first to call for preserving the environment. Islamic Principles stems its faith that God created man to live on earth and preserve it, and that humanity and its advancement are based on preserving resources and rationalizing their use and limiting the destruction of earth from pollution and collapse of ecosystems. Proceeding from these principles, and also in implementation of the directions of the State through the sustainable development plan, KFH was keen on adhering to sound environmental practices in its financed projects.

In addition, KFH has succeeded in providing its services to more than 2000 new electronic trading client, it also received a license as a "Market Maker" of the Capital Markets Authority in 2020. We believe that a multi-product model puts us in a good position in the future. Through multi-asset solutions and ETFs, we aim to commit to our responsibility in regard to green financing. However, we recognize the fact that we still can achieve much better results and there is much room to advance in our commitments as the leading Islamic Bank.

KFH emphasizes the importance of sustainability and preserving the environment through responsible investments. KFH provided socially responsible products through the use of green sukuk to finance projects that benefit the Islamic community. KFH also contributed to the green sukuk issued by the Indonesian government.

KFH aim to raise financing for sustainability projects, such as infrastructure development, clean energy production and other projects. The geographical outreach of our branches and the opening of 10 smart branches KFH Go, in addition to the advanced digital banking services, they all contribute to preserving the environment.

³ Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider. In other words, all GHG emissions released in the atmosphere, from the consumption of purchased electricity, steam, heat and cooling.

⁴ the calculation based on U.S Environmental Protection Agency(EPA) Methodology

⁵ Considering that 2018 is the base year, the percentage of carbon reductions in the year has been calculated

Key Projects with an environmental dimension financed by KFH

Company Name	year	Sector	Total funding	Description	environmental dimension
Kuwait Petroleum Co. ⁶	2020	Oil & Gas	KD 1 billion	environmental fuel project	Products will comply with Euro-4 specifications. Therefore, the impact on the environment will be greatly reduced and the content of nitrogen oxides, sulfur and other pollutants will be significantly reduced. For example, the sulfur content of gasoline will be reduced from 500 ppm to 10 ppm, and also in diesel it will be reduced from 5,000 ppm to 10 ppm
LIMAK	2018	civil Aviation	KD 124.6 million	financing 50% of LIMAK's KD 249.2 million facility for the construction of Kuwait International Airport's new passenger terminal.	Construction is underway in accordance with the standards of the International Aviation Authority, with a design that takes into account the environmental dimension and provides the highest levels of environmental commitment.
Kuwait Integrated Petroleum Industries Company	2018	Oil and Gas	KD 275 million	develop A permanent Liquefied Natural Gas	("LNG") regasification plant and associated facilities ("LNGI") which will facilitate the importation of LNG for consumption in the domestic power market and will also provide flexibility for LNG export. LNGI is intended to meet Kuwait's expanding demand for NG (the cleanest fuel) and is expected to have a send-out capacity of 3,000 BBTU/day.
Kuwait National Petroleum Company, Clean Fuel Project, ⁷	2018	Oil and Gas	KD 109 million	Financing Crude Oil Storage Facility, Crude Oil Pipeline, Refinery and Export Terminal,	The Refinery has a capacity to process 230,000 barrels per day (BPD) and is designed to process a range of blended crude oils and is configured as a full-conversion hydrocracker/coking facility. The Refinery will produce diesel and jet/kerosene, meeting international specifications (Euro V and Jet A-1 respectively) as its primary products; plus, naphthaand LPG with minimal production of solids (petroleum coke and sulphur) and no fuel oil production in normal operations and with the flexibility to maximize diesel or jet/kerosene production. The project is expected to complete in year 2024

⁶ This project is part of the Kuwaiti Intended National Determined Contributions plans (INDC) that were submitted to the United Nations in 2015. ⁶

⁷ This project is part of the Kuwaiti Intended National Determined Contributions plans (INDC) that were submitted to the United Nations in 2015. ⁷

KFH has also provided socially responsible products through the use of green sukuk to finance projects that benefit the Islamic community. KFH also contributed to the green sukuk issued by the Indonesian government.

Hence, KFH emphasizes the importance of sustainability and preserving the environment through responsible investments, through the institution's role in this context through "green sukuk" or "green sustainability sukuk" that aim to raise financing for sustainability, as it allocates its funds to friendly projects. The environment relates to infrastructure development, clean energy production and other projects related to sustainability.

The geographical spread of KFH and its possession of about 65 branches covering various parts of Kuwait and 10 smart branches KFH Go, in addition to the advanced digital banking services provided by the bank through the mobile application and digital platforms, contribute to enhancing financial inclusion, serving the economy and society, and preserving the environment.

9.4 Environmental Success Stories

Kuwait submitted Intended National Determined Contribution (INDC) to reduce greenhouse gases in November 2015 before the Paris Climate Change Conference, with the aim of describing the efforts that the country will undertake to contribute to limiting the exacerbation of the effects of climate change. It is clear from the projects that the Kuwait Finance House contributed to financing that about one billion Kuwaiti dinars were participated in the development of the Kuwaiti oil sector with the aim of complying with international standards for the production of fossil fuels, while observing the most compliant environmental conditions.

On the other hand, KFH was not satisfied with financing national projects only, but the impact extended to international projects in Islamic countries such as Turkey, Indonesia, and others in financing a group of projects that have positive environmental impacts.

9.4.1 Success story from the grassroots

After decades of retail banking facilities in traditional branches and auto showrooms, in 2008 KFH envisioned architecting a new model of retail premises that has many modernized and environmentally conscious attributes which demonstrates KFH responsible approach towards the environment through restoring or saving natural resources (Energy & Water). This initiative aimed to set the foundation to a continuous environmental practice in buildings and design at KFH, while leading the banking sector to a new platform of green movement and sustainable practices

In 2018, KFH opened the KFH Auto Showroom located at Shuwaikh Industrial Area. Built on 38,000 m², it is the largest Auto showroom in the MENA region, and offers the clients with a wide range of facilities (auto finance, car lease with maintenance, used car finance, marine equipment, and motorcycles finance). The building features many advantages in energy and water efficiency usage.

Some of the main Key features that lead to this efficiency are:

1. LED lighting: with lower emission in comparison with old generation of lighting.
2. Glass System: the glass ceiling in the building is world class of stretched ceiling (A+) which offers indoor air quality that supports lower use of power to cool the building. Motion and occupancy sensors: using the infrared detectors through both indoor and outdoor electricity devices, suitable for operating temperature up to +45 degree Celsius, and ambient temperature storage up to +60 degree Celsius. The usage of those sensors are aimed to electricity conscious usage.
3. Solar PV system and Skylight lighting: exploiting this clean energy electricity power source and usage of natural lighting has increased building efficiency in power saving.
4. A/C Chillers: the air cooling of KFH Auto building runs with a very low emission in power through using chillers that has the R134a Refrigerant, which does not have any ozone depletion potential.
5. Water System: the building has zero water leakage due to the installed infrared taps.
6. Flooring: the floors are made from a fully recyclable materials to support green environment.
7. Parking: there are over 528 car parks for both clients and employees. Many are installed with electric chargers for electric cars.

8. Porcelain Stones and Tiling: The porcelain stoneware slabs used at the building are classifiable as group Bla, frost-proof slabs that are resist to chemical attacks, deep abrasion, thermal shock, among others technical features. The slabs are dry formed of high-quality bodies made up of natural raw materials. The materials are in compliance with the requirements of the European standards EN 14411 and the ISO 13006, with low environmental impacts, and aimed to reduce waste of non-renewable resources by using natural raw materials.



9.5 Our Future Vision for Supporting the Environment

Our vision in supporting environmental projects is derived from the state's vision 2035, which is based on the need to work to restore Kuwait's position in the international community, especially after the set of challenges facing the world now, such as the Corona virus and what the world is facing from the disasters of climate change.

Hence, the vision and strategy of the Kuwait Finance House in the next stage stems from working to support the concepts of sustainability in the projects that it participates in financing and building the ESG system through a set of steps and procedures, of course, for example:

1. Capacity building for KFH employees regarding the shift towards taking into account the sustainability strategy in the financing granted to clients, especially in accordance with the concepts of Islamic Sharia, which is keen to preserve the environment.
2. Working to provide financial and technical incentives for projects that take into account the environmental dimension in their implementation, especially with regard to dealing with the negative effects of climate change, whether at the level of risks through adaptation projects or emissions reduction to mitigate emissions.
3. Emphasizing the necessity of communicating with clients regarding the integration of the environmental dimension into their projects and granting in-kind incentives to the projects most committed to the state plan, the Kuwaiti environmental law, and the protection of nature.
4. Increasing the percentage of investment in green bonds from the total financing portfolio, especially regarding projects related to reducing carbon emissions and reducing the risks of climate change and preserving the protectorate Area.

10.

Leadership and Governance



10.1 KFH's Governance Principles and Framework

As the first Islamic bank in the State of Kuwait, KFH serves its major role in promoting sound Shari'a-compliant governance practices to the Islamic banking industry. The Bank follows a framework of long-established Principles of Good Corporate Governance through the set of systems, rules, practices, and processes that ensure the Bank's successful continuity and growth as articulated in its Corporate Governance Manual.

The Board Governance Committee is responsible for maintaining this manual and monitoring compliance by all relevant parties inside KFH. To ensure efficient practices, the manual undertakes an annual review. Our latest review was conducted by the Corporate Governance Unit in January 2021 before the release of this report. Furthermore, adhering to the highest level of transparency, the manual is posted on KFH's website in both main languages: Arabic and English.

The Corporate Governance Unit in KFH has an established system to determine and measure the compliance with this Manual. Violations is reported to the Board Governance Committee, which in its turn raises the same to the Board of Directors.

The manual sets the guidelines on the relationship among KFH, shareholders, and other stakeholders. It also describes the distribution of roles, responsibilities, and procedures for proper supervision, control, information, and reconciliation of conflicts among stakeholders. The manual also provides defined framework of KFH's governance rules, practices and codes.

KFH is guided by fundamental principles of:

Transparency: Dissemination of information and data availability to ensure a transparent working environment

Accountability: Justification of actions and/or decisions to sustain a responsible approach towards stakeholders

Justice: Fairness and Equality in our decision making and business practices

Integrity: Ethical and honest business conduct

KFH's Governance framework is formulated to secure consistency with the Central Bank of Kuwait (CBK) directions, and which was recently updated in September 2019. The Framework includes the following key components:

1st Pillar: Board of Directors Structure and Role

2nd Pillar: Behavioral Values, Conflict of Interest and Group Structure

3rd Pillar: Top Executive Management

4th Pillar: Risk Management, Internal Controls, and Cyber Security

5th Pillar: Remuneration Policies and Procedures

6th Pillar: Disclosure and Transparency

7th Pillar: Banks with Complex Structures

8th Pillar: Protection of Shareholders' Rights

9th Pillar: Protection of Stakeholders' Rights

Our Framework represent the foundation of our strategic direction to embed EESG as part of our business practices, with an objective to govern our material issues according to global standards and national needs.

10.2 Sustainability and Shari'a Governance Alignment

"KFH's Shari'a compliant governance enables us to advance our business according to Islamic Principles in achieving financial growth, developing banking services, addressing risks and opportunities, & conducting stakeholders' relations". We consider this statement as one of the bank's EESG Strategic Direction within our Sustainability Strategy.

To embed this strategic direction into the bank's activities, our Sustainability Strategy identifies the bank's key governance objectives and elements across the global six capitals, while intersecting with KFH's Corporate Governance Pillars, as follows:

	Business Capitals	KFH's Sustainability Governance Objectives	Relevant Corporate Governance Pillars
1	Financial Capital	1. Crisis Response Management 2. Risk management 3. Compliance and Audit 4. Whistleblowing	4th Pillar: Risk Management, Internal Controls, and Cyber Security 5th Pillar: Remuneration Policies and Procedures 7th Pillar: Banks with Complex Structures 8th Pillar: Protection of Shareholders' Rights
2	Social and Relationship Capital (Customers, Communities, Suppliers, Peers)	5. Engaged Leadership 6. Conflict of Interest 7. Transparency and Reporting	1st Pillar: Board of Directors Structure and Role 2nd Pillar: Behavioral Values, Conflict of Interest and Group Structure 3rd Pillar: Top Executive Management 6th Pillar: Disclosure and Transparency
3	Human Capital	8. Ethical conduct and culture 9. Right to Grievance 10. Advise on Ethical Behavior 11. Critical Concerns	2nd Pillar: Behavioral Values, Conflict of Interest and Group Structure
4	Natural Capital	12. Environmental Initiatives 13. Climate Advocacy 14. Support National Priorities	8th Pillar: Protection of Shareholders' Rights 9th Pillar: Protection of Stakeholders' Rights
5	Intellectual Capital	15. Digitalization (Process Innovation and efficiency, AI, Data Analytics) 16. Data Security	4th Pillar: Risk Management, Internal Controls, and Cyber Security
6	Manufactured Capital	17. Human Rights and Security	9th Pillar: Protection of Stakeholders' Rights

By monitoring our practices across the nine corporate governance pillars, the bank is able to ensure the implementation of our Sustainability Strategy and its 17 governance objectives.

10.3

Code of Conduct and Conflict of Interest

Code of Conduct

Our Code of Business Conduct and Ethics Policy reflects, and correspondingly provides, the norms of behavior and operational requirements for the top management and all employees on how to conduct themselves in a manner that abides by KFH's corporate values, and applicable laws and regulations in Kuwait, while it enhances the Bank's high-ranking image and lasting reputation as one of the foremost Islamic financial institutions in the world. [\(Read on: Empowering Our Employees\)](#).

This Policy is applicable for all our offices, staff, and operations and is the responsibility of all Bank's representatives involved in business activities on behalf of KFH, including its directors, Shari'a supervisory board, Shari'a audit, compliance officers, bank executives, employees and temporary workers (wherever applicable). This Code of Business Conduct and Ethics Policy (the "Code") affirms the following:

- Promote honest and ethical conduct, due skill, care, and diligence that reflects positively on KFH
- Maintain a corporate climate in which the integrity and dignity of each individual is valued
- Assure compliance with laws, rules, and regulations that govern KFH's business activities
- Assure the intellectual property, proper use of KFH's assets, avoidance of conflicts of interests
- Protect whistleblowers, promote grievance mechanisms, and manage IT security
- Safeguard all KFH's members with procedures for Health and Safety, sexual harassment
- Ensure credible management of KFH's financial affairs, fair dealing, and open communication
- Provide procedures for related parties transactions, acceptance of gifts, insider trading, members' dealing with other corporate opportunities, or serving in other organizations

The Code sets out standards on how every director, officer, and employee should behave with all KFH's stakeholders and the general public. Every member must avoid any conflicts of interests, and display good faith, prudent judgment, confidentiality, respect, transparency, and openness in their activities on behalf of KFH. This is achieved by being honest and impartial, and adhering to the Islamic Shari'a principles, implementing its principles and observing its requirements when conducting business. The ultimate objective of this Code is to ensure that KFH is perceived as an organization committed to high standards of integrity in all its dealings.

Any breaches or misconduct are reported promptly to KFH's Chief Executive Officer or his designee, without regard to the usual lines of reporting. Every reasonable effort will be made to ensure that all questions and information will be handled discretely.

In addition, our Whistleblowing Policy also ensures that no one will be at risk of retribution or any form of 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.

Conflicts of Interest | G102-25

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 abide to the bank's interest across all their dealings and at all times.

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

A conflict of interests 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 his/her direct manager and take necessary steps to correct such conflict.

Conflicts of Interest – Board of Directors

The Board serves under a dedicated Conflict of Interest policy, which include all conflict-related matters and possibilities including, but not limited to:

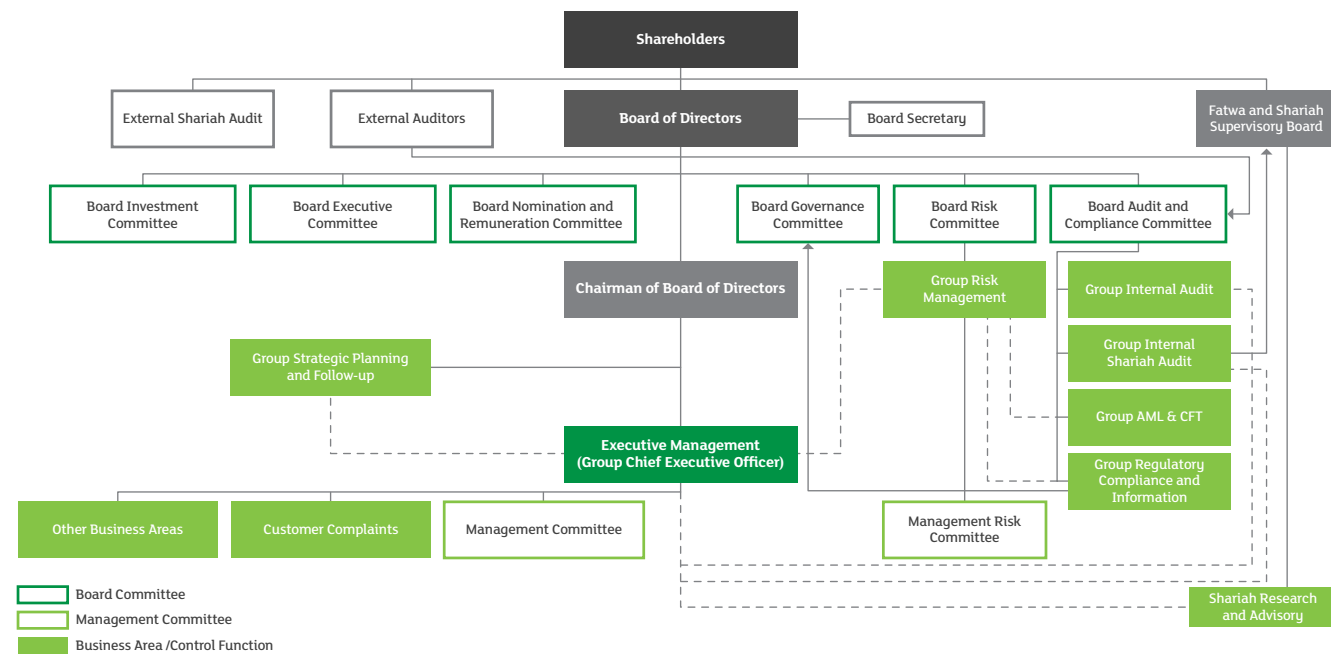
- The Board members shall avoid practicing activities that are likely to create a conflict of interests.
- Establish policies and procedures to prevent the conflict of interests for the board members, the top executive management, and the employees.
- Obtain the board approval on any activity carried out by a board member and 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.

10.4 Governance Structure, Performance and Remuneration | G102-18 / G102-22

KFH has an established strong corporate governance structure that ensures effective governance and control through conduct that is:

- In accordance with updated globally applicable standards
- Applying the latest instruction of the Central Bank of Kuwait (CBK), for which an update has been issued on 10th September 2019
- Alling with the new standards and structure of the Kuwaiti banking sector in light of Kuwaiti economy integration with global economy.
- Addressing core rights and interests of employees, shareholders, customers, and other stakeholders.
- Supported and guided by the Sharia governance standards for Kuwaiti Islamic banks issued in 2016 by the CBK and KFH Kuwait.

KFH Governance structure includes the Board of Directors, executive management, general managers, and employees. Furthermore, KFH has developed a Shari'a supervisory organization synced with CBK's instructions aiming to verify compliance with the Islamic foundations of KFH.



Shari'a Supervisory Organization in KFH is based on four main pillars:

1. Fatwa and Shari'a Supervisory Board (FSSB)
2. Group Internal Shari'a Audit
3. Shari'a Research and Advisory
4. External Shari'a Audit

The general assembly of KFH has appointed the honorable members of the Fatwa & Sharia Supervisory Board for the year 2020. The committee consists of (5) members. The committee issues Sharia opinions and decisions and ensures KFH compliance with Sharia regulations. The committee held (30) meetings during the year 2020.

Chairman: Sheikh/ Professor Dr. Sayyed Mohammad Al-Sayyed Abdul Razzaq Al-Tabtaba'e

Member: Sheikh/ Professor Dr. Mubarak Jazza Al-Harbi

Member: Sheikh/ Dr. Anwar Shuaib Al-Abdulsalam

Member: Sheikh/ Dr. Khaled Shujaa' Al-Otaibi

Member: Sheikh/ Dr. Esam Abdulrahim Al-Ghareeb

(Read on: Shari'a Governance and Shari'a Risks Assessment)

10.4.1

The Board of Directors | G102-24

KFH Board has the overall responsibility for the existence of adequate governance standards across the group, ensuring that there are governance policies and mechanisms appropriate to the structure, business and risks of the group and its entities, evaluating such policies on a regular basis to keep pace with the growth, increased complexity and geographic expansion and finding the appropriate ways to ensure that every affiliate complies with all applicable governance requirements.

KFH Kuwait is led by an active Board of Directors (“the Board”) which provides the Bank with the necessary leadership, strategic oversight and experience. The Board, while acting on behalf of KFH, acts with due skill, care and diligence. The Board takes the lead in establishing the “tone at the top” and in setting professional standards and corporate values that promote integrity for itself, senior management and other employees.

Pursuant to KFH Articles of Association, the Board of Directors shall comprise 12 members including not less than 4 fully independent members and not more than half the number of the board members. As an exception, the number of the independent members may not be less than 2 members effective 30/6/2020 and not less than 4 members effective 30/6/2022, elected by the General Assembly through a secret ballot. Nominations were opened for membership in the Board on 15th Sep. 2020. The General Assembly elected the board members. Accordingly, a new Board was formed in the 15th session 2020/2022. The Board office term is three years renewable, and a member may be re-elected for another term. The current Board of Directors consists of Chairman, Vice Chairman and 10 board members, including 2 independent members, who duly represent the quorum required for forming the Board Committees in accordance with sound governance principles set by the Central Bank of Kuwait.

The board convenes at least 6 times a year with at least 1 meeting in each quarter.

The Board convened 14 times in 2019 and 22 times in 2020

KUWAIT FINANCE HOUSE K.S.C.P Board of Directors

Chairman: Mr. Hamad Abdul Mohsen Al-Marzouq - since March 2014

Vice-Chairman: Mr. Abdul Aziz Yacoub Al-Nafisi - since March 2014

Board Members

Mr. Ahmed Meshari Al-Faris – Independent Board Member - since 2020

Mr. Fahad Ali Al-Ghanim – non-executive Board Member – since 2014

Mr. Hamad Abdullateef Al-Barjas –non-executive Board Member - since 2020

Ms. Hanan Yousif Ali Yousif –non-executive Board Member – since 2019

Mr. Khaled Salem Al-Nisf – non- executive Board Member - since 2014

Mr. Mohammed Nasser Al-Fouzan –non-executive Board Member – since 2020

Mr. Motlaq Mubarak Al-Sanei –non-executive Board Member – since March 2017

Mr. Muad Saud Al-Osaimi –non-executive Board Member – since 2014

Mr. Noorur Rahman Abid - - Independent Board Member – since 2014

Mr. Salah Abdulaziz Al-Muraikhi – non-executive Board Member – since 2018

10.4.2

Board’s Role & Responsibilities | G102-26

The overall responsibilities of the Board of Directors (BoD) are the following:

- Establish and apply KFH’s strategic objectives, risk strategy, and corporate standards,
- Safeguard the returns and interests of shareholders, depositors, creditors, employees, and other stakeholders
- Ensure compliance with the Islamic Shari’a rules, as well as with the CBK requirements, national laws and regulations
- Ensure that the governance structure and practices are effective for the Bank
- Stabilize the principle of independence for the board of directors to perform its role towards the bank and the shareholders.
- Supervise the executive management to ensure the effectiveness of their roles in line with KFH objectives and targets as well as the proper application of BoD’s approved policies
- Review internal policies to ensure that they include all amendments or changes occurring to the laws, the instructions, the economic circumstances
- Oversee KFH’s operations, and the soundness of transactions with related parties, and financial performance
- Review and assess, once annually at least, the performance of board members and committees and that of all directors appointed by the board.

KFH’s Board members, including independent members, must have qualified and experienced members in order to serve the interests of KFH, its shareholders and stakeholders. The Board Nomination and Remuneration Committee (NRC) assists the Board in the selection/ appointment of the Board Directors and its Committees by setting the basic criteria for such memberships. This is with an aim to create a Board that is capable of challenge and motivation to achieve KFH’s strategic objectives and outstanding performance in all aspects.

10.4.3

Qualification and Evaluation of Board | G102-27 / G102-28

Qualifications of Board Members

KFH board members, including independent members, collectively holds qualification and expertise in these areas of responsibilities to enable them to best serve the interests of KFH, its shareholders and stakeholders.

The Board Nomination and Remuneration Committee (NRC) assists the Board in the selection / appointment of Board Directors and Committees by setting the basic criteria for such memberships. This is with an aim to create a Board that is capable of challenge and motivation to achieve KFH' strategic objectives and do outstanding performance in all aspects.

In light of KFH advancement to embed ESG in the Bank's culture across its entire ecosystem, it is our plan to introduce a structured induction and training plan for the Board Members starting 2022.

Heightened Experience through Training and Development

Furthermore, to stay abreast of change, board members always are in continuous development through inductions and training that provides clearer understanding for sound for objective opinion on the affairs of KFH.

Regular trainings and participation in conferences and seminars take place on yearly basis to heighten skills and experience in finance and banking business in line with the future visions of the risks facing KFH and the surrounding environment.

Performance Review

The Board is required to review and assess, once annually at least, the performance of board members and committees and that of all directors appointed by the board.

10.4.4

Chair of the highest governance body | G102-23

KFH's Governance regulations clearly segregates the position of the Chairman from that of the Chief Executive Officer and also ensures that they should not be a first-degree relationship that may affect the independence of the decision-making process and thus, abide by the Bank's organizational foundations and principles of good governance practices.

The Board appoints a Chief Executive Officer (CEO) with integrity, technical competence and banking experience for KFH. Approval of the Board must be obtained prior to the appointment of all executive management reporting to the CEO or the Chairman of the Board of Directors. The Board supervises KFH executive management in order to ensure that they carry out their assigned roles in line with KFH objectives and targets and that BoD approved policies are applied.

As part of supervising the executive management of the business, all banking transactions that require board approval (including, for instance, the authority of the board to grant credits exceeding a certain amount or its authorities regarding the dealings with related parties or any other banking transactions falling within the competences of the board) must be defined in writing.

The Chairman plays an important role to ensure the proper functioning of the Board and maintain a relationship of trust with the Board members. The Chairman also ensures that Board decisions are taken on a sound and well-informed basis through proper discussion and dialogue. He enhances discussions and seeks to exchange points of view within the Board so that adequate information reaches all the Board members and shareholders on a timely basis. His role is crucial in maintaining a constructive relationship between the Board and the senior management of KFH and ensures that KFH has sound corporate governance standards in place. He is also responsible for creating a culture, during board meetings, that encourages constructive criticism on issues, regarding which there are different points of view among the members, along with encouraging the discussion and voting process on such issues. In addition, he ensures that adequate information reaches all board members and shareholders on a timely basis and also that there are high governance standards are in place with the bank.

10.4.5

The Chief Executive Officer

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

Mr. Abdulwahab Issa Al-Rushood

Acting Group Chief Executive Officer

Mr. Al-Rushood received his Bachelor's Degree in Mathematics and Computer Science from Western Oregon State College in the U.S in 1987. Mr. Al-Rushood successfully completed a specialized training course on Strategic Leadership at Harvard Business School.

Mr. Al-Rushood is currently the Acting Group CEO and Group Chief Treasury Officer at Kuwait Finance House since 2015. In addition, Mr. Al-Rushood is the Chairman of KFH Capital Investment Company, Board Member at Kuwait Finance House - Bahrain and a Board Member of Aviation Lease & Finance Company (ALAFCO). Mr. Al-Rushood represents Kuwait Finance House at the General Council for Islamic Banks and Financial Institutions (CIBAFI) in Bahrain and serves as a member of the Advisory Board.

Mr. Al-Rushood possesses a vast banking experience, spanning more than 31 years. During his professional career, he held numerous prominent leadership roles at Kuwait Finance House including General Manager - Kuwait Treasury from 2013 until 2015. In addition, he was promoted to various leadership positions within the Treasury Department from 2002 until 2013.

Mr. Al-Rushood served as Board Member for numerous leading companies including Kuwait Finance House - Malaysia from 2007 until 2013, Liquidity Management House (KFH Investment Company) from 2008 until 2013, Development Enterprises Holding Company (DEH) from 2014 until 2016 and Liquidity Management Centre - Bahrain (LMC) from 2006 until 2016

Duties

- Over implementation of strategies, and business plans, adherence to policies, laws and the regulating instructions.
- Management and evaluation of KFH's overall performance. in accordance with the strategies, plans and policies approved by the Board.
- Refer transactions exceeding his line of authority to the Board
- Ensure that all actions adhere to KFH's policies as well as the laws and the regulating instructions.
- Conduct and perform all key duties delegated to him by the Board

Performance Review

The Board conduct annual performance evaluation of the CEO, as well an annual review of governance practices to verify its effectiveness and enter the required improvements in its regard.

Remuneration

The performance of the CEO is reviewed by the Board on an annual basis. Nominations and Remuneration Committee provides recommendation to the Board after the annual review of performance.

10.4.6

Succession Plans

Since 2014, the bank has developed a succession plan for all executive positions in KFH. Our HR function is responsible of the development, update, and the effective implementation of the plan.

The plan is updated twice a year and submitted to the Succession Planning Committee for review and approval.

The succession plan covers all executive positions in the bank and includes other positions such as senior manager position where the position is considered critical and affects the bank's profit and loss and or reputation.

In 2019 and 2020, we had overall 6 positions that were filled following the succession plan, of which the position of Senior Manager Strategic HR Business Partners and Group General Manager Retail Banking as well as Executive Manager Debt Restructuring, among others.

10.4.7

Delegation of Authority | G102-19

KFH strongly believes in the efficiency of delegation that enables the bank to capitalize on the collective expertise of each of the top management in his/her own areas of strength. Our governance rules clearly state the Board delegation of daily operations of KFH-to-KFH top management headed by the CEO.

Delegation is applied through a written authorization of financial and administrative authorities. All banking transactions, which cannot be delegated to KFH top management or the CEO and which require BoD approval, have been defined.

10.4.8

Shari'a Governance

The role of Shari'a is core to KFH as a leader of Islamic Banks. It is reflected in our product development, unique competitive advantages, stakeholders and clients established trust, and our EESG Strategy. [\(Read on: our Clients, our sustainability strategy\)](#)

Distinguished from conventional banks, Islamic banks are characterized by its commitment to Islamic Shari'a rules and principles in all business and activities it practices. To ensure the full compliance with Islamic Shari'a rules, banking regulations and laws in the state of Kuwait make it necessary for Islamic banks to form Fatwa and Shari'a supervisory boards with an aim to assume the responsibility for ensuring that all works of such banks are Shari'a compliant, give legal opinions on the activities, products and services provided by Islamic banks and provide solutions and alternatives for products and activities under Shari'a observations.

Central Bank of Kuwait (CBK) has issued in December 2016 Shari'a Governance instructions in Kuwaiti Islamic Banks. Such instructions came due to the development of Islamic banking business and Islamic economy industry, which required the development of CBK instructions in order to tighten Shari'a Supervisory controls and the governance thereof.

KFH has developed a Shari'a supervisory organization in synchronization with the promulgation of such instructions and applied the same in conformity with the work nature in KFH.

Shari'a Governance in KFH is based on (4) main pillars:

- Fatwa and Shari'a Supervisory Board
- Group Internal Shari'a Audit
- Shari'a Research and Advisory
- External Shari'a Audit

All the Bank's activities and transactions must be presented to FSSB to receive its approval to proceed further.

Fatwa and Shari'a Supervisory Board

The Fatwa and Shari'a Supervisory Board (FSSB) occupies a distinct position in the organizational chart of Kuwait Finance House where its members are appointed from KFH General Assembly. Further, FSSB consists of five distinguished members who are qualified and possessed experience as per CBK Shari'a Governance Framework.

FASSB duties in KFH are summarized as follows:

- Ensure that the dealings and the contracts of the Bank are Shari'a compliant through reviewing the periodic and final reports presented by the Group Internal Shari'a Audit, the Shari'a Research & Advisory Department and external Shari'a auditor.
- Review the observations of the Group Internal Shari'a Audit periodically so that it can identify the issues that need its attention and suggest the remedies when required.
- Ensure that Zakat is calculated according to the Shari'a rules and principles when so required according to the Articles of Associations of the Bank.
- Deliberate newly developed activities of the Bank including all issues and all transactions for which no fatwas have been issued.
- Prepare an annual Shari'a report on the activities of the Bank and present it to the General Assembly in order to show the result of the Bank's commitment to Shari'a rules in its transactions implemented in light of the auditing activities conducted by the Internal Shari'a Audit.

FASSB convenes twelve meetings at least on an annual basis. The person nominated for board membership must have the required scientific qualifications or an experience or experiment in the field of Contemporary Islamic Financial Transactions Jurisprudence.

Role of Group Internal Shari'a Audit

Internal Shari'a Audit is characterized by an organizational position that provides it with the highest degrees of independence and objectivity in its functions. It reports technically to the Shari'a Supervisory Board and administratively to the Chairman through Audit and Compliance Committee to enable it to perform its activities with no restrictions. Further, the Chief Internal Shari'a Auditor is appointed by the Chairman of the Board of Directors.

Internal Shari'a Audit plays an essential role in ensuring the extent of all KFH sectors and departments' commitment to Islamic Shari'a rules through auditing the contracts, products, services and the activities performed by KFH and that they are in conformity with the Fatwas and the decisions issued by the Shari'a Board whereas the Chief Internal Shari'a Auditor raises periodic reports to both of the Fatwa and Shari'a Supervisory Board and the Audit and Compliance Committee concerning the bank's compliance in the decisions of Fatwa and Shari'a Supervisory Board.

Duties of Shari'a Research and Advisory

- Prepare research, study the products and the services proposed by the Bank.
- Provide the technical support and consultations to the executive management and other different departments of the Bank.
- Assist the Fatwa and Shari'a Supervisory Board perform its duties, and acts as FSSB Secretariat to FSSB.
- Prepare Shari'a reports about proposed new products, services, and activities by the Bank and present the same to Fatwa and Shari'a Supervisory Board in KFH to get the final approval.
- Study products, services, and activities under Shari'a observations, provides appropriate alternatives to them before presenting to the Fatwa and Shari'a Supervisory Board for Shari'a approval.
- Supervise the implementation of Shari'a training programs and courses as well as Shari'a awareness programs amongst employees in KFH.

In 2019 and 2020, the following training programs and courses for the following topics:

Dedicated Sharia' Training	2019	2020
Total number of sessions	26	19
Total training hours	156	72
Total number of trainees	257	596

10.4.10

Committees of the Board

The Board has established its Board committees to enhance its effective supervision of significant operations and promote transparency with the appointment of an adequate number of non-executive board members and independent members in the respective committees. Each committee has an internal charter that sets out its duties, scope of work, the expected targets and achievements as well as all matters about the preparation of reports and its presentation to the Board of Directors. This charter is reviewed on an annual basis. In addition, the committees prepare and submit to the Board periodic reports to communicate progress. The Chairman may not be a member of Audit and Compliance (ACC), Risk (RC), or Nomination and Remuneration (NRC) committees.

In addition, committees present periodic reports to the Board in light of the nature of the duties of each committee, taking into consideration that the existence of such committees shall not release the Board from assuming the direct responsibility for all matters pertaining to the bank

KFH's Board Committees are the following:

1. Nomination and Remuneration Committee
2. Risk Committee
3. Audit and Compliance Committee
4. Executive Committee
5. Governance Committee
6. Investment Committee

All KFH's Board committees are appointed for the same duration/tenure of the Board for 3 years years-cycle.

KFH's Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) is appointed by the Board every tenure (3 years). The Committee must include three non-executive members at least the committee shall be headed by one of the independent members.

Our committee currently comprises four members: two financial experts and two industry experts, headed by one of the independent members, as listed below:

Name	Position	Status on the Board
Noorur Rahman Abid	Committee Chairman	Independent Board Member
Abdul Aziz Yacoub Al-Nafisi	Committee Member	Non-Executive Board Member
Hamad Abdullateef Al-Barjas	Committee Member	Non-Executive Board Member
Motlaq Mubarak Al-Sanei	Committee Member	Non-Executive Board Member

The Committee met 6 times in 2019 and eight times in 2020. The committee issued (5) minutes by passing in 2020 to perform its functions and duties.

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

Committees' Nominations

- Responsible for assisting the Board in nominating members of each Committee based on membership criteria in each committee and to ensure that there is a sufficient number of non-executive directors in each committee to ensure the independence of their decisions.

Director Memberships

- Give recommendations to the Board regarding the nomination for Board membership in accordance with approved policies and standards as well as CBK instructions regarding nomination rules and policy for board membership. This includes verification of the requirements essential for ensuring the independence of the independent member.
- Provide recommendations to the Board of Directors for the nomination, re-nomination, or cancellation of Shari'a Supervisory Board membership, while ensuring the transparency of appointment and reappointment of Shari'a Supervisory Board and evaluating its effectiveness.

Setting Membership Criteria

- Conducting an annual review of the required appropriate skills for Board membership, preparing a description of the capabilities and qualifications required for membership, conducting an annual review of the Board's structure, and raising recommendations about the changes that can be conducted in line with KFH interest.

Annual Board Assessment

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

Critical Issues and Board Knowledge

- Provide information and summaries about certain critical issues to KFH and submit reports and information to Board members, in addition to 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.

Remuneration | G102-35 / G102-36 / G102-37

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

- The Board oversees the design, control, activation and review of the remuneration system of KFH to ensure its process effectiveness.
- Nominations and Remuneration Committee are responsible of establishing the guidelines to the Board in respect of all remuneration related matters.
- Payroll Management Policy is a part of HR Policies in KFH and serves as the remuneration policy and includes all requirements as mentioned in CBK Corporate Governance Instructions.
- The policy includes all aspects and components of financial remuneration taking into consideration the enhanced risk management in KFH; whereas the policy has been designed to attract qualified and experienced professionals.

KFH's remuneration system has main compensatory components as follows:

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

Top Management Remuneration Guidelines

- All elements are set at an appropriate level taking into consideration market practices, wage indicators and similar skills.
- Remuneration are used to encourage and motivate the effective performance on an ongoing basis.
- Remuneration are linked to key business goals as defined by the Board and should also be linked to KFH's performance and risk duration.
- Remuneration are granted to achieve the interests of shareholders with the top management.

Risk Committee

The Risk Committee is appointed by the Board every tenure (3 years). The Committee must include three non-executive members at least, the committee shall be headed by one of the independent members.

Our committee currently comprises five members, and headed by one of the independent members, as listed below:

Name	Position	Status on the Board
Ahmed Meshari Al-Faris	Committee Chairman	Independent Board Member
Hanan Yousif Ali Yousif	Committee Member	Non-Executive Board Member
Khaled Salem Al-Nisf	Committee Member	Non-Executive Board Member
Motlaq Mubarak Al-Sanei	Committee Member	Non-Executive Board Member
Muad Saud Al-Osaimi	Committee Member	Non-Executive Board Member

the committee held (6) meetings in 2019, and (5) meetings in 2020, and issued (3) minutes of decision by circulation, to perform its duties and functions.

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

- Provide advice to the board on KFH strategy and current and future risk appetite and supervise the executive management's implementation of such strategy.
- Ensure proper preparation of risk management framework across KFH including risk strategies, risk appetite, policies, procedures, tools, and methodologies.
- Review risk policies and strategies in KFH to have the same approved by the board. Executive management shall be responsible for the implementation of these strategies in addition to the development of policies and procedures to manage various types of risks.

The Executive committee may propose 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 Board of Directors may use external consultancy entities experienced in risk management to support the efforts of the Risk Committee in the bank and enhance the efficiency of the role assigned to this committee.

Audit and Compliance Committee

The Audit and Compliance Committee (ACC) is appointed by the Board every tenure (3 years). The Committee must include three non-executive members at least the committee shall be headed by one of the independent members. Further, two members at least of Audit and Compliance Committee must have scientific qualifications or work experience in financial fields.

Our committee currently comprises five members, and headed by one of the independent members, as listed below:

Name	Position	Status on the Board
Noorur Rahman Abid	Committee Chairman	Independent Board Member
Fahad Ali Al-Ghanim	Committee Member	Non-Executive Board Member
Salah Abdulaziz Al-Murakhi	Committee Member	Non-Executive Board Member
Mohammed Nasser Al-Fouzan	Committee Member	Non-Executive Board Member
Hamad Abdullateef Al-Barjas	Committee Member	Non-Executive Board Member

The committee meets once every three months at least, whenever required or based on a request from the head of the committee or other members. The Committee met 5 times in 2019 and 5 times in 2020. The committee issued (4) resolutions by circulation in 2020 to carry out its duties and functions.

The ACC is responsible for helping the Board of Directors 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, the duties of financial reporting management with internal and external auditors of the bank and regulatory authorities with an aim to ensure compliance with regulatory requirements and in line with the best practices in the market.

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

- Review scope, results and extent of adequacy of KFH internal and external audit.
- Review accounting issues having a material impact on financial statements.
- Review KFH internal controls and ensure sufficiency of human resources allocated for control positions.
- Review KFH financial statements before presenting the same to the board and ensure the adequacy of allocated provisions.
- Ensure KFH compliance with the related laws, policies, rules, and regulations.
- Assess 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 Shari'a Supervisory Board).

Annual Performance appraisal

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

Remuneration

To ensure indecency and integrity of the Audit process and results, the ACC is responsible of fixing the remunerations of:

- Group Chief Internal Auditor.
- Head of Compliance and Regulatory Information.
- Head of AML and CFT Compliance.
- Head of Group Internal Shari'a Audit.

External Audit

- Audit and Compliance Committee shall meet with the external auditor, the internal auditor and the compliance executives once a year at least and without the presence of the executive management.
- ACC also provides recommendations to the Board on appointing, terminating and fixing the remunerations of the external auditor as well as any other relevant contractual conditions in addition to the assessment of external auditor's objectivity.
- Audit and Compliance Committee responsibility does not waive that of the Board and the Executive Management in regard to monitoring the adequacy of internal control systems in KFH.

Executive Committee

The Committee is appointed by The Board. The Committee members shall not be less than six members. This Committee may be headed by the chairman of the Board of Directors whereas their membership shall be in synchronization with that of the Board of Directors

Our committee currently comprises of 6 members, and headed by the chairman of the board, as listed below:

Name	Position	Status on the Board
Hamad Abdul Mohsen Al-Marzouq	Committee Chairman	Chairman of the Board
Abdul Aziz Yacoub Al-Nafisi	Committee Member	Non-Executive Board Member
Khaled Salem Al-Nisf	Committee Member	Non-Executive Board Member
Muad Saud Al-Osaimi	Committee Member	Non-Executive Board Member
Fahad Ali Al-Ghanim	Committee Member	Non-Executive Board Member
Motlaq Mubarak Al-Sanei	Committee Member	Non-Executive Board Member

The committee meets once every three months at least, whenever required or based on a request from the head of the committee or other members. The Committee met 17 times in 2019 and 9 times in 2020, and issued (7) minutes of meeting by passing to perform its duties and functions in 2020.

The committee is responsible for assisting the Board in fulfilling its obligations concerning banking and investment activities of the bank according to the authorities given by the board to the committee.

The main functions of the executive committee shall include, but are not limited to, the following:

- Supervise the execution mechanism of the bank's business plan and strategy, oversee performance efficiency, review performance report, and raise recommendations to the board in this respect.
- Review and approve financial transactions and investment offers presented by the executive management as per the authorizations list determined by the board.
- Approve or reject any proposals related to finance, liquidity, and/or market risks within the limits of the approved financial authorities regarding the maximum credit concentration limit per customer.
- Review management strategy concerning proposed provisions and management plan to recover bad debts, if any.
- Periodical review of the diversity and durability of the financial portfolio.
- Coordinate with risk committee to prepare periodical reports to update risk limits and potential aggravation.

Governance Committee

The Committee is appointed by the Board for a duration of 3 years or the remaining period of board membership. The board shall appoint the committee members, who shall not be less than 5 members, including one independent member. The head of the committee shall be one of the committee members assigned by the board and may be chaired by the chairman of the Board.

Our committee currently comprises five members, and headed by the Chairman of the Board, as listed below:

Name	Position	Status on the Board
Hamad Abdul Mohsen Al-Marzouq	Committee Chairman	Chairman of the Board
Hanan Yousif Ali Yousif	Committee Member	Non-Executive Board Member
Hamad Abdullateef Al-Barjas	Committee Member	Non-Executive Board Member
Ahmed Meshari Al-Faris	Committee Member	Independent Board Member
Salah Abdulaziz Al-Muraikhi	Committee Member	Non-Executive Board Member

The committee meets 2 times a year at least. The Committee met 3 times in 2019 and 3 times in 2020, and issued (2) minutes by passing to perform its duties and functions in 2020.

The committee is responsible for assisting the Board in supervising sound governance and working on developing the set of governance instructions and policies and monitor the compliance with its application and the compliance with the governance manual by the Board of Directors, board committees and the executive management.

The main functions of the governance committee shall include, but are not limited to, the following:

- Develop a framework and prepare a compressive updated governance manual to have it approved by the Board of Directors, publish it on the website of the bank, and submit suggestions for updating and changing the same.
- Review adequacy of bank's policies and practices concerning governance standards.
- Review and evaluate the adequacy of code of business conduct and ethics and other approved policies and guidelines inside the bank.
- Review the main issues related to shareholders relations and the bank's contributions to charity works.
- Review the governance section in the Annual report and regarding the extent of the bank's compliance with the governance manual. 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 Committee and its duties as well as the annual revision of the Committee authorities and functions.

Investment Committee

The Committee is appointed by the Board for a duration of 3 years or the remaining period of board membership. It shall not be less than 5 members.

Our committee currently comprises 5 members, and headed by one of the Non-Executive Board members, as listed below:

Name	Position	Status on the Board
Fahad Ali Al-Ghanim	Committee Chairman	Non-Executive Board Member
Khaled Salem Al-Nisf	Committee Member	Non-Executive Board Member
Muad Saud Al-Osaimi	Committee Member	Non-Executive Board Member
Salah Abdulaziz Al-Muraikhi	Committee Member	Non-Executive Board Member
Mohammed Nasser Al-Fouzan	Committee Member	Non-Executive Board Member

The committee meets 4 times a year at least. The Committee met 5 times in 2019 and 4 times in 2020.

It 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 investment objectives of the bank.

The main functions of the Investment Committee shall include, but are not limited to, the following:

- Assist the Board in conducting its supervisory responsibilities over the investment assets of the bank including investment funds and portfolios. The committee shall raise its recommendations to the board and follow-up investments in line with approved policies.
- Review the reports associated with the current investments of the bank, the conditions of international and local capital markets as well as all data that enables the committee to practice its responsibilities in a professional and effective manner.
- Advise the board on any material changes to the investments of the bank.
- Follow-up the implementation of the strategic policies and goals set by the board in regard to all investment activities.
- View all proposed new investments and verify their compliance with the board instructions and present recommendations to the board accordingly.
- Raise recommendations to the board on any topic it deems suitable.
- Obtain any required information concerning the investment portfolio status through the CEO.
- The committee shall review executive management's recommendations on the consolidation of current investments and raise the same to the board.
- The committee shall conduct any other responsibilities and duties assigned thereto by the board.
- The committee shall raise its recommendations to the board in case any need arises to increase/ decrease the capital of the companies, in which the bank is a shareholder.



10.5 Internal Control Environment

KFH's Control Framework applies to the Group collectively and includes the following aspects in regard to good governance practices within the Group. KFH has an established internal control system, a robust risk management processes and compliance directives and practices.

KFH conducts an annual Internal Controls Review (ICR) through certified independent auditors other than KFH's external auditors to ensure the effectiveness of internal control systems.

10.5.1 Risk Management | G102-30

Risk Governance and Organization

Risk Governance has been implemented on the group level, Turkey, Bahrain and Malaysia to enable better oversight and risk management across the whole group. That is to facilitate the enrollment of risk management in the supervision process of decision making.

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

The **first line of defense** recognizes that risk is accepted by the business and within the business. In KFH all employees (credit officers, dealers, operations, etc.) are required to ensure the effective management of risks within their organizational responsibilities.

The **second line of defense** comprises the Financial Control and the Risk Management departments, which responsible for ensuring that the risks are managed in accordance within the stated risk appetite.

The **third line of defense** is the independent assurance provided by the Internal Audit function. Its role is defined and overseen by the Audit Committee. The findings from the Internal Audit audits are reported to all relevant management and governance bodies. The Internal Audit function provides assurance that the overall system of control effectiveness is working as required within the risk management framework.

Governance

The risk governance structure at KFH comprises of 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 and circulated.

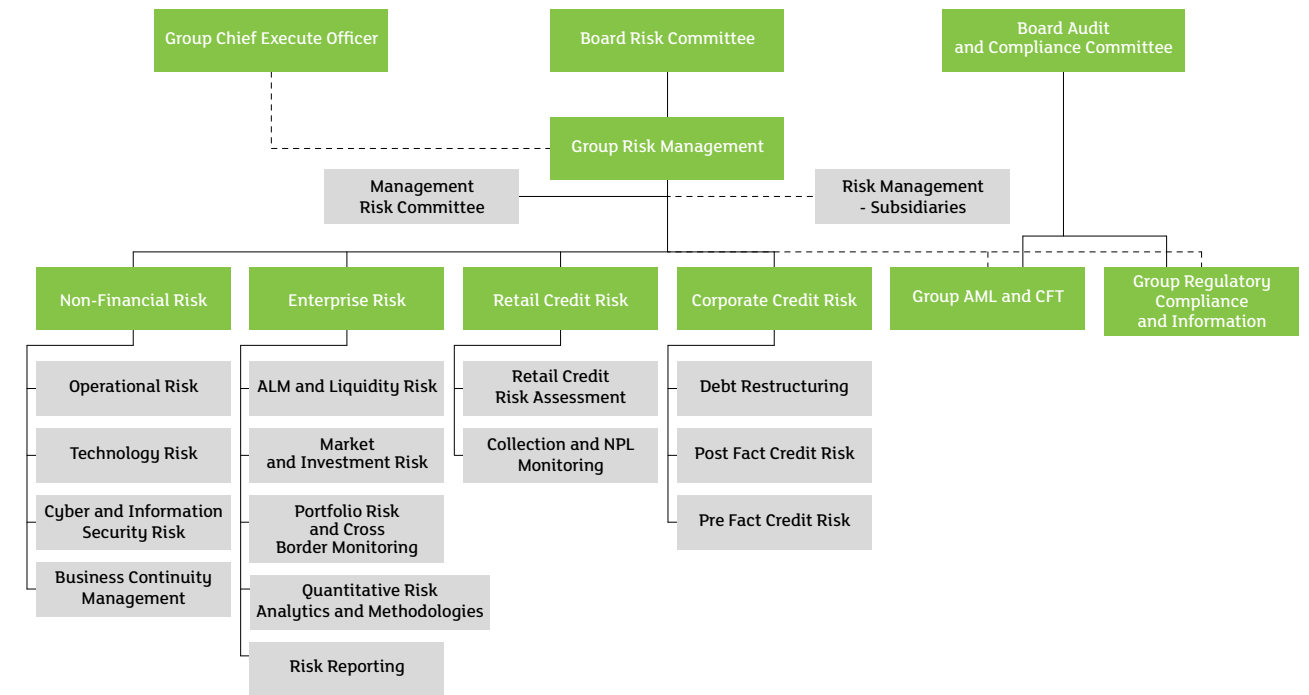
Organization

Under the new structure, the mission of the Risk Management Department has been defined and enforced to allow for more integration of risk management practices across the group.

The bank has hired risk professionals to fill in the vacancies as well as trained current staff for further development of existing capabilities.

KFH Kuwait Risk Management Organization

In line with best practices in risk management, KFH has adopted a hybrid mechanism in credit and investment decision-making where both businesses and risk management play an active role. This integration of risk management in these decisions ensures an independent/ risk experienced judgment as well as compliance with internal risk management guidelines and strategy of the bank. In 2018, the Board approved enhancements to the risk management structure in order to enhance best utilization of capabilities and knowledge sharing by grouping together financial and non-financial risk units and establishing a new function to oversee the retail credit portfolio to ensure that risks are identified and properly mitigated in line with the established risk governance framework.



New **Management Risk Committee (MRC)** was established in H1-2018 to support and help management to understand, oversee and manage group key risk exposures, optimize group enterprise risk profile within the context of the group approved strategy, risk appetite and regulatory requirements and to embed and maintain risk aware culture within the group. The key role of MRC is to support BRC in achieving its duties and objectives sets by Board through advice, facilitation, monitoring and follow up on execution of decisions and in maintaining high risk governance standards.

Risk Culture, Training and Awareness

KFH strives to promote a strong risk culture with clear roles, responsibilities and accountabilities for the ownership and management of risks. The aim is to embed a risk management culture in the DNA of KFH to ensure risk considerations are part of the overall decision-making process. In order to do so, Risk Management's capabilities are being upgraded to become an equal partner to the business sectors. In order to achieve the desired stated target, desired behaviors need to be defined and enabled in both Risk Management and in the business lines. The CEO, together with the CRO and the entire senior management team, install the desired tone at the top for the risk culture. Managers and all employees are responsible for understanding the risks they own, adapting a proactive risk culture and making decisions that drive appropriate risk-adjusted returns. Employees are accountable for compliance with KFH's policies, procedures and other controls. They are responsible for being aware of contingency plans to manage through emergencies and/or business disruption and knowing their role in the process. All employees must ensure the timely escalation of material risk issues, increasing risk trends and exceptions to define risk tolerances. Employees will have clear risk accountabilities and consequences for non-compliance with policies. Consequences may include disciplinary action, up to and including termination.

In an effort to reinforce the risk culture at the bank and to create stronger lines of defense at all levels (business, risk and control), the Risk Management department at KFH continues its series of risk awareness training sessions and workshops, in collaboration with the Human Resources department. These sessions focus on management responsibilities for the identification, assessment, acceptance, monitoring, control and reporting of all risks. Emphasis is placed on the importance of balancing business needs to improve profitability with an effective assessment of the risks being taken to achieve that return. Selected cases from the global financial markets are also analyzed to assess the causes of failures and extract lessons learned. The role of the Risk Management department as the provider of business support by way of independent assessment of risk and development of risk policies is also emphasized.

Shari'a Risk Assessment | G102-11

In addition to the three line of defense, Shari'a Risk Assessment lies at the final compliance and sign-off stage in the bank's risk assessment process to ensure adherence of the Shari'a Laws and Regulations.

Through KFH's dedicated Sharia's Compliance Audit Manual, the listing of Risks Assessment Criteria sets the parameters against which compliance is measured and decision to advance with the relevant activities or setting corrective action or refraining from proceeding.

Abiding to Islamic and Sharia' Compliance is considered adherence to the highest level of ethical and fair financial dealings from an economic and social perspective.

The risk is considered high in Shari'a transactions if it negatively affects the bank's financial activities and investments, which necessitates to set aside profits accrued through these activities. **The risk is considered high if one of the following causes occurs:**

1. Invalidity of the contract: due to the failure of a key element or condition of the contract. Example: absence of the offer and acceptance in the contract (example of the condition: if selling what it does not own; as ownership of the sold item before it is sold is one of the conditions for the validity of the contract).
2. The absence of the contracted commodity in the event of a commodity sale, or the inability to deliver.
3. The process guarantees usury: usury of credit in what is required to meet in symmetry, as gold for gold, or usury of an-Nasee'ah Deferral of matters in which meeting is only required, such as currency exchange, or usury of debts, such as a fine for delay.
4. The process includes tricking or defrauding to reach a forbidden act in Islamic law, such as selling the sample.
5. The process includes two sales in one sale, such as the stipulation of the contract of sale in the lease contract, or vice versa.
6. The process guarantees gross deception, such as ignorance of the purchased commodity or ignorance of the price or term.
7. The process guarantees that the gambler and gambling, such as raffles that place prizes from the participants' money, will win.
8. The contributor either loses, or as commercial insurance.
9. The process includes the stipulation of postponing the two exchanges: the price and the appraiser, such as: futures sales in the financial markets (sales).
10. The process relates to extreme unwelcomed activities related to entertainment are financed, which are forbidden in Sharia.
11. The inviolability of the contracted commodity, such as the production and sale of alcohol, pork and its products, and tobacco.
12. The process guarantees the contracting of things similar to what was mentioned above in their impact on the validity of the contract according to Sharia.

Training

To ensure proper alignment among the three lines of defense and proper implementation of risk mitigation measures, dedicated Risk Training is conducted on a yearly basis for the entire bank's staff on all positions, functions as follows:

Dedicated Risk Training	2019	2020
Total number of sessions	18	7
Total training hours for the conducted sessions	68	28
Total number of trainees	256	115

Dedicated Risk Training – Shari'a Awareness	2019	2020
Total number of sessions	26	19
Total training hours for the conducted sessions	156	72
Total number of trainees	257	596

Material Risk Issues

Our risk management practices and outcomes play critical role in the decision-making process and the identification of material issues.

(Read on: Materiality)

In addition to traditional financial risks, emphasis is made on two particular non-financial risks that are detailed in dedicated sections of KFH's Governance Manual:

- 4th Pillar: Risk Management, Internal Controls, and Cyber Security
- 7th Pillar: Banks with Complex Structures

Risk Management, Internal Controls, and Cyber Security (4th Pillar)

Governance

Under the framework of KFH's overall risk governance, a specialized unit was established to manage information security and cyber security risks in light of the increasing importance of information security in banking and financial sectors, and to face the challenges arising from risks resulting from the rapid development of modern technologies used in the banking industry. In compliance with the Central Bank of Kuwait instructions issued on 9/10/2019 regarding governance and regulations in Kuwaiti banks, Cyber Security Risk Management took the responsibility of continuous monitoring, detection, and prevention of external security threats which may impact the availability and integrity of our internal/ external data. Robust policies, procedures and standards are in place to prevent cybersecurity incidents and ensure a swift recovery in the event of any cyber security breaches

Additionally,

- Information security system and cyber security related strategies, policies and rules are directly approved by the Board of Directors. A specific directive is indicated and emphasized on our Governance Manual on the following:
 - › The Board of Directors must have sufficient amount of knowledge and expertise pertaining to information security and cyber security risks.
 - › The executive management must prepare follow-up reports on information security risks and cyber incidents and that the executive management is aware of the latest updates on facing such risks.
- The Board of Directors must particularly discuss the risks appetite of information security and cyber security in the bank on a regular basis through board meetings and the ongoing review of its responsibilities and trends.
- A specialized and independent external services is acquired to assess and test the ability of the bank to face and manage information security and cyber security risks in light of the last updated international practices, on an annual basis and whenever required.
- Information Security and Cyber Security Risk Systems are part of the Internal Annual Evaluation of Internal Control Review (ICR).

Duties of Information Security Function

- The bank has an established information security function approved by the Board of Directors and it is independent from IT operations.
- Such function is headed by information security specialist having the required skills, knowledge and competence and who is responsible for establishing the policies and the standards pertaining to the execution, operation and monitoring of cyber security controls in line with the strategy of the bank and the risk appetite.
- The specialist raises the relative reports to the Board of Directors on the ability of the bank to manage information security and cyber security risks and follow-up the implementation of its respective objectives through Risk Management Committee.

10.5.2

Internal Audit

Monitoring, Reporting and Investigation

Through dedicated directives, the “Customer Protection Guides”, the bank provides a comprehensive guidelines to employees on Customer Rights across several pillars. [\(Read on: Our Clients\)](#)

A dedicated pillar to “Protection of Information”, pillar 6, related to the protection of data processing and safe systems of electronic transactions. Pillar 9, addressing “Protection of Customer against outsourced services”, in case of operational outsourcing.

Finally, we are proud to report that Total number of substantiated complaints received concerning breaches of customer privacy were recorded at 35 cases. Upon investigation, all cases were closed with no merit or liability on the bank, as it was concluded that no breach of security nor information was from the bank’s part. In addition, the bank has no cases of complaints nor sanctions received from the Financial Regulatory Authority.

Banks with Complex Structures (7th Pillar)

The acquaintance with the Structure of KFH’s operations and related risks are placed at a high priority that the Board and senior management shall, at all times. They are expected to be an updated well-versed knowledge of the structure of KFH group and the organization thereof in terms of the objectives of each unit or entity and the official and unofficial relationships between the units and the parent company.

Proper and effective measures and systems are in place for obtaining and exchanging information among group’s entities with an aim to manage the risks of the group as a whole and control the same effectively. KFH’s Board of Directors and the top management evaluate all products and the risks thereof by each entity in the group and on the basis of the group’s entities as a whole.

To prevent and/or reduced potential risks, the following elements are considered for the establishment of New Structures and are organized through dedicated policies, that include, **but not limited to, the following:**

- Avoid building unnecessary complex structures.
- Availability of central procedures to approve and monitor the incorporation of new legal entities under specific criteria including ability to supervise and fulfil the requirements necessary for the continuity of each unit.
- Ability to obtain information about KFH’s structure, including type, charter, ownership structure, and activity of each legal entity.
- Observe risks accompanying the complex structure, including the lack of transparency of operational risks arising the overlapping and the complexity of financing structures.

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, the safeguarding of assets, the economical and efficient use of resources and established operational goals and objectives.
- The Internal Audit function do not outsource any of the main tasks of internal audit. In event that 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 are in conformity with the relevant laws, policies, regulations, and instructions.
- Examine particular business activities relating to KFH’s financial position, internal control systems, risk management, and others.
- 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.

10.5.3 Compliance

As part of the 2nd line of defense in our Control Environment, 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. Accordingly:

Governance

The Board of Directors approves the roles and responsibilities of the function responsible for compliance. Compliance Function have independence and sufficient authorities so as to ensure the effectiveness of carrying out its duties within the bank. Further, the management of the bank shall not intervene with the activities of compliance function along with giving it the authorities to access the Board of Directors.

A standalone Compliance Policy ensures that the bank complies with all legislations pertaining to the activities of the bank. The policy is periodically reviewed and application of its set of rules are verified.

Duties of Compliance Function

- It advises the Board of Directors and the Top Executive Management on the compliance of the bank with the regulatory rules, instructions and legislations and update 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 plans of the bank regarding how efficiently such risks are managed.
- It raises its reports on how efficiently such risks are managed by the bank to the Board of Directors or the Board Compliance Committee, if found.

Despite the above duties of the Compliance function, the Bank's compliance remains the responsibility of the Board of Directors and the Top Executive Management in the Bank.

10.5.4 External Audit

The external auditor 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 recommendation of the Audit and Compliance Committee and 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 Controlling Systems covers the following:

- Corporate Governance • Investment • Treasury • Retail and Private Banking • Group Corporate Banking • Information Technology • Operations Department • Human Resource and General Services • Group Financial Control • Risk Management • Anti-Money Laundering • Group Legal • Internal Audit • Strategy & Corporate Affairs • Shari'a Control & Advisory • Customer Complaints Unit • Fraud • Compliance

The External auditor provides the Audit and Compliance Committee with a copy of audit reports and will meet with the Audit and Compliance Committee to discuss these reports and any other significant observations thereon. Such meetings are in the presence of the executive management. Further, the Audit and Compliance Committee meets with the external auditor in the absence of the executive management at least once a year. In 2019, one meeting took place, while in 2020 one meeting was conducted.

To ensure the integrity and effectiveness of the external audit, and in line with the decisions issued by CMA in the state of Kuwait, the Board of Directors has in place an establish appropriate policies concerning conducting a rotation for external audit bureaus every 3 years. The external audit bureau shall abide by the instructions imposed upon it by the regulatory authorities (Central Bank of Kuwait – Capital Market Authority – Ministry of Commerce and Industry). In addition, the external auditor may not provide internal audit services to KFH.

10.6

Protection of Shareholders and Stakeholders Rights

Shareholders rights, minority's rights, and stakeholders' rights in KFH as guided under the provision of the Law No. 32 of 1968 concerning Currency, Central Bank of Kuwait and Organization of Banking Business and its amendments, CBK instructions on governance rules and regulations in Kuwaiti banks and KFH's Articles of Association and internal policies that include rules and foundations for protecting the rights of shareholders and stakeholders and other relevant laws. The 8th and 9th pillar of our Governance Manual are dedicated to our rules of protection.

Shareholders Rights

- The right to review and participate in the decisions related to the amendment of KFH's Article of Association, as well as the decisions related to extraordinary transactions which might affect KFH's future or business, e.g. mergers, the sale of a substantial portion of its assets or assigning subsidiaries
- The right to participate in general assembly meetings, show observations and give recommendations, if found, regarding any required improvements.
- The right to participate in the decision-making process concerning any significant changes being made in KFH.
- The right to express an opinion on the appointment of any board member.
- The right to obtain accurate, comprehensive, detailed, sufficient, and timely essential information in order to evaluate investments and make informed decisions in its regard.
- To right to receive dividends, participate in the General Assembly meetings and vote on the decisions thereof.
- The right of Minorities or foreign shareholders to be treated equally and given a sufficient opportunity to rectify any violations or errors related to their rights. This is addition to other rights ensured by the relevant laws and regulations for a shareholder.

In case of any financial and non-financial penalties imposed on the bank due to breach of the relevant Laws, KFH shall abide by preparing a list of such penalties and to be read during the fiscal year during the annual assembly meeting.

Stakeholders' Rights

Stakeholders (other than shareholders) are considered as related entities contributing to the success of the organization. The Board realizes that KFH's ultimate success is an outcome of the joint efforts of a several parties including depositors, borrowers, staff members, investors and other parties having business relationships with KFH.

The various procedures, policies and practices followed in KFH stress the importance of respecting stakeholders' rights according to relevant laws, bylaws and regulations.

Pursuant to the governance system in KFH, the Board supports the following:

- Respect of all stakeholders' legal rights.
- Availability of performance enhancing mechanisms for stakeholders to take part in the governance process so that it can be a consultative process with an aim to ensure following an effective and responsible approach by KFH management.
- Stakeholders' Rights
- Right to be treated in a way that ensures justice and equality for them.
- Right to receive direct and clear disclosures on related information.
- Compliance Assessment

Disclosure and Transparency

KFH Disclosure Policy constitute a dedicated pillar under the banks; governance framework. It compliments and assures the bank's commitment to respect and protect all shareholders rights.

KFH realizes that the disclosure system is an effective tool to achieve multiple key objectives:

- Provide its shareholders and the investors with accurate, comprehensive, detailed, sufficient, and timely information with an aim to enable the shareholders and the investors to evaluate KFH's performance and take their decisions properly and effectively.
- Ensure that stakeholders have the opportunity to access externally available information issued by KFH.
- Provide information by the timely disclosure to the market about KFH's activities.

It is also worth to note that the bank's abides to the CBK and CMA related instructions and regulations by ensuring that information and data included in KFH's annual or quarterly reports as well as the lectures given by the top management are posted on KFH's website, in both Arabic and English.

Further, KFH abides by disclosing, at the appropriate and accurate time, and according to CMA's instructions, all issued materials and as per the approved policies, including, but not limited to:

- Financial and operational ownership shares
- KFH's Objectives
- Controlling ownership shares
- Details of Directors, top executives and their remuneration
- Expected Risks
- Essential matters regarding employees and stakeholders.

The Board has approved the Disclosure Policy including the policies and procedures to be followed by KFH for announcing sensitive information to market, shareholders and stakeholders and to ensure that there are proper controls in place for timely and accurate disclosure of essential information related to KFH in line with local regulations, IFRS, Basel requirements as well as CBK instructions on corporate governance and what is stipulated in the tenth volume (disclosure and transparency) of CMA Regulations.

As part of transparency and disclosure duties, KFH discloses, in its annual report, the qualifications and experiences of the CEO of the bank, his delegates and assistants in addition to information about each board member in terms of the date of his appointment in the board, his qualifications, experiences and his membership in board committees as well as a statement of the names of independent members in such committees and the extent of each member's compliance with attending board meetings during the year including a statement of the number of attendances of such meetings in addition to the membership in the board of directors of other companies.

From another side, KFH shall not disclose any information, which is confidential and private by its nature as well as the information pertaining to customers, products or systems and which can have a material impact on KFH's investment in those products or systems, the matter that will result in impairing KFH's competitive position. Moreover, KFH will not disclose any information or data that may have an adverse impact on the financial position of certain categories; e.g. financial analysts, financial institutions or others prior to the disclosure of the same to the public.

KFH maintains a disclosure record for board members and executive management, which record includes the data required by the regulatory authorities. Such record shall be regularly updated.

Today, we consider this first Assured Sustainability GRI Report is the largest strategic ESG Disclosure document in the bank's history. It is our that objective the report shall set the path for future consistent comparative information over the years and reflects KFH's practices and management approaches on all sustainability dimensions, and the impacts of the bank's activities on its community, the environment, customers and all other stakeholders, through ample information that put emphasis on the importance of stakeholders' engagement and their involvement as an integral part of KFH ecosystem and its decision making process that serves and protects their interests. [\(Read on: Stakeholders' Engagement and Materiality\)](#)

10.7 Governing our Supply Chain

10.7.1 Governance

The Bank's supply chain is governed under a set of rules that are stipulated and covering our entire supply chain process through:

- Procurement Policy
- Procurement Procedures Manual
- Shari'a Compliance Audit Policy and Manual

Our Procurement Policy is the source of reference for and by all stakeholders involved in the supply chain management. In this capacity, the policy serves to institutionalize knowledge of operational requirements associated with carrying on the Procurement activities for the Bank and also ensure standardization in the processes followed.

The Policy undergoes periodical reviews every two years by the Group Chief HR Officer, and yearly by the General Services Department to ensure that it is in line with the industry leading practices and caters for other applicable changes/ guidelines issued by any regulatory changes introduced by the regulatory authorities. During the reporting period, it was also reviewed 2020 by the General Services Department

Amendments to the policy may be made as a result of one or a combination of the following reasons in 2021:

- Changes in laws and regulations
- Changes in functions and activities of the Bank
- Changes in business processes
- Changes in the organizational structure of the Bank
- Changes in job roles, duties, and descriptions
- Any other change, where the management deems necessary to update the Bank's policies.
- Any significant modifications arising out of the review shall be recommended to Business Excellence who shall decide whether a modification to the policy is needed and how amendments can be undertaken.

All policies are subject to review as per the annual internal audit plan cycle

As stipulated in the policy, The Bank operates as an Islamic Bank abiding by the guidelines of Shari'a Law as interpreted and pronounced by the Fatwa and Shari'a Supervisory Board (FASSB) of the Bank as well as any Shari'a guidelines issued by the regulatory bodies in the State of Kuwait (collectively "Shari'a guidelines"). As such the Bank faces the risk of Shari'a non-compliance which could be detrimental to the business operations of the Bank. If there appears to be a conflict between the policy and local laws and regulations in the State of Kuwait, or if there are questions regarding the interpretation of applicable laws or sections of the policy, the laws of the state of Kuwait shall prevail. All procurement contracts undergo Shari'a Audit as stipulated under the Sharia's Audit Manual and Procedures documents. Under this context, all our suppliers' rights to freedom of association and collective bargaining are always protected. | G407- 1

We consider the integration of Shari'a compliant terms in our procurement and contracting policy is a key enabler to Social, Economic and Environmental Value Creation and respect to vendors', society wellbeing.

10.7.2 Supply Chain Overview | G102-9

KFH Supply Chain and vendors are identified through the following categories:

Service or Work Categories	Products or Supplies
<ul style="list-style-type: none"> • Money Transfer • Consultancy / Professional Services • Construction Services and Products • General Maintenance / Cleaning Services. • Printing and Press • Manpower Supply • Fire Protection and Prevention System • Food and Catering • Inspection 	<ul style="list-style-type: none"> • Office Equipment • Furniture • Computer Hardware/Software • Fire, Safety and Security Equipment, Electronics, Stationary • Structural Materials

The procurement process for all above categories are divided into two major sections: General Services and IT/Technology Procurement as follows:

GS	Foreign Suppliers	Local Suppliers	Total	IT	Foreign Suppliers	Local Suppliers	Total
2018		6	6	2018	128	466	594
2019		5	5	2019	156	615	771
2020		5	5	2020	161	505	666

As observed, KFH supports the usage of local supplier over the years, where over 75% of our suppliers are local vendors, across all three years.

Total Number of Suppliers (GS/IT)	Foreign Suppliers	Local Suppliers	Total	% of Suppliers (GS/IT)	Foreign Suppliers	Local Suppliers	Total
2018	128	472	600	2018	21.33333	78.66667	100
2019	156	620	776	2019	20.10309	79.89691	100
2020	161	510	671	2020	23.99404	76.00596	100

10.7.3

Transparency and Equal Rights to All Vendors

Our policy sets out the standard and the procedure to provide notifications to its vendors to ensure good governance practices and enable transparency and equal rights to all of our suppliers. Our Procurement Notice is Issued by the General Services and approved of PACT subject to value of required purchase. Upon approval, the Notice is communicated as follows:

- Sent to the Bank's vendor list
- Published on the bank's website.
- Published in two newspapers with board / national circulation.
- For large purchase requisitions where goods, works or services of international origin are concerned, the notices are also be published in an international newspaper or relevant international trade publication.

Our Tenders & RFPs also follow the same principals. In addition to defining the scope of works, goods or services to be supplied; and quality standards required; our document clearly emphasizes on the rights and obligations of suppliers and contractors; and the evaluation criteria to be used to assess the final bids / proposals, as stipulated below.

10.7.4

Selection Criteria | G102-10

- The selection of suppliers is conducted on the basis of competitive bidding and fair evaluation of the proposals received from the interested parties.
- To ensure fairness of selection, the appointed evaluation team comprises of at least three KFH staff members to evaluate the proposals received from the suppliers.
- The evaluation criteria must specify a certain score under which a retendering may be required if all or majority of the bidders are evaluated to be lower than this specific score.
- There is no preferential treatment to KFH subsidiaries who are bidding, KFH subsidiaries are not given priorities in binding for tenders if they are materially less able than other bidders.
- Any potential conflict of interest or relationship between a supplier and a member of the Bank's management and BOD is declared and noted and that member is excluded from any relevant bid evaluation or decision making.

The Bank's suppliers' selection criteria have been developed with great consideration to global standard, such as the below selective aspects:

- Manpower availability - capacity.
- Financial solvency (company's budget for three years).
- Vendor's stability.
- Quality.
- Local / GCC market presence.
- Vendor's ability to comply with the legal & sharia requirements.

Closely observing the last aspect of our selection criteria, we consider that the stability of our supply chain is largely empowered by the set of criteria within the Sharia Principles, which are, in their core purpose dedicated to ensuring social, economic and Enviromtanl balance to both the bank's interest and the suppliers'.

10.7.5

Vendors Performance and Termination | G102-10

On yearly basis, the Bank conducts technical evaluation of vendors performance, which is carried out with multiple concerned departments to assess any needed changes in our supply chain management or suppliers' relationship. No significant changes took place during the reporting years.

Despite the COVID-19, neither the bank nor its suppliers had any turbulences in the existing contracts. We can proudly attribute this consistent performance to our comprehensive and fair governance and management of the supply chain, as stipulated above.

10.7.6

Prohibited Practices

The policy requires that all parties to a purchase contract including the bank and its officers, vendors, suppliers, contractors, consultants etc., shall observe the highest standard of transparency and integrity during the procurement, execution and implementation of the purchase contracts. In pursuance of this policy, the Bank defines the terms set forth below as Prohibited Practices:

- "Coercive Practice" means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- "Collusive Practice" means an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.
- "Corrupt Practice" means the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.
- "Fraudulent Practice" means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

10.7.7

Significant Indirect Economic Impacts | G204-1

Local sourcing is a successfully strategy that helps ensure supply, support a stable local economy, and maintain community relations. The Bank aims to always contribute to the national economy, by supporting local suppliers, that can indirectly attract additional investment to the market.

In 2020, our spending has reached KD 18.6 Million in total, with over 81% were directed to the local suppliers and economy.

Total Spending on Suppliers in KD (GS/IT)	Foreign Suppliers	Local Suppliers	Total
2018	2,059,915.79	11,071,377.515	13,131,293.31
2019	3,487,393.48	9,727,743.129	13,215,136.61
2020	3,460,112.16	15,202,486.986	18,662,599.15

% of Spending on Suppliers in KD (GS/IT)	Foreign Suppliers	Local Suppliers	Total
2018	15.69	84.313	100.00
2019	26.39	73.611	100.00
2020	18.54	81.460	100.00

A Long-standing and future-looking Statement KFH Inherit Commitment as the Leading Islamic Bank

The Kuwait Finance House holds dear and proud its commitment and responsivity towards the core value for which it was established, that of helping communities where it operates.

Through Islamic Finance, we offer the world an exceptional model of Global Equitable Economic Growth that has stand the test of time for over 1400 years. By practicing values of Islamic Principles of justice and transparency, we empower our stakeholders and support nations and their institutions towards a true Financial Access, Inclusion and Empowerment.

After four decades of service, and bridging to a leadership position, KFH takes pride to have overcome 2020 with the desired resilience and stable footing to continue serving its stakeholders. Looking back on our past services, activities practices and initiatives, our priorities always aimed towards longstanding contributions to our economy and community. Today, we have heightened our commitment by restructuring our Sustainability long-term vision and identifying our economic, environmental, social, and governance (EESG) material objectives across all six capitals: Financial, Human, Social, Natural, Intellectual and Physical.

KFH EESG Strategy Statement

KFH Kuwait commits to delivering the highest quality of inclusive banking products and service excellence, generating and promoting positive impacts and returns to all stakeholders, while preventing and mitigating negative implications. It commits to address and protect its stakeholders' evolving needs and wellbeing, preserve natural resources consumption in services, products, and operations. It governs according to Islamic Principles in achieving financial growth, developing banking services, addressing risks and opportunities, & conducting stakeholders' relations.



KFH

SR19/20 - GRI

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