

بيت التمويل الكويتي
Kuwait Finance House



Responsible Banking
for Sustainable Growth

SUSTAINABILITY REPORT 2021



Report Parameters

The Bank and References

Throughout this Report, “KFH”, “the Bank” or “we” are used to refer to the “Kuwait Finance House - Kuwaiti Shareholding Company Public (K.S.C.P)”. According to the Memorandum of Association, the Ministry of Awqaf and Islamic Affairs, the 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 the 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 Premier Markets on Boursa Kuwait (Ticker “KFH”).

Scope of Report and Cycle Covered

This is the Second GRI-Core option Annual Sustainability Report, constructed on comprehensive stakeholders and materiality practices and supported by GRI training. The Report features the period from January 1st, 2021 to December 31st, 2021 and covers activities and operations within the Kuwaiti borders. Data out of the Report scope may be included to emphasize relevant context to the reporting period.

Referenced Reporting Guideline

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

Date of Previous Report Sustainability

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

Mistakes and Typographical Errors

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

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Glossary and Abbreviation

Glossary

Fatwa	An Islamic ruling on the point of Islamic law that is issued by a recognized scholar based on sound evidence. 1. However, in Islamic finance, such rulings are issued by a competent body to be known as "Fatwa and Sharia'a supervisory board "
Gharar	The element of absolute or excessive uncertainty in any business or contract
Gharemeen	Debtors
Haram	forbidden or unlawful
Ijara	A form of leasing. It involves a contract where the bank buys and then leases an item to a customer for a specified rental, over a specific period. The duration of the lease, as well as the basis for rental, are set and agreed in advance
Injaz	Achieving The Goal
Istisnaa	A contractual agreement for manufacturing specified goods that can be sold before it is manufactured or comes into existence, allowing cash payment for future delivery or future payments and future delivery.
Makrooh	undesired
Mobah	permissible
Mu'amalat	A transaction related to an exchange of goods or services
Murabaha	A contract for purchase and re-sale for cost plus profit, which allows the customer to make purchases without having to take out a loan and pay interest
Mustahab	Favorable/encouraged
Qard Hasan	A loan, free from any benefit.
Rafaa	Well-being or prosperity
Shifaa	Healing
Sukuk	A Sukuk has similar characteristics to a conventional bond with the key difference being that it is backed by tangible assets such as property.
Takaful	Known as 'Islamic insurance', Takaful means 'guaranteeing each other' in Arabic
Tawaruq	A financing arrangement where a customer will be receiving cash at the end of it for his needs through a series of sale transactions.
Thimar	The outcome of the harvest
Usury	The action or practice of lending money at unreasonably high rates of interest.
Waad	A promise or undertaking
Wajeb	Duty or obligation
Zakat	The third pillar of Islam. An obligatory contribution or tax which is prescribed by Islam on all Muslim adults having wealth above an exemption limit at a rate fixed by the Sharia.

Abbreviation

Term	Definition
AML	Anti-Money Laundering
BoD	Board of Directors
CBK	Central Bank of Kuwait
CFT	Combating the Financing of Terrorism
CO2	Carbon Dioxide
CSR	Corporate Social Responsibility
CSV	Corporate Shared Value
ESG	Environmental, Social, and Governance
EESG	Economic, Environmental, Social, and Governance
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HR	Human Resource
IPCC	The Intergovernmental Panel on Climate Change
ISO	International Organization for Standardization
KBA	Kuwait Banking Association
KFH	Kuwait Finance House
KNDP	Kuwait National Development Plan
KNF	Kuwait National Fund
KWD	Kuwaiti Dinar
MM	Million
NGOs	Non-Governmental Organizations
NPF	Non-Performing Financing
SDGs	UN Sustainable Development Goals
SME	Small and Medium Enterprise
TRY	Turkish lira
FSSB	Fatwa and Shari'a Supervisory Board
KIA	Kuwait Investment Authority

About this Report

KFH's 2021 Sustainability Report "Responsible Banking for Sustainable Growth" is the second edition that reflects the bank's journey of four decades of service and leadership position in Kuwait and the region. Throughout this period, the bank has been committed to a new era of sustainability and has restructured its long-term vision by identifying its economic, environmental, social, and governance (EESG) material objectives. This Report presents a comprehensive account of KFH's business performance through global EESG key indicators that align with national needs and global developments by reflecting its material issues in 2021.

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

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



At a Glance

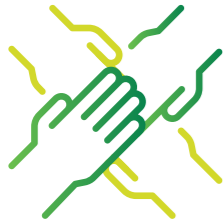


Sustainability Highlights



Environmental

- Scope 1: 111 MT CO2e
- Scope 2: 13,850 MT CO2e
- Scope 3: 195 MT CO2e
- Electricity Consumption: 64K Gj
- Paper Recycled: 37%
- Tier 2 sustainability Sukuk issuance transaction: USD 350 Mn.
- Launched “Keep it green” initiative.



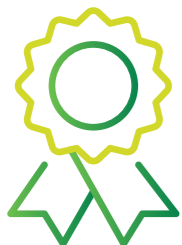
Social

- Incidents of Discrimination and Harassment: Zero
- Female Employees: 23%
- Average Training Hours: 16.9 hrs
- Kuwaitization at KFH: 76%
- Local Procurement: 82%
- Education Investment: 517,340 KWD
- CSR Activities: +200
- Charity Donations: +24MM KWD
- Payroll: 100,354,205KWD



Governance

- Board Female Members: 8.3%
- Non-Executive Board Members: 100%
- Anti-Corruption Training: 100% of employees
- Establishment of Governance and Sustainability Committee



Ratings

- FitchRatings: A 
- Moody's: A2 

Message from Our Chairman



Kuwait Finance House (KFH) is proud to be in compliance with the ESG standards while adopting the SDGs as a key part of its strategy as well as part of Kuwait 2035 Vision. We are moving forward with this strategy, as an essential element of our core values, part of our vision and mission, and the core of the Shariah compliant financing principles.

KFH Sustainability strategy consists of 62 objectives divided into four strategic pillars; Economic, Environmental, Social, and Governance (EESG).

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

KFH Group has various elements that prove it is making great strides in its sustainability strategy in accordance with the latest international principles, standards, and frameworks.

Our financial services cover the increased population in different regions. KFH successfully achieved solid financial results, in addition to an increase in total assets, financing receivables, and depositors' accounts as well as an improvement in key financial indicators.

KFH contributes to the strategic goal through financing mega construction projects. Such contribution supports the strategic pillar of Kuwait "Sophisticated Infrastructure", and in line with the Goal #9 of SDGs.

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 with this strategy and has successfully arranged green Sukuk issuance for financing sustainability projects according to sustainable finance framework. We also launched "Keep it Green" program under which KFH executes several sustainability initiatives.

Hamad Abdulmohsen Al-Marzouq

Chairman of Kuwait Finance House

Message from Our Acting Group CEO



As Kuwait Finance House (KFH) is a world leading Islamic financial institution abiding by sharia provisions and ethical values, we took it upon ourselves, since establishment, to reiterate our full commitment towards supporting sustainability initiatives.

By developing KFH's 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.

In this Sustainability Report, we are collaborating with DCarbon, a leading sustainability consultancy, to launch KFH's second GRI standard Sustainability Report by incorporating ESG factors into the Bank's activities, management, and operations. KFH has been ramping up its efforts to embed sustainability and the SDGs into all aspects of its operations. These efforts include aligning KFH's sustainability strategy, operations, and investments with the SDGs.

Our initiatives in CSR, which is a key pillar of sustainability, is having a significant impact on society. We have a long history of contributing to social initiatives in all areas, including health, charity, environment, youth and sports, takaful, and people with special needs. KFH's "Keep it Green" campaign had a significant environmental impact.

KFH's financial performance is inextricably linked to Sustainability. KFH reports sustainable growth in profits, enjoys high liquidity ratio and solid capital base that support business growth and adherence to regulatory requirements. KFH is moving forward in its green finance efforts by providing financial and technical advantages to the projects that take into consideration environmental aspects and carbon emissions mitigation.

Financial inclusion and accessibility of banking services is key part of sustainability, and we succeeded in making our banking services accessible 24/7, through all our branches. The total transactions performed by KFH's customers through KFHonline on the website or the mobile app were nearly 160 million for the year 2021, with a growth rate of 25% compared to the previous year.

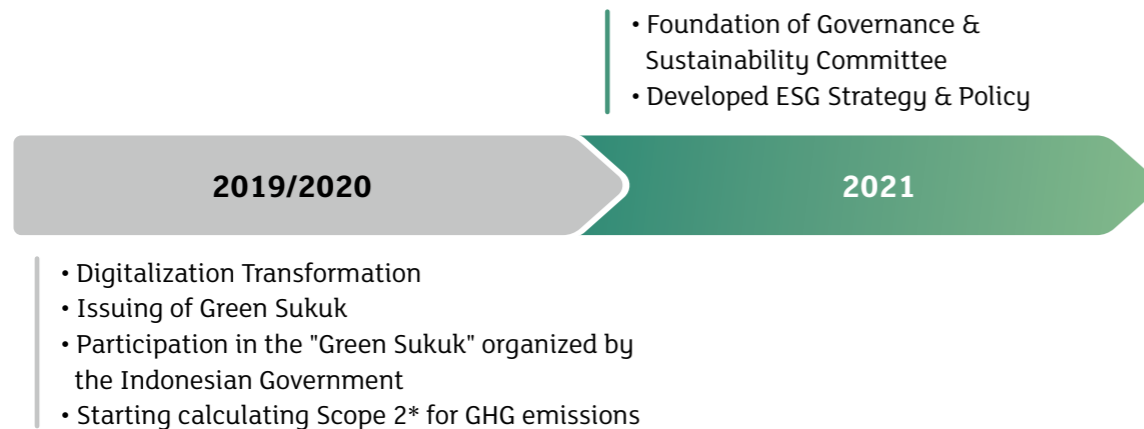
Caring for the talents and attracting the youth is also an integral part of KFH sustainability strategy. We focus on continuously attracting new talents, especially Kuwaiti nationals. Kuwaiti hires represented nearly 100% of the total hires in 2021. We continue our transparency and communication of our policies and business conduct, while integrating ESG and Sustainability Values as part of the employees' thinking approach and bank's culture.

Abdulwahab Alrushood

Acting Group Chief Executive Officer

About Kuwait Finance House (KFH)

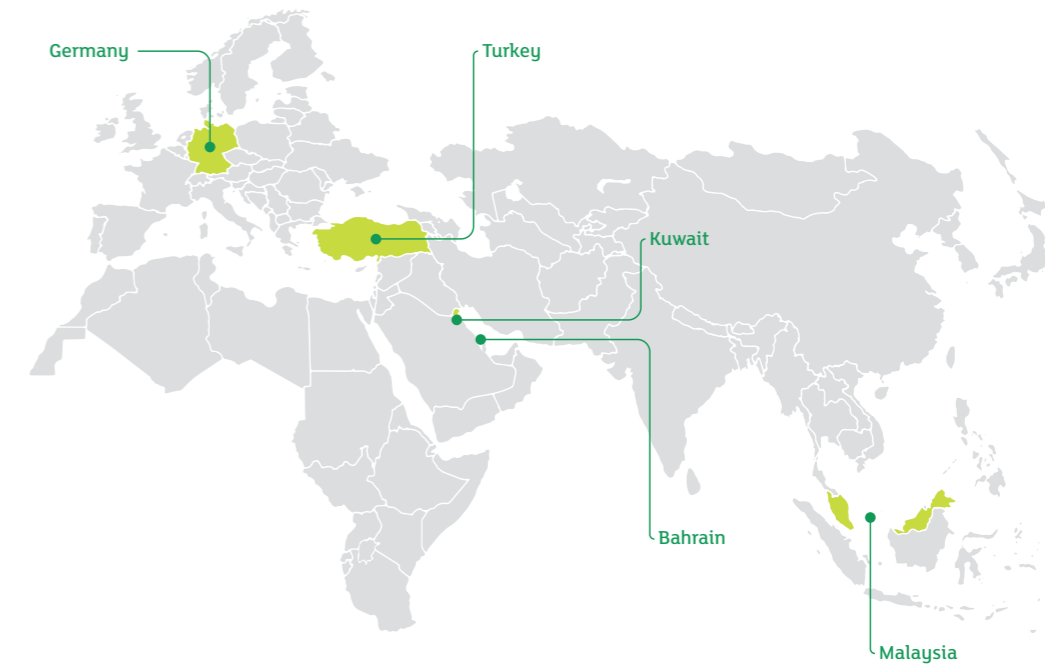
Our Sustainability Journey



* Scope 2 refers to indirect greenhouse gas emissions resulting from purchased electricity, heat, or steam consumption by an organization.

KFH, a pioneer in the area of Islamic Finance and Shariah Compliant Banking, was founded in 1977 through an Emiri edict, and opened to the public in 1978. Today, we proudly serve more than 8.1 Million customers in accordance with the Islamic banking and finance system, based on transparency and honest dealings that benefit all stakeholders, and reflected by the approach and services provided at KFH.

Global Presence



As of December 2021, KFH has been operating through four international subsidiaries in Turkey, Bahrain, Malaysia, and Germany

Turkey:

Kuveyt Turk aims to lead the development of interest-free financial services and to become the most trusted and profitable bank in Turkey. The Bank is committed to delivering superior innovation and customer service excellence, while protecting and enhancing the interests of all our stakeholders.

Focus: Penetrating SME and commercial markets.

Bahrain:

KFH Bahrain aims to set 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.

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.

Focus: Digital products

Germany:

The KT Bank AG was the first bank in Germany and the Eurozone to introduce comprehensive financial products and services according to the sustainable and transparent Islamic banking principles. Pioneering in a unique business model, we were able to attract retail and corporate customers across the globe. The mission is to become the leading socially responsible and first-choice bank for all customers interested in Shariah Compliant banking services and investments.

Country	Branches	ATMS	Point of Sale 2021 vs. 2020	Customers 2021 vs. 2020
Kuwait	60	595	5%	6%
Turkey	441	1,097	14%	10%
Bahrain	9	30		10%
Malaysia	11	18		2%
Germany	6	6		28%

Corporate Values, Vision & Mission



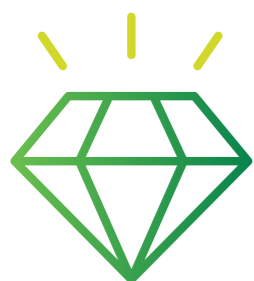
Vision

To lead the international development of Islamic financial services, and become the most trusted and sustainably most technologically advanced Shariah-compliant bank in the world



Mission

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



Values

Leadership

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

Accountability

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

Partnerships

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

Ownership and Major Shareholders

Full Name	Disclosure type	Percentage %
Kuwait Investment Authority (KIA)	Direct	24.08%
Public Authority for Minors Affairs	Direct	10.48%
Kuwait Awqaf Public Foundation	Direct	7.30%

Awards & Recognitions

Asiamoney

- Best Domestic Bank in Kuwait

The Banker

- Islamic Bank of the Year - Middle East
- Islamic Bank of the Year – Kuwait

Global Finance Magazine

- World's Best Islamic Financial Institution 2021
- World's Best Islamic Project Finance Provider
- World's Best Islamic Takaful by Global Finance -KFH-Takaful
- Kuveyt Turk as Best Islamic Bank in Turkey
- KT Bank AG as Best Islamic Bank in Europe

MEED

- Best Private Bank for Islamic Services

EMEA Finance

- Middle East Best Islamic Bank
- Middle East Corporate Social Responsibility
- Kuwait Best Bank
- Kuwait Best Islamic Bank
- Bahrain Best Islamic Bank

Islamic-Compliant Governance



Our Approach and Key Highlights

Considering the growing interest in governance, which has become one of the main concerns for all stakeholders, KFH governance is structured to reflect and promote Shariah-compliant practices to the banking industry. The Bank follows the deep-rooted set of principles, systems, rules and practices that are the foundation for sustainability and target growth as set in the Bank's "Corporate Governance Manual".

A solid governance structure shapes our corporate culture, regulatory compliance, and business practices. Through a robust governance structure and risk management system, we determine KFH's responsibilities in promoting principles of justice and equality, and regulating shareholder rights in order to encourage the progress and development of society. KFH ensures robust control, and risk management, transparency, and disclosure, leading to improvement in performance in general and ability to leverage new opportunities that drive shareholder value.

In this regard, KFH recognizes that governance plays a significant role in sustainability, which is a "Core Value" for us. Governance is a cornerstone of sustainability reporting, being attributable to many aspects of ESG, and touching on all 4 of the sustainability dimensions, namely Marketplace, Environment, Workplace, and Community (MEWC), notably through how organizations govern their performance in these dimensions. Governance elements are also found in national and international ESG frameworks and drivers. Our framework represents the foundation of our strategic direction to embed EESG, as part of our business practices and to govern our material issues according to global standards and national needs.

KFH is led by an active Board of Directors (BoD) which provides the Bank with the necessary leadership, strategic oversight and experience. 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. While acting on the behalf of KFH, the Board acts with the due skill, care, and diligence.

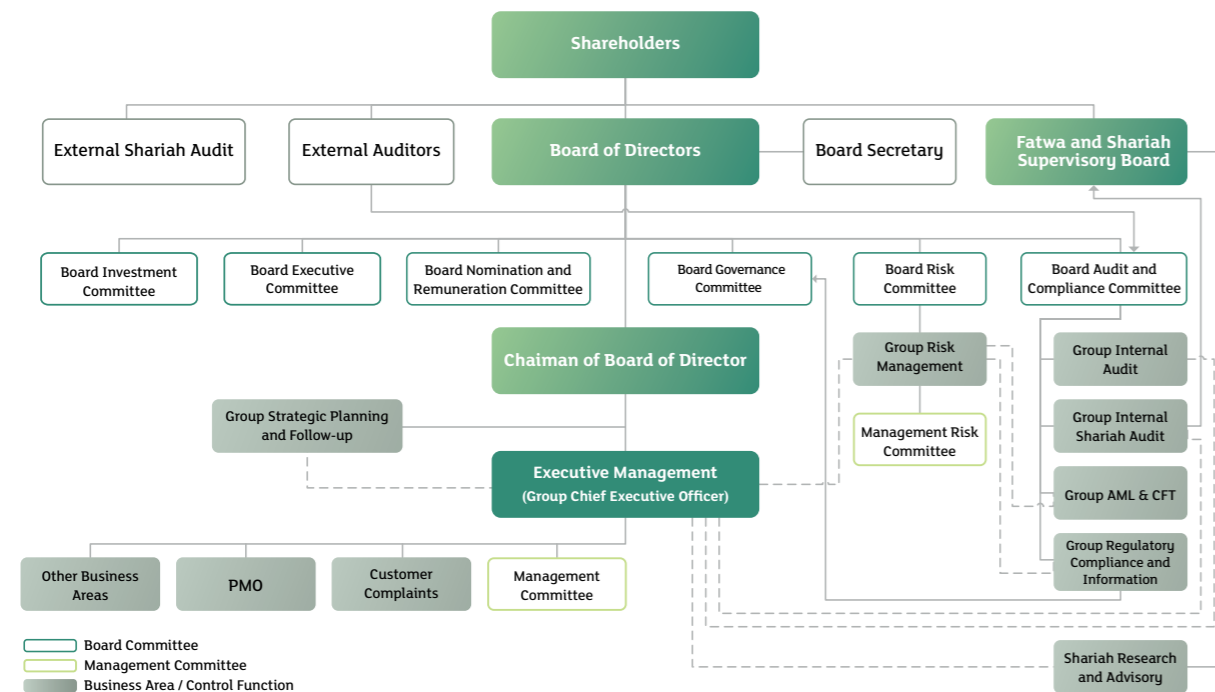
The Board's ultimate responsibility is to direct, supervise, and control the Bank's strategic operations and deliver sustainable value to shareholders and stakeholders within an accountable and effective regulatory framework.

KFH has always taken the lead in implementing all various aspects of governance rules and regulations to abide and comply with national and international best practices, and Shariah-compliant standards and regulations. The Bank continuously monitors its operations and adjusts the required governance systems and mechanisms at the Group level in accordance with the best global practices on governance.

The Bank also follows strict adherence to Shari'a rules and regulations across all transactions. KFH Fatwa & Shari'a Supervisory Board has the full independence and support of the Board to conduct its activities as per the Fatwa & Shari'a Supervisory Board's regulations. The Board comprises highly reputable and recognized members with vast experience in Shari'a discipline, who are assigned and remunerated by the General Assembly of the Bank.

In addition, KFH has an independent Shari'a's Audit Department comprising Shari'a specialists to monitor and review all has an business lines activities and ensure its compliance with Fatwa & Shari'a Supervisory Board Committee decisions. It also KFH independent Shari'a auditor to verify that the Fatwa & Shari'a Board decisions are being implemented properly to support Shari'a Matrix.

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



Most Important Components of the KFH Governance Framework

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

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

Key Principles:

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

1. Governance at KFH Group Level:

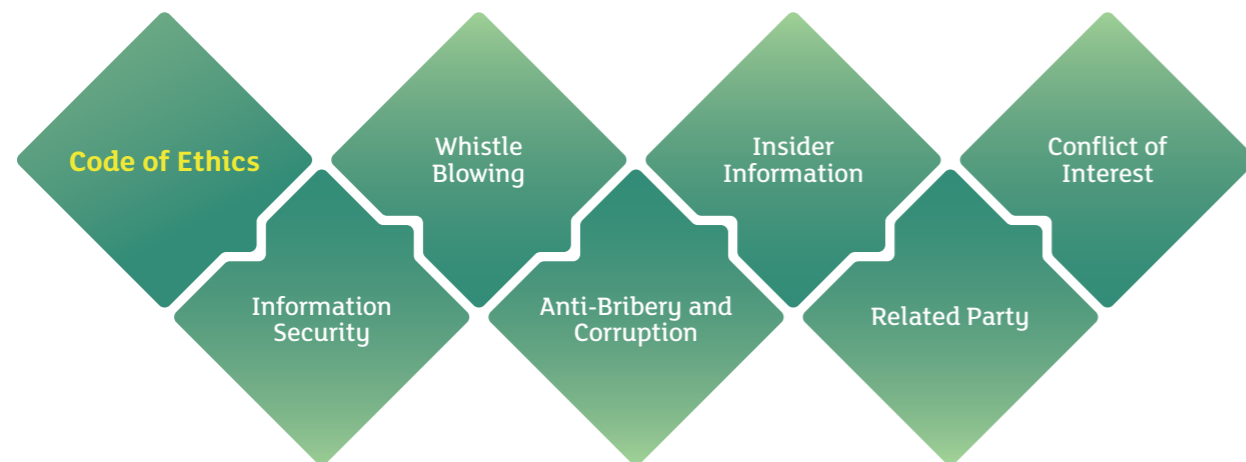
KFH Group is committed to comply with the Group's corporate governance policy emphasizing transparency and credibility, and in line with highest international standards and best practices. The Governance and Sustainability Committee reviews the Group's performance periodically and updates the policies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

2. Disclosure and Transparency:

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

3. Enhancing the Code of Business Conduct:

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



We are keen in KFH to spread the culture of adherence to ethical standards through training programs and periodical publications, with the support of the Fatwa and Shari'a Supervisory Board. The BoD review and sign the commitment to these policies on an annual basis.

Governance Structure, Performance, and Remuneration

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

- Being in accordance with updated globally applicable standards.
- Applying to the CBK's latest instructions, for which an update was issued on September 10th, 2019.
- Aligning with the new standards and structure of the Kuwaiti banking sector in light of Kuwaiti economy integration with the global economy.
- Addressing core rights and interests of employees, shareholders, customers, and other stakeholders.
- Guidance by the Shari'a Supervisory Governance for Kuwaiti Islamic Banks, issued in 2016 by the CBK.

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

Shari'a Governance

Shari'a Supervision at KFH is based on four main pillars:



The General Assembly of KFH appointed the honorable members of the Fatwa & Shari'a Supervisory Board (FSSB) for the year 2021. The FSSB consists of (5) members who issue Shari'a opinions and decisions and ensure KFH compliance with Shari'a regulations. During 2021, the FSSB held (28) meetings.

- 1) 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.
- 2) Internal Shari'a Audit: 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 FSSB
- 3) the Shari'a Research and Advisory Department conducts Shari'a review on contracts, products, agreements and policies received from KFH sectors and departments, respond to Shari'a questions and inquiries and submit what is required of them to the FSSB to obtain Shari'a opinion.
- 4) External Shari'a Audit: the External Shari'a Audit Office is responsible for monitoring and auditing all transactions and dealings to ensure the extent of KFH's commitment to the provisions of Islamic Shari'a in accordance with the Resolutions and FSSB.

Members:

Sheikh Professor Dr. Saygid Mohammad Al-Saygid Abdul Razzaq Al-Tabtaba'e

Chairman of Fatwa & Shari'a Supervisory Board

Dr. Al-Tabtaba'e – Chairman of Fatwa & Shari'a Supervisory Board since 2014 – holds a PhD and a Master's degree from the Higher Judicial Institute at Imam Mohammad Ibn Saud Islamic University in Riyadh, Kingdom of Saudi Arabia. During his professional career he held several prominent positions including Chairman of the Shari'a Law Implementation Committee, and Member of the Board of Trustees of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He was also the former Dean of Shari'a and Islamic Studies College at Kuwait University, Deputy Manager of Kuwait University.

Sheikh Professor Dr. Mubarak Jaza Al-Harbi

Member of Fatwa & Shari'a Supervisory Board

Dr. Al-Harbi received his PhD and master's degree in Comparative Islamic Jurisprudence from the Faculty of Dar Al Ulum in Cairo University, Egypt in 2002 and 1998. Dr. Al-Harbi is currently a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2009 as well as for Kuwait Finance House - Bahrain as well as Islamic Affairs in Kuwait. He was also the former Head of the Comparative Islamic Jurisprudence and Shari'a Policy Department at Shari'a and Islamic Studies College at Kuwait University.

Sheikh Dr. Anwar Shuaib Abdulsalam

Member of Fatwa & Shari'a Supervisory Board

Dr. Al-Abdulsalam received his PhD and Master's degree in Islamic Jurisprudence and Usul Al-Fiqh from Al-Azhar University in Egypt. Since 2000, he has become a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House and Kuveyt Turk . Dr. Al-Abdulsalam was a former Head of Islamic Jurisprudence and Usul Al-Fiqh Department at Shari'a and Islamic Studies College at Kuwait University.

Sheikh Dr. Khaled Shuja' Al-Otaibi

Member of Fatwa & Shari'a Supervisory Board

Dr. Al-Otaibi attained his PhD and Master's degree in Islamic Jurisprudence and Usul Al-Fiqh from the Islamic University of Medina, Kingdom of Saudi Arabia Dr. Al-Otaibi is currently a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2014. He serves as the Head of the Shari'a Supervisory Board at Kuwait Zakat House and the General Advisor for Kuwait Hajj Delegation and a member of Fatwa & Shari'a Supervisory Boards at various Islamic Financial Institutions and organizations.

Sheikh Dr. Esam Abdulrahim Al-Ghareeb

Member of Fatwa & Shari'a Supervisory Board

Dr. Al-Ghareeb holds a PhD and Master's degree in Islamic Jurisprudence and Usul Al-Fiqh from Birmingham University in the U.K. Dr. Al-Ghareeb is currently a member of the Fatwa & Shari'a Supervisory Board at Kuwait Finance House since 2014. Dr. Al-Ghareeb is a Teaching Faculty Member for his degree specialization at Kuwait University. He previously held the position of Assistant Dean at Shari'a and Islamic Studies College and College of Law at Kuwait University.

General Responsibilities of the BoD

The BoD shall bear the overall responsibility of KFH, including the development of strategic goals, risk strategy, sound governance principles, and the application and oversight of the proper application of these goals and principles, in addition to the responsibility of supervising executive management, including the CEO. Furthermore, the BoD shall bear full responsibility for KFH's operations and sound financial position. Accordingly, the Board shall ensure compliance with the CBK's requirements and preserve the interests of the shareholders, depositors, creditors, employees, and other stakeholders. In this context, the Board shall ensure that KFH is being managed prudently and in line with KFH's applicable rules, regulations, and bylaws.

KFH's BoD and Its Committees

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

Mr. Hamad Abdul Mohsen Al Marzouq; Chairman since 2014.

Chairman of Board Executive Committee; and Chairman of Board Governance Committee.

Mr. Al Marzouq graduated with a master's degree in International Finance and Business Management from Claremont Graduate University in the U.S. and a bachelor's degree in Industrial Systems Engineering from the University of Southern California in the U.S. in 1985. Mr. Al Marzouq serves as a Board Member of KBA since 2002 and was the Chairman of the Association from 2010 until 2016. Mr. Al Marzouq served as a Board Member of the Kuwait Institute of Banking Studies (KIBS) from 2003 to 2014 and the Public Authority for Applied Education and Training (PAAET) from 2007 until 2016. Mr. Al Marzouq served as a Member of the Board of Trustees of the Arab Academy for Financial and Banking Sciences from 2004 until 2009 and was a Board Member of the Union of Arab Banks from 2003 until 2010. Mr. Al Marzouq has a diverse professional experience in Banking and Finance both in Kuwait and abroad spanning more than thirty years as he has held many prominent positions in various banking, financial and regulatory institutions. Mr. Al Marzouq was Chairman and Managing Director of Ahli United Bank- Kuwait from 2002 until 2014, and was Vice Chairman of Ahli United Bank- U.K. from 1998 until 2014 and was Vice Chairman of Ahli United Bank- Egypt from 2006 until 2014. Mr. Al Marzouq served as Vice Chairman of Ahli United Bank– Bahrain from 2000 until 2014 and served as Vice Chairman of Ahli Bank- Oman from 2007 until 2014. Mr. Al Marzouq served as Vice Chairman of the Commercial Bank of Iraq from 2006 until 2014. Mr. Al Marzouq served as a Board Member, Vice Chairman, and Chairman of Kuwait & Middle East Financial Investment Company in Kuwait from 2002 until 2010. He held the position of Vice Chairman of Middle East Financial Investment Company in the Kingdom of Saudi Arabia from 2009 until 2013 and was Vice Chairman of Ahli Bank in Qatar from 2004 until 2013. Mr. Al Marzouq previously held several executive positions at the CBK including the position of Deputy Manager of the Technical Affairs Office in 1990. In addition, Mr. Al Marzouq served as the Deputy Manager of Financial Control Department from 1992 until 1996 and then served as Manager of Financial Control Department from 1996 until 1998. Mr. Al Marzouq commenced his professional career as an Investment Officer in the U.S. Equity Portfolios and Derivatives at the Investment Department at Kuwait Investment Company from 1987 until 1990.

Mr. Abdul Aziz Yacoub Alnafisi Vice Chairman since 2014

Member of Board Executive Committee and Member of Board Nomination and Remuneration Committee

Mr. Alnafisi received his Bachelor's Degree in Economics from Whittier College in the U.S. in 1977. Mr. Alnafisi holds the position of General Manager of Abdul Aziz Alnafisi General Trading Company. Mr. Alnafisi has a wealth of experience in Kuwait and abroad as he has held many prominent leadership positions in companies within Banking, Financial, Real Estate and Telecommunication Sectors. Mr. Alnafisi was a Board Member in Mobile Telecommunications Company "Zain Group" from 2005 until 2017 where he held the position of Vice Chairman until 2013. In addition, he was a Board Member in Mobile Communication Company - Saudi Arabia "Zain KSA" from 2013 until 2019. Mr. Alnafisi held many positions in the BoD of Zain Group MENA entities including Zain Iraq, Zain Jordan and Zain Sudan as well as many positions in the BoD of Celtel - Zain Africa. Mr. Alnafisi was the Chairman of Mada Communication Company from 2001 until 2011 and assumed the position of the Chairman of Al Madar Finance and Investment Company from 1998 until 2004. Mr. Alnafisi was a Board Member of Wethaq Takaful Insurance Company from 2000 until 2004 and was a Board Member of Kuwait Investment Projects Company from 1993 until 1996. In addition, Mr. Alnafisi held the position of the Chairman of KFIC Brokerage Company from 1989 until 1992. Mr. Alnafisi previously held several executive positions including the position of CEO of Alnafisi National Real Estate Group from 1996 until 2010. Mr. Alnafisi commenced his professional career as the Head of Banking Facilities Division at Burgan Bank from 1978 to 1981. In addition, Mr. Alnafisi held the position of Deputy General Manager of Yacoub Alnafisi General Trading and Contracting Establishment from 1984 until 1990 and Managing Director of KFIC Brokerage Company from 1989 until 1990.

Mr. Noorur Rahman Abid Board Member since 2014

Chairman of Board Audit and Compliance Committee and Chairman of Board Nomination and Remuneration Committee

Mr. Abid has been a Fellow Chartered Accountant from Institute of Chartered Accountants in England and Wales (ICAEW) since 1976. Mr. Abid was appointed as Assurance Leader for Ernst & Young Middle East and North Africa in 1999 and has vast experience within the profession spanning more than 41 years. In 2012, Mr. Abid received the World Islamic Banking Conference Industry Leadership Award in recognition for his contribution to the Islamic Banking industry. Mr. Abid previously served as Chairman of the Accounting Standards Committee and Vice Chairman of Accounting and Auditing Standards Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Mr. Abid is currently a member of the Board of Trustees of the (AAOIFI). Mr. Abid serves as the Chairman of the Audit Committee and the Chairman of Board Human Resources Committee at Meezan Bank, one of the largest Islamic Banks in Pakistan. In addition, Mr. Abid is a Board Member at Arcapita Company in the Kingdom of Bahrain and Chairman of its Audit Committee. Mr. Abid is a Board Member at Dr. Soliman Fakeeh Hospital in Jeddah in the Kingdom of Saudi Arabia, Chairman of its Audit Committee, and a member of its Nomination and Remuneration Committee.

Mr. Motlaq Mubarak Al-Sanei Board Member representing Kuwait Investment Authority since 2017

Member of Board Executive Committee, Member of Board Risk Committee, and Member of Board Nomination and Remuneration Committee

Mr. Al Sanei received his Bachelor's Degree in Economics from Kuwait University in 1983. Mr. Al Sanei has a wealth of professional experience in the Economic and Investment field where he has held numerous prominent positions. He served as the Director General of Kuwait Authority for Partnership Projects from 2016 until 2020 and as the Chairman and Board Member for numerous leading companies in Kuwait including the role of Chairman of Kuwait Small Projects Development Company from 2005 until 2011. Mr. Al Sanei has assumed overseas roles, including Chairman of the Tunisian Kuwaiti Bank, from 2001 until 2011. Mr. Al Sanei made efficient and effective contributions to the Board Committees he participated in. He headed the Privatization

Committee of Kuwait Airways Corporation in 2010. In addition, Mr. Al Sanei has a highly distinguished professional experience in the field of Islamic Banking and Capital Markets as he headed the Founding Committee of Warba Bank. In addition, he was a member of the Privatization Committee of Kuwait Stock Exchange in 2011 and the Founding Committee of Media City Company in 2008. Mr. Al-Sanei was a Board Member in several leading companies in Kuwait including Tri International Consulting Group (TICG) from 2014 until 2016 and Bank of Bahrain and Kuwait from 2011 until 2017. He served as a Board Member in several companies abroad including Arab Investment Company in the Kingdom of Saudi Arabia from 2008 until 2015, Arab Authority for Investment and Agricultural Development in the Republic of Sudan from 2001 until 2008, and the Kuwaiti United Company in the Syrian Arab Republic for one year. Mr. Al Sanei was a member at Kuwait Economic Society from 2006 until 2014 and Board Member of Kuwait Airways Company during 2011. In addition, he assumed the role of Chairman and General Manager for the Kuwaiti Tunisian Development Group. Mr. Al Sanei served previously as the General Manager of the Kuwaiti Real Estate Investment Group Office in Tunisia until 2000.

Mr. Mohammed Nasser Al Fouzan Board Member since 2020

Member of Board Audit and Compliance Committee, and Member of Board Investment Committee.

Mr. Al Fouzan received his Bachelor's Degree in Business Administration from Kuwait University in 1986. He also received his Higher Banking Diploma from the Arab Institute for Banking Studies - Jordan in 1989. Mr. Al Fouzan has completed many specialized training programs and holds numerous specialized professional certificates such as the Executive Development Program from The Wharton School in the United States of America in 2001, and the Strategic Management Program from Harvard Business School in 2006. Mr. Al Fouzan is the Vice Chairman of Kuwait Finance House - Bahrain since 2012, and a Board Member in Kuwait Finance House - Malaysia since 2014. Mr. Al Fouzan previously held several executive positions at KFH Group including the Group CEO Office Consultant from 2014 until 2018, Acting CEO in 2014 and Chief Retail Banking Officer from 2012 until 2014. In addition, he previously held various positions in different companies such as the Chairman of (K-Net) Company from 2005 until 2008 and International Turnkey Systems Group (ITS) from 2008 until 2012.

Mr. Salah Abdulaziz Al-Muraikhi Board Member representing Kuwait Investment Authority since 2018

Member of Board Audit and Compliance Committee, Member of Board Investment Committee, and Member of Board Governance Committee

Mr. Al-Muraikhi received his Master's Degree in Business Management and Financial Accounting from Claremont Graduate University in the U.S. in 1987. He received his Bachelor's Degree in Finance from the Kuwait University in 1984. Mr. Al-Muraikhi joined Kuwait Investment Authority in 1996. He then worked in Kuwait Investment Office in London from 2000 until 2005. Mr. Al-Muraikhi currently holds the position of Manager of Hedge Fund Department in Kuwait Investment Authority. Mr. Al-Muraikhi has a wealth of professional experience in the Economic and Investment field where he held numerous prominent positions. He served as the Chairman of the Board of Farah Al-Maghreb Company (previously known as Moroccan Kuwaiti Development Group) from 2015 until 2018, Board Member of Kuwait Investment Company from 2012 until 2018, Chairman of the Board for Pakistan Kuwait Investment Company from 2007 until 2012, Board Member of Kuwaiti Egyptian Investment Company from 2007 until 2013, Board Member of Grupo Plastico Company in Spain from 2004 until 2005, Vice Chairman for Kuwait Real Estate Investment Consortium from 1998 until 2000 where he held the position of Managing Director from 1999 until 2000. Mr. Al-Muraikhi served as Board Member of Housing Banking Amman - Jordan from 1997 until 2001.

Mr. Khaled Salem Al Nisf Board Member since 2014

Member of Board Risk Committee, Member of Board Executive Committee, and Member of Board Investment Committee.

Mr. Al Nisf received his Bachelor's Degree in Finance from the College of Commerce, Economics and Political Sciences at Kuwait University in 1995. He also pursued specialized courses in Financial Statement Analysis from the Institute of International Research and several specialized courses in Islamic Banking. Mr. Al Nisf is a Board Member at the Kuwaiti Digital Computer Company since 2001. In addition, Mr. Al Nisf holds the position of Board Member at Al-Shamiya Holding Company since 2016 and is a Board Member at Al Tadamon Al Kuwaitiya Holding Company since 2016. Mr. Al Nisf held the Executive Board's Chairman position specialized in setting strategies and implementation at Al Nisf Group of Companies. Mr. Al Nisf has held the position of CEO at Mohamed Bin Yusuf Al Nisf & Partners Company, Al Tadamon Al Kuwaitiya Company, and Trading and Industrial Equipment Company since 2008. Mr. Al Nisf previously held several executive positions including the Investment and Finance Manager position at Al Nisf Companies from 1997 until 2008 and was the Company's Administration Manager from 1995 until 2007. In addition, Mr. Al Nisf previously held the position of Deputy Chairman at the Kuwaiti Digital Computer Company from 2016 until 2019.

Ms. Hanan Yousif Ali Yousif Board Member representing Kuwait Awqaf Public Foundation (KAPF) since 2019

Member of Board Governance Committee and Member of Board Risk Committee

Ms. Hanan Yousif received her Bachelor's Degree in Business Administration in Finance and Banking from Kuwait University in 1996. Ms. Hanan Yousif is the Director of the Investments Management Department in Kuwait Awqaf Public Foundation since 2018. In addition, Ms. Hanan Yousif holds the position of Acting Deputy Secretary General for Investment since June 2021. Ms. Hanan Yousif commenced her professional career in the Investments Management Department at Kuwait Awqaf Public Foundation as a Financial Researcher in 2000. In addition, Ms. Hanan Yousif held the position of Head of Financial Investment Unit from 2004 until 2011, and the Investment Management Controller from 2011 until 2018. Furthermore, Ms. Hanan Yousif was a board member representing Kuwait Awqaf Public Foundation in Public Services Company from 2003 until 2006, Al Masar Leasing & Investment Company from 2005 until 2012, Al Madar Finance & Investment Company from 2006 until 2007, and Rasameel Investment Company from 2012 until 2021. In addition, Ms. Hanan Yousif is the Chairman of the Board Audit Committee and Board Risk Committee in Rasameel Investment Company since 2015 until 2021. Ms. Hanan Yousif possesses a

vast financial experience. During her professional career, she held numerous prominent leadership roles at Kuwait Awqaf Public Foundation including the position of Member and Rapporteur of the Staff Social Committee from 2001 until 2003, Rapporteur of Waqf Resources Development and Investment Committee since 2010, Assistant Rapporteur of the Committee for responding to the Observations of the State Audit Bureau of Kuwait since 2010, a member of the Strategic Planning's Working Group in 2013, and a member of Awqaf Management System Implementation Committee in 2014. Ms. Hanan Yousif also served as the Rapporteur of the Doubtful Debt Reviewing Committee in 2015 and the Secretary of the Real Estate Investment Company (Al-Awadhi) Liquidation Committee from 2016 until 2018.

Mr. Fahad Ali AlGhanim Board Member since 2014

Chairman of Board Investment Committee, Member of Board Executive Committee and Member of Board Audit and Compliance Committee

Mr. AlGhanim received his Bachelor's Degree in Civil Engineering from Kuwait University in 2002. Mr. AlGhanim is the Chairman of Aayan Leasing and Investment Company since 2011. In addition, he is the Vice Chairman of AlAhlia Heavy Vehicles Selling and Import Company since 2011 and Board Member of Kuwait Building Materials Manufacturing Company since 2004. Mr. AlGhanim currently holds the position of CEO at Ali Mohammed Thunayan AlGhanim and Sons Automotive Group of Companies since 2005 and is a Board Member and Treasurer at Kuwait Sports Club since 2007. He is also a member of Kuwait Society of Engineers since 2003. Mr. AlGhanim has held many prominent leadership positions including the position of the Chairman and CEO of AlAhlia Heavy Vehicles Selling and Import Company from 2005 until 2011 and was the Chairman of the Restructuring Committee at Aayan Leasing and Investment Company from 2010 until 2011. He also held the position of Board Member of the Representatives Board of the World Agents of McLaren Motors Company (Representatives of the Middle East) from 2010 until 2015. Mr. AlGhanim assumed Board Member positions in numerous local companies including the International Company for Electronic Payment (UPS) from 2005 until 2010, Al-Oula Slaughter House Company from 2003 until 2005, and was the CEO of Ali AlGhanim and Sons Group of Companies – Contracting Sector from 2002 until 2005.

Mr. Muad Saud Al Osaimi Board Member since 2014

Member of Board Executive Committee, Member of Board Risk Committee, and Member of Board Investment Committee

Mr. Al Osaimi was appointed as the Chairman of Kuwait Finance House - Malaysia since 2017. He also served as a Board Member of numerous companies including Kuwait Gate Holding Company from 2004 until 2014, Kuwait Financial Center Company from 2008 until 2011 and Al Raya International Holding Company from 2005 until 2009. Mr. Al Osaimi is the CEO of Faiha International Real Estate Company since 2017. He previously held the position of Deputy General Manager of Global Retail Company from 2003 until 2020. In addition, Mr. Al Osaimi worked at the Investment Department of Aayan Leasing and Investment Company in 2002 and completed an 18 month specialized training program for graduates at Kuwait Investment Authority (KIA) in 2001. Mr. Al Osaimi received his Bachelor's of Science Degree in Finance from George Mason University in the U.S. in 2001.

Mr. Hamad Abdullateef Al Barjas Board Member since 2020

Member of Board Audit and Compliance Committee, Member of Board Nomination and Remuneration Committee, and Member of Board Governance Committee

Mr. Al Barjas received his Bachelor's Degree in Civil Engineering from the College of Engineering and Petroleum at Kuwait University in 1993. Mr. Al Barjas is a Board Member at El Durra Company since 2019, and the Deputy General Manager of Minors Affairs since 2018. Mr. Al Barjas previously held several executive positions including the Deputy General Manager for the Administrative and Financial Affairs in the Public Authority for Minors Affairs from 2017 until 2018 and Board Member at REAM Real Estate Company from 2007 until 2015.

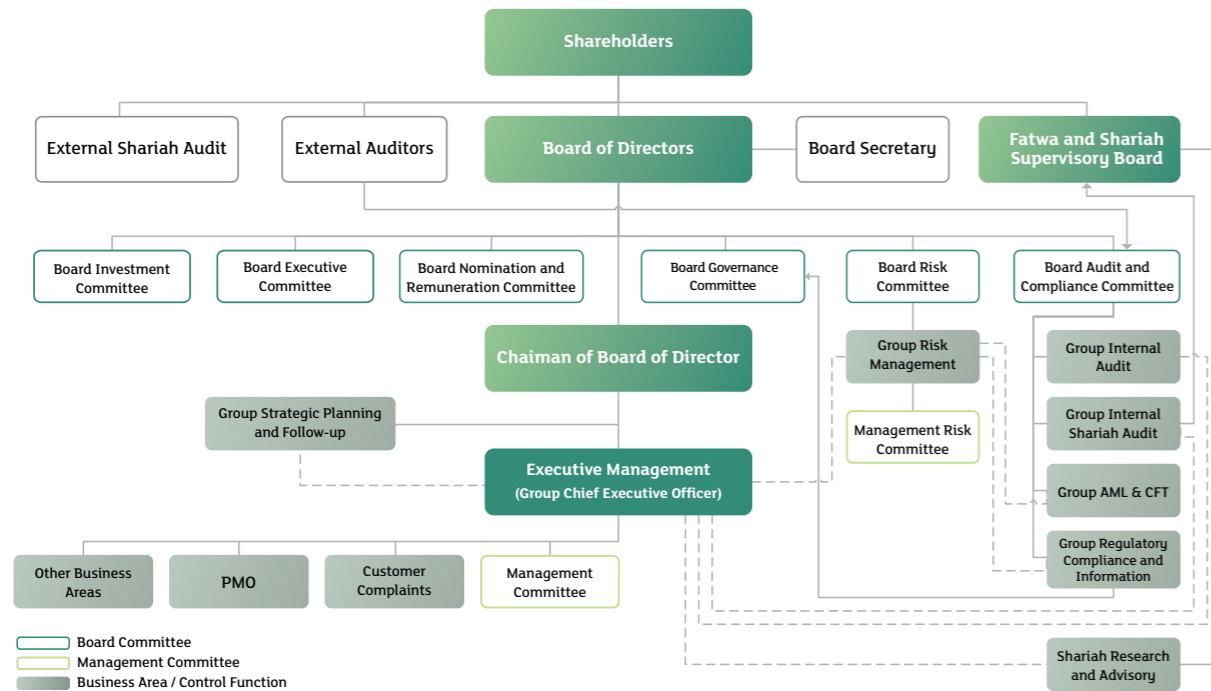
Mr. Ahmed Meshari Al Faris Board Member since 2020

Chairman of Board Risk Committee, and Member of Board Governance Committee.

Mr. Al Faris received his Bachelor's Degree in Accounting from the College of Business Administration at Kuwait University in 2000. Mr. Al Faris received his Higher Diploma in Islamic Finance from the College of Graduate Studies at Kuwait University in 2010. In addition, he received his Master of Business Administration in 2009 and Postgraduate Diploma in Business Administration in 2006 from Maastricht School of Management – Kuwait. Mr. Al Faris is currently the Board Secretary at Kuwait Telecommunication Company since 2019 and Board Treasurer in Kuwait Transparency Society. In addition, Mr. Al Faris was the Acting Chief of the Internal Audit Department at Kuwait Telecommunication Company from 2019 until 2020, the Assistant Under-Secretary for the Corporate Affairs and Commercial Licenses at the Ministry of Commerce and Industry from 2017 until 2018, Board Member at the Public Authority for Industry from 2017 until 2018, Board Member at the CBK in 2018, Board Secretary at the Kuwait Accountants and Auditors Association from 2017 until 2019, Chairman of the Kuwait Accountants and Auditors Association from 2015 until 2017 and a Board Member from 2007 until 2015. Mr. Al Faris holds many Professional Certificates such as Certified Compliance Officer (CCO) since 2019, Certified Merger & Acquisition Specialist (CMAS) since 2017, Certified Professional Internal Auditor (CPIA) since 2015 from the United States of America, Certified Risk Based Auditor (CRBA) since 2015 and Certified Risk Analyst (CRA) since 2014 from Hong Kong.

Board Structure

Pursuant to KFH Articles of Association, the BoD comprises 12 members, including 2 independent board members. All Board Members were elected by the General Assembly through a secret ballot, after nominations were opened for membership on September 15th, 2020. Accordingly, a new Board was formed in the 15th. session 2020/2022. The Board office term is three renewable years, and a member may be re-elected for another term. The current BoD consists of the Chairman, Vice Chairman, and 10 Board members, including the 2 independent members, who duly represent the quorum required for forming the Board Committees in accordance with the principles of sound Corporate Governance set by the CBK.



Leadership Structure

KFH Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the BoD, as the Board believes that it is in the best interests of our organization to make that determination from time to time based on the position and direction of our organization and the membership of the Board. At this time, Mr. Hamad Abdul Mohsen Al Marzouq, a Non-executive Director, serves as Chairman of the Board, and Mr. Abdulwahab Issa Al-Rushood serves as Acting Group Chief Executive Officer.

Chairman's Role

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

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.

Duties:

- Over implementation of strategies, business plans, and adherence to policies, laws and the regulating instructions.
- Managing and evaluating KFH's overall performance, in accordance with the strategies, plans, and policies approved by the Board.
- Referring transactions exceeding his line of authority to the Board.
- Ensuring that all actions adhere to KFH's policies as well as the laws and the regulating instructions.
- Conducting and performing all key duties delegated to him by the Board.

Performance Review

The Board conducts an annual performance evaluation of the CEO, as well as an annual review of governance practices, to verify their effectiveness and introduce the required improvements in this regard.

Remuneration

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

The total remuneration charged for the year 2021 for the CEO and his deputies and/or other Senior Executives amounted to KWD 3,217,524. The remuneration package of each executive in this category included fixed and variable pay components including salaries (basic and cash / non-cash benefits / allowances), short-term incentives including fixed and variable annual cash bonus, as well as long-term incentives and end of service benefits.

The Relationship between the BoD and the Executive Management

KFH maintains cooperation and clear segregation of duties, functions, and powers between the BoD and Executive Management, thus satisfying a fundamental requirement of sound corporate governance. As such, the Board is responsible to provide guidance, supervision and leadership, while Executive Management is responsible for drawing up and implementing the strategies and policies approved by the Board while ensuring that the board and its members are totally independent from the Executive Management. The Board shall also ensure that Executive Management is in strict compliance with the policies preventing and prohibiting the activities and relations which might contradict, and compromise sound corporate governance principles; i.e.

Conflict of Interests Policy and the Remuneration Policy.

Organizing Board Activities

The BoD held (15) meetings during 2021 within the former 14th session and the current 15th session elected as per the Board resolution dated April 15th, 2020 as it was not possible to elect a new BoD due to the Covid-19 pandemic. The Board members held (22) meetings in 2020. A meeting is called for whenever the need arises. The number of meetings held exceeded regulatory requirements concerning corporate governance, which shall not be less than 6 meetings per year and not less than one meeting per quarter. The resolutions adopted during Board meetings are binding and considered an integral part of KFH records. The average board meeting attendance exceeded 90%.

In 2021, the Board adopted a number of resolutions recorded in (64) minutes of Board meetings issued by passing, while the committees made (16) minutes of resolutions by passing. The Chairman discusses with the Executive Management the essential proposed issues to be introduced to the agenda, and provides the Board members with sufficient information in advance to make decisions. The Board Secretary shall take down all Board discussions, recommendations and voting results in the meeting. The responsibilities of the Chairman and Board Members are documented and determined as per all related legislations and regulations.

Board Committees

Meetings in 2021

Board Meeting : 15
Attendance Rate: 98%

Nomination and Remuneration Committee : 7 Attendance Rate: 100%	Risk Committee: 8 Attendance Rate: 100%	Audit and Compliance Committee: 5 Attendance Rate: 100%	Executive Committee: 16 Attendance Rate: 100%	Governance Committee: 3 Attendance Rate: 100%	Investment Committee: 5 Attendance Rate: 100%
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KFH's BoD formed several committees to assist in carrying out the Bank activities and enhancing control on the Bank's core operations. The committees were formed based on various lines of business. All Board members are fully involved in these committees. The Board has also endorsed the committees' covenants, highlighting the responsibilities, duties and scope of these committees' functions.

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 and Sustainability Committee
6. Investment Committee

All KFH's Board committees are appointed for the same duration/tenure of the board; three years.

1. 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.

NRC currently comprises 4 members: 2 financial experts and 2 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 seven times in 2021, in which it issued (5) resolutions by passing. The main functions of the NRC include, but are not limited to:

Committees' Nominations

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

Board Memberships

- Gives 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.
- Provides recommendations to the Board for the nomination, re-nomination, or cancellation of Shari'a Supervisory Board membership while ensuring the transparency of appointment and reappointment of the Shari'a Supervisory Board and evaluating its effectiveness.
- Conducts an annual review of the required appropriate skills for Board membership, prepares a description of the capabilities and qualifications required for membership, conducts an annual review of the board's structure, and raises recommendations about the changes that can be applied in line with KFH interest.

Annual Board Assessment

- NRC conducts 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, the assessment of their powers and authority, and their leadership qualifications.

Critical Issues and Board Knowledge

- Provides information and summaries about certain critical issues to KFH and submits 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

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

- The Board oversees the design, control, activation and review of the remuneration system of KFH to ensure the effectiveness of the process.
- NRC is responsible for establishing the Board's guidelines in respect of all remuneration-related matters.
- Payroll Management Policy is a part of HR Policies in KFH and serves as the remuneration policy, including all requirements as mentioned in CBK Corporate Governance Instructions. The policy includes all components of financial remuneration, taking into consideration the enhanced risk management in KFH. The policy has also been designed to attract qualified and experienced professionals. The executives' remuneration includes both fixed and variable components, which include their current and deferred remunerations, short and long-term incentives, and end of service indemnity where 30% from their annual bonus is deferred for 3 years. The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the employee's grade in the Bank, the job function, as well as market practice.

KFH's remuneration system has the following compensatory components:

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

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

Top Management Remuneration Guidelines

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

Claw Back Policy

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

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

2. Risk Committee

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

All committee members attended all eight meetings in 2021.

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

- Providing advice to the Board on KFH strategy, and current and future risk appetite, as well as supervising the Executive Management’s implementation of such strategy.
- Ensuring a proper risk management framework across KFH, including risk strategies, risk appetite, policies, procedures, tools, and methodologies.
- Reviewing risk policies and strategies in KFH as approved by the Board. Executive management is responsible for the implementation of these strategies in addition to the development of policies and procedures to manage various types of risks.

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 BoD 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.

3. Audit and Compliance Committee

The Audit and Compliance Committee (ACC) is appointed by the Board every tenure (three years). The Committee must include three non-executive members, and at least be headed by one of the independent members. Further, two members at least are to be financial experts or have work experience in the financial field. ACC currently comprises five members and is headed by one of the independent members, as shown 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-Muraikhi	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, or whenever required or requested by the head of the committee or other members. The Committee met five times in 2021, attended by all members, where they issued one resolution by circulation.

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

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

- Reviewing scope, results, and extent of adequacy of KFH internal and external audit.
- Reviewing accounting issues that have a material impact on financial statements.
- Reviewing KFH internal controls and ensure the sufficiency of human resources allocated for control positions.
- Reviewing KFH financial statements before presenting the same to the board and ensuring the adequacy of allocated provisions.
- Ensuring KFH’s compliance with the related laws, policies, rules, and regulations.
- Assessing 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 Group 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’s responsibility does not waive that of the Board and the Executive Management in regard to monitoring the adequacy of internal control systems in KFH.

4. Executive Committee

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

Our committee currently comprises six members, and is 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 at least once every three months, whenever required or based on a request from the head of the Committee or other members. In 2021, the Committee met 16 times, and issued seven resolutions by passing, with an attendance rate of 100%.

The Committee is responsible for assisting the Board in fulfilling its obligations according to the authorities given by the board to the committee, including, but are not limited to:

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

5. Governance Committee

The Committee is appointed by the Board for a duration of three years or the remaining period of Board membership. The Board shall appoint the Committee members, who shall not be less than five 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 is 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 at least twice a year. In 2021, the Committee met three times where they issued three resolutions.

The Committee is responsible for assisting the Board in supervising sound governance, developing the set of governance instructions and policies, and monitoring compliance with its application and the governance manual by the BOD, Board Committees, and the Executive Management.

The main functions of the Governance and Sustainability Committee include, but are not limited to:

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

6. Investment Committee

The Committee is appointed by the Board for a duration of three years, or the remaining period of Board membership, and shall consist of at least five members. Our Committee currently comprises five 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 met five times in 2021.

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

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

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

Nominating and Selecting the Highest Governance Body

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

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

The shareholders have the right to vote, on the annual general assembly, on the selection of KFH's BoD based on the one share one vote principle, for all its outstanding shares. The independent board member(s) are subject to clear governance terms and conditions set by the CBK; if a candidate(s) are nominated, they are subject to approval from the shareholders at the annual general assembly.

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

The 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 an outstanding performance in all aspects.

In light of KFH's 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 in 2022.

Directors Annual Compensation

The total remuneration charged for the year 2021 to CEO and his deputies are in line with the Bank's policies. The remuneration package of each executive in this category included fixed and variable pay components including salaries (basic and cash / non-cash benefits / allowances), short-term incentives including fixed and variable annual cash bonus, as well as long-term incentives and end of service benefits.

Audit Department

We also have a dedicated Audit Department, which is an independent department that enriches our internal controls, procedural systems, and service quality, and offers advice on updating our training programs and plans upgrading. The Internal Audit team analyses accounting Audit Reports, detects any weaknesses, and regularly prepares and submits quarterly reports on the control and supervision procedures over financial affairs, investments, risk management, and ICS implementation. The Department consistently reviews and updates its auditing methodology to ensure effective responses. In addition, the Department upgrades its planned and unplanned audit commitments to make proper recommendations as to the changes to be introduced to consolidate governance, risk management, and internal controls and compliance. As such, the Department's role has transformed from a function requiring the assistance of external sources to a body fully capable of self-assuming the entire internal audit task of the Bank. The team undergoes self-appraisals designed to be flawless and avoid employees' overestimating their performance and reinforcing the procedure itself.

Risk Management

Identifying and proactively managing risk in all aspects of our business is essential to the long-term success of KFH. We aim to minimize potential adverse effects on our financial performance and operations by balancing our risks and returns exposure. Embedding a risk management culture in all our business processes ensures that an ethical culture is adopted throughout our organization. We strive to improve our risk management practices in line with industry standards, CBK guidelines, and ESG considerations. Our policies require thorough credit risk assessments for our financing and investment practices, including comprehensive credit risk analyses. Collateral to support any exposure is a crucial consideration and regularly evaluated to verify coverage. KFH does not engage in any activity or exposure that may pose reputational risks to the Bank.

Risk Governance and Organization

Risk Governance has been implemented on the Group level in 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 specific risk management and control responsibilities.

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 are responsible for ensuring that the risks are managed in accordance with 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 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

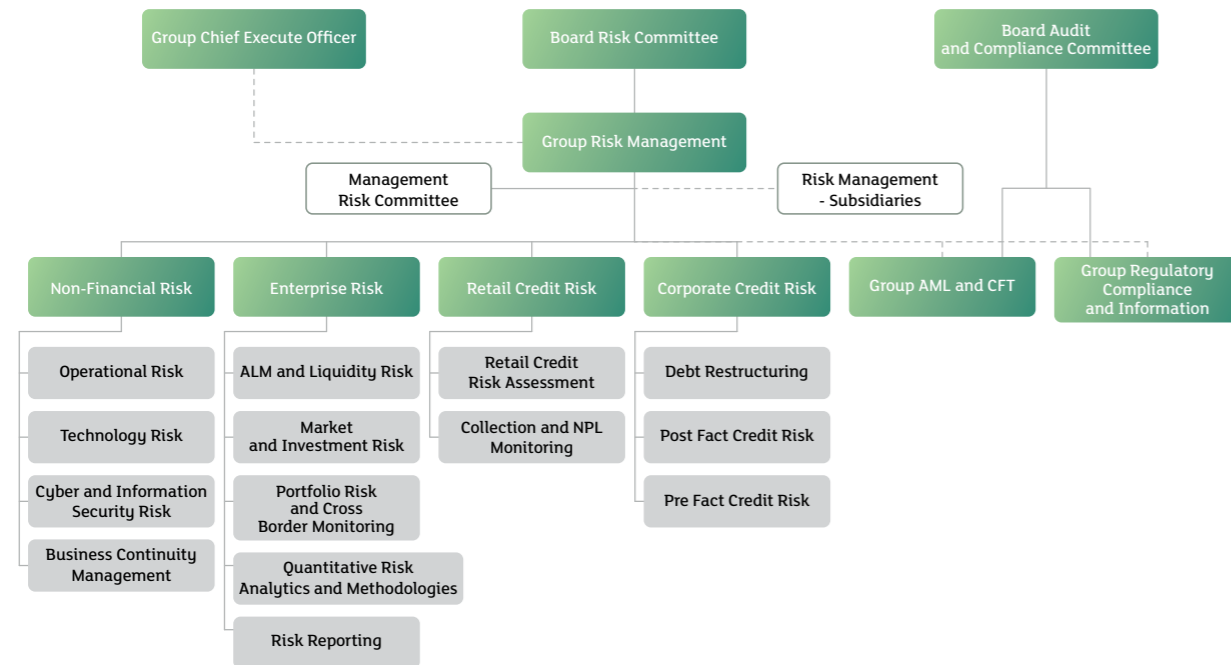
The risk governance structure at KFH comprises of both Board and management level committees. This structure is being enhanced continuously to ensure the efficient use of management time and focus on committees with significant Risk Management involvement. The structure, committee mandates, composition,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

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 hired risk professionals to fill in the vacancies, and trained the current staff to further develop existing capabilities.

FH 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 the Bank's internal risk management guidelines and strategy.

In 2018, the Board approved enhancements to the risk management structure in order to enhance the 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 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, 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 set by Board through advice, facilitation, monitoring and follow-up on the execution of decisions and in maintaining high-risk governance standards.

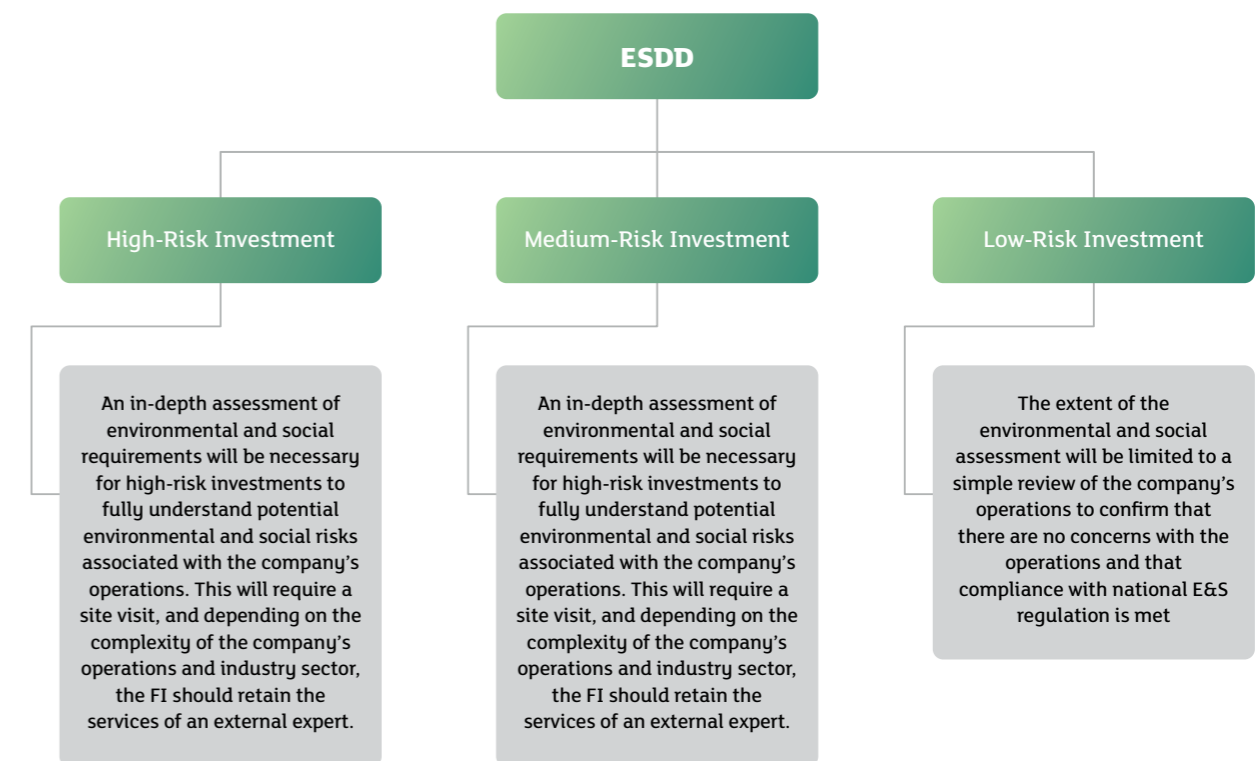
E&S Risk Management

E&S Risk Screening and Monitoring Procedure

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

Environmental and Social Due Diligence (ESDD)

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



(ESDD) Questionnaire

One of the most important steps of a due diligence process is to collect and review documentation, including publicly available information and documents requested from the company/investee. For this purpose, the Consultant will develop an E&S Due Diligence (ESDD) Questionnaire.

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 KFH's culture 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 Risk Management and the business lines. The CEO, 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.

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.

Internal Audit

Independency and Appointments

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

Duties

- The primary duty of the Internal Audit function is to provide an independent and objective assurance on the design and operating effectiveness of risk management, internal controls and governance processes.
- The Internal Audit function also reviews the reliability and integrity of information, compliance with policies and regulations, 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 the 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 specific 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.

Compliance

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

Governance

The BoD approves the roles and responsibilities of the Compliance Function that is given independence and sufficient authorities 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 the Compliance Function nor give it the authorities to access the BoD.

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

Duties of Compliance Function

- It advises the BoD and the Top Executive Management on the compliance of the Bank with the regulatory rules, instructions and legislations and updates them at all times on the latest developments.
- At least once a year, it identifies and assesses non-compliance risks that face the Bank and the 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 BoD or the Board Compliance Committee, if found. Despite the above duties of the Compliance function, the Bank's compliance remains the responsibility of the BoD and the Top Executive Management in the Bank.

Compliance with Laws and Regulations

In case of any misconduct, inappropriate actions, or alleged claims, an internal investigation is carried out, and if proven true, CBK and the General assembly are notified, and proper authority takes over the investigations and legal actions.

- There was a fine of 20,000 KWD imposed on the Bank due to a fraud case.
- There was a fine of 10,000 KWD imposed on the Bank due to a violation to comply with CBK instructions on credit granting facilities.

The External Audit

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

External Auditor Report about internal Controlling Systems covers the following:



The external auditor provides and discusses with the Audit and Compliance committees the auditing Report. 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.

To ensure the integrity and effectiveness of the external audit, and in line with the decisions issued by CMA in Kuwait, the BoD established appropriate policies concerning conducting a rotation for external audit bureaus every three years. The external audit bureau shall abide by the instructions imposed by the regulatory authorities (CBK – Capital Market Authority – Ministry of Commerce and Industry). In addition, the external auditor may not provide internal audit services to KFH.

Governance Performance

The Governance and Sustainability Function has adopted a Digital tool that its best described as a digital library for all related regulations and instructions from the regulatory authorities in Kuwait (CBK-CMA). Our CAR is higher than the minimum regulatory requirements prescribed by CBK.

The Governance Structure and Delegation Authority

The KFH Board's Governance and Sustainability Committee oversees the implementation of the KFH sustainability strategy. Our governance rules clearly state the board delegation on daily operations to the top management headed by the CEO. KFH strongly believes in the efficiency of the delegation that enables the Bank to capitalize on the collective expertise of each of the top management in their own areas of strength.

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

The Board established its committees to enhance its effective supervision of significant operations and promote transparency by appointing 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, expected targets and achievements, and all matters about the preparation of reports and its presentation to the BoD. 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 direct responsibility for all matters pertaining to the Bank.

Code of Conduct

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

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

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

Conflicts of Interest – BoD

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

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

All related parties (KFH BoD) dealings are disclosed at the annual general meeting.

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

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

Related Party Transactions

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

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

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

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

All related party transactions are monitored and audited by Internal Audit to ensure that all such transactions are aligned with Related Party Transactions policy.

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

Anti-Bribery and Corruption

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

The prevention of bribery and corruption practices is critical to us to uphold our Bank's reputation. As such, we are further enhancing our management systems by investing in the Financial Crime Compliance Unit, which reports to the Compliance division and will be responsible for implementing an anti-bribery and corruption policy and framework in addition to other measures to mitigate financial crime.

AML/CFT

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

The Compliance Department works with KFH Learning and Development to deliver annual introductory AML/CFT awareness training sessions to all staff, as well as tailored AML/CFT training to specific staff, including our BoD, on the basis of their specializations.

In 2021, all of our employees have undertaken anti-corruption training.

Fraud Prevention

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

KFH has a Capital Management Policy that establishes a governance structure around decisions pertaining to capital planning.

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

Acceptance of Gifts

Directors and employees should refrain from accepting any gifts, either monetary or otherwise, from clients or contractors. Small gifts of minor monetary value (not more than KWD 100/-) such as corporate gifts, calendars etc., may be accepted, bearing the inscription of the giver.

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

As a general rule, meals and refreshments of reasonable value, should only be accepted on the basis that the expense would be deemed to be an appropriate business expense if it were to be charged to KFH.

Employees must not solicit or accept gratuities, directly or indirectly, from clients, or other parties dealing with KFH in connection with work that the employee is responsible for. Gifts, sponsorships or invitations may not be accepted by an employee, where such could be deemed to influence or compromise the employee's position or any business decision by KFH.

Whistleblowing Policy

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 BoD, 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 their 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 BoD to reach a decision.

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

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

Grievance Mechanisms

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

- Performance Management Grievance

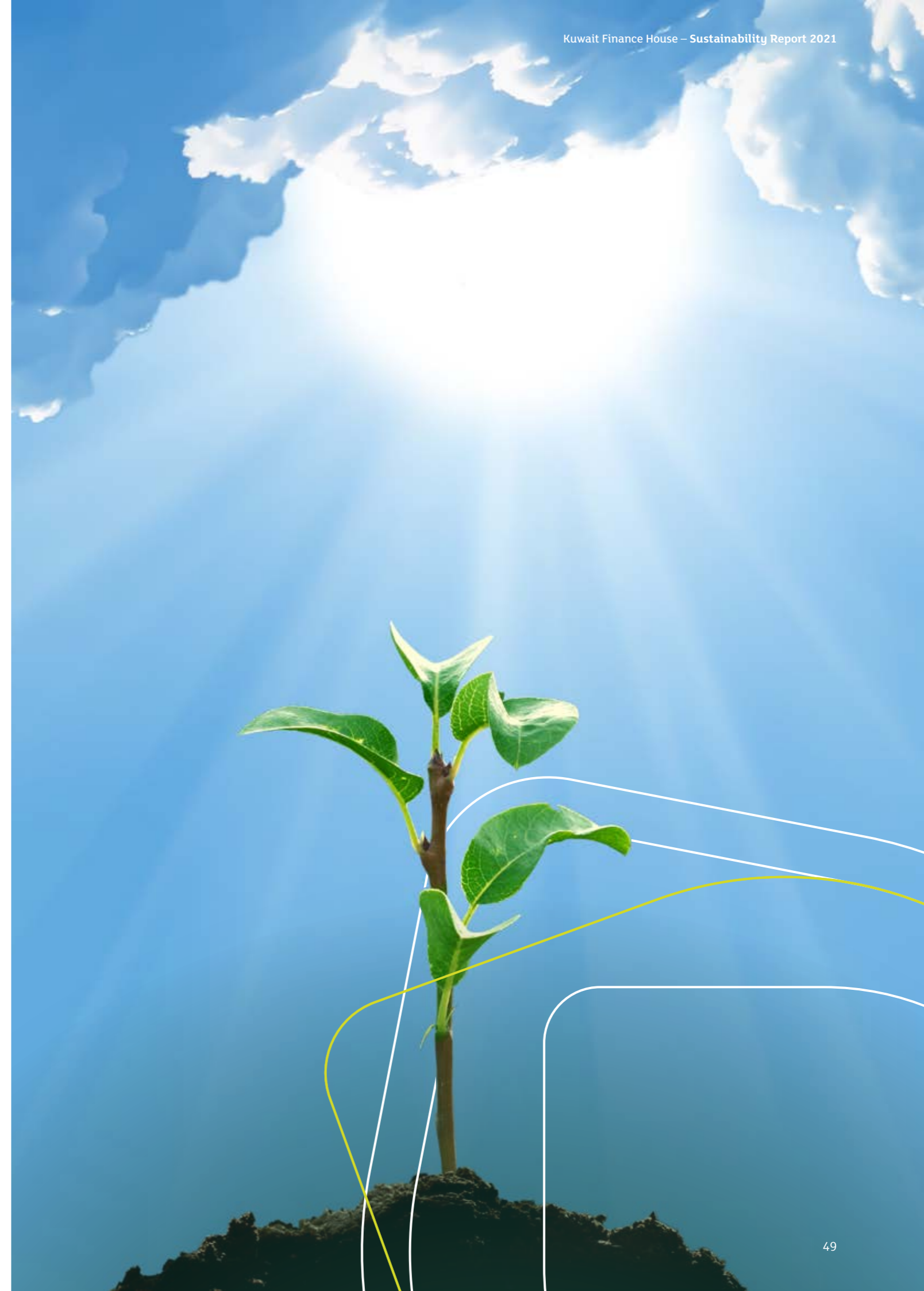
- Eligibility: All KFH staff is eligible for grievance within 10 working days of sharing the final appraisal.
- Objective: To reinforce fairness and transparency in KFH performance cycle.
- Purpose: The purpose of the Grievance Process is to give the staff the chance to officially speak to his management 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, or 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 to defend themselves. It is also a chance for HR to explain to staff the fairness of the and the reason for the disciplinary action taken against them. 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 concerns, then meet with Employee Support function to discuss the final decision.

Employee Complaints

In 2021, only one corruption incident was confirmed. Disciplinary action was taken against the staff and was dismissed after all due and proper investigations.



Leading Economic Advancement



Financial Performance

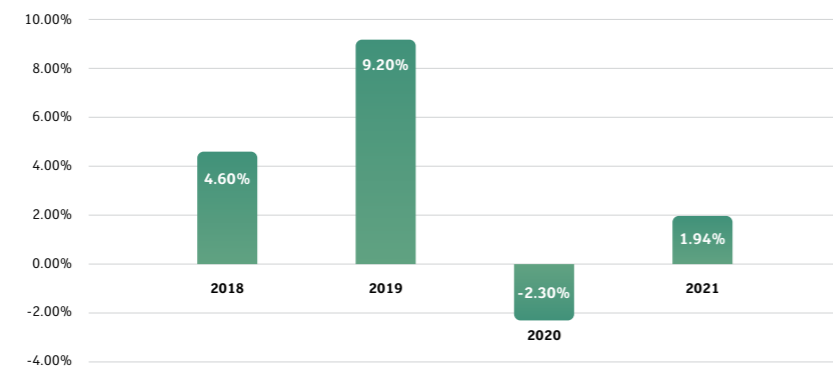
KFH is advancing in its leadership of the Islamic finance sector, helping to draw new participants, developing products and services, and becoming an active pillar in putting economic visions into practice, where it provides support for sustainable growth, considering environmental, social, and governance (ESG) standards.

KFH achieved remarkable financial results for the year 2021 despite the local and global challenges encountered, and demonstrated various positives in its financial metrics, supporting its pioneering position. KFH has a strong capital basis and good liquidity ratios, which helps KFH comply with regulatory requirements, while promoting business expansion, diversifying funding sources, and boosting the Bank's financing and investment capabilities, along with promoting growth in infrastructure projects and various economic sectors in Kuwait and the regions where the Group operates, such as Turkey, Bahrain, Germany, and Malaysia.

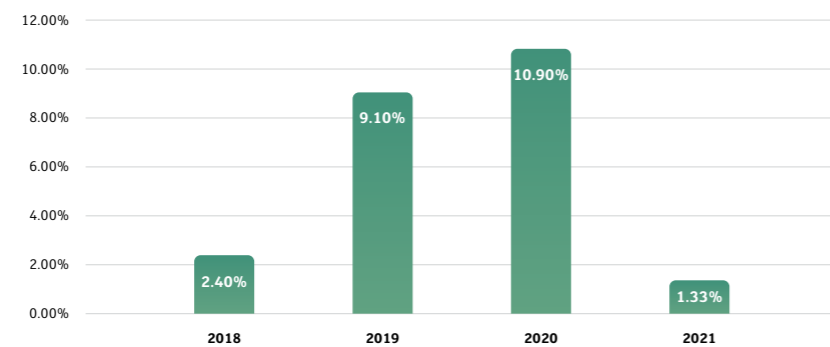
All significant financial indicators improved as KFH continued to increase its assets, provide gains for shareholders and depositors, and build the Bank's capital base, as shown by the maintenance of a high capital adequacy ratio that surpasses the minimum needed ratio by regulations. This demonstrates the strength of KFH's financial situation, the caliber of its assets, and its capacity to handle crises effectively.

Highlights of the Bank's 2021 Financial Performance

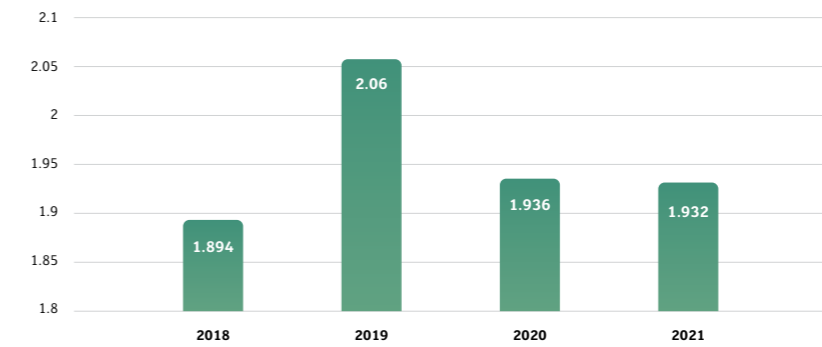
Total Operating Income Growth Rate



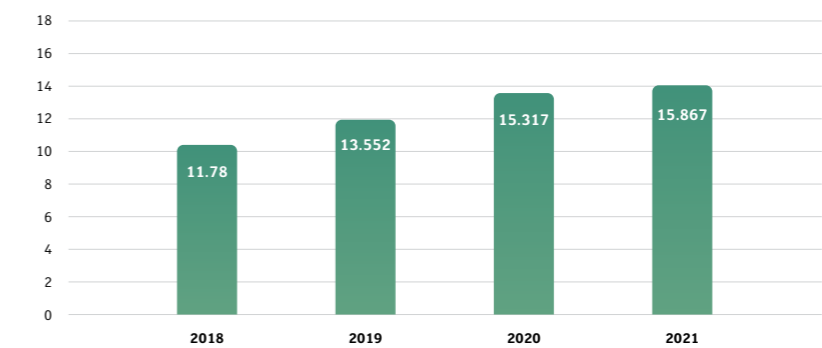
Total Assets - Growth Rate



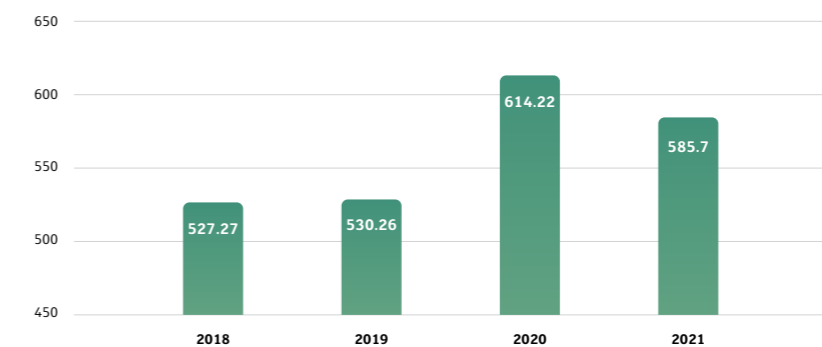
Shareholders' Equity (KWD bn)



Depositors' Accounts (KWD bn)



Net Financing Income (KWD MM)



- Net Profit Attributable to Shareholders for the year 2021 reached KWD 243.4 MM, with an increase of 64% compared to 2020. In addition, earnings per share for the year 2021 reached 28.59 fils compared to 17.74, with an increase of 61.2% compared to the previous year.
- Total operating income for the year 2021 reached KWD 811.0 MM, with an increase of 1.9% compared to 2020. Net operating income for the year 2021 reached KWD 503.1 MM, with an increase of 0.7% compared to the previous year.
- Total operating expenses/total operating income ratio continues to maintain its level, reaching 37.97% for the year 2021, which improved over the past years to exceeded 51% at the end of 2014.
- Total provisions and impairment decreased at the Group level to reach KWD 135.4 MM, with a decrease of 52.3% compared to 2020, due to financing and investment provisions charged during 2020 resulting from the negative impacts of the COVID-19 pandemic. In addition to the hedging provisions charged to encounter the possible impacts of the pandemic during last year.
- KFH Financing receivables reached KWD 11.4 bn, increasing by 5.7% or KWD 608 MM, compared to 2020. The finance portfolio represents 52% of total assets and commands 71.6% of deposits. Volume growth continued for both corporate and retail.
- Non-Performing Financing Ratio improved to reach 1.6% (as per the CBK Regulations) for the year of 2021, compared to 2.2% for 2020.
- Total assets increased by 1.3% to reach KWD 21.8 bn, with a rise of KWD 286 MM over 2020.
- Customers Deposits increased to reach KWD 15.9 bn, with an increase of approximately KWD 550 MM or 3.6% compared to the end of 2020, which reflects the Depositors trust in KFH Group as a result of the banking services provided by the Bank and the achievements of digitalization.
- Return on average shareholders' equity reached 12.8% as at the end of 2021, compared to 7.6% in 2020, while return on average assets reached 1.4% as at end of 2021 compared to 0.9% in 2020.
- Capital Adequacy Ratio improved to reach 18.69% for the year of 2021, i.e., higher than the CBK required ratio, compared to 17.53% for year 2020.
- The Shareholders' Equity reached KWD 1.9 bn as at the end of 2021, at the same level of last year.
- KFH BoD proposed the distribution of cash dividends to shareholders by 12% for the year ended 31st December 2021 (10%:2020), and issue bonus shares of 10% from the issued and paid-up capital (10%:2020). This distribution is recommended considering the distributed returns on investment deposits and saving accounts. This distribution is conditioned to the ordinary General Assembly approval and fulfillment of official and legal procedures.
- Proposed directors' remuneration of KWD 1,096 thousands for the year ended 31 December 2021 (KWD 608 thousand in 2020: KWD 942 thousand in 2019) is considered within the limit permissible as per local regulations, subject to ordinary General Assembly approval.

The KFH's successful achievement of its strategic goals relating to profit, sustainability, and its capacity to cope with obstacles with a high level of professionalism, were validated by the favorable financial results for 2021. Whether in terms of services and goods or human resources, KFH has made proactive measures to handle the pandemic's circumstances.

KFH continues to work to enhance asset quality, minimize expenses, increase profitability and return on equity, and establish rules for extending credit across all of its subsidiaries in Turkey, Bahrain, Malaysia, and Germany. Our approach of concentrating on the core banking business is being continued, and we are boosting investment in Green Sukuk, and thus diversifying the financing portfolio.

KFH maintained good ratios for the cost to income, NPFs, debt coverage ratio, and other financial indicators while achieving positive results across the Board for all important financial metrics. Additionally, KFH successfully maintained the Group's capital support and improved asset quality through a solid business model and methodical execution of the strategy and plans.

KFH accomplished growth in the financing portfolio for retail and corporate, while maintaining outstanding operational and liquidity performance. Along with a rise in consumer deposits. KFH is advancing in its role as a developer, and supporting governmental programs by offering a broad variety of banking and financing options for retail, corporate, and the SME sector.

Islamic Finance & Green Finance at KFH

The essence of Islamic Banking and Finance principles is to have a positive social and environmental impact on all stakeholders, including social equity and economic welfare to all community members, ensuring sustainable life on earth, and preserving biodiversity in general. Such principles highly synchronizes with SDGs, targets, and objectives.

Islamic Banking and Finance promotes risk and profit sharing through equity-based and asset-backed finance. This has set a culture, values, and principles through which communities have shared risks and profits, in one of the most unique and sustainable value propositions to mankind.

To understand the full extent of Islamic Banking and Financing social impact, and its associated economic outcomes, one needs to understand:

01	Fundamentals of Banking as per Shari'a Compliance
02	Perception of Money in Islamic Finance
03	Time Value in Islamic Financial System
04	Prohibitions Under Shari'a Compliance

1) Shari'a Compliance in Banking

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

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

Shari'a Compliance Screening

Under the principles of Sharia', some of the requirements for a Shariah-compliant fund include the exclusion of investments of some activities. The following business activities are not permissible under the Sharia', and hence, companies conducting these activities do not qualify for Shariah-compliant investments:

- Alcohol
- Gambling
- Tobacco
- Controversial Weapon
- Non-Sharia'-compliance investment

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.

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.

4) Prohibitions in Islamic Financial Transactions

- All types of Usury: designated increase for one party of the contract with no corresponding from the other party.
- Selling or purchasing forbidden goods and assets.
- 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.

Green Financing

Islamic financial service model followed by KFH allows for presenting its impact towards Sustainable Development Objectives. Therefore, sustainability and ESG integration is of essence in KFH's operating environment. Islamic Principles revolve around the preservation of the ecological system for the sake of humanity and its advancement. Its core is preserving resources and rationalizing their use to limit the possible negative impact and work towards sustaining biodiversity and the livelihood of mankind.

We recognize that we can achieve much better results and that there is still a long way to go in our commitments as a leading Islamic Bank. Hence emphasizing the importance of preserving the environment through responsible investments. KFH is committed to increasing Green Sukuk investments in the financing portfolio, especially carbon-related projects, which will play a vital role towards building a new Kuwait. Hence KFH aims to raise financing for sustainability projects, such as infrastructure development, clean energy production, among others.

Additionally, the vision and strategy of Kuwait Finance House emphasizes the necessity of clients onboarding. This requires 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. KFH teams developed a comprehensive awareness-raising and engaging plan for stakeholders in the short to medium term.

In 2021, KFH succeeded in arranging a Tier 2 sustainability Sukuk issuance transaction amounting to USD 350 MM. The sustainability Sukuk issuance is considered as the first of its kind to be issued by an Islamic financial institution, and the first Tier 2 sustainability Sukuk issuance transaction globally. Proceeds will be used to finance sustainability projects of green/social projects according to sustainable finance framework.

Key Projects with an Environmental dimension Financed by KFH

Company Name	Year	Sector	Total Funding	Description
Kuwait Petroleum Co.	2020 – present	Oil & Gas	KWD 1Bn	Products comply with Euro-4 specifications, thus greatly reducing the impact on the environment, including nitrogen oxides, sulfur and other pollutants. For example, the sulfur content of gasoline will be reduced from 500 ppm to 10 ppm, and diesel will be reduced from 5,000 ppm to 10 ppm.

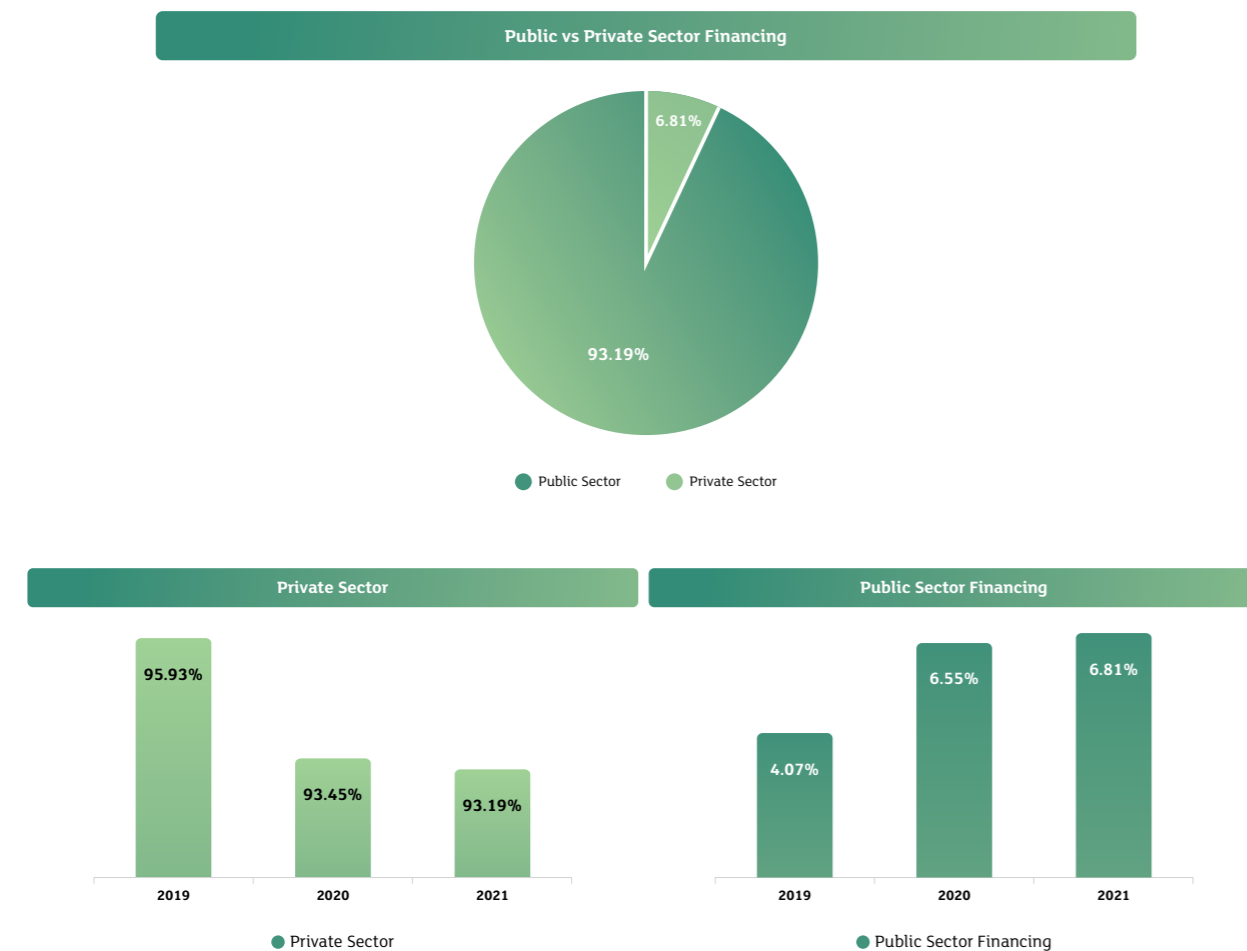
This project is part of the Kuwaiti Intended National Determined Contributions plans (INDC) that were submitted to the United Nations in 2015.

Sustainable Investing and Financing

As a leader of Shariah-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 towards supporting national priorities by focusing on government mega projects, large local companies, and special care for SMEs. KFH offers a wide spectrum of products and services that attend to our clients' and partners' 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.

Prosperous & Diversified Economy

We increased our public sector portfolio to support Kuwait's vision of developing a diversified economy. This is shown over the reporting period, through an increase of 17% compared to 2020.



Sustainable Products and Services

At KFH, ESG is not just integrated in our values and operations, but also in the products and services that we provide. We advocate ESG integration through our social value creation.

In KFH, Social Value Creation is based on:

- Affordability for all segments (Accounts with the lowest opening balance)
- Equitable social distribution of wealth (Qard Hasan and Takaful)
- Risk-sharing of Investments (Murabaha)
- Innovative Trading Model (Tawaruq)
- Islamic Redistributive Mechanisms (Zakat)
- Digital Accessibility of Services (Islamic Digital Economy)
- Financial Education and promoting Saving Culture for children and youth.
- Inclusive Economic Growth (businesses and entrepreneurs)

Under Personal Banking Services, KFH offers the following products:

- 1) Accounts with Purpose
- 2) Long-Term Investment Plans
- 3) Investment Deposits
- 4) Financing

Accounts with Purpose

At the core of the "Account" products, Shariah 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.

Long-Term Investment Plans

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

Our following Investment Plans are designed with dedicated offerings in mind to cover the five basic needs for all individuals:



"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 encompasses uncertainty or "Gharar"; when 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.

Investment Deposits

In addition to Long-Term Investment Plans, KFH recognizes the needs of individuals to enjoy diverse shorter-term saving options that suit their financial ability during any and all internals of their lives, without limiting the decision to dedicated or conditioned long-term goals.

Financing

Following Islamic Financing Principles, KFH is making a commendable effort to bring innovation to the banking sector through an array of Financing Products and Services like:

- a) Consumer Finance (Medical and Educational)
- b) Cars
- a) Rescheduling for New Financing & Repayment

Consumer Financing

Medical Care Financing

It is of utmost importance that families and individuals have access to medical care financing. This is critical factor in ensuring both are able to receive the medical care they need to maintain their health and wellbeing. It also ensure to access to the treatment they need to manage chronic conditions and illness, and finally, to provide safety net in the event of an unexpected medical emergency. KFH supports its clients with the opportunity to receive medical care in the best medical facilities, hospitals and specialized clinics.

Education Financing

KFH provides financial s for universities, schools, or specialized education institutions fees.

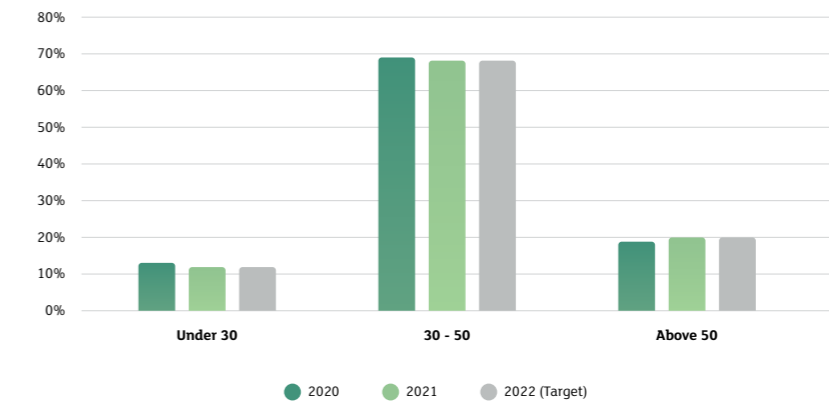
Car Finance

KFH is keen to provide to its valued customers the best services and financing solutions in compliance with Islamic Shari'a to provide all the options available to own cars from accredited agencies, showrooms, inventory & local market.

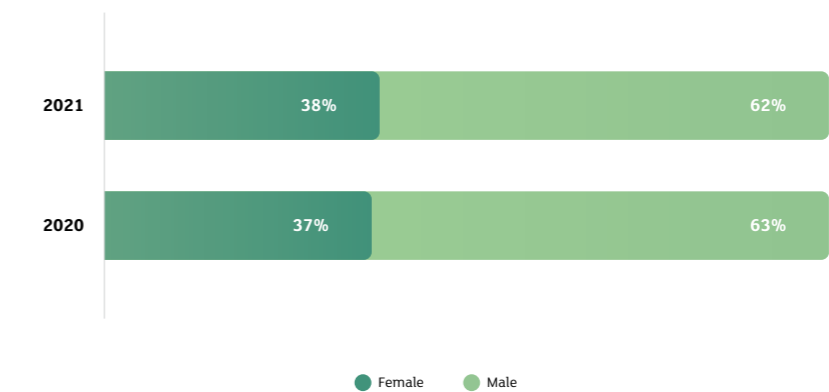
KFH not only provides services and products in its showrooms, but it is also keen to be present and available in most important car agencies across Kuwait through a network of sales representatives present at these agencies to serve customers. Moreover, in collaboration with automobile agencies and local suppliers, KFH provides customers with the opportunity to own their dream car at premium prices.

KFH Diversified Retail Portfolio

Percentage of Total finance by Age Group



Percentage of Total finance by Gender



Total Finance by Geographical Location

	2020	2021
Alahmadi	21%	21%
Alasmah	19%	19%
Farwanya	25%	25%
Hawally	11%	11%
Jahra	13%	13%
Mubarak Alkabeer	10%	10%

Corporate Banking

In line with KFH's strategy, Group Corporate Banking (GCB) plays a critical role in KFH becoming one of the leading banks by serving local and international clients.

KFH provides business function segmentation categories to its customers, which are based on their size and nature of business. The categories are designed to cater to the diverse needs of businesses in Kuwait. The Large Corporate category is reserved for the largest businesses, while Corporate customers are typically medium-sized businesses, including KFH subsidiaries. Commercial customers are small to medium-sized businesses, while SMEs are typically the smallest businesses.

Micro Businesses are categorized as those that are portfolio-related to KNF, CBK Stimulus Plan, and CBK Defined Portfolio. Business Banking offers Factoring/Receivable discounting of all suppliers and cash secured trade finance services, which provides a solution for business working capital needs. Moreover, KFH provides Project Finance and Syndication services to multi-national corporations, in addition to government and quasi-government institutions, including "K" Group Companies. Syndicated financing services are also available for customers who require a collaborative approach to financing their ventures.

KFH's business function segmentation categories help its customers access specialized banking services and financial products that cater to their unique needs, and empower them to achieve their business goals.

In our corporate finance, we utilize Shariah-compliant products that are aligned with Islamic Principles.

Cash Products	Non-cash Products	Factoring Products	Liability Products
Tawarruq	Letter of Credit	Coop's	Current Accounts
L/C "Murabaha"	Letter of Guarantee	MOH	Saving Accounts
Real Estate "Murabaha"	FX Forward/Waad	Retailers	Time Deposits
Consumer "Murabaha"	FX Spot		
Ijara Operating Lease			
Real Estate "Ijara"			
Istisnaa			

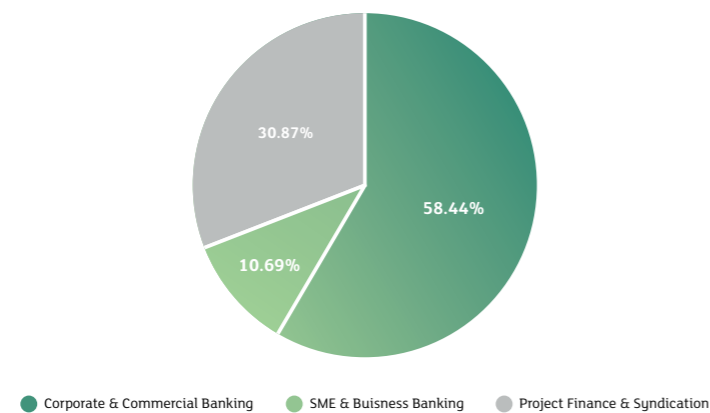
Corporate Portfolio

Corporate Banking is currently engaged in three main projects:

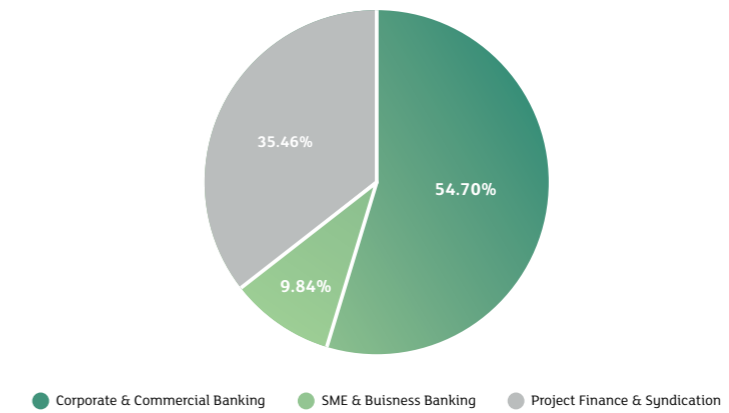
- Corporate Online Banking (eCorp)
- Corporate Loan Origination Project
- Supply Chain

These projects support KFH's strategy by having a clear roadmap of digital transformation activities related to products, services, processes, channels, and reports.

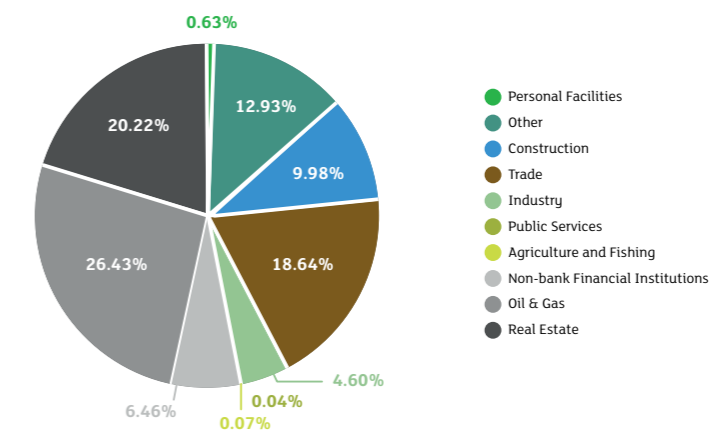
Corporate Lending Portfolio 2020



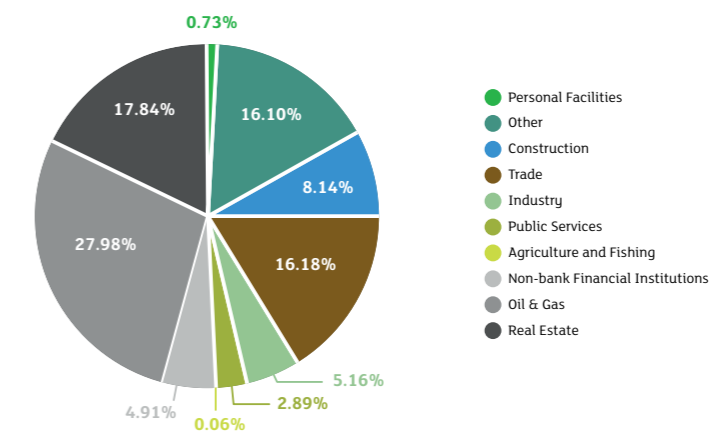
Corporate Lending Portfolio 2021



Corporate Lending by Sector 2020



Corporate Lending by Sector 2021



Supporting Financial Inclusion and SMEs

In 2014, KFH allocated a unit for SME financing, and in 2021, a Micro Enterprise Unit has been initiated under the SME segment to support micro-enterprise and KNF clients. KFH initiated a social media campaign to educate SME clients on the available products.

Our banking tiers take into account gender requirements, age restrictions, and financial capabilities. The tiers stand for various value-driven products that demonstrate the Bank's dedication to building relationships of trust, dependability, accessibility, and affordability with its clients as well as with other parties involved in the transaction processes which adhere to Shari'a Principles, such as Tawaruq, Takaful, among others. These commitments are reflected in the examination of the product-fitting of that particular group of programs.

KFH Product Fitting Programs include:

- Services offered for youth under the age of 21 feature four distinct products dedicated to this age segment, regardless of the monthly income which can range from KWD 300 to KWD 10,000, thus providing products that are age-designed and fitting for both genders.
- At the age of 21, the threshold of products increases to a total of 30. The additional multiple products reflect the very nature of the age; an age that bridges from youngsters to adults, is capable of making sound financial decisions and, requires more diverse banking facilities and services.
- Starting from the age of 22, our customers enjoy a bundle of 52 products based on the monthly amount they desire to invest or utilize for the Bank's various products. KFH provides various options to suit the client's financial ability, starting as low as KWD 500 to KWD 1,499, or a balance between KWD 8,000 and KWD 49, 999. Additional products are made available for high net-worth clients.

KFH Banking Tiers

"Al Ruwad" Program and "Al Tamayoz" Program

Tailored for the elite KFH clients, offering a dedicated customer relationship manager that meets clients' requirements, including multiple free banking services with high limit credit cards and many other privileges and promotions.

"Al Rubban" Program (for male clients over age 21)

The program provides bundles of products and services that cater for our clients' wide array of commitments.

"Al Sundus" Program (for female clients over age 21)

The program features privileged and dedicated services of privacy and committed service.

"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 many exclusive offers for youth, where they can invest their money and gain profit. The program will be upgraded automatically to "Alrubban", "Alsundus" or "Altamayyoz" programs when client turns 21 years

"Baiti" Program (for kids up to 14 years old of age)

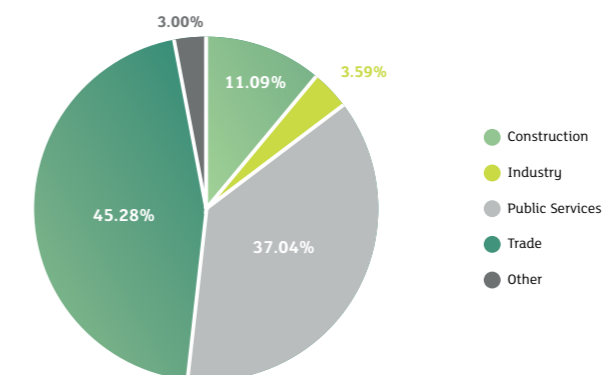
The program is designed to help raising children with the habit of saving, with many privileges to strengthen the saving behavior, to secure a better future of our children.

Our Financial Inclusion and SMEs Portfolio:

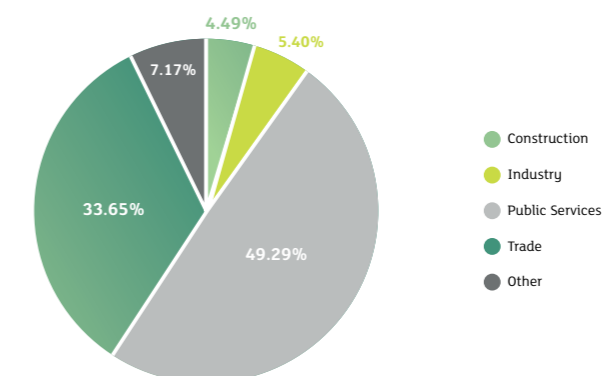
	Clients' Growth Rate Y-o-Y (%)
Micro Enterprises	9%
Small Enterprises	32%
Medium Enterprises	2%

	Total Finance's Growth Rate Y-o-Y (%)
Micro Enterprises	-4%
Small Enterprises	61%
Medium Enterprises	15%

Micro Enterprises Finance by Industry 2020



Micro Enterprises Finance by Industry 2021





Responsible Banking Operations

Digitalization & Innovation

KFH is one of the leading banks to offer innovative digital banking solutions through the launch of several banking solutions for the first time in Kuwait. Our online digital services have gained great interest and trust from customers on account of their easiness, efficiency, and diversity. The number of online banking transactions executed by KFH customers through KFHonline or mobile application approximated 160MM in 2021, with a growth of 25% compared to that of last year. KFH has achieved remarkable success in initiating the National Payment System through a fully integrated application compatible with the CBK systems and corresponding to the Swift Global Network. This application would mitigate the cost of local bank payments and achieve the highest integration ratios according to regulatory requirements. Accordingly, KFH has set the corner stone and the starting point of a huge package of future services such as mobile payments. Our information technology was one of the remarkable success stories during the year. Our technical calibers launched new innovative products and e-services based on the latest and technology systems. Keeping up with accelerating technology, we developed various KFH applications and program platforms.

Our Approach

Through our bank-wide digital transformation program, we aim to improve customer experience, modernize our offerings, contribute positively to our profitability, and introduce an agile methodology to continuously deliver new and innovative products to existing and new customers.

Our Strategic Focuses

- 1) Digital transformation: digitalizing products and services, improving customer experience while making sure to lower operational risk.
- 2) Business Process Improvement: reducing process turnaround time.
- 3) Digital Innovation: planning and identifying scope of research for emerging trends to provide innovative solutions to different functions.
- 4) Fintech and Partnership: assessing different FinTech's to establish partnerships to enhance products and services.

Our Goal

Our main goal is to improve how KFH operates and delivers various products and services.

Our future programs in Digital Transformation and Innovation Functions consist of six major programs, initially focusing on:

- Awareness & Mindset Program
- Innovation Quick Wins Program
- Business Process Improvement Program

Financial Technologies (FinTechs)

The Fintech and Partnerships Policy is designed to support the partnership processes that are developed to explore the opportunities with Fintech companies, startups, and SMEs, by enhancing our products and services, and implementing innovative solutions or business models that improve the journey of KFH customers experience and increase their satisfaction. It is also designed to underpin the Digital Transformation and Innovation automation strategy (both tactical and long-term) as part of digital delivery.

FinTechs is helping the Bank achieve its financial and digital inclusion goals through:

- Providing a new payment channel through open banking technology to facilitate customer journey.
- Providing full support, guidance, and mentoring for startups and SMEs through dedicated third-party companies to incubate and accelerate their fintech projects by introducing a specific program to achieve their goals.

KFH Achievements

KFH Information Technology Department achieved several accomplishments in 2021. Considering the integration between the new e-services and the Public Authority for Civil Information (PACI), the Bank activated and launched several new e-services in addition to the services launched previously in collaboration with PACI, thus facilitating banking services for customers. IT Department established SOA platform which allows the launch of new products swiftly and efficiently. Also, it launched KFHonline application on Huawei International platform and STP system (outgoing swift payments).

Coping with advanced technology, KFH sought to achieve cloud integration among all protection systems, thus allowing Security Information and Event Management products and services (SIEM), which are gathered by SIM and SEM departments, to provide analyses and make real time decisions through security alerts produced by the e-network systems. Furthermore, KFH developed the COVID-19 Credit Control Reports Package by automating the monthly Credit Control Reports according to CBK mandate to report the impacts of the pandemic. Related reports comprise reports on customers credit operations including MME. In addition, KFH upgraded the debit card encryption technologies to CVN18, launched a new setting matrix for credit cards, developed IMAL system, launched the new upgrading General Fund State (GFS) system, and restructured the gold account product. To enhance customers online purchase experience by using credit cards and to mitigate fraud operations, KFH applied Europay, MasterCard, and Visa (EMV) 3D Secure (2.0).

Moreover, Customers deposits increased to reach KWD 15.9 Bn, with an approximate increase of KWD 550 MM or 3.6% compared to the end of 2020, which reflects the depositors' trust in KFH Group as a result of the banking services provided by the Bank and the achievements of digitalization.

KFH successfully launched several unique innovative products, services and digital technologies that exceeded customers' expectations. The services and products comprised a package of services that launched for the first time in Kuwait, such as:

Lunched Services – 2022

- ATM & XTM

- Card-less Cash Deposit by QR Code
- Transfer to Credit Card & Prepaid Card
- Credit Card/Prepaid Card Mini Statement & Balance
- Credit Card/Prepaid Card Forget PIN
- Open New Account (New Customer)-XTM
- Print IBAN Certificate-XTM

- KFH Online

- Apple Pay
- KFH Pay (Send Money)
- Activate Dormant Account
- Foreign Currency Card Payment
- Foreign Currency Card View PIN

Group Operations

KFH Group Operations continued to play a vital role in enhancing KFH's rigorous digitalization strategy. KFH has become the leading Bank in adopting innovative technology that maximizes productivity, minimizes costs, and maintains the lowest risk ratios and most sound control measures. In 2021, we launched and engaged in several transformation projects and adopted Fintech concepts e.g., (e-Form) which is considered a pioneer e-channel exhibiting all data without any manual interference. One of the prominent achievements in card operations is the conversion of all KFH Debit & Credit Card portfolio to offline PIN verification based on central Bank mandate. This process was completed before due date. We were able to establish business rules in our payment system which enabled us to convert 40% of our outgoing SWIFT messages to STP (Straight Through Processing), thus, minimizing both messages life cycles and manual interference for IBAN countries transactions with TRY & USD to Turkey and SAR to KSA. We also enhanced customer experience in Retail Banking by finalizing the e-payment process via CRM soft copy which accelerated the disbursement process to be one day after completing CBK two days mandatory grace period. We have launched the industry authority's electronic gate which enables users to have full 360 degrees view and control on all industrial real estate finance products offered by KFH. We automated the issuance process of various collaterals in the systems (e.g., real estate – stock – cash – finance,... etc.) related to the new Shariah-compliant credit and finance facilities. Operations department performed several intellectual initiatives to adopt more advanced technological specifications e.g., SWIFT ISO 20022, to enhance consumer finance work procedures which minimized the period required to execute transactions from five days to only one day.

Risk and Business Development Department Group

Risk Department made several accomplishments like digitalizing normal Risk Reports into interactive dynamic reports, thus, significantly improving the integration process and risk control and analysis. Group Risk Department developed and implemented a non-performing finance strategy framework that includes: updating NPF strategy in all subsidiaries, using early alert systems, and applying best international practices to better control balance sheets and improve the Group assets quality. Group Risk Department also succeeded in making a major shift in the AML Technology plan, where it conducted an intensive evaluation of the technological part to cover all AML and terrorism finance programs and applications, thus protecting the Bank from non-compliance risks. Group Risk tendency has been upgraded to better cope with the current fluctuating economic conditions. For building Operational Resilience framework and roadmap, we delivered 3rd party risk framework and policy, developed methodology for 3rd and 4th risk assessment, and embedded procurement and vendor management procedures. Related benefits comprise ensuring transparency around 3rd party outsourcing, ensuring outsource services to suppliers are aligned with KFH's internal risk appetite as well as with internal policies, and ensuring 3rd and 4th party business continuity capacity and capability.

Customer Relationships

KFH cares to provide clear and easy-to-understand product information, privacy and security, and technological innovation. We strive to build strong customer relationships; whatever we do must add value for them. In all the steps of transactions with our customers, we ensure the treatment will be fair, equitable, and honest, and this is embedded in KFH's governance principles.

Customer Financial Literacy

KFH believes in the importance of enhancing financial literacy and culture for all society segments, and benefiting from all kinds of banking services, hence, ensuring client's rights and financial protection, as awareness is considered an integral part of KFH's ethical practices and compliance.

KFH, joined with KBA and CBK, ran multiple campaigns to highlight customer rights and raise banking awareness while dealing with banks.

KFH uses its social media platforms and all of the Bank e-channels to increase its clients' financial literacy and awareness, which cover various related topics, such as the rights of people with special needs in the financial sector, cyber security and advice, grievance mechanisms, and the rights of customers.

In 2021, KFH addressed several related topics, such as the process of financing and Bank cards, in addition to awareness of the rights of people with special needs in the banking sector, security and cyber advice, protection against fraud, protection of customer data, clarifying the mechanisms for submitting complaints and customer rights with information regarding the banking sector's tasks and roles in stimulating and developing the economy.

Our goal is to raise awareness of financial literacy and banking transactions. In 2021 and 2022, the CBK awarded KFH the 1st Ranking in engaging with customers and the community to enhance their banking culture within the framework of "Be Aware" banking awareness campaign launched by the CBK in collaboration with the Kuwait Banking Association.

Customer Complaints and Grievances

KFH handles customer complaints and claims quickly, fairly, and independently with due diligence. We ensure that the Customer Complaints Unit carries out its responsibilities effectively, with clear and specific mechanisms for prompt follow-up and treatment of these complaints. We also ensure that customer complaints are adequately addressed and monitored by KFH's Boards of Directors and that they have internal mechanisms in place to resolve customer disputes.

During 2021, only two complaints received from the Financial Regulatory Authority were found to be breaching security information.

Managing Data Privacy and Security



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

Protecting Client's Data and Information

At KFH we protect and respect our customers' privacy as a top priority. Customers' Information/Personal Identifiable Information (PII) is labeled as 'Confidential' or 'Private Information' to be treated with extreme care to avoid any data leakage. This means any database extract, mail, document, folder, system, media, or print material containing PII data is totally secured.

Our Information Security Management Framework is governed by our Information Security policies and approved by the BoD. KFH management ensures that KFH policies and procedures are fully aligned with those of the CBK.

We have an up-to-date privacy policy in place through our website. Only authorized users can access sensitive data. Due diligence would be conducted in case of a business request, and the respective business function head and ISM team should approve the requests. We ensure our employees are aware that they are part of the human firewall and train them to protect data.

Customer Rights and Responsibilities

Since 2013, the CBK issued several guidelines and directives regarding customer protection and rights. It also established a client Protection Unit to respond to inquiries from the public through a special telephone service. The CBK issued a comprehensive guide on client protection, which has been integrated into KFH's guidelines through a total of 19 important pillars, including service information. The KFH Customer Protection Guide is publicly available on its website: [Complaints-and-Consumer-Protection-Unit](#).

Our customers also have the right to have their data checked according to best practices, such as the right to information, rectification, and deletion of individual data. Specific contact details are publicly available on the Bank's website where the Client can make the request by sending an email to the [KFH Data Privacy Office](#).

Countering Cyber Crime

Given the growing importance of information security in the banking and financial sector, and the challenges posed by the risks arising from the rapid development of modern technologies in the banking sector, a specialized unit has been created to manage information security and cyber security risks.

Cyber Risk Governance

As a part of KFH's Cyber resilience strategy, the 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 Its risk appetite. Whereas the Information Security team is responsible for monitoring security operations, compliance, and vulnerability management. The Head of Cyber Risk Reports to the Chief Risk Officer on the Bank's ability to manage information security and cybersecurity risks and monitors the implementation of the respective objectives through the Risk Management Committee.

Cyber Security Frameworks

KFH successfully achieved International Standards Organization (ISO) 27001:2013 certification in February. Furthermore, we 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.

Additionally, Information Security Management System (ISMS) central framework enabled the Bank to manage, monitor, review, and improve our information security practices. By implementing the ISMS, we advanced our ability to secure information, increase resilience to cyber-attacks, and reduce the costs associated with information security.

During 2021, KFH strengthened its Cyber Security resilience by building Tier 3 Data Center, migrating traditional 24*7 SOC to next generation Cyber Defense Center, utilizing a User Behavior Analytics platform to track and alert user behavior anomalies, and implementing an advanced Endpoint Detection and Response (EDR) solution to assist SOC in detecting advanced cyber attacks and be able to take immediate action.

Protecting Our Environment

Being a financial institution operating under the Islamic system, Environmental Sustainability is a key part of KFH Group's effort in social responsibility, where it is considered a model for financing mechanisms in accordance with Islamic Shari'a as the first doctrine to call for preserving the environment. Accordingly, KFH established environmental policies, goals and practices that help guide its activities both internally and externally. Internally, at its own office facilities, the Group takes the needed steps to decrease its impact on the environment.

Carbon Emissions at KFH

Globally, the issue of Climate Change is becoming increasingly serious due to carbon emissions. In this regard, KFH continues to make every effort to keep energy consumption to the minimum. KFH measures its greenhouse gas emissions in accordance with the standards developed by the GHG Protocol. The emissions are calculated using Operational Control Methodology in Metric Tonnes CO₂ equivalents (MT CO₂e), which means that apart from CO₂, other greenhouse gases, such as methane (CH₄) and nitrogen oxide (N₂O), are also accounted for in the calculation, and their detrimental effect on the climate is converted into the CO₂ reference value based on the IPCC Fifth Assessment Report.

In our reporting on CO₂ emissions, we distinguish between Scope 1 (all direct GHG emissions), Scope 2 (indirect GHG emissions from consumption of purchased energy) and Scope 3 (all other indirect emissions from services rendered by third parties, as well as upstream and downstream processes) in accordance with the GHG Protocol. This year, we used location-based scope 2 emission factor to calculate our total emissions from the Institute for Global Environmental Strategies (IGES) List of Grid Emission Factors 2021, which is more representative of our electricity grid emissions, unlike the emission factor we used in our previous reports. Emission factors for Scope 1 were based on IPCC Guidelines and the emission factors for Scope 3 were attained from the open-source database Ecoinvent. As seen in table 1 our total emissions this year has increased by 6% in comparison to the base year (2018). This is because we have increased our category inclusion in Scope 3 data collection this year to include Category 6 - business travel. Also, we have calculated emissions related our vehicles' fuel consumption, as well as fugitive emissions related to fire suppressants in Scope 1.

Furthermore, the KFH compiles its net greenhouse gas emissions intensity ratio with the number of employees (full-time equivalent) as denominator. Types of greenhouse gas emissions included in the intensity ratio are direct energy, and other indirect emissions (Scopes 1, 2 and 3).

Table 1 GHG Emissions (Scope 1, 2 and 3) and GHG emissions intensity (305-1, 305-2, 305-3, 305-4)

Year	Scope 1 (MT CO ₂ e)	Scope 2 (MT CO ₂ e)	Scope 3 (MT CO ₂ e)	Total GHG Emissions (MT CO ₂ e)	Intensity Per Employee ((MT CO ₂ e)
2018 (Base Year)		13,367.95	3.13	13,371.08	5.14
2019		13,841.71	3.19	13,844.89	5.18
2020		12,573.16	158.14	12,731.30	4.75
2021	110.57	13,850.45	194.89	14,155.90	5.28

Table 2 represents a breakdown of 2021 Carbon emissions in the 5 largest premises we own in Kuwait. As seen, we have taken further steps to collect more information that would get us a step closer to calculating our full emissions. We calculated mobile fuel emissions and fugitive emissions (from Air Conditioner refrigerant leaks and fire suppressants) to calculate Scope 1 emissions. As for Scope 3 we have calculated emissions related to our business travel this year. We aspire to release a full Carbon Footprint Report that will calculate all our carbon footprint from all our branches in Kuwait the current year. This will be our first step in our journey to decarbonizing.

Table 2 Breakdown of GHG emission of 2021

Scope 1 Emissions	GHG Emissions (MT CO ₂ e/year)
Mobile Fuel Combustion	110.12
Fugitive Sources	0.45
Total Scope 1 Emissions	110.57
Scope 2 Emissions	GHG Emissions (MT CO ₂ e/year)
Electricity Consumption	13,850.45
Total Scope 2 Emissions	13,850.45

Scope 3 Emissions	
Business Travel	5.21
Wastepaper Recycling	53.38
Paper production	133.12
Water production	3.18
Total Scope 3 Emissions	194.89
Total Emissions (MT CO₂e/year)	14,155.90

Energy at KFH

At KFH Group, 100% of our energy is sourced from the electricity grid. We tracked our emissions since 2018 across all our 65 office branches in Kuwait including the headquarters, as seen in table 3. The year 2021 recorded a significant increase in consumption compared to that of 2020, due to COVID-19 that urged long periods of lockdowns. This noted increase does not influence the Bank's commitment to permanently reducing its environmental footprint.

Reporting Year	Total Electricity Consumption (kWh)	Motor Gasoline for Vehicles/Litres
2018	17,138,393	xx
2019	17,745,776	xx
2020	16,119,433	xx
2021	17,756,984	46,585

Beyond the KFH boundaries, we are committed to tracing our emissions along our supply chain. We believe that our consumption and how we carry out our business have a direct impact on the environment. Since 2018, we have been monitoring and recording our water consumption. However, each year, we monitor and include an additional consumption type to expand our reporting scope across the 15 categories of Scope 3 and other indirect emissions defined by GHG Protocol.

Table 4 302-2: Energy consumption, by type, outside of the organization

Reporting Year	Consumption by Type		
	Paper Consumption (kg)	Waste/Paper Recycling (kg)	Air Travels (km)
2020	79,480	24,830	-
2021	90,560	33,360	54,748

Reporting Year	Water Consumption (m ³)
2018	7,830,249
2019	7,968,321
2020	3,939,457
2021	7,941,124

Energy Intensity

In KFH, the energy intensity ratio per employee is 6,621 kWh, with a total of 2,682 employees, and 122 kWh per square meter of building, with a total floor area 146,084 m². The type of energy included in the intensity ratio is electricity consumption by the buildings.

Reducing Our Energy

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

- Digitalization of internal processes, replacing head lights with Light-Emitting Diode (LEDs) in the headquarters and branches, rationing the consumption of electricity using self-powered technology, and replacing old ACs with new efficient and environment friendly machines that consume less electricity.

- Raising awareness of low-carbon travel for business and commuting, improving video conferencing and teleworking tools to reduce the need for travel, replacing fleet vehicles with more efficient models, and accelerating the shift to a hybrid or electric fleet.
- Involving our business partners in our goal to transition to a low-carbon economy, raising the number of tenders to suppliers that include circular economy principles, and new catering procurement, repair, and maintenance services contracts.

Valuing Water

Freshwater resources in Kuwait are very scarce due to low precipitation, high rate of evaporation and the dry sandy nature of the topsoil. Moreover, Kuwait is characterized by a very dry desert environment, which makes it one of the highest water-stressed countries. At KFH, we value the importance of water conservation by the efficient use of water. KFH always works to maintain the volume of water consumption at the lowest level possible, through the installation of modern faucet systems. The Bank also replaced old toilets in multiple buildings, and use water-saving mixers that reduce consumption. Consequently, we witnessed a decrease by 1.7% in the water intensity per employee in 2021 in comparison to 2018 – the base year – as seen in table 5. Water is withdrawn from the municipal desalination systems. At the same time, water discharge occurs in the municipal infrastructure through intermediaries such as local water utilities. Furthermore, Ministry of Electricity & Water & Renewable Energy does not distinguish between water withdrawal and water discharge in terms of volumes, so we do not have current data regarding the water consumption at the moment but we shall strive to distinguish between water withdrawal and water discharge in the future.

Table 5 303-1 Water withdrawal consumption

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

Protecting Kuwait's Biodiversity

Biodiversity keeps life on earth in balance and regulates the climate. The planet's biodiversity and natural resources are under a great threat of Global Warming, pollution. KFH acknowledges the intrinsic value of biodiversity and the fact that its operations may have potential positive or negative impacts on biodiversity and ecosystems. KFH has therefore taken a balanced approach to managing its operations in order to avoid and minimize any adverse impacts by applying precautionary measures, and to enhance positive impacts on biodiversity and ecosystems, where we initiated the following projects to help protect our biodiversity and ecosystems:

1) Recycled Credit Cards

Credit cards are known to be made of plastic – Polyvinyl Chloride (PVC). Given the persistent nature of plastic and its toxicity, in February 2022, we launched the first eco-friendly card in Kuwait, with 85.5% recycled plastic. To this day, 26% of total issued cards are made of recycled plastic.

2) A Walk For Biodiversity

In collaboration with Green Vision, a volunteer team led by agriculture expert Shibeb AlAjmi, we are aiming to plant over 1500 trees in Plant and Wildlife Sanctuary located in AlAbdaly. This initiative is also integrated with KFH Walk program that aims at promoting wellbeing and healthy lifestyle, by allowing inhabitants to walk for a cause - for each kilometer, KFH planted a tree on their behalf.

- ### 3) Collaboration with SIDRA to launch an online carbon-offset platform which serves as an online library for researchers and experts in the field of environment, as well as offer the community options to offset their carbon footprint by supporting various environmental projects in Kuwait.

Responsible Procurement and Supply Chain

KFH gives great attention to selecting suppliers who share our commitment to contribute to a sustainable society. The Bank's suppliers' selection criteria have been developed with great consideration of global standards. The suppliers are subject to screening in terms of AML & CFT, besides the capacity to fill the demands of KFH in terms of expertise, manpower, and other resources. Additionally, if the supplier has international certifications (ISO for example), it provides their employees with insurance against work injuries, civil liability, and fire damage. And screening goes in-depth to avoid any conflict of interest during registering the vendors.

Responsible Purchasing Policy

The Procurement and Contract team ("PACT") is responsible for driving forward the following strategic imperatives with a view to realizing sustainable procurement benefits:

- A definition of how procurement benefits can be realized.
- The identification of supply and demand levers that enables benefits realization (eg.: efficiencies and cost savings).
- A definition of how procurement should be organized to realize benefits from cost optimization principles.
- The identification of procurement systems required for process management and automation.
- The identification of the tools required to support the Procurement cycle, ensuring that controls and Risk Management are robustly and always covered.

Our Procurement Policy is the source of reference for and by all stakeholders involved in the supply chain management. 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 to other applicable changes and guidelines issued by the regulatory authorities.

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

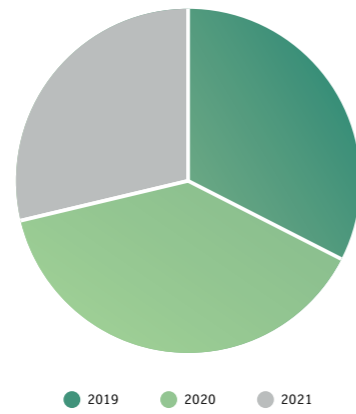
Service or Work Categories	Products or Supplies
Money Transfer	Office Equipment
Consultancy/Professional Services	Furniture
Construction Services and Products	Computer Hardware/Software
General Maintenance/Cleaning Services.	Fire, Safety and Security Equipment, Electronics, Stationary
Printing and Press	Structural Materials
Manpower Supply	
Fire Protection and Prevention System	
Food and Catering	
Inspection	

Procurement Expenditures

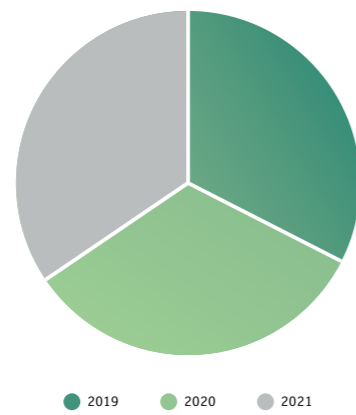
KFH has been supporting local suppliers over the years, where over 80% of our suppliers are local vendors.

Year	Foreign Suppliers	Local Suppliers
2019	20.10 %	79.89 %
2020	23.99 %	76.01 %
2021	17.75 %	82.25 %

Percentage of Foreign Suppliers



Percentage of Local Suppliers



Empowering Our People

Workforce Development and Wellbeing

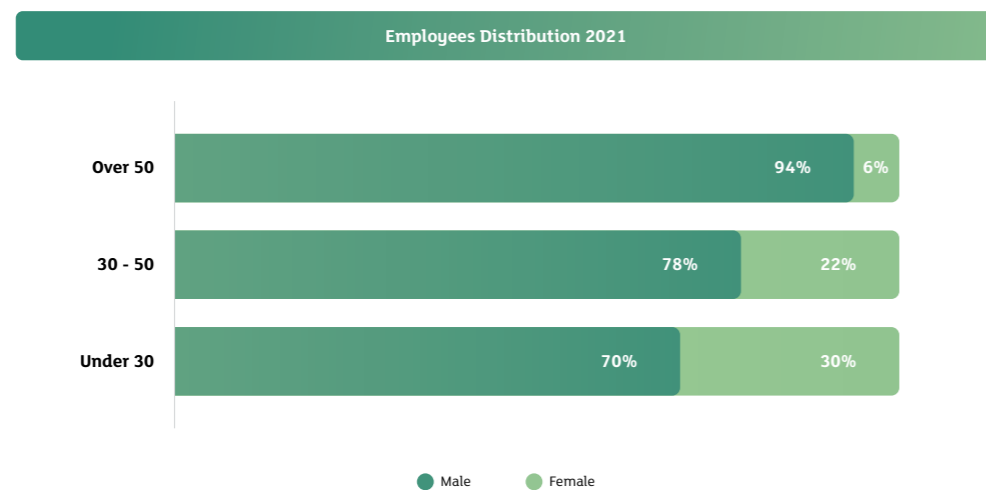
Our people are the foundation of our strength, they enable us to engage and create a relationship with our customers, innovate in respective markets, leverage technology and data, and create shared value for our stakeholders.

We strive to create a culture that empowers our employees to develop their talents and creativity. KFH takes pride in fostering ethical, fair, and balanced working environment while preparing our employees to be future leaders following the fundamentals of Islamic principles.

Table 6

Employees										
Age Group	Under 30		30-50		Over 50		Total		%	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Male	471	519	1354	1353	258	246	2083	2118	77.67%	77.36%
Female	228	225	345	378	26	17	599	620	22.33%	22.64%
Total	699	744	1699	1731	284	263	2682	2738		
%	26.06%	27.17%	63.35%	63.22%	10.59%	9.61%				

*Note: All of KFH employees are full-time.



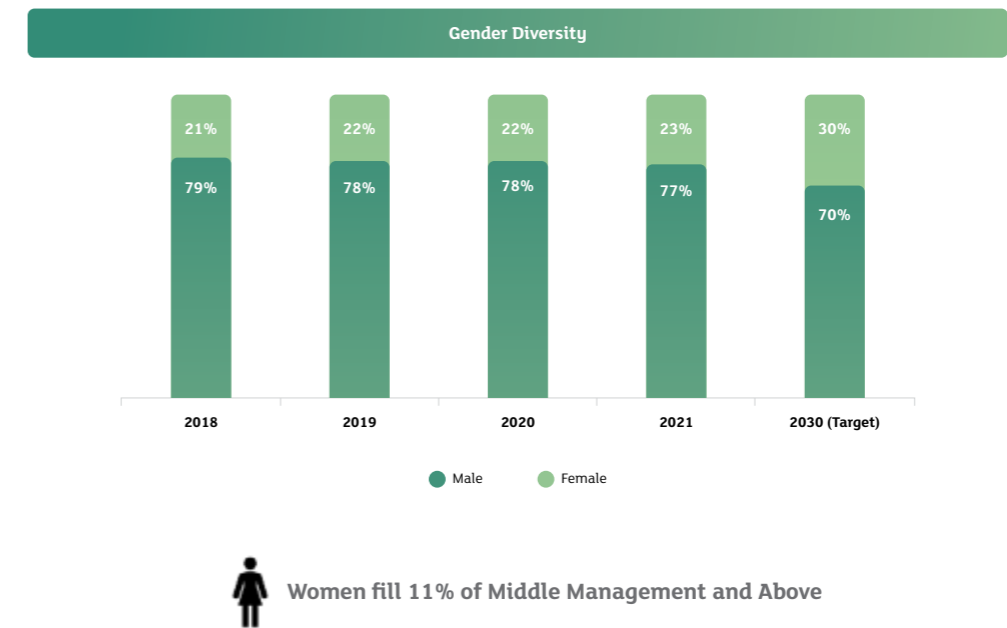
Supporting Diversity and Inclusion

KFH is dedicated to building a diverse and connected workforce where everyone feels a sense of belonging. KFH provides equal opportunities and encourages diversity and inclusion for its employees serving in its areas of operation without any limitations of age, gender, color, national origin, marital status, physical ability, cultural, and religious beliefs. This is clearly stated in our HR Policy.

In KFH, we focus on three areas of diversity and inclusion; gender, age, and disability.

Gender Diversity

Islam values gender equality and women empowerment, thus KFH always strives to continuously enhance gender equality and women's empowerment. We are proud that women constitute 23% of our workforce during 2021 where 11% occupy senior management positions. KFH is committed to empowering women through learning and development, and non-discrimination policy. We are striving for women representation in our workforce to reach 30% by 2030.



Age Diversity

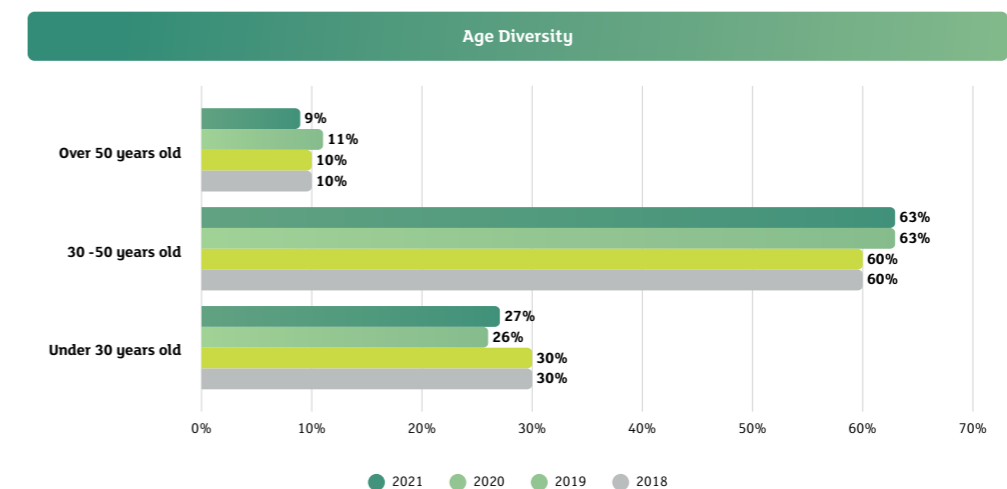
Beside gender diversity, KFH is committed to age diversity, and transparently measures and reports it throughout its workplace. Our diverse age segments are categorized into three groups, below 30, from 30 to 50, and above 50 years of age.

Our teams under age 30 represent 27% of our employees, yet they comprise the highest rate in new hires. They are the backbone of our business, actualizing and supporting the top management and KFH's strategy implementation.

The 30-50 years category makes up 63% of our total workforce. They represent two unique generations that have accompanied and learned from banking expertise, as well as witnessing KFH's financial innovation.

The 50 years and above category, remains the gurus. They reflect their longstanding relationship with the Bank and 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 10% 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.

In 2021, the number of employees under 30 slightly increased, while that over 50 slightly decreased as shown in the graph below.



Special Needs

KFH is dedicated to supporting and empowering people with disabilities. KFH designed a welcoming, accessible, and safe workspace for people with disability, who reached 162 employees in 2021. The Table below shows the number of people with disability holding different positions in each of our subsidiaries in 2021.

Table 7

Employees	
KFH Kuwait	2
Kuveyt Turk	154
KFH Bahrain	6

Attracting and Retaining Employees

Approximately 250,000 youths are expected to join the labor market in the next five years, to which KFH is keen to accommodate. The Innovation and Communication Department at KFH seeks to attract potential youth by implementing short and mid-term strategies and plans. The Bank aims to establish a long-term plan and invest in internal and external resources to make KFH the employer of choice for the youth.

Recruiting new young talents is of high importance to 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 our country. Hence, we have developed the FORSA program. FORSA provides intensive courses for fresh graduates to develop the required skillsets to operate in different areas of the Bank.

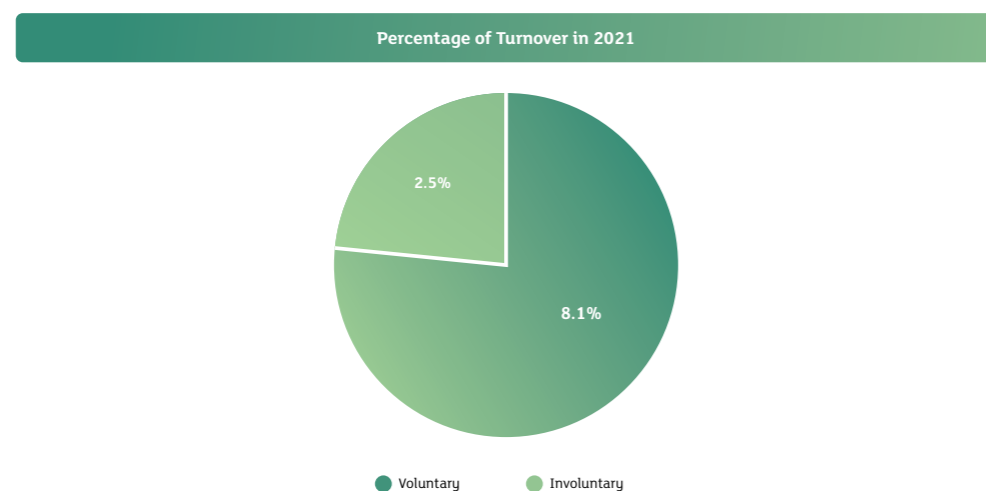
Furthermore, as part of attracting talents, KFH participates in Career Fairs and other activities that would attract potential candidates that would join KFH once they graduate.

Table 8

Age Group	New Hire s									
	Under 30		30-50		Over 50		Total		Percentage	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Male	113	226	19	35	2	3	134	264	6.4%	12.5%
Female	39	70	5	6	0	0	44	76	7.3%	12.3%
Total New Hires	152	296	24	41	2	3	178	340		
%	21.8%	39.8%	1.4%	2.4%	0.7%	1.1%				

Table 8

Age Group	Employees Turnover							
	Under 30		30-50		Over 50		Total	
	2020	2021	2020	2021	2020	2021	2020	2021
Male	68	85	53	92	20	52	141	229
Female	18	25	12	20	0	13	30	58
Total	86	110	65	112	20	65	171	287



Zero Tolerance for Discrimination

KFH has zero tolerance for discrimination, consolidated by developing policies and procedures that denounce any practices associated with discrimination and harassment. Corrective actions are to be taken in case of such occurrences.

In 2021 there were neither discrimination cases, nor reported incidents of labor non-compliance.

Learning and Personal Development

In KFH we believe that human capital is the basis of our success, so we are keen to create a positive working environment for our employees and to ensure the development of our human capital as well attract the best talents. Therefore, we invest in training and development through our partnerships with world-class training service providers, such as INSEAD, IMD, LinkedIn, IQAD Learning Solution, Thomson Reuter, and Harvard Business School, to provide the best training programs for our employees. And despite the impact of the pandemic on the training sector, the measures that we have taken in KFH and the rapid transition in providing programs and training courses using modern technology have contributed to the continuation of our business, where 54,338 training hours was conducted, with an average of 16.9 hours per employee.

Training Hours	
Total Training Hours	54,338
Average Training Hour per Employee	16.9

KFH provides opportunities for employees to continue their studies by providing Master degree scholarships on an annual basis. KFH also cares for newly graduate employees through their participation in the training program (Forsa) in which we train them and refine their skills to be the future leaders of KFH. The program includes practical training in the Bank as well as intensive training courses inside and outside the State of Kuwait.

Employee Engagement

At KFH, we involve our employees in developing and improving the work environment by conducting an annual survey to catch their opinions, hear their ideas, comments, and evaluate them for KFH's business, under the slogan (Together we make the difference). In 2021, responses to the survey reached a rate of 88% , with an increase of 7% compared to that of 2020. In KFH we are keen to have a professional and flexible communication circle to represent "voice" of the Bank's employees and work to support their requirements and respond to their inquiries.

Sustainable Economic and Social Welfare

Fair Pay and Equality in Wages

Supporting gender, KFH recognizes its role in providing sustainable welfare to all Kuwaiti households through its employees. This is achieved through fair and equal wages and permanent contracts for employees at all levels. KFH complies with national minimum wage laws and regulations and provides equal wages and benefits for both genders in any job category at the same employment level.

Employee Benefits and Compensation

In 2021, KFH Kuwait's total payroll amounted to KWD 100 MM. Providing additional benefits to full-time employees is part of our commitment to the economic empowerment and sustainable well-being of our employees. These benefits apply from the contractual agreement in accordance with national labor laws and regulations, and are supplemented with additional benefits such as company vehicles, scholarships, and air tickets, as an additional support from KFH Kuwait for their valued employees.

	Description	Eligible Beneficiaries (Employees/Family Members)
Life Insurance	Covering Death (Ordinary/Accidental)	Employees
Health Care	Covering Out/In-Patient medical services	Employees/ Family Members
Disability	Covering Disabilities 24 H, Workmen's Compensation	Employees
Parental Leave	Leave given to employees for parental reasons.	Employees
Retirement Provision	Benefits for employees who exist from KFH, voluntary or involuntary.	Employees
Company Vehicles	We do have a Transport Allowance	Employees
Interest-free loans	We do have Interest-Free Loans up to SM1 Grade	Employees
Educational grants	Education grants are provided to employees based on grade/ Level (Grade SM2 and above); employees are entitled to receive yearly Education Assistance on an invoice basis and not exceeding the entitlement amount	Managers And Above

Promoting our People's Well-Being

To create a safe and comfortable work environment, we implement the following commitments to realize “a bank that protects the safety and health of all working people.”

- Recognizing safety and health as essential elements in management and giving priority to safety and health in business activities
- Ensuring employees’ participation and consultation in safety and health management activities
- Identifying harmful and risk factors in the workplace and continuously improving them
- Complying with safety and health-related laws and regulations and creating a safe working environment
- Identifying potential emergencies in advance and preparing countermeasures

KFH 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 COVID-19 measures, we 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.

Furthermore, to ensure our task force’s work environment safety, multiple protocols were put in place and policies have been updated to include remote work procedures and eligibility for certain functions, in line with directives from Health Authorities to maintain physical distancing. In addition, new learning platforms have been utilized to ensure we equip our talents with the latest toolkits and frameworks required for them to achieve their job requirements

Parental Leave

Respecting the importance of family, KFH supports its employees by providing female employees with 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 paid paternity leave within one week of childbirth. In 2021, over 60 employees took maternity leave, and 100% of them returned then to work, exhibiting our employees’ satisfaction and loyalty in working for KFH.

	2020		2021	
	Female	Male	Female	Male
Number of employees entitled to Parental Leave	323	1641	311	1598
Number of employees who benefited from Parental Leave	35	82	64	146
Number of employees who returned to work in the reporting period after their Parental Leave	35	82	64	146
Number of employees who returned to work after their Parental Leave and remained in their positions for a subsequent period of 12 months	34	77	59	133
Return to Work and Retention rates of employees who benefited from Parental Leave	Return to Work Rate: %100	Return to Work Rate: %100	Return to Work Rate: %100	Return to Work Rate: %100
	Retention Rate: %97.14	Retention Rate: %93.90	Retention Rate: %92.19	Retention Rate: %91.1

Working Hours

KFH ensures that the working hours comply with National Labor Laws, where the working hours do not exceed 48 hours/week. In addition, if overtime is required, it must be duly approved in advance, where it does not exceed 32 hours in one calendar month.

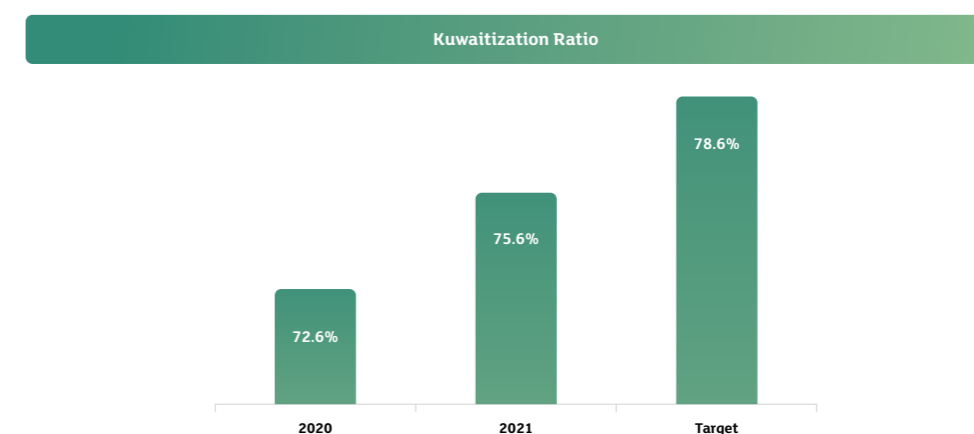
Collective Bargaining Agreements

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

Child and Forced Labour

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

Kuwaitization



To align with Kuwait’s Nationalization Agenda, KFH continuously focuses on attracting new talents, especially Kuwaiti nationals, where we were able to maintain a healthy 76% Kuwaitization ratio in 2021. We continue to be amongst the largest employers of Kuwaitis in the Private Sector, highlighting KFH as the employer of choice in Kuwait.

In 2021 399 Kuwaitis joined our task force, comprising 60% of the Middle and Executive Management roles. While the Kuwaiti fresh graduates hired in 2021 reached 46% out of the total hires.

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

- Reducing the unemployment rate.
- Providing career opportunities for youth.
- Developing Kuwaiti Nationals in the banking sector.
- Bettering life quality and prospects for the Kuwaiti population.



Sustainability at KFH

Sustainability Strategy, Framework, and Governance

Every incredible journey needs a purpose. Ours is helping prosper.

We believe that a group that embeds its purpose into business culture and day-to-day operations and makes it the driving force of its strategy will have a stronger financial position by finding better ways to create sustainable and more profitable growth and excellent long-term value for all its stakeholders.

We deepened our understanding of the social and environmental topics that matter most to the Bank's business and key stakeholders. We considered the greatest needs of Kuwait, the key concerns of our stakeholders, and the potential for our business to make an impact in these areas.

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. The Bank commits to addressing and protecting its stakeholders' evolving needs and well-being, preserving natural resource consumption in services, products, and operations. It governs according to Islamic Principles in achieving financial growth, developing banking services, addressing risks and opportunities, and conducting stakeholders' relations.

Sustainability Strategy and (ESG) Framework

At KFH, we consider ourselves part of global solutions that contribute towards overcoming global challenges. In 2022, we developed our sustainability strategy, which aims to position KFH as the recognized Kuwait market leader, and a recognized global leader in Sharia-compliant sustainable finance.

KFH is a leading regional Bank in the Islamic banking business with a vision to lead the international development of Islamic financial services and become the most trusted and sustainably profitable Shariah-compliant Bank in the world.

At the same time, KFH acknowledges that environmental, social, and ethical governance (ESG) is a prime driver for creating long-term value for all stakeholders. Therefore, the Bank is focused on minimizing the ESG impacts arising from its operations while responsibly offering products and services.

Our priorities always aim towards longstanding contributions to our economy and community. Today, we have heightened our commitment by restructuring our Sustainability long-term vision and identifying our EESG material objectives across all six capitals: Financial, Human, Social, Natural, Intellectual and Physical.

Five pillars guide our approach to sustainability:

- Sustainable Finance
- Responsible Banking Operations
- Governance, Ethics, and Risk Management
- Positive Community Impacts
- Empowering Our People

Each pillar encompasses material topics of importance to KFH and our stakeholders and adheres to our goal of strong, risk-aware, and sustainable financial performance.

Our sustainability framework represents KFH's alignment with key international, regional, and local bodies, such as the UN's Sustainable Development Goals and Kuwait's National Vision (KNV 2035).

In addition to reflecting our sustainability priorities, the KFH sustainability framework allows us to ensure that we are:

- Fully adhering to the highest Shari'a principles
- Meeting international banking standards
- A key player in societal, environmental, and economic development

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: Shariah-Compliant Governance

The Strategy objectives are mapped at the implementation level to address and advance the required practices through financials, customers, internal processes, people, and organizational capacities. Today, our Strategy Map constitutes the foundation of our short- and medium-term material issues, which are reported across the sections of this Report. (Read on: Materiality)

The Sustainability Strategy also aligns with KFH's Strategic Corporate Goals for growing customers acquisition, innovative products and services, simplified experience, and digitizing operations.

To ensure an efficient and effective implementation of the ESG Strategy, we considered potential emerging risks and opportunities, thus allowing the Bank the required agility to address new market dynamics and changes in our corporate directions.

Today, our sustainability strategy, priority initiatives, and disclosures are informed by insights from our comprehensive multi-stakeholder materiality assessment process; including expectations from external ESG raters, investors, and regulatory requirements. Additionally, we work to be aligned with GRI, KNDP, Boursa Kuwait Sustainability Indicators, UN SDGs, as well as other leading national and international ESG and sustainability frameworks and standards.

In supporting that, The Governance and Sustainability Function has adopted a Digital tool that is best described as a digital library for all related regulations and instructions from the regulatory authorities in Kuwait (CBK-CMA).

ESG Directions and Market Readiness

Successfully deploying KFH's diversification and expansion strategy and achieving our goals is dependent upon KFH's readiness to meet the specific market requirements and the leading company and industry demands of each country and region. Market readiness for KFH encompasses our capability and agility at meeting the current and emerging business environment, including and beyond ensuring our readiness to deliver products and services in our selected markets. ESG requirements play an increasingly central role, and every market is different. KFH must be "market ready" for the rigorous and varied ESG-related regulations, reporting requirements, corporate priorities, financial markets, customer needs, risks, and opportunities in each market, all in the context of the ever-shifting business environment.

As climate and ESG-related risks and opportunities play an increasingly important role in business financial stability and success, stakeholders' concerns about ESG issues have increased dramatically. Currently, KFH has developed a Sustainability Committee, whereas, so far, we have defined the role and responsibilities, especially in overseeing the climate change risks.

Engaging Our Stakeholders

We believe that the path towards long-term sustainable value creation is paved by continuous engagement with our stakeholders – whom we consider being our partners. As part of our commitment to sustainability, we continuously engage with internal and external stakeholders and incorporate their input into everything we do. Their feedback – which we actively seek and encourage – contributes to the final shape of our products and services, including the sustainability strategy. Our key stakeholder groups and how we engaged with them are to be listed shortly.

Aligning with Islamic Principles, our corporate culture is based on actual 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 and communication channels of different frequencies that correspond to the required level of our relationship with each stakeholder.

However, for this Report, a specific exercise was conducted to ensure a better internal alignment of all functions on 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 Report's development, including identifying external stakeholders across all the Bank's functions.
- Third-part expertise was acquired to support the task force 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 runs 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.

Our Stakeholder Group & Their Priorities and Expectations:

Stakeholders Categories	Needs/ Expectations	Methods of Engagement	Our Response
Shareholders & Investors	<ul style="list-style-type: none"> - Strong balance sheet and profitability - Growth - Transparency and disclosure - Strong Risk Management - Strong Market Position 	<ul style="list-style-type: none"> • Quarterly Financial results • Communicating regularly with investors and analysts through conference calls, online and physical meetings, and IR events • Quarterly webcasts with analysts and investors • Annual General Meetings • Interactive and comprehensive disclosures on the website. Dedicated Investor Relations Team 	Maintained financial performance. Delivered dividends. Transparently communicated opportunities, risks, and performance Engaged with Analysts, Investors, Research Houses, and other stakeholders.
Local Community	<ul style="list-style-type: none"> -Financial Literacy and Inclusion -Sponsorships of initiatives in health, education, sports, and the environment 	<ul style="list-style-type: none"> • NGOs and Civil Society Organizations • National Development Forums • CSR Activities 	xxx
Regulators	<ul style="list-style-type: none"> -Compliance with legal and regulatory requirements by the CBK, Kuwait Stock Exchange, and Kuwait Capital Markets Authority -Strong Risk Management and Governance 	<ul style="list-style-type: none"> • Regulatory Reporting • Quarterly and periodic meetings with Top Management. • Daily and periodic communications • Inspection visits • As mandated and need-based 	Full compliance with laws and regulations Abided by national regulatory guidelines and mandates swiftly and effectively. Upgraded a comprehensive suite of AML/ CFT policies and procedures

Suppliers & Other Business Partners	<ul style="list-style-type: none"> Timely payments Open communication channels Fair and respectful processes 	<ul style="list-style-type: none"> •Pre-tendering meetings • Supplier audits •Briefings and 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 and new installations
Employees	xxx	<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 and Compensations 5. Equal opportunities 6. Diversity and Inclusion 7. Learning and development 8. Credit Risk Policies update and training
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 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.Responsible Communication on services
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. Shariah Compliance 2. Financial Performance and Growth 3. Brand Leadership
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
Environment		<ul style="list-style-type: none"> • National laws • International standards • requirements for Projects partnerships 	<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

Our Materiality Assessment

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

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

Each year, we review our material topics to ensure they accurately reflect our understanding of the significance of each topic in terms of importance to KFH and importance to KFH's stakeholders.

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



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

Measuring our Performance

Supporting National and Global Goals

Before adopting the Global Sustainable Development Agenda in 2015, the State of Kuwait formulated its 2035 Vision that pivots on five strategic themes to be implemented over five sequential development plans targeting a transformational development agenda toward a "New Kuwait: Vision 2035."

Kuwait is presently making strides towards realizing its strategic aspirations and objectives through the implementation of development plans, with a particular emphasis on enhancing its infrastructure sector. KFH is playing a pivotal role in facilitating this endeavor by providing funding for significant construction projects, such as the new passenger terminal under construction at the airport by Limak. This project is anticipated to not only bolster Kuwait's infrastructure capabilities but also significantly improve its global reputation as a prime location for conducting business and finance.

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

KFH Takaful service, specifically medical insurance, gears towards ensuring good health and well-being of the clients, thus directly contributing to Goal #3 of SDGs and is in line with "High-Quality Health Care" pillar. KFH also provides finances for the construction and real estate sectors that support Goal #11 of SDGs.

Our Contributions to SDGs

Relevant Strategy Pillars	Sustainability Report Chapter	KFH's Associated Practices	Contribution to SDGs
Governance, Ethics, and Risk Management	<ul style="list-style-type: none"> Islamic-Compliant Governance 	<ul style="list-style-type: none"> Our governance approach is core to creating value for our shareholders and giving them confidence in our organization. We reinforce and develop policies to monitor and manage our risks and opportunities within our operations. Through integrating sustainability into our operations, we continue delivering long-term, sustainable financial growth. 	 
Responsible Banking	<ul style="list-style-type: none"> Responsible Banking Operations 	<ul style="list-style-type: none"> We meet and exceed our customers' expectations with our outstanding customer services and complaint management. 	
Sustainable Finance	<ul style="list-style-type: none"> Sustainable Investing and Financing Sustainable Products and Services Supporting Financial Inclusion and SMEs 	<ul style="list-style-type: none"> Guided by our Islamic banking principles, we offer sustainable financing solutions to our customers. This is achieved through the integration of environmental, social, and governance factors into investment decisions with particular focus on projects for mitigating climate change and tackling issues of inequality and human rights. We also provide finance to contribute to sustainable development. We support local SMEs and start-ups to promote local economy. 	     

Data privacy and Security	<ul style="list-style-type: none"> Managing Data Privacy and Security 	We are responsible for the confidentiality of all our stakeholders' personal information. Our advanced internal systems allow for data protection and security.	
Digitalization and Innovation	<ul style="list-style-type: none"> Digitalization and Innovation 	With our KFH's wide digital transformation program, we modernize our offerings, improve profitability, and introduce a clever methodology to deliver new and innovative products to our customers.	
Workforce Development and Wellbeing	<ul style="list-style-type: none"> Workforce Development and Wellbeing 	We focus on creating a work environment where employees are motivated, engaged, and healthy.	    
Empowering Our People	<ul style="list-style-type: none"> Workforce Development and Wellbeing Localization 	KFH's goal is to strengthen Kuwait's human capacities by developing employment opportunities for the national population.	 
Sustainable Finance	<ul style="list-style-type: none"> Supporting Financial Inclusion and SMEs 	We support local SMEs and start-ups to promote local economy.	 
Positive Community Impacts		<ul style="list-style-type: none"> With our programs and initiatives, we promote health and wellbeing of local communities, and support the protection of natural resources. We provide financial planning and management education to disadvantaged individuals for a more inclusive community. 	     
Responsible Banking Operations	<ul style="list-style-type: none"> Protecting Our Environment 	KFH is committed to minimizing its environmental impact through the implementation of energy efficient technology and responsible resource management.	 
Responsible Banking Operations	<ul style="list-style-type: none"> Responsible Procurement and Supply Chain 	To ensure responsible procurement practices throughout the supply chain, we engage and work with our suppliers to manage risks and enhance our positive impacts.	 

KNDP Alignment

KNDP Pillar		Sustainability Report Chapter	Explanation
Global Position		<ul style="list-style-type: none"> Throughout the Report 	Global positioning elements are displayed throughout the Report, as the Report KPIs to assessing and reporting sustainability/ ESG information is derived from a range of international frameworks and best practices.
Creative Human Capital		<ul style="list-style-type: none"> Workforce Development and Wellbeing Localization 	Reported varied information related to KFH's workforce, Kuwaitization, training, and supporting the youth in their career development.
High-Quality Healthcare		<ul style="list-style-type: none"> Sustainable Products and Services Workforce Development and Wellbeing Localization Positive Community Impacts 	Health and safety elements are reported throughout our products and services (i.e. health insurance and financing), customer health and safety, employee health and safety, technologies that safeguard stakeholders' health, and social engagement related to health initiatives.
Sustainable Living Environment		<ul style="list-style-type: none"> Protecting our Environment 	Various elements and KPIs related to our environmental impact are measured and reported, especially those arising through our use of technology.
Developed Infrastructure		<ul style="list-style-type: none"> Islamic Finance and Green Finance at KFH Sustainable Investing and Financing Sustainable Products and Services Supporting Financial Inclusion and SMEs 	Infrastructure aspects are related to our products and services related to financing.
Sustainable Diversified Economy		<ul style="list-style-type: none"> Islamic Finance and Green Finance at KFH Sustainable Investing and Financing Sustainable Products and Services Supporting Financial 	Reported information about KFH's economic performance, direct economic impacts on stakeholders, community investment, support of and contribution to SMEs, among others.
Effective Public Administration		<ul style="list-style-type: none"> Islamic-Compliant Governance 	Reported various compliance matters and our transparency to regulatory standards and requirements.



Positive Community Impacts



Our Corporate Shared Value Approach (CSV)

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

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 our CSV approach.

CSV approach encompasses four elements:

1. It is structured around five key CSV pillars.
2. It ensures partnership and collaboration with trusted entities.
3. It implements defined CSV programs and projects under each pillar
4. It monitors and evaluates our projects through:
 - Total amount of KFH's funding under each pillar
 - Number of beneficiaries that were impacted by each of KFH's initiatives.

KFH CSV Pillars

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

1. Healthcare and Sports
2. Education and Youth Development
3. Social Development and Inclusion
4. Heritage Preservation
5. Environmental Protection

KFH Development of CSV Programs

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

Our Social Impact

Guided by Islamic Principles, our social impact is at the core of our strategy and corporate values. This is achieved by supporting the Bank's social Takaful along with our CSV activities in many fields; mainly Healthcare and Sports, Education and Youth Development, Social Development and Inclusion, Heritage Preservation, and Environmental Protection. Our social impact successfully reflects the Bank's vision of continuously reinforcing financial and social support as well as communicating with all segments of the society. For that reason, KFH's CSV activities address not only various social challenges faced by youth, women, and vulnerable segments, but also create a direct and indirect economic and environmental impacts that complement our effort towards creating shared values.

In 2019, KFH strengthened its leading position in CSR by achieving 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 well-being, community awareness, youth and sports, voluntary activities, humanitarian aid, and other sustainability-related initiatives.

In 2021, KFH undertook over 200 CSR activities under its CSV Pillars in partnership with over 30 organizations.

Community Support and Investments

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 CSV pillars towards sustainable development.

KFH's most prominent strategic partnerships and collaborations include but not limited to:

- Ministry of Interior
- Ministry of Health
- Ministry of Education
- Environmental Public Authority
- Kuwait Banking Association
- CBK
- Public Authority of Agriculture Affairs and Fish Resources
- CODED Academy
- Kuwait University
- PAAET
- ALSadu Society (Sadu House)
- Kuwait Red Crescent Society
- Dasman Diabetes Institute
- Kuwait National Jet Ski Team

Healthcare and Sports

KFH acknowledges the various health risks and challenges that are faced by the communities where it operates, hence, we are always keen to be a major healthcare contributor, and advocate, while supporting the national efforts of improving the service quality and capacity of the public health care system as well as supporting civil society activities.

Segment-Specific Programs

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

Project-Focused Programs

1. Investments in Healthcare
2. Health Awareness Campaigns
3. Community Well-being
4. Promotion of a Healthy Lifestyle

KFH's Financial Contribution to the Healthcare Sector:

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

Our Health and Sports Initiatives**KFH's Investment - Al Salam Hospital; KFH Subsidiary**

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 healthcare sector in Kuwait and the Middle east.

KFH's investment in the field of health and medical services contributed to adding value to the capabilities of the private health sector and providing world-class quality standards, thus 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 school teachers and parents who regularly supervise on children.

In 2021, AlSalam received a certification from the American Heart Association (AHA) for its well-established program providing first aid courses to the community. AlSalam also organized an awareness campaign to support the official health authorities efforts to encourage vaccination and curb the pandemic.

KFAS

The Kuwait Foundation for the Advancement of Sciences (KFAS), a private non-profit organization, continues on its 40-year journey to harness science, technology and innovation in Kuwait, as well as to promote modernization, a better quality of life and a sustainable future for the Kuwaiti people. In line with the long-term vision of the late Amir Sheikh Jaber Al Ahmad Al Jaber Al Sabah and supported by leaders in the private sector, an Amiri Decree was issued in 1976 for the establishment of the Foundation, with a focus on advancing and integrating science, technology and innovation throughout the country. In 2021, KFH's contribution to KFAS reached KWD 1,906,684

Employees Volunteerism

We encourage our employees to participate in volunteering through KFH Volunteers Team activities. During the holy month of Ramadan, KFH Volunteers Team is actively engaging with the community on a daily basis through organizing distribution of groceries for low-income families, distribution of futoor meals in various locations around Kuwait.

Under "Keep It Green" umbrella, KFH Volunteers Team participates in planting trees and beach clean-ups in collaboration with other volunteer teams partners such as SIDRA and Green Vision as well as Environmental Public Authority. The team also participated with Kuwait Red Crescent Society in humanitarian aid campaigns.

Partnerships

- KFH has fostered several awareness activities to spread health awareness against the risks of diabetes .
- Partnership with Flare Fitness gym to organize a fitness challenge during holy month of Ramadan.
- Partnership with Suffix company to organize Virtual Bicycle Race to allow people to participate in a crowd event virtually by allowing them to submit their scores online rather than have a physical crowded event during a pandemic.
- Partnership with Ministry of Health in various health awareness programs throughout the year: Hajj vaccinations and health precautions, Cancer, Diabetes, and campaigns against COVID-19.
- Relunched KFH Walk program in partnership with V-Thru lifestyle app to organize virtual walking challenges during pandemic to allow people to participate and compete in their preferred space and time.
- Partnership with Kuwait National Jet Ski Team for 2021 season.
- KFH renewed partnership with the specialized sports app (Li3ib), launched by a group of young Kuwaiti entrepreneurs.

Education and Youth Development

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 Education and Youth Development Partnerships

1. Kuwait University
2. College of Engineering and Petroleum in KU
3. College of Business Administration in KU
4. Public Authority for Applied Education and Training
5. Gulf University of Science and Technology
6. American University of Middle East
7. CODED Academy
8. Australian College of Kuwait
9. Kuwait Technical College
10. National Union of Kuwaiti Students

IBS

Serving corporate with 40 years of experience working closely with Kuwait's banking and financial sector, Institute of Banking Studies (IBS) has been the catalyst in the transfer of technology and know-how to this vital sector. It has diversified its product offerings to include professional certification programs, executive development programs, training and development courses, assessment and testing, English language training, e-learning, specialized library services in banking and business, and banking and finance research publications. KFH contributed 517,340.500 KWD to IBS in 2021.

Education and Youth Development Initiatives

- KFH Mubadereen Team is supporting a group of national entrepreneurs and initiators in various fields under KFH umbrella.
- As part of KFH's CSV pillar to support education and youth development, KFH sponsors and supports CODED programs provided to children to help in learning the basics of coding and technology using the latest tools, as well as introduce to the teenagers the basics of developing video games and apps.
- As part of KFH continued support to provide talented Kuwaiti Nationals with extensive career opportunities, KFH sponsors and participates in career fairs organized by universities and colleges around Kuwait.
- As part of KFH's continued partnership and support to the College of Engineering and Petroleum in Kuwait University (KU), the Bank sponsored the graduation projects for over 500 students.
- As part of KFH's continued partnership and support to PAAET students and the educational process, the Bank sponsors the students' extra-curricular activities and career fairs.
- Offering Summer programs for the customers of both (Hesabi) for youth and (Baiti) for children, that comprised financial literacy and entertainment activities, lectures, workshops and field visits. The program was designed to support and train fresh graduates.

Social Development and Inclusion

Addressing only one side of a social challenge often results in short-term outcome, but not always in a sustainable long-term impact. For this end, KFH's commitment to the community entails a wide spectrum of interconnected programs that require parallel and collective efforts by the Bank and its partners.

To put our objective in motion, KFH focuses on contributing to the social development of the community in general and especially the underprivileged segments and their inclusion by establishing partnerships with public authorities and NGOs to reach people in dire need and improve their well-being through multiple forms.

Media content creation comprised over 90 initiatives in financial inclusion, education, women empowerment, health and well-being, community awareness, youth and sports, humanitarian aid, people with special needs, and other sustainability-related initiatives. The content is published in a wide range of platforms such as social media channels, TV, print and digital media outlets, which contributes to making the messages accessible and reachable to different segments of people.

Key Partnerships

- Partnership with Kuwait Zakat House
- Partnership with Ministry of Awqaf and Islamic Affairs
- Partnership with Kuwait Red Crescent Society (KRCS)
- Sponsorship of Kuwait's Award for Innovation
- Partnership with Kuwait Fire Department
- Partnership with Kuwait Banking Association
- Partnership with CBK

Inclusion of Special Needs:

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

Economic Empowerment

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 COVID-19, by providing facilitated finance services to SME and other economic entities badly affected 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 the government and the banking sector to defer the installments for six months for all Bank customers. This initiative had great impact on the families and contributed to maintaining their financial level unaffected.

Economic Empowerment Initiatives**PIFSS**

The Public Institution for Social Security (PIFSS) is a government institution in Kuwait that provides an array of services, such as providing retirement and social security information for the citizens of Kuwaiti and Gulf Cooperation Council (GCC). KFH contributed to the national labor support program by 4,513,914 KWD in 2021.

Zakat House and Charity Donations

Establishing Zakat House was a pioneering step to revive one of the Islamic pillars and facilitate its fulfillment. It works on collecting and distributing Zakat and charities by the best, most efficient and legally permissible ways that suit the rapid developments and the needs of the society. KFH Charity Donations was 24,360,003 KWD in 2021.

Heritage Preservation

One of KFH's key priorities is to maintain and continue the Islamic heritage, including its rules, customs, traditions, and norms of behavior. To achieve this, KFH is actively promoting and preserving its heritage through a range of specialized products, services, modern technological solutions, and dedicated Ramadan activities.

KFH Zakat Contribution:

In 2021, KFH provided donations to the Kuwait Zakat House amounting to KWD 23,798,075 of which:

- KWD 12,063,427 was dedicated to the Gharemeen Debt project in Kuwait.
- KWD 3,000,000 was dedicated to the Gharemeen Debt project in Bahrain.
- KWD 4,657,300 was dedicated to support various humanitarian and relief projects in collaboration with KRCS.
- KWD 4,077,348 was dedicated to various good deeds and Charity projects inside and outside Kuwait.

Furthermore, in 2021, KFH organized various CSR initiatives promoting our heritage and supporting its preservation with most prominent as followed:

- KFH 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 card and in coordination with the Ministry of Awqaf and Islamic Affairs, KFH can send underprivileged people for pilgrimage to Hajj and Umrah covering all expenses which include travel ticket, visa, accommodation and transportation. In 2021, the available charity fund amounted to KWD125,000, however due to COVID-19 related travel restrictions, this annual initiative was postponed to 2022.
- KFH supported the release of a major App update to 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 "Connect with Good Deeds in Ramadan", which includes Iftar initiatives and activities, various social contributions, awareness initiatives, and daily communication with the public.
- KFH renewed its partnership and support to AlSadu Society in efforts to promote and preserve Kuwait's cultural heritage. In 2021, AlSadu Society received a certificate from UNESCO enlisting Sadu Weaving in UNESCO representatives list for the safeguarding of intangible cultural heritage of humanity, as a proud achievement enriching cultural development and national identity.

Key Partnerships

- Partnership with Ministry of Awqaf and Islamic Affairs
- Partnership with Zakat House
- Strategic partnership with AlSadu Society (Sadu House)
- Sponsorship of Cultural Books by Dr. Abdulmohsen AlKharafi
- Sponsorship of Kuwait National TV program "Wesam AlQuran"
- KFH "Connect with Good Deeds" Ramadan Campaign
- KFH National Days Campaign

Environmental Protection

In accordance with our Islamic principles of moderation and responsibility, as well as a strong discouragement of overindulgence, KFH actively monitors and economizes our consumption, while taking care to minimize our environmental impact in day-to-day operations. KFH is also proactively integrating more green products into our services. We extend our care to the community through our CSR initiatives and activities. In 2021, KFH cc which encompasses various sub-initiatives and partnerships for promoting environmental protection towards a sustainable environment.

KFH's media content creation has been also playing a significant role in contributing to the sustainability objectives. We introduce initiatives and highlight causes through a variety of media articles, press releases, interviews, and other digital media content, which are distributed to a growing global population in different languages; Arabic, English, as well as the languages of KFH Group banks in Turkey, Malaysia, and Germany.

KFH has continued partnership with the Environmental Public Authority (EPA) to support various awareness campaigns that promote the protection of sea and wildlife, and with the Public Authority of Agriculture Affairs and Fish Resources (PAAF) to support a nationwide project to plant more trees and renovate public spaces with landscaping projects for the general enhancement of the community's environment. KFH has also partnered with SEEDS to organize various online seminars and workshops on sustainability topics for the community during pandemic lockdown.

Key Partnerships

- Partnership with Environmental Public Authority (EPA)
- Partnership with Public Authority of Agriculture Affairs and Fish Resources (PAAF)
- Partnership with AlAsima Governate
- Partnership with Green Vision volunteers' team
- Partnership with SIDRA
- Partnership with SEEDS

Our Takaful

KFH Takaful won World's Best Islamic Takaful Award by Global Finance Magazine

In 2021, KFH Takaful won World's Best Islamic Takaful Award by Global Finance Magazine. KFH Takaful showed strong momentum in the expanding Islamic insurance market by ranking fifth in the local insurance sector in 2021. 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 2021 and the company has also collaborated with international reinsurers led by Swiss RE.

KFH Takaful established an e-platform to serve insurance brokers as part of the endeavor to cope with market demands affected by the pandemic, and facilitate transactions with insurance brokerage firms. The e-platform provides several insurance products and services not requiring physical attendance at the company offices, or direct interaction with its employees. Transactions are performed in a fast automated manner according to applicable insurance rules and regulations. This process represents a significant step in enhancing relations with insurance brokers, and providing modern technology means to perform insurance transactions. It also reflects the company's strategy towards developing e-transactions to better serve its customers.

To enhance after-sale service quality during the pandemic, "Online Insurance Claims" service was added to KFH Takaful mobile application, through which, the company views customers' applications, verifies information and initiates the claims process quickly and easily, which enhanced the e-services system of the company and reiterates its tendency towards digitalization. Furthermore, KFH Takaful has also launched "WhatsApp Business" service, to enhance communication means with customers and offer various insurance services 24/7 in a secure and quick manner.

KFH Takaful is always working on developing internal control frameworks to ensure compatibility and compliance with the best governance standards.

The company has 127 employees, out of which 19% are Kuwaitis while others are from different nationalities.

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GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Child and Forced Labour	84
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GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Child and Forced Labour	84
Local communities			
GRI 3: Material Topics 2021	3-3 Management of material topics	Positive Community Impacts	98-105
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Positive Community Impacts	98-105
Marketing and labeling			
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	we had no incidents nor fines reported, recorded, nor applied for non-compliance concerning product and service information and labeling.	57
Customer privacy			
GRI 3: Material Topics 2021	3-3 Management of material topics	Managing Data Privacy and Security	71
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