

# Corporate Sustainability Report

Kuwait Finance House (KFH) Group of Companies

2011

بيت التمويل الكويتي  
Kuwait Finance House





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# CEO MESSAGE



I welcome you to Kuwait Finance House Group of Companies' second Corporate Sustainability Report, the first presented last year being the first of its kind among Shariah-compliant financial institutions. Certainly, the global Shariah-compliant finance industry has in itself undergone changes in the last few years in its quest to boost international competitiveness and build a sustainably profitable business model.

Sustainability challenges give us the impetus to manage change and stimulate innovation within business. We are expecting to see a paradigm shift in Shariah-compliant banking towards customer-centric operating model. With such development driving our future growth, KFH's agenda is currently governed by our new five-year strategy and transformation program. This will shape the way we do things at KFH – improving, enhancing and leveraging our performance as we embrace our new way of working. The KFH of tomorrow will be fundamentally focused on increasing our clarity, transparency and accountability.

Sustainable development for KFH means considering both short and long term interests, integrating economic, environmental and social considerations in our decision making. While social responsibility has long been part of KFH's culture – we are enthused by the prospect of breaking into targeted sustainability initiatives within the realms of the economy and the environment through our new strategy. Our Sustainability Scorecard will show you exactly how KFH is committed to better serve you as a stakeholder with a balanced approach touching on all three ideals. As the seeds we have planted begin to grow, we look forward to reporting the results as our voyage continues.

With the formal beginning of KFH Group's Corporate Sustainability kick-starting last year, I was thrilled to hear that we won the award for Best CSR Programme in the Middle East by EMEA Finance in recognition of our efforts. We have willingly maintained the momentum through actions seen across our countries and sectors of operation, with initiatives being just as diverse as we are. We have partnered with the International Diabetes Foundation (IDF) to promote care and control of the disease locally and internationally. We have embraced KFH's principles of social accountability through the restoration of the culturally significant Ortaköy Mosque in Turkey. And in Malaysia, we see the sustainability-driven flagship program 'Creating Footsteps' well underway. Throughout these pages you will read about all of these and more, and while we are proud of our efforts, we anticipate this is just the tip of the iceberg as we further develop our strategy – delivering more value to our stakeholders.

I sincerely believe that KFH and the sectors in which we operate all play a part in shaping a sustainable society, and take this opportunity to welcome the latest sustainability reporting member, KFH Research Ltd. This is just the beginning of what we expect to be a long-term growth area, and KFH Group of Companies are positioned to provide more credible and comprehensive reporting. Though our scope is wide-ranging, our Shariah values are consistently found within the heart of our sustainability objectives – giving us all a unified voice.

We hope you enjoy reading this year's story, as much as we did making it.

Mohammad Sulaiman Omar

# Maintaining Momentum

A year forward, we look at our corporate sustainability initiatives and what they meant to us with a keen eye and heightened awareness. We sense a definitive feeling of progress since the publication of our 2010 sustainability report 'Doing What's Right'. Our five sustainability pillars continue to be the back-bone of our economic, social and environmental agenda. In our mission to become the leading Islamic financial institution providing Shariah-compliant banking, we have holistically framed our objectives together with our long-standing corporate values, which are the following:

1. Uphold Shariah principles and values among all activities of KFH
2. Support ongoing initiatives of the global financing industry
3. Participate in and assist the socio-economic endeavors of local communities as a responsible corporate citizen

It is clear that morals and ethics are fundamentally engrained in the KFH cultural fabric, encapsulated in the phrase we often use: 'E'mar Al Ardh' or "developing the land". However, the challenge we face today is promoting sustainability and doing the right thing where it matters, where it is needed most, and where we can have the most positive and influential impact. Now that we have graduated onto our second corporate sustainability report, we expect to display a strategic, more advanced and fine tuned approach to corporate sustainability – one that measures our annual progress in the context of today's local, regional and global events that shape the future world.

As business progresses, Shariah-compliant banks as a whole face a number of challenges. Profits and valuations, geopolitical and macroeconomic shocks, human capital, balancing innovation, shariah compliance, managing transformation, liquidity and associated costs and technologies are among the top risks facing the industry. Throughout this Sustainability Report, we begin to address just how KFH is managing these potential threats – turning a negative into a positive.



## Our Principles

KFH practices Shariah-compliance in all work processes, which goes beyond just banking. We believe that Shariah principles apply to all our activities, be it within our office walls or on the external domain.



## Our Customers

KFH customers are at the heart of our business, where we want them to value their experience with KFH, using our innovative products and services through our efficient and respectful branches.



## Our People

Throughout KFH's history, we have recognized the importance of fostering a healthy relationship with our staff, allowing us to grow together. With diversity being at the core of the KFH Group Companies business model, we work with an array of sectors, countries and of course, people.



## Our Deeds

From our earliest days we have understood the value of giving. We happily give our money, give our time and give our unique expertise. For us, it is our duty to show kindness and philanthropy to where it is needed, and indeed, our efforts have an attached spiritual importance.



## Our Environment

The protection of the natural environment is one of the most pressing issues of our time and is a topic that has long been important in the teachings of Shariah. The effects of climate change will be felt across the globe with significant impacts in developing countries, making this ever more crucial for KFH and the countries in which we operate.

KFH's Corporate Sustainability Pillars

# Sustainability in the context of Shariah

## The Spirit of Shariah

Shariah-compliant banking is a phenomenon which takes on the broader responsibility of considering societal goals in line with Islamic laws that govern finance, adding a holistic approach that encompasses wealth acquisition, preservation and distribution. Going beyond earthly concerns, Shariah-compliant banking is intended to allow for ethical lifelong actions. Social responsibility and accountability are thus naturally embedded in Shariah banking, since requirements and goals must balance that of Islamic teachings, creating an additional perspective in the realm of finance.

It has long been quoted that sustainability reaches farther than an individual's lifespan, "meeting the needs of the present without compromising the ability of future generations". Critically, such religious obligations in Islamic Finance extend beyond an individual's life, with the Qur'an specifying the following as obligatory:

- **Zakat:** Acts of charity, which are considering a lasting legacy
- **Wasiyah:** A maximum of 1/3 of an individual's assets transferred in a will

On the other hand, Shariah-compliant banking is prohibited from investing in the following specific instruments/activities. This is evidenced by screening that has been a very central tool in the modern Islamic financial landscape as it ultimately determines what can be invested in and what can not, with the following practices prohibited:

- **Riba:** The equivalent of interest. The main differentiating factor of the Shariah-compliant banking system

- **Maisir:** Gambling or similar activities in which one party wins at the expense of another
- **Gharar:** Exposure to excessive, unnecessary risk
- **Haram:** Business which contradict or are prohibited by Shariah such as gambling and non-halal products

Transactions in Shariah-compliant banking are based on sharing of risk by encouraging cooperation, establishing equitable terms and fair dealing. KFH uses a number of innovative services which have been modernized and standardized to meet the needs of our various customers. In all our work we strive to channel the sustainable investment case for Shariah-compliant banking – good diversification, low volatility and high income. In doing so, we maintain the Islamic boundaries in the tenets of Islamic faith, where our main structures are:

- **Murabaha:** It is essentially trade with markup or 'cost-plus-sale'. In practice, KFH owns the commodity and sells it to the customer.
- **Mudaraba:** An ancient form of financing practiced through generations. It is a profit-sharing agreement between the Islamic bank and an enterprise/company for a pre-agreed period, where both parties agree in advance the percentage profit to be received by the bank.
- **Musharaka:** Directly translated from Arabic as "partnership", Musharaka is a business relationship by mutual consent for sharing the profit and loss arising from a joint enterprise.

- **Ijara wa Iqtina:** Renting with beneficial use is represented by Ijara in Islamic Law, where the contract represents a known benefit associated with a specific asset sold for payment. There are two types of Ijara, the first being a contract of renting, hiring or leasing where the contract can be designed to return the fixed assets to the lessor at the end of the lease period. The second is Ijara wa Iqtina, literally meaning 'lease and promise of ownership'.

- **Salam/Parallel Salam:** A tool used to generate working capital consisting of a contractual sale in which advance payment is made by the buyer to the seller for the deferred supply of goods at a specified pre-determined date. Sale and purchase transaction is thus made in cash at the point of contract. In Parallel Salam, the entry of a third party is allowed to resell the asset for an increased price. Here, there must be two different and independent contracts, where the performance of one should not be contingent on the other.

- **Istisna'a/Parallel Istisna'a:** In project finance, Istisna'a is a contract of selling a product with an undertaking by the seller to present it manufactured from his own material with a specified description at a determined price. Parallel Istisna'a' is based on two parallel contracts of Istisna'a.

- **Sukuk:** Widely known as a Shariah compliant 'Bond' which are in fact asset-backed trust certificates.

## Growth in the Shariah-complaint finance

The first Shariah-compliant bank in the State of Kuwait, KFH is one of the foremost Islamic financial institutions in the world. Indeed, Islamic finance has seen international recognition and plays a pivotal role in financial markets. In 1999, Dow Jones introduced The Dow Jones Islamic Market (DJIM) World Index<sup>SM</sup> which was the first – and remains the premier – benchmark of investment performance for the global university of Shariah-compliant equities. Under the advice of the Shariah Supervisory Board, consisting of five eminent Shariah scholars, the DJIM Indexes have become the most visible and widely-used set of Shariah-compliant benchmarks in the world, paving the way for the establishment of Islamic financial industry standards such as the Auditing & Accounting Organization of Islamic Financial Institutions (AAOIFI)-Standard 21. Finally, the creation of the Islamic Financial Services Board (IFSB) in 2002, facilitated by the IMF is an important indication that Shariah-compliant finance has become a major player in the international financial services markets, only set to expand its role in the financial services industry, providing funds for international development projects, trade, and commerce.

Key numbers in the Shariah Finance Industry

- **300+**  
Shariah-compliant financial institutions worldwide today
- **1.5 Trillion USD**  
Expected volume of managed assets by 2013
- **4 Trillion USD**  
Potential for Islamic financial services by 2020
- **40 – 50%**  
Total savings Shariah-compliant banks are expected to manage by 2020

When it comes to Shariah-compliant banking, there are four emerging trends that top the CEO agenda, which are especially relevant to the GCC market:

### Operational Transformation

Promotes a scalable, customer-centric operating model, achieved through improved risk and technology orientation (winning back the profitability and valuation advantage). Such a transformation, already in the KFH pipeline, aims to rebuild to last. This will result in quality growth and create sustainable shareholder value.

### Risk & Compliance

Economic capital, risk adjusted returns, funds transfer pricing, regulations and compliant products and systems to drive the change in business focus.

### Innovation

Embracing technology to deepen existing relationships and improve new customer acquisition rates. Product research and structuring, while learning from past experience. Being a service driven culture, investing more in customer-centric activities and engaging with stakeholders through a variety of mechanisms coupled with trending technologies demonstrates KFH's commitment, flexibility and relevance to the industry.

### Growth Play

Shariah-compliant banking is set to stimulate financial access to previously unbanked – expecting 100+ new Shariah-compliant banks in MENA by 2020. Having already achieved a 26% market share in the GCC, future growth will come from the mainstream customer segment. In the continued building of our product and skills portfolio, true integration with real economy is essential in KFH sustainability.

## A historical relationship

The notion of corporate sustainability has been indirectly the foundation of an Islamic society since its advent in the seventh century. The guidelines in the Shariah specifically address issues concerning the general well-being of both businesses and society. This goes hand-in-hand with the building blocks of KFH's business, such as:

- 1) Socially aware and responsible values based management practices and products
- 2) Financing in compliance with Islamic Shariah while maintaining ethics of Islamic economics
- 3) The pursuit of socially responsible financial activities that seek to protect the interests of all stakeholders involved in a market transaction
- 4) The facilitating of moral principles and practices that do not contravene societal values

As such, the foundations described above mirror the various conceptualizations of modern corporate sustainability, namely:

- 1) Social obligation which emphasizes societal, environmental and economic benefits
- 2) Stakeholder engagement which emphasizes the needs of various interest groups
- 3) Corporate sustainability being an ethics driven agenda



# Our Strategy Progress

## Sustainability scorecard

Our voyage in having a record of leadership, action and creating positive change was one that started years ago. Today, as our journey takes us through to wider scopes and challenges, we are working to monitor our actions and progress to create positive change for future generations. In these endeavors, we continue to listen to our stakeholders and work with outside experts to succeed in making tangible progress. All of our actions are guided by our Principles, steering our Shariah values further than with just our products and services.

The following pages provide a summary of our progress against the strategic objectives published in our previous Corporate Sustainability Report that drive our sustainability agenda:

Not achieved



Ongoing



Achieved



## The business principles that shape us

Ambition	Goals – What we said	Our progress in 2011	Score
To be the leading Shariah-compliant bank in Corporate Sustainability	Increase number of subsidiaries reported in the next Corporate Sustainability Report	We have increased the scope of our reporting this year with the introduction of KFH Research Ltd., that has successful global presence in developing insightful, tailored research in Asia and the GCC. For more information on our reporting scope and boundaries please see the <a href="#">KFH Organizational Profile</a> chapter of this report.	○ ● ★
	Create a KFH Group Policy on Corporate Sustainability	A Group Policy has yet to be developed. However steps have been made to ensure the sustainability of the company. The year 2011 saw the establishment of quarterly 'KFH Synergy Group' meetings, which promote the cooperation between the group and its subsidiaries and stakeholders. The overarching goal is to have a unified global message, which at the same time appreciates the varying regions and cultures KFH Group is part of. At these high-level meetings, sustainability topics have been put on the table for discussion. Also in 2011, a monthly Group Report began to be issued to the KFH Group CEO covering the following six subjects: 1) Executive Interviews; 2) Press Releases; 3) Events; 4) Sustainability Projects & Initiatives; 5) Products & Services; 6) Major Campaigns. Finally, KFH Malaysia has made significant strides with their new "Creating Footsteps" flagship corporate sustainability programme.	○ ● ★
	Train our employees on corporate sustainability skills	Our 'CSR Core Team' employees from KFH Kuwait and our subsidiaries were part of the first GRI-Certified training program in the Middle East delivered to us by a renowned GRI Certified Training Partner in Arabic speaking Middle East countries. The two-day program included training on sustainability reporting, planning the GRI process, dialogue with stakeholders and checking and communicating.	○ ● ★

## 2012 Goals

- ▶ Continue to increase the scope of our Corporate Sustainability Reports by including more subsidiaries
- ▶ Embed sustainability initiatives within the KFH Group of Companies framework



## Connecting with our clientele

Ambition	Goals – What we said	Our progress 2010/11	Score
Create a balanced dialogue between KFH and its customer base	Improvement of customer satisfaction score	All of the planning has been put in place to begin a consistent customer satisfaction survey for KFH Kuwait, with plans to start monitoring progress from the year 2012 onwards. We have many initiatives to improve service quality already in place which are found in the <a href="#">Our Customers</a> chapter of this report.	○ ● ★
	Develop Shariah-compliant financial education services through the use of social-media, video and other modern mediums	We have a designated Digital Marketing team at KFH Kuwait which is responsible for keeping up with trends in modern society. The year 2011 saw the update of our Quran App for iPhone and iPad, and we are continuously seeking ways to engage more with our customers productively as well as creatively.	○ ● ★
	Engage in media networks to increase involvement and dialogue on sustainability topics	Our KFH Digital Marketing team has used social media networks such as facebook and twitter to engage with customers in an honest and frank environment. Stimulating topics by asking questions such as “Name one thing you would like KFH to develop”, which stimulated over 800 responses and attracted more followers. This form of engagement brought to light a need for KFH to improve the call center and speed up service processes.	○ ● ★

### 2012 Goals

- ▶ Monitor and engage with customers with new customer satisfaction survey
- ▶ Engage with our customers through social media networks on sustainability topics related to KFH

## Recognizing the people who make KFH work

Ambition	Goals – What we said	Our progress 2010/11	Score
Be an employer of choice	Increase the number of women in the workforce, focusing on senior positions	Looking at KFH Kuwait, there has been an increase of women in the workplace by 2.2%. For more detailed breakdowns for gender please see the <a href="#">Our People</a> chapter of this report.	○ ● ★
	Establish a Corporate Sustainability Committee for the group to promote sustainability	Although we do not have a Corporate Sustainability Committee, we have an established ‘CSR Core Team’ consisting of members from diverse departments across KFH headed by KFH Kuwait Strategic Planning, these include Risk, Finance, Investments, Human Resources, General Administration and Corporate Marketing. Members of the team have been GRI trained and are responsible for data collection.	○ ● ★

### 2012 Goals

- ▶ Incorporate sustainability topics in existing employee engagement
- ▶ Establish a Corporate Sustainability Committee for the group to oversee strategy and progress

## Contributing to communities

Ambition	Goals – What we said	Our progress 2010/11	Score
Uphold our reputation in our positive impact to society	Develop diverse products and services that can create more indirect economic impacts	On top of our work with charities, schools, hospitals and NGOs, as described in the <a href="#">Our Deeds</a> chapter of this report; we have come to understand that our indirect economic impacts to society are a crucial part of KFH's influence in the context of sustainable development. Our direct economic impacts include the additional impacts generated as money circulates through the market and allows us to assess our contributions to society in relation to local communities and regional economies. In this light, KFH in 2011 acquired a private-pay senior living facility in the United States, beginning a journey into investing in the health-care sector. For more information on this venture and others, see <a href="#">Our Principles</a> chapter.	○ ● ★

### 2012 Goals

- Progress in the development of indirect economic impacts on the communities in which we operate

## Reducing our environmental impact

Ambition	Goals – What we said	Our progress 2010/11	Score
Be the leading bank in the region on conservation	Increase awareness in renewable energy investments	We are still in the process in building up our sustainability maturity with the aspiration that the KFH Group of Companies will pioneer a holistic approach to economic, social and environmental sustainability. However the realm of renewable technologies is still at its infancy.	○ ● ★
	Promote reduction in our electricity consumption	We have plans to promote the reduction in our electricity consumption in our office but have thus far not reached our goals. Efforts have been displayed by Al Salam International Hospital, found in <a href="#">Our Environment</a> section of this report.	○ ● ★
	Decrease office paper consumption per full-time employee	We have plans to reduce our paper consumption in the coming years collectively but have thus far not reached our goals.	○ ● ★

### 2012 Goals

- Maximize our resource efficiency through awareness campaigns and set reduction targets

# Making this Report

## Our approach to sustainability

We know that KFH can work worldwide to build a sustainable future by delivering Shariah-compliant products and services which stimulate positive economic, social and environmental outcomes to our stakeholders. The sustainability agenda at KFH is being driven from the top of the company, where we continue to develop a firm foundation of corporate sustainability by engaging stakeholders in order to understand the material issues we need to address, and respond to, appropriately. We wish to continue to develop our framework of policies to mitigate risks, especially with our operations being predominately located in emerging markets where management of sustainability issues is less mature.

## Managing sustainability issues

What we have taken from the stakeholder engagement process is a clear sense of which topics are most significant or 'material' to KFH from a stakeholder perspective. Employing the Global Reporting Initiatives (GRI) G3 Guidelines to frame our approach to reporting, we have used a 'materiality matrix' to map the issues that are important to KFH and our stakeholders. External materiality refers to the issues important to our stakeholders, whereas Internal materiality refers to the topics which determine impacts on our business' success. We apply this matrix to identify the topics to be covered in the KFH sustainability report, thereby streamlining the process for reporting data on key performance indicators across the KFH Group of Companies. The chart below has been created using an innovative materiality tool which assesses each KPI against variables such as sustainability impact, risk and opportunity, key Shariah policies and KFH organizational values, success enablers, contribution to sustainable development, future challenges for the reported sectors, and strategic significance.



The comprehensive identification and prioritization process allows us to respond to the material issues in a considered and managed way. Our response to some of these new and emerging issues may be less detailed and developed, however we remain committed to taking action on these topics and enhancing our understanding of them and the impact they have on our stakeholders in the years to come. We have expert and reputed advisors to guide and facilitate our CSR Team about the specific issues of materiality and reporting, so that we can improve our understanding of the relevant matters affecting KFH.

# About our Reporting

The data in this Report covers the 2011 calendar year for KFH Group of Companies. The data covers the following four countries: Kuwait, Bahrain, Turkey and Malaysia. We also report across a selection of sectors in which KFH operates: Financial Services, Medical Care, Informational Technology Consulting and Research. Moving forward from last year, we continue to adopt the Global Reporting Initiative (GRI) framework using the G3.1 Guidelines for our sustainability reporting. For more information on the GRI, please visit [www.globalreporting.org](http://www.globalreporting.org). Our report is based on the principles outlined in the United Nations Millennium Development Goals, as well as priorities mentioned in Kuwait's Vision 2035 reform agenda, with particular focus on 1) The Kuwaiti economy 2) Leveraging Kuwait's natural resources and geographic position and 3) Developing human capital and creating sustainable professional opportunities. Throughout the writing of this report we have aimed to fulfill the GRI guidelines reporting principles in presenting KFH's performance in the wider context of sustainability. This way, our report can show how we contribute to the future in terms of the economy, society and environment on a local, regional and global scale. Through this report we are able to monitor our performance through our key performance indicators, and by setting the sustainability context, we join leading companies in continuously contributing to meaningful sustainable development. We self-declare that a B-level grade applies to our 2011 Sustainability Report.

It is important for us to encourage transparency and honest dialogue with stakeholders in order to engage, listen to feedback and begin to integrate their suggestions in our sustainability actions as well as our reporting. A summary of interaction with our stakeholders to date can be seen in our Stakeholder Engagement section of this report. We are able to analyze our sustainability work by working together with our stakeholders, and in this vein invite comments, suggestions, critiques and feedback on our sustainability practices as well as the content of this report. Send our corporate sustainability team an email on: [sustainability@kfh.com](mailto:sustainability@kfh.com)

With this being our second consecutive reporting year, we work towards making our Sustainability report more comprehensive. We also wish to provide our stakeholders with an informative report, improving our metrics and goal setting. While we strive to collect additional KPIs with each passing year, we recognize there is always room for improvement in both our data collection and reporting. A summary of our sustainability strategy and progress can be found in our Sustainability Scorecard section of this report.

In line with last year's pledge to create a universal CSR system to be used across KFH to facilitate tracking and gathering of our sustainability key performance indicators across our subsidiaries, we have improved our bespoke method of data collection with updated easy-to-use templates based on our learning and feedback from our 2010 reporting year. KFH recognizes the uniqueness in having subsidiaries spread internationally across different commercial sectors. To resolve the issue of differences in data availability within our subsidiaries, we have used uniform indicators when reporting on the performances of KFH subsidiaries, resulting in the omission of some of the KPIs for our 2011 Report. We have in turn increased KPIs reported by KFH Kuwait based on our enhanced sustainability maturity and results from our materiality analysis.

While data based on financial figures throughout this report were taken from audited financial statements, KFH seeks to improve its credibility in its sustainability reporting through third-party assurance. This year, we are forming the foundations to facilitate the sustainability assurance process for coming years.

The KFH Group of Companies also publishes financial performance and highlights of our operations through our Annual Reports. These can be found on the KFH official website [www.kfh.com](http://www.kfh.com) and the respective websites belonging to our subsidiaries.

# Stakeholder Engagement

## Our stakeholders and their value

Stakeholders are groups or individuals who have an interest in, and may be affected by, KFH's business activities. KFH's key stakeholders represent a diverse range of concerns, all of which are important to the sustainability of KFH. Stakeholder engagement gives us the opportunity to develop our existing relationships, allowing us to communicate directly with interested parties, explaining our approach to a range of issues and the future focus of KFH. Listening and responding to our stakeholders is a core part of assessing our most material topics, where feedback helps us understand their expectations and enables us to prioritize issues effectively in the development of our corporate sustainability strategy. We ensure stakeholder input on sustainability issues is integrated in the continuous development of the strategy by assessing potential risks and identifying opportunities for new business models and products in the markets in which we operate. Working closely with the strategy team, this provides useful insights to embedding these issues where they matter most.

KFH's relationship with its stakeholders is dynamic, where we are open for it to change over time and vary according to the needs of each individual. The trust of our stakeholders is essential to the long-term success of the company, and we are committed to provide transparency about our activities and strive to cultivate a fair and open dialogue with our stakeholder groups to identify needs and start targeted action.



We go through an array of channels to engage with our stakeholders on sustainability matters

To further engage with our stakeholders on matters related to sustainability, we have launched with this report a focused feedback mechanism with the creation of our dedicated email address [sustainability@kfh.com](mailto:sustainability@kfh.com)

# Our Stakeholder Groups

## Shariah Board

<p>Being a pioneer in Shariah-compliant financial services, we need the continuous guidance and support from our Shariah Board, who oversee key strategic decision-making and give us their views and rulings on certain matters. Our respectful and humbling relationship with our Shariah Board keeps our business in perspective with the ultimate goals we wish to achieve towards our legacy.</p>	Identified sustainability concerns	<ul style="list-style-type: none"> <li>- Shariah-compliance in all subsidiaries of KFH Group of Companies</li> <li>- Continued improvement in products and services</li> <li>- Increasing awareness of Shariah-compliant finance internationally</li> </ul>
	Engagement mechanisms	<ul style="list-style-type: none"> <li>- Regular meetings and discussions</li> <li>- KFH Shariah-specific textbooks for employees and customers</li> <li>- Shariah internal audit and designated Shariah compliance teams</li> <li>- Continuous involvement of employees in Shariah-compliant finance through monthly newsletters</li> </ul>
	Action	<ul style="list-style-type: none"> <li>- Research and innovate globally competitive Shariah-compliant products and services for KFH to offer</li> <li>- Learn more about the relationship between sustainability and Shariah through meetings and discussions</li> </ul>

## Government

<p>Our operations span across many national borders, touching on economies, markets and cultures. A close and mutually-beneficial relationship with the governments in the countries we do business is a strategic sustainable priority for KFH Kuwait and our subsidiaries in Bahrain, Malaysia and Turkey.</p>	Identified sustainability concerns	<ul style="list-style-type: none"> <li>- Contributing to the national economy</li> <li>- Reviving entrepreneurship</li> <li>- Transparency</li> <li>- International competitiveness</li> <li>- Customer Focus</li> <li>- Profitability</li> </ul>
	Engagement mechanisms	<ul style="list-style-type: none"> <li>- Regular meetings with government ministries and civil societies to maintain communication and transparency on topics such as new policies, strategies and developments relevant to our business</li> <li>- Promoting the inherently transparent nature of KFH Shariah-compliant financial services</li> <li>- 'Forsa' graduate scheme to recruit young Kuwaitis in the company and priorities given to local candidates across our subsidiaries</li> </ul>
	Action	<ul style="list-style-type: none"> <li>- Include sustainability focus issues in meeting agendas to provide a greater understanding of concerns and ways to address them</li> <li>- Link sustainability incentives with future KFH schemes which have a direct/indirect impact on the sustainability issues of country of operation</li> </ul>

## Shareholders

<p>Investing our assets in line with the Principles of Shariah gives us confidence. We try to ensure that our knowledge of responsible banking methods are used productively to keep an honest and open dialogue with the investor community. Our shareholders in turn demonstrate confidence in us strengthening our confidence in such practices.</p>	Identified sustainability concerns	<ul style="list-style-type: none"> <li>- Shariah-compliant business practices throughout KFH operations</li> <li>- Financial stability</li> <li>- Responsible investment</li> </ul>
	Engagement mechanisms	<ul style="list-style-type: none"> <li>- Group meetings with transparent communication</li> <li>- Results and strategy presentations</li> <li>- Annual Report</li> </ul>
	Action	<ul style="list-style-type: none"> <li>- Include sustainability as part of group meetings agenda, with focus on risk management</li> <li>- Continued investment in diverse industries and economies</li> </ul>

## Customers

<p>At KFH we want to live up to customers' expectations and exceed them where possible. Outside the realm of their satisfaction with our products and services, one of the most powerful ways to enhance our corporate sustainability is to engage our customers on the different economic, social and environmental impacts KFH addresses, which we have done through this Sustainability Report.</p>	Identified sustainability concerns	<ul style="list-style-type: none"> <li>- Shariah-compliant financing advice and innovative products and services</li> <li>- Ability to save and create wealth</li> <li>- Enhanced customer service</li> <li>- Use of latest technology through products and services</li> </ul>
	Engagement mechanisms	<ul style="list-style-type: none"> <li>- Regular customer satisfaction surveys</li> <li>- Direct feedback through Service Quality Teams</li> <li>- Dedicated call centers, interactive voice response, comments boxes in branches, dedicated fax and KFH Online for our Kuwaiti branch customers <a href="http://online.kfhonline.com">http://online.kfhonline.com</a></li> <li>- Innovative methods in achieving world class customer needs such as the 'mystery shopper'</li> <li>- Use of social media to communicate with customers on an individual level on <a href="https://twitter.com/kfhgroup">twitter.com/kfhgroup</a> and <a href="https://facebook.com/kuwaitfinancehouse">facebook.com/kuwaitfinancehouse</a></li> <li>- Shariah advice from the Shariah compliance department</li> <li>- Shariah-compliant finance Apps on the App Store for iPhone and iPad</li> </ul>
	Action	<ul style="list-style-type: none"> <li>- Include sustainability aspect in customer satisfaction surveying</li> </ul>

## Employees

Ideas and initiatives of our employees shape the success of KFH and therefore we feel responsible for creating a positive working environment for our employees to make the best possible use of their skills. In doing so we hope to ensure that we attract and maintain the top talent and make our employees proud to work with us.

Identified sustainability concerns	<ul style="list-style-type: none"> <li>- Fair performance assessments leading to career progression</li> <li>- Regular training on modern topics, tools and concepts</li> <li>- Positive and motivating office culture</li> <li>- Payments and benefits</li> </ul>
Engagement mechanisms	<ul style="list-style-type: none"> <li>- Annual performance appraisals and fair 7 Tier Grading System with training needs analysis</li> <li>- Comprehensive training programmes provided to employees on an array of skills such as Shariah-compliant finance and soft skills</li> <li>- Employee satisfaction &amp; engagement surveys conducted by KFH and all of our reporting subsidiaries</li> <li>- Employee sports, leisure and charity activities organized by social committees</li> <li>- Competitive payment and benefit scheme</li> </ul>
Action	<ul style="list-style-type: none"> <li>- Integrate sustainability aspect in employee engagement</li> </ul>



## NGOs

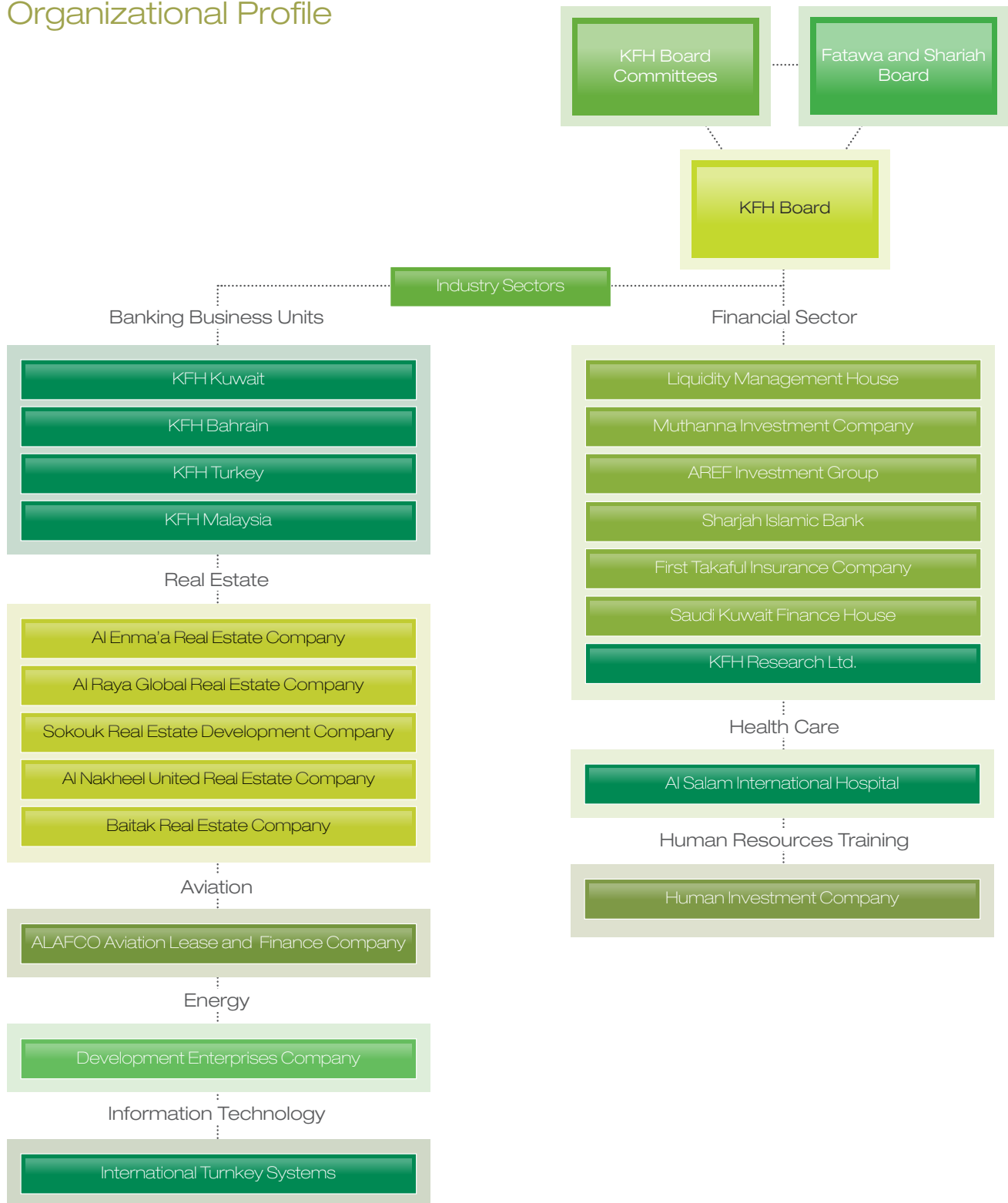
<p>We understand and hold high admiration for our local NGOs, who provide us with a fresh perspective on our business activities by looking at the economic, social and environmental facets of what we do. Our local NGOs serve as positive inspiration for KFH where we wish to increase their involvement as our corporate sustainability strategy matures.</p>	Identified sustainability concerns	<ul style="list-style-type: none"> <li>- Meaningful contributions to communities</li> <li>- Corporate Sustainability Awareness</li> <li>- Environment and climate change</li> <li>- Access to services for people with financial disadvantages</li> </ul>
	Engagement mechanisms	<ul style="list-style-type: none"> <li>- Regular meetings and discussions</li> <li>- Collaboration on projects</li> <li>- Partnerships with local government approved charities</li> <li>- Sponsorships and donations for health, sports, education and environment causes</li> <li>- Energy saving initiatives in offices and investment projects</li> <li>- Products with donations made to those in need to going to Haj and Ummra</li> <li>- Personal financing to assist customers who wish to go to Hajj and Ummra</li> </ul>
	Action	<ul style="list-style-type: none"> <li>- Hold sustainability Strategy workshops to work on pioneering techniques to link Shariah and sustainability with the needs of local NGOs in our countries of operation</li> </ul>

## Suppliers

<p>When dealing with our suppliers, we aspire to be their customer of choice. In turn, we provide loyalty and support to enable us to compete more effectively in the market. Through such efficiency, we are able to spend more time innovating products, sourcing our inputs more sustainably and finding new ways to integrate sustainability in our value-chain for our industry sectors.</p>	Identified sustainability concerns	<ul style="list-style-type: none"> <li>- Compliance to Shariah requirements</li> <li>- Supply management</li> </ul>
	Engagement mechanisms	<ul style="list-style-type: none"> <li>- Group meetings with transparent communication and fair treatment</li> </ul>
	Action	<ul style="list-style-type: none"> <li>- Communication with suppliers based on sustainability goals and objectives</li> </ul>

# KFH Group of Companies

## Organizational Profile



# OUR CORPORATE GOVERNANCE

For a business to meet sustainability demands it needs to have integrity. We are committed to strong corporate governance with sound and ethical business practices. A solid Shariah-inspired tone at the top serves the interest of our shareholders.

## OUR KFH BOARD OF DIRECTORS

Our Board is elected to oversee the long-term stability, financial strength and success of KFH. Ultimately, they are the decision-making body of the company, except for those matters related to Shariah compliance. Our Board has 10 members including our Chairman. Details of our Board Members are available on our KFH company website.

## OUR FATWA & SHARIAH BOARD

The Fatwa and Shariah Board are an independent body overseeing all Shariah matters providing expert opinion and rulings in relation to all financial activities of KFH, strictly based on the rules and principles of Shariah. The Board also periodically inspects and ensures full compliance and are an integral part of the KFH governance structure.

## OUR KFH BOARD COMMITTEES

Our myriad of Board Committees focusing on specific areas of our business allows the KFH Board to concentrate on the bigger picture. Our boards greatly assist the organization, and in promoting effective governance we like to keep them efficient, simple, focused, synergistic and respectful.



Kuwait Finance House covers a diverse array of regions, countries and sectors under one umbrella. In this report, we have covered the following of the KFH family:

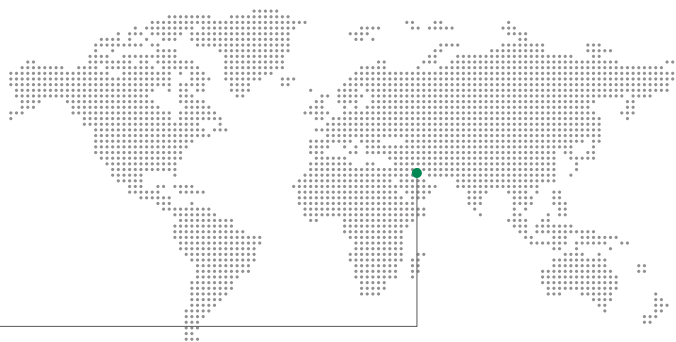
## KFH Kuwait

بيت التمويل الكويتي  
Kuwait Finance House



www.kfh.com

Branches: 55 ATMS: 147



### Our Credit Ratings:

Rating Agency	Long Term	Short Term	Outlook
Capital Intelligence	A+	A-1	Stable
Fitch	A+	F-1	Stable
Moody's	Aa3	P-1	Stable
Standard & Poor's	A-	A-2	Negative

### Our Awards in 2011:

- Best CSR Programme in the Middle East - EMEA Finance
- Best Islamic Real Estate Provider in the World - Global Finance
- Best Islamic Financial Institution in the GCC - Global Finance
- Best Islamic Financial Institution in Kuwait - Global Finance
- Most Innovative Deal - Euromoney
- Best Commercial Project - Shaikh Salem Al-Ali Awards for Technology
- Best Islamic Bank in Kuwait - Islamic Finance News
- Best Islamic Leasing Provider - Islamic Finance News
- Kuwait Deal of the Year - Islamic Finance News
- Restructuring Deal of the Year - Islamic Finance News

Kuwait Finance House (KFH) was established in the State of Kuwait in 1977, and was the first bank to offer Shariah-compliant products and services. KFH has since expanded regionally in the Middle East, as well as in Europe and Asia. KFH is now a market leader not only in the Shariah-compliant banking industry, but also in the banking sector as a whole, providing a wide range of Shariah-compliant products and services covering banking, real estate, trade finance, investment portfolios and corporate, commercial and retail financial markets.



Best CSR Programme in the Middle East  
(EMEA Finance)

## KFH Bahrain

**بيت التمويل الكويتي**  
**Kuwait Finance House**  
Bahrain B.S.C.(c) (م.ب.ش.م.ب.)



[www.kfh.bh](http://www.kfh.bh)

Branches: 9 ATMS: 20

### Awards 2011:

- Best Mobile Application – Bahrain eContent Award
- Best Investment Product – Banker Middle East
- Best Islamic Bank in Bahrain – Islamic Finance News

Kuwait Finance House Bahrain was established in 2002 as a wholly-owned subsidiary of KFH Kuwait. KFH Bahrain pioneers the introduction of compelling financial solutions in a fast-growing, high-demand Shairah-compliant banking industry. In 2011 KFH Bahrain became the platinum sponsor of the World Bank Annual Conference on Islamic Banking and Finance, organized by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

## KFH Malaysia

**Kuwait Finance House**  
**بيت التمويل الكويتي**  
Malaysia - ماليزيا



[www.kfh.my](http://www.kfh.my)

Branches: 11 ATMS: 25

### Awards 2011:

- Most Outstanding Islamic Consumer Product – KFH Gold-Account-i, Kuala Lumpur Islamic Finance Forum
- Best Investment Bank (Asia) – Islamic Business & Finance Awards

Kuwait Finance House Malaysia is a wholly-owned subsidiary of KFH, entering the market in 2005. KFH Malaysia acts as the intermediary and facilitator to promote two-way investments and trade between Malaysia, Asia-Pacific and the Middle East. Malaysia has a long track record of building a successful domestic Shariah-compliant financial industry over 30 years, providing the country a financial bedrock of stability that adds to the richness, diversity and maturity of the financial system.



## KFH Turkey



www.kuveytturk.com

Branches: 180 ATMS: 198

### Awards 2011:

- Deal of the Year – Islamic Finance News
- Sukuk Deal of the Year – Islamic Finance News
- Deal of the Year Turkey – Islamic Finance News
- Most Innovative Deal – Euromoney

Kuwait Finance House Turkey (Kuveyt Turk) is a Participation Bank established in 1989. In line with the vision of being an international participation bank, Kuveyt Turk has opened foreign branches and representative offices as well such as in Germany and Australia. Turkey has seen a healthy growth in participation banking assets and deposits, and is expected to double its market share over the coming decade.



Mr. Ufuk Iwan, CEO Kuwait Finance House - Turkey

## Al Salam International Hospital



www.sih-kw.com

### Ratings:

- Accreditation Canada

### Awards 2011:

- Super Brand Award
- Honored in the Al Sheikha Freeha Al Ahmed Al Sabah "Chairperson for the Supreme Committee for Ideal Mother Award"
- Honored by the Faculty of Engineering & Petroleum for sponsoring their Health Week Exhibition
- Certified as an authorized site for BLS + First Aid Training , about 500 candidates had joined the training during 2011 in SIH premises, as well as being honored by Al Sheikha Amthal Al Ahmed Al Sabah



Al Salam International Hospital Building

Kuwait Finance House is the main investor for Al Salam International Hospital. Al Salam International Hospital offers a wide range of special clinic services designed to assist the particular needs of the local and expatriate Kuwaiti population such as: Dental services, Diabetes and Hypertension, Dialysis, Obesity, Maternal-child healthcare. In 2011, Al Salam International Hospital received several of honors from establishments across Kuwait in education, communication and hospitality industries.

## International Turnkey Systems (ITS)



[www.its.ws](http://www.its.ws)

### Awards 2011:

- Superbrand Award - Superbrand
- Technology Company of the Year - Business Arabia
- System Integrator of the Year - Arab Technology Award, ITP
- Best Technology Provider of the Year - Islamic Business and Finance Award, CPI Financial
- Best Islamic Technology Product - Oman Islamic Economic Forum

ITS is 97% owned by KFH. ITS offers a portfolio of customer-support services fine-tuned to serve the specific needs of different organizations. ITS supports customers' critical business IT solutions by providing IT Infrastructure Support Services and Application Support Services. ITS also offers Facilities Management and Strategic Outsourcing Services, which enables organizations to concentrate on their core business, generate added value for their operations, and enhance productivity. ITS has also developed a mix of products and solutions that meet Islamic banking needs, and are in full compliance with Sharia'h requirements.

## KFH Research Ltd. (KFHR)

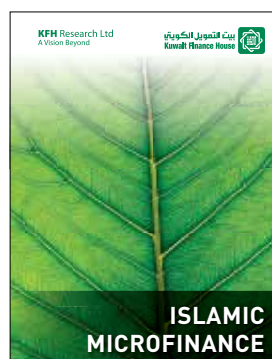
# KFH Research Ltd. A Vision Beyond

[www.kfhresearch.com](http://www.kfhresearch.com)

### Awards 2011:

- Best Islamic Finance Research House - The Asset Triple A Awards
- Best Islamic Research Firm - Islamic Finance News Awards Poll
- Outstanding Contribution to Islamic Finance Research - 5<sup>th</sup> Annual Amanie Failaka Islamic Fund Awards

Wholly owned by KFH Kuwait, KFHR was established as a start-up research company, focused on developing research in Shariah-compliant finance. Since its inception in 2006, KFHR has successfully marked its presence in Asia and the GCC. Publications include global investment and sector reports, capital markets, as well as regional and country reports. KFHR is proud to be the world's first Shariah-compliant web based research house, with publications accessible by corporate clients worldwide through the customized research website. KFHR also provides investment advisory services such as market & feasibility studies, business strategy services and business development.

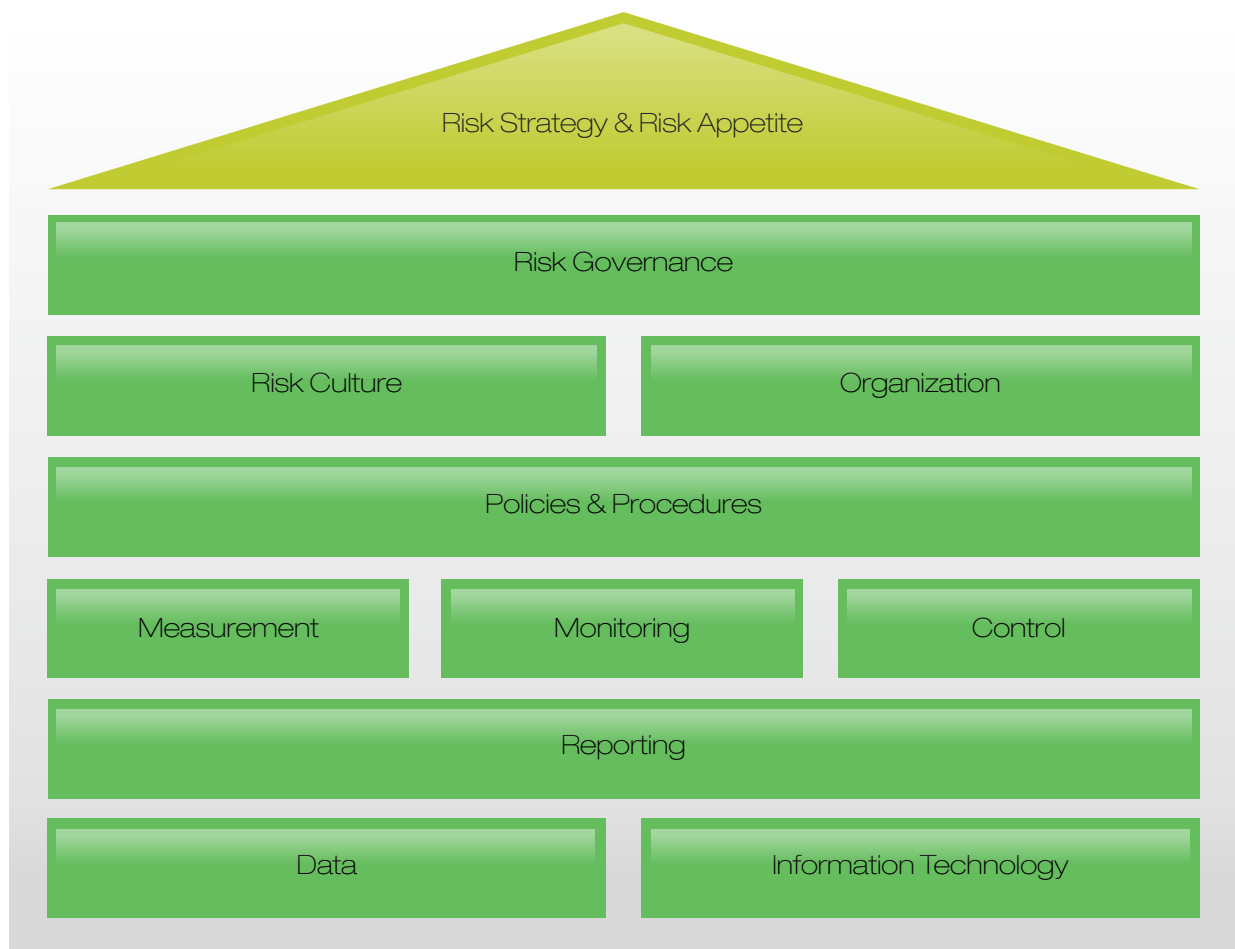


# Our Risk Management Framework

KFH pursues a strategy that excludes any involvement in transactions or activities that are incompatible with our signed agreements and our internal Shariah guidelines as well as those that potentially pose an unacceptable risk to our reputation. Crucially, Shariah-compliance lies at the core of the KFH vision and is embedded in our Board-approved Risk Appetite Statement.

The Risk Appetite is at the heart of the KFH enhanced Risk Governance Model. The purpose of the Risk Appetite Framework at KFH is to enable the Board to evaluate risk in the determination and implementation of the Business Strategy and to put in place effective controls to ensure that risk-taking by KFH remains within our risk appetite. The KFH Risk Appetite has been developed taking into account all of KFH's stakeholders. It has been designed to comply with supervisory requirements of the Central Bank of Kuwait, the Capital Markets Authority and other banking regulators. In the interest of keeping with the philosophy of "no surprises" KFH complies with all international and national regulations. In doing so we also seek to maintain our credit rating, provide attractive returns to our shareholders and depositors, offer distinct customer experience, provide attractive opportunities for our employees and meet our corporate responsibilities to the community at large.

With risk management being a fundamental part of KFH's business strategy, we have developed a clearly structured and comprehensive Risk Management Framework:



Kuwait Finance House Risk Management Framework

# Company Culture

All activities related to risk are carried out prudently to ensure effective decision making and instill accountability. The eight primary risk categories that KFH is faced with are:

1. Credit risk
2. Market risk
3. Liquidity Risk
4. Profit-rate Risk
5. Legal Risk
6. Compliance Risk
7. Reputational Risk
8. Business Risk

Accordingly, KFH has comprehensive mechanisms for managing risks as well as ensuring compliance with Shariah in all of its risk-taking activities, which include:

- An Independent Risk Governance Process – Active oversight of risks taken by the Board
- An independent Risk Management Function – This includes a Regulatory Compliance Function that sets standards and policies for managing risk and mitigating exposure relative to the Board's Risk Appetite
- Shariah Committee and Shariah Compliance Department – Oversee all KFH operations and actions
- Underwriting standards for financing and investment that emphasize the examination of cash-flow as the basis for repayment of loans and investments and collateral to mitigate loss in the event of default
- Monitoring and reporting to the Executive Board and Board Risk Committees
- Third-party audit of all business and support activities

The Risk Department, with the support of the Senior Executives at KFH, promotes a strong risk culture and sustainable risk-reward thinking as well as a culture of designing effective risk-based controls, adhering to limits and management risk exposure. In 2011, more than 400 staff from the KFH Head Offices attended Risk Awareness Training sessions delivered on a monthly basis by the Risk Department. Indeed, the Risk Management department acts as a trusted advisor and authority covering all areas of KFH's business activities.

KFH ensures that it has the functional capacity to manage the risks in both existing and new businesses at the strategic level, risk management objectives are to:

- Identify KFH risks and ensure that business profiles and plans are consistent with risk appetite
- Optimize risk-reward by making informed decisions as close as possible to where the risk is originated, while maintaining strong and independent review and challenge structures
- Ensure that business sector growth plans are properly supported by effective risk infrastructure
- Manage the risk profile on group and business sector levels to mitigate the likelihood of adverse results for the bank
- Help executives exercise the control and coordination of risk taking across the business

The nature of banking involves the taking of risk. Well managed banks understand the risks they are taking and actively manage their various businesses to achieve sustainable profitability. Part of this sustainability derives from its corporate social and environmental impact. KFH adopts this philosophy and is actively investing in risk management capability to support its strategic plan. As our risk management framework develops, we will continue to focus on our corporate, social and environmental responsibilities.



# Our Principles



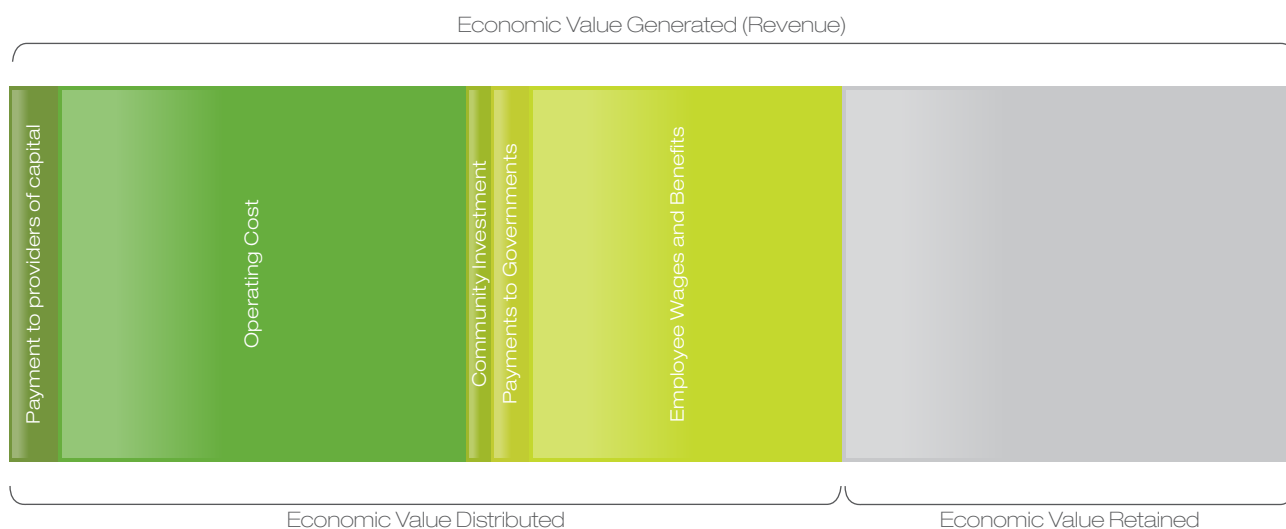
# Where we stand today

*KFH Major Transformation.* Above all else, we stand as a Shariah-compliant bank. In looking to constantly improve our products and services, we have announced a new five-year strategy and transformation program designed to raise our performance to the next level. The strategy is centered on three strategic pillars of improving the bank's performance in Kuwait, streamlining the group's investment portfolio and increasing coordination across the international banking subsidiaries. The three strategic pillars are:

1. Improve KFH's performance in Kuwait – focusing on strengthening sales and service to target customers
2. Enhancing KFH's investment business – aimed at increasing control, optimizing returns and better managing risk across the KFH's multiple subsidiaries
3. See KFH leverage its international presence more effectively – generating synergies across our banking operations in Bahrain, Malaysia and Turkey.

The new strategy and transformation program will enable us to truly move on to an elevated level of performance, boosting our financial and economic sustainability, and will lead to better serve our customers, shareholders and employees. The internal capabilities of KFH will be built upon key areas such as Treasury, Risk Management, Human Resources and IT. An innovative and new customer-centric organization structure will be implemented to effectively deliver this new strategy, which will further increase clarity, transparency and accountability across the KFH.

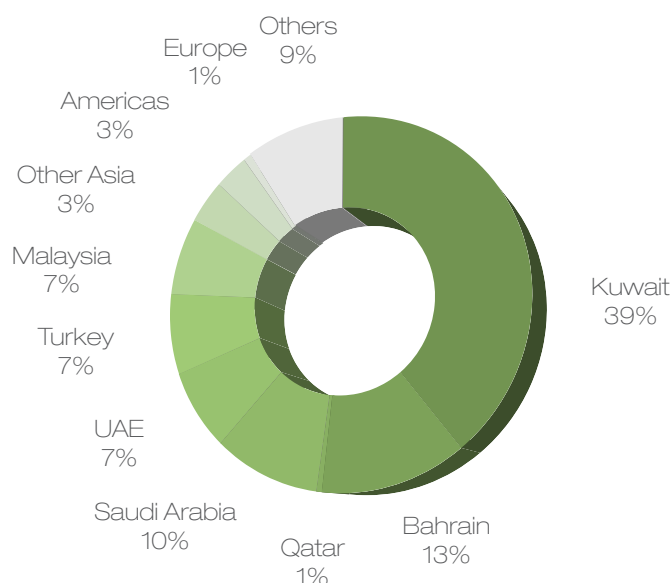
*How our Wealth is Distributed.* Our growth needs to be sustainable over the long-term and deliver benefits across our stakeholder spectrum. Our economic profile should be balanced to prepare for any challenge which may have the ability to impede our growth potential and satisfy the needs of wealth creation for our stakeholders.



How our wealth is distributed at KFH Group

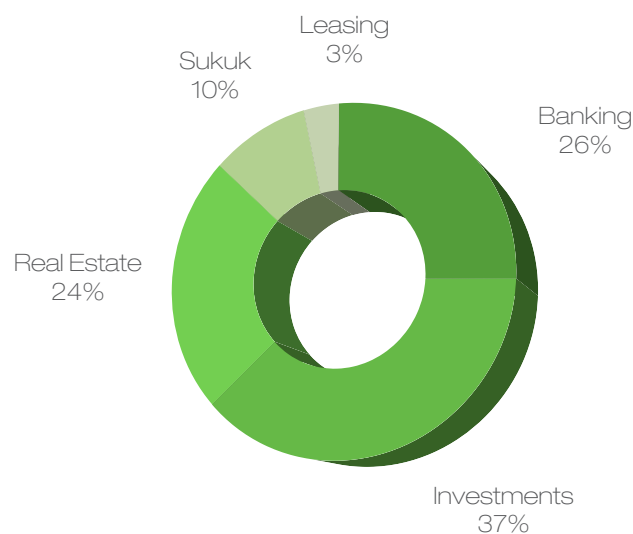
*Strong Diversification of our Portfolio.* In the spirit of sustainability, our portfolio features investments in an array of countries and sectors, ranging from small to large organizations with a total portfolio value of \$8,658,043,858.

We know that staying local is the back-bone of our economic strength, which is why over 39% of our total portfolio is focused in Kuwait, a 3% rise from last year. Staying close to home, almost 30% of our activities are found within the Gulf Cooperation Council, predominantly in The Kingdoms of Bahrain and Saudi Arabia. We continue to broaden our horizons in investing in emerging markets such as in Malaysia, Turkey and China, but also in developed countries such as Japan and Canada. We also have presence in smaller economies such as Bahamas Islands, Bangladesh, Marshall Islands and the Cayman Islands.



\* Areas of investment at KFH Kuwait

The balance sheet of KFH is 100% Shariah-compliant, giving our customers the confidence that all our business activities follow the policies of our distinguished Shariah Board. Our investments thus constitute managed diversification, which have all been screened and are Shariah-compliant. This enables us to offer attractive products and results to our clients and stakeholders, and maintain a satisfactory risk profile at the same time. The major sectors which we invest in include Health Care, Food, Insurance, IT, Leasing, Real Estate, Sukuk, Training, Research and Industry.



\* KFH Kuwait portfolio distribution.

# Crossing-out Corruption

We have a zero-tolerance policy when it comes to corruption, where internal audit is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and effectiveness of controls commensurate with the extent of potential exposure/risk in the various activities of KFH. Internal audit carries out these responsibilities by the following techniques:

- Audit actions designed specifically to provide a review of the control environment to pick out any inherent potential for fraud. Such audit risk analyses and audit selection is based on the degree of change and pressure in operating units.
- Compliance audits and reviews which evaluate preventative controls and related compliance under the applicable laws, regulations, rules and contracts.

In doing so, we promote a fair and equal ground when it comes to all matters related to KFH.

## The ITS Story: Passage to Shariah-compliance

Our Information Technology consultants, International Turnkey Systems (ITS) have quite a history in Shariah-compliant finance. The journey begins in 1994, when ITS' role was primarily as a systems integrator of third-party products in Kuwait. In the late 1990's, with the boom in the Shariah-compliant finance industry in the Gulf, a conscious strategy was taken at ITS to begin focusing on this line of work. This was not only due to predicted business potential, but also because of the deep roots and cultural beliefs in the region. Equipped with a knowledge of Shariah-compliant banking, ITS was thus able to establish itself as a leading technology partner of Shariah-compliant financing institutions. Since 2006, ITS has grown to over 30 tier-1 clients, with many companies embracing this alternative and 'ethical' approach to banking. Based on the key principles of asset-based financing and mutual-risk-sharing between the financial institution and the consumer, the benefits of Shariah-compliance are becoming increasingly clear, as the monetary value of financing is always backed up by an asset of equal value. This global acceptance of the model encouraged ITS to focus its research and development in producing such dedicated software solutions, known as ETHIX-financial solutions. Today, ITS provides ETHIX-financial solutions to over eighty-five financial institutions, and is globally ranked by Gartner as one of the top three vendors world-wide in the market.

# Keeping KFH Shariah-compliant

We have the following means of action in keeping KFH a leading Shariah-compliant bank:

- Our KFH e-magazine 'Fatwa' is issued on a monthly basis and distributed to all our employees via email. The magazine introduces key concepts of Shariah-compliant banking by using examples and providing solutions of incorporating Shariah to new financial instruments. This demonstrates real-life future scenarios and provides valuable knowledge to employees.
- The Shariah-compliance department calculates KFH's annual Zakat in order to follow the basic Islamic principle.
- Negative screening mechanisms in place for all KFH investments and transactions. An internal audit is performed using random sampling to test compliance to Shariah.
- Instilling the spirit of Islam, KFH issues virtues, benefits and information leaflets during religious events such as Ramadan, Hajj and Eid.
- Open communication with employees to pose questions to the Shariah-compliance department for queries on any future deals and transactions.
- Staff training on Shariah and awareness, which in 2011 totaled 2 hours each for 175 employees at KFH Kuwait.

## KFH Research Ltd.: Impacting economies worldwide

KFH Research Ltd. (KFHR) provides quality independent research material which underscores intellectual curiosity, thought leadership and diversity. This applies an open mind, authentic opinion and fairness in approaching projects. The production of various reports gives an indirect economic impact, as they outline the opportunities and risks present in a particular region, country, economy and sector. More informed decisions are thus made based on KFHR's analysis and reporting. Examples of such meaningful reports include:

- Food security in Kuwait
- Economic reports covering Kuwait, Malaysia as well as Asia and the Gulf
- Real Estate reports for Kuwait, Malaysia, the United Kingdom of the Gulf
- The Sukuk market on the Global Landscape
- Islamic Funds & Wealth Management
- Islamic Microfinance

# Value-added to economies and communities

*Investing in senior healthcare.* KFH partnered up with a property group in the United States of America for the acquisition and development of medical office buildings and private-pay senior living properties across the country with a \$600 million plan. In November, this led to the acquisition of senior housing in Connecticut. KFH recognizes that the healthcare sector provides stable investment opportunities which in turn give significant public benefit. Fully compliant with Shariah law, the venture meets all of KFH's investment criteria and contributes to sustainable development objectives.

## Innovation in Shariah-compliant products and services

*Going for Gold.* KFH Malaysia introduced the KFH Gold Account-*i* which is the first Shariah-based gold account in Malaysia that allows customers to invest in gold in a convenient, secure and affordable way without keeping the gold physically. The Shariah concepts used for this product are B'ai As Sarf, which refers to the exchange of one monetary form for another in the same or different form on a spot basis, as well as Qardh Hasan which refers to benevolent loans whereby the bank as the borrower is only required to repay the principal borrowed.

### Saglam Altin 'Solid Gold' from KFH Turkey

Through the newly launched website [www.saglamaltin.com](http://www.saglamaltin.com) visitors can find gold-related information on latest developments, news and historical data as well as read expert opinion through local and international publications. Stating a social responsibility to the people of Turkey under the umbrella of Kuwait, the Solid Gold website wishes to inspire a spirit of investment for those who are interested in the gold market and banking.

The screenshot displays the 'SAGLAM ALTIN' website. The header includes the logo and a navigation bar with links: 'Saglam Altin Nedir?', 'Haberler', 'Makaleler', 'Haftanın Yorumu', 'Altın Grafikleri', 'Altın Ürünleri', 'Altın Hakkında', and 'Uzmanlara Sorun'. The main content area is divided into two sections. The left section, titled 'Altın Piyasasından Haberler', features a news article about a 1% increase in gold prices in India, accompanied by a photo of gold bars. The right section, titled 'Piyasalarda Bugün', contains two tables. The first table, 'Dünya Piyasası', shows gold prices in various currencies. The second table, 'İstanbul Serbest Piyasa', shows gold prices in Turkish Lira (TL) for different quantities and purity levels.

Kilo	Kıym	Kıym	Kıym
1000	1000	1000	1000
500	500	500	500
250	250	250	250
100	100	100	100
50	50	50	50
25	25	25	25
10	10	10	10
5	5	5	5
2	2	2	2
1	1	1	1

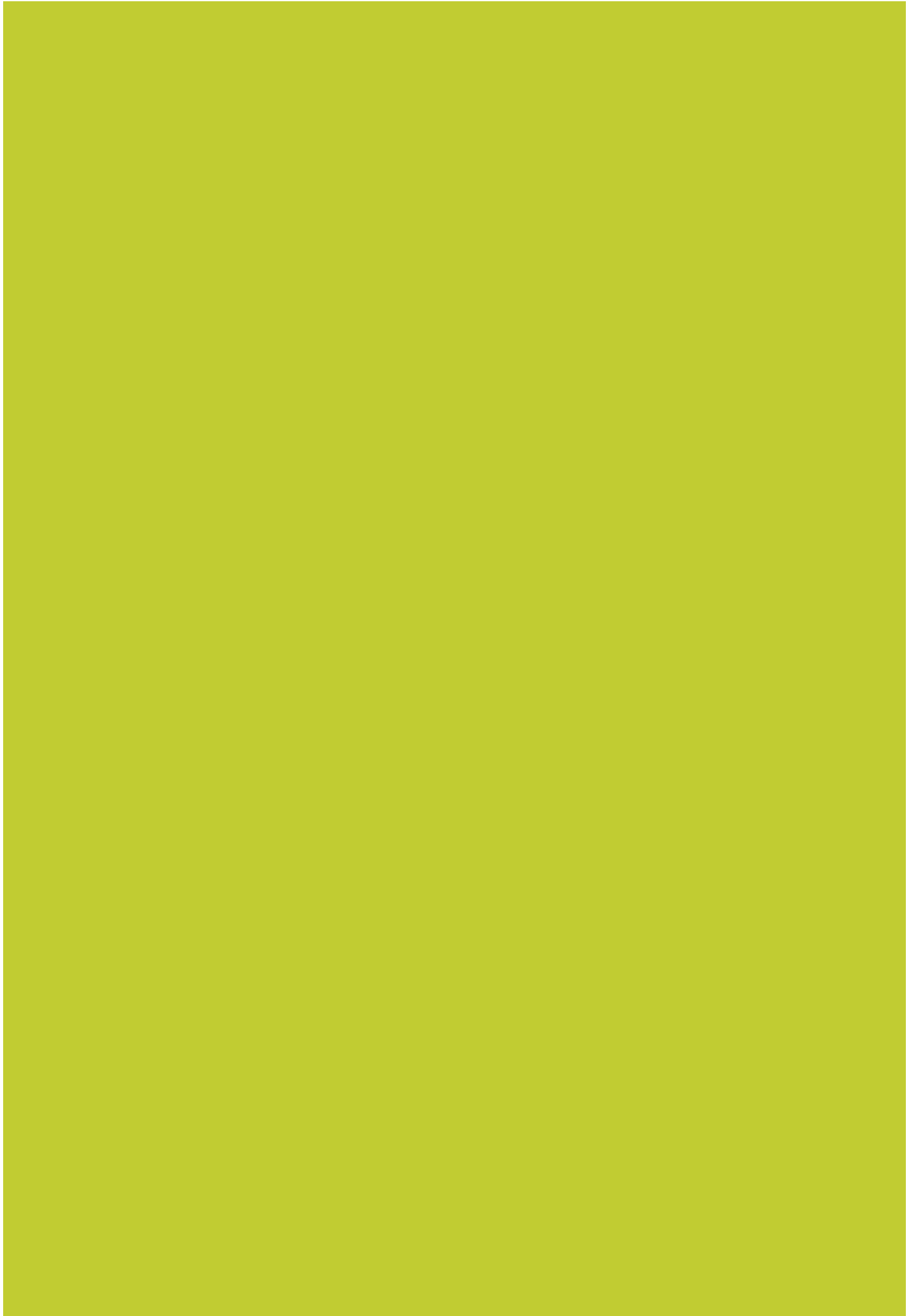
Kilo	Kıym	Kıym	Kıym
1000	1000	1000	1000
500	500	500	500
250	250	250	250
100	100	100	100
50	50	50	50
25	25	25	25
10	10	10	10
5	5	5	5
2	2	2	2
1	1	1	1

# Service developments that count

*Giving our customers annual returns.* In 2011 KFH new offers include “Al-Khumasiya” which is a 5 year deposit product that gives annual returns. The deposit is designed for clients who seek annual distributions that are easily liquified. The minimum sum of money in the deposit is KD 5,000, and individuals and companies can subscribe to. This comes as a step that complements KFH's saving vessels, and allows the bank to take maximum advantage of the sum of money deposited that reaches 100% over five years. The client can benefit from the returns of the annual deposit and savings account collectively if the despoit is withdrawn before its due date.

*Because university matters.* Because good habits last a lifetime, the KFH “Jameati” savings account encourages parents to start planning for their children's future. We believe that as parents, the best gift you can give to your children is a good education. This account is specially designed to help you secure your children's academic future. If the customer's child is below the age of 14 years, “Jameati account” will methodically save money monthly while earning higher investment profits on savings into an account under the child's name. The account will be available to the customer's child when they reach 18 years, with total savings & profits available for funding higher education. This is further secured by Jameati Takaful (Insurance) cover which protects the total saving amount and complies with the provisions and principles of Shariah-compliant finance. As the Jameati account is specifically designed to save for the child's higher education, withdrawals from the account are limited up to 40% of the saved amount by the end of the 2nd year, and withdrawal up to 30% of the saved amount by the end of the 5th year and after. This new service fits in line with our goals in securing the future of the youth for years to come.





# Our Customers



# In pursuit of top-service quality

We value our customer feedback and want to ensure that we receive it on a timely basis. Our KFH Kuwait dedicated department, Service Quality, has streamlined and simplified our customer-related business processes in an effort to increase efficiency in transaction time and eliminate unnecessary paper work and signatures. This clears the way for our KFH service representatives to build and maintain a more direct relationship with our customers. In our continuous improvement of services, the Service Quality department has monitored and evaluated 4,138 incoming customer calls to the KFH Call Centre in the last year, in the interest of understanding and thus improving the performance of our KFH customer service agents. The Service Quality department has also totaled 370 field visits to random KFH service centers, aimed at measuring and coaching the performance of our KFH front liners, who individually serve as the face to our corporate service excellence. Our training has been ongoing, where we have trained 398 customer service staff in 2011. When we look towards our customer feedback, KFH Kuwait has received and managed 1,970 registered cases of complaints, comments, suggestions and thank-you notes, with a 70% satisfaction rate achieved out of all closed cases. We disseminate the information from the Service Quality department through our KFH e-Newsletter distributed to all the KFH front-liners, in an effort to communicate and build on the customer service culture within the company. We have created a reward system to incentivize our customer service staff, where last year a total of 12 members were inaugurated into the 'Service Quality Golden Club'. KFH has also honored a total of 63 employees from 11 of our service centers who have provided distinguished service to our customers throughout the year.



Starting at the center: appreciating our employees to ensure high quality service for our KFH customers.

The KFH Service Quality Department has embraced new initiatives to improve our services. In 2011 we have established a monthly customer satisfaction index, by measuring and surveying customer satisfaction at the end of their visit to any of our KFH Service Centers. We are beginning to tailor our services more according to our customer type through a variety of focus groups. The primary aim of these group meetings is to meet and exceed their expectations through closer engagement.

# An update on our mystery shoppers

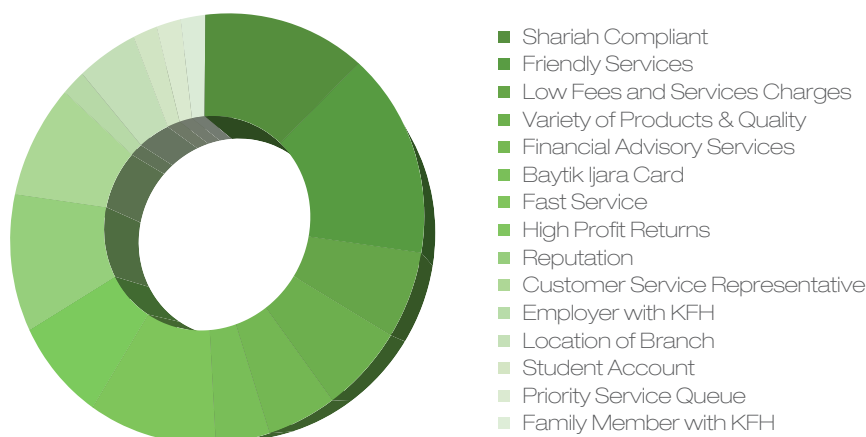
Our mystery shopper scheme allows KFH to introduce a unique angle in improving our services to our customers. In 2011 a total of 5,238 mystery shopper visits were conducted using hired individuals representing our targeted customer segments. There was an improvement in scores since last year, where we averaged a total of 89% for our Banking Services, an almost 5% increase since 2010, and 85% for Commercial Services, approximately a 2% increase compared with 2010.

## Surveying Customer Satisfaction: Our diverse approaches

When looking towards our customers, each of our subsidiaries has a tailored approach suiting their relative region and company culture. Here we look at the varying methods of engagement with highlights of results.

KFH Bahrain has demonstrated detailed engagement through a comprehensive customer satisfaction report. Here quantifying the customers' retail banking experience was based on the Customer Satisfaction Leaflet provided in all KFH branches.

### Reasons for choosing KFH Bahrain



Al Salam International Hospital (SIH) has two channels of customer engagement: an electronic survey available online as well as a customer satisfaction survey given to outpatients. SIH consolidated outpatient survey tracks the following performance indicators:

- Courtesy & Welcoming of patient by Reception staff
- Simplicity of paperwork and formalities
- Simplicity of Medical Insurance Proceedings
- Physician competency
- Medical equipment and technology
- Care and attention by physician
- Care and attention by nursing staff
- Cleanliness
- Value for service received
- Hospitality
- Rating of overall service
- Waiting period prior to appointment with Physician
- Waiting period prior to receiving the medical report
- Waiting period prior to receiving a sick leave
- Emergency Services
- Pharmacy Services
- Laboratory Services
- Radiology Services

ITS conducts a customer satisfaction survey on an annual basis to understand their customer's views on goods, services and manpower. Results are shared to the ITS Executive Management Committee followed by individual Functions and Account Managers. In 2011, a total of 168 interviews were conducted for 98 customers with overall positive results. ITS managed to break the declining trends in various categories, showing stabilization of the customer perceptions in most. The average ratings were in the range of 'Satisfactory' to 'Good'.



# Engaging through social media and technology

In our continuing efforts to bridge the gap between our businesses and our customers, we promote a sustainable relationship by being an approachable bank with open ears to any comments, suggestions and complaints. One of our ways of realizing this ambition is through the use of social media. Our facebook page [facebook.com/KuwaitFinanceHouse](https://www.facebook.com/KuwaitFinanceHouse) has one of the largest number of fans of any Shariah-compliant banks. We use our facebook page to inform our friends about the latest products and services offered by KFH, stimulate discussions, host competitions and as an open source for anyone to say what's on their mind. Inspired by the month of Ramadan, a total of 135,000 participants entered our KFH Kuwait Ramadan competition, involving daily questions where our winners received an iPad 2. Questions were designed with an aspect of Sharia, sustainability, history and scientific knowledge.



★ ★ ★ ★ ★ ★ ★ ★ ★ ★

Meeting demand  
and keeping our  
customers connected:

Free Wifi now available  
at our KFH Kuwait  
Branches

★ ★ ★ ★ ★ ★ ★ ★ ★ ★

The year also saw the developments of individual facebook pages for our subsidiaries KFH Malaysia [facebook.com/KFHmb](https://facebook.com/KFHmb) and KFH Turkey [facebook.com/KuveytTurk](https://facebook.com/KuveytTurk) giving us a honed-in perspective of our local customer base.



Keeping up with the rise of social media today, Kuwait Finance House connects with customers through its twitter page, where our handle, @KFHGroup, had 22,970 followers by the end of 2011. Similar to facebook, our twitter account denotes an atmosphere where conversation and debate is encouraged. The twitter page is also used as a platform to answer practical questions about any information regarding KFH such as products, services, branch locations, timings and the call center. Our subsidiary KFH Research Ltd. also has a twitter account, with the handle @KFHResearch, showcasing new research reports which can be discussed and commented on.



# Engaging through social media and technology

*Continuously upgrading to better serve.* In a modern world dominated by technology, KFH understands the need to be constantly up-to-date. This has led to a complete design overhaul of our corporate website, [kfh.com](http://kfh.com) with a comfortable and easy-to-use platform for our visitors. Moreover, our subsidiary ITS upgraded their corporate website [its.ws](http://its.ws) with a modern look and feel. This involved a revamp of the ITS internal website, over which virtually all internal communications and administration transactions are executed, simplifying day-to-day tasks so that employees can deliver to clients more effectively.

2011 also saw the launch of a new and updated version of the KFHOnline service <https://online.kfhonline.com>, improved to meet the specific needs of our customers. The site's design has been completely renovated to meet growing demand for KFH services and products in the interest of continuous development of our service channels. Through our use of advanced technology, KFH aims to cement leadership in offering electronic services according to the highest protection and security levels. The new design offers clients several advantages including increased flexibility in selecting services that the client uses regularly as well as time-saving elements. KFH clients can activate new beneficiaries to their accounts for internal and external financial transactions by using an activation code that is sent to the client through an SMS, instead of the previous mechanism of contacting the Call Center.



Extending our services to include mobile banking, KFHOnline is also available as an iPhone, iPod Touch and iPad App, where customers can easily and securely conduct their financial transactions. Service Features, identical to the online site, are:

- Summary of Accounts and Deposits
- Transfer funds between accounts
- Settle utility bills
- Keep track of credit card transactions and settle credit card dues
- Report lost or stolen cards
- View details of Commercial invoices

*Spreading technology throughout KFH.* KFH Bahrain introduced free iPhone and Blackberry applications in 2011, available for all users to benefit from services such as Baytik Ijara calculators, news, branch locations, Baytik Ijara merchants, ATMs and branches. This is in line with the bank's vision of making the experience with KFH Bahrain as simple as possible using a wide range of communication tools to do so. With the first version up and running, there are more plans to add services in the future, where mobility is essential and efficiency is paramount.

*Monitoring diabetes.* With diabetes being a primary health risk in the region, KFH launched a Diabetes Aid App, available for iPhone, iPod Touch and iPad. The application is available for free and serves as a self-help for diabetic patients living and managing the disease. The medium can also be used to raise awareness about the cause of diabetes and educate on preventative measures.

Keeping with the theme of regular updates of our technologies, our KFH Quran App received an update in 2011, further enhancing the user's experience.



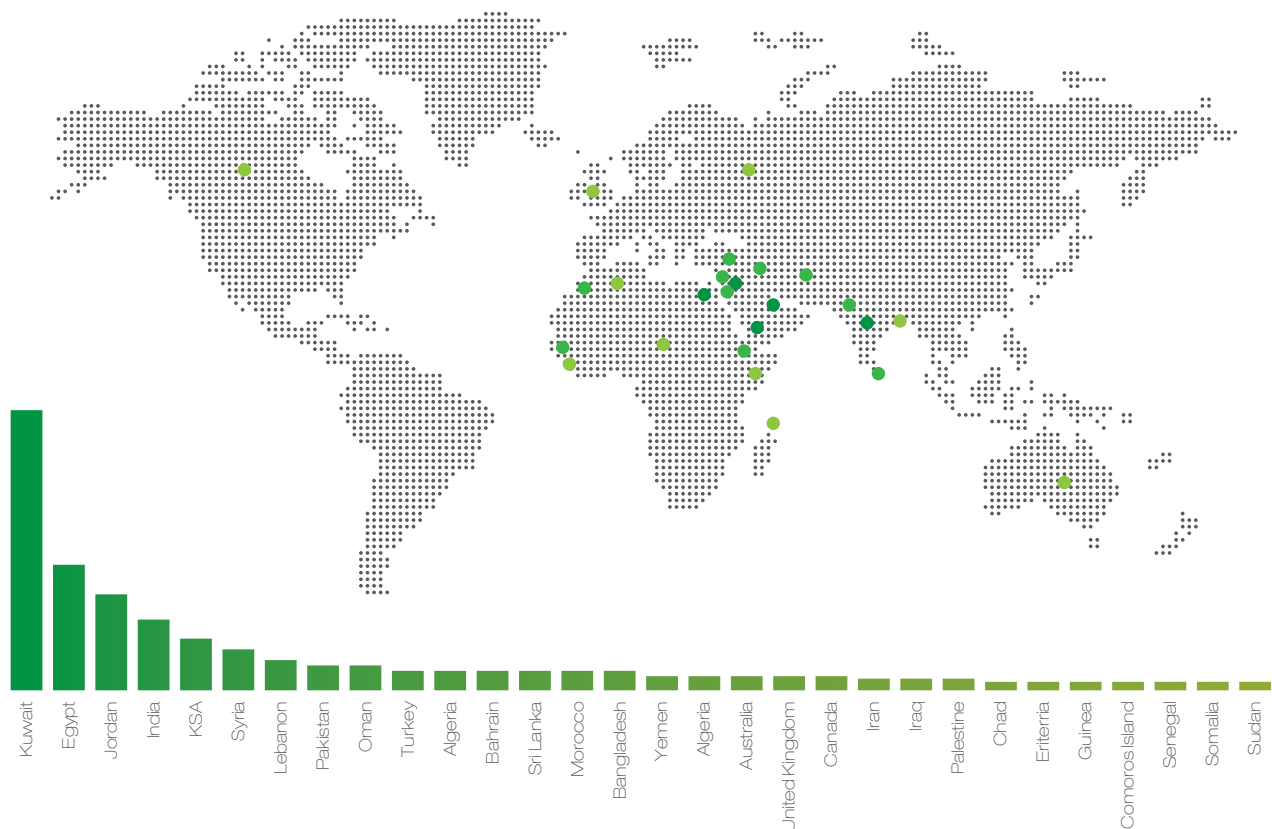


# Our People



# Making KFH Group a great place to work

*Our diversity.* The spirit of KFH is found in the heart of our people found across our offices spanning countries, cities, cultures and societies. We value the employment of our local people and at the same time know that we are a multinational business whose brands and operations are deeply interwoven in a multicultural world. Having a workforce as diverse as the customers we serve is crucial for our future growth. Providing equal opportunity and creating a more inclusive workplace are for us signals of success.



Employment diversity at KFH Kuwait

KFH Kuwait and our reporting subsidiaries are responsible for a total of 9,258, of which 8,973 are permanent and 285 are part-time. From our KFH reporting companies, 64% of our employees are local recruits and 255 of our senior management are citizens of the country of which they are employed. There are no employees under the category of child labor, and in accordance with our recruitment policy, only those of full legal age can work at KFH. It is inherent in the National Labor Law of Kuwait to respect Human Rights which we are in full compliance of.

In addressing complete equal opportunity, gender equality tops our agenda. At KFH Kuwait, our men and our women enjoy no difference in salary, where work benefits are given in accordance with performance and grade. We embrace the fact that mutual respect, regardless of gender, is crucial in all our relationships, whether it be our employees, shareholders and customers – and our employee diversity reflects just that.

## Gender distribution at KFH Group



### Meet Baljeet Kaur Grewal

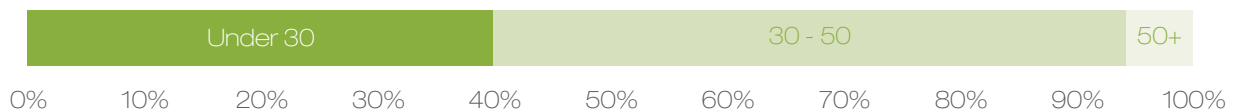
Managing Director & Vice Chairman, KFH Research Ltd.

Ms Grewal brings with her broad experience in Economic & Capital Market Research, Investment Banking & Islamic Markets. Prior to KFH, she was Chief Economist & Head, Investment Banking Research one of Malaysia's largest and leading financial services group. She brings with her experiences in credit structuring, loan syndication and investment banking with experiences in dominant investment banks in Europe. She was recently the recipient of the prestigious Sheikh Rashid al-Makhtoum Award for contribution to Islamic Finance Research & Development in Asia.

*Bringing out the brightest stars.* In our employment process, we wish to inspire and encourage the local youth population. Our efforts to nurture young talent not only ensure our long-term success but at the same time the society as a whole. This is why we have a dedicated 'Forsa' (Arabic for Opportunity) program for our new recruits. Through this program, we offer a unique and attractive training schedule and first-class career start up program for university graduates. The program puts our recruits through intensive in-house training, as well as broadening their horizons in overseas operations. KFH also believes that it is important for those in senior positions to play an active role in developing the younger members of their team. Through such a program, we have managed to attract the brightest talents in Kuwait. Indeed, our subsidiaries have a similar focus and drive to attract their own young and local generation. ITS strives to fill positions with local Kuwaitis, using Summer Internship programs to achieve this. In 2011, the Summer Internship lasted six weeks involving eight fresh Kuwaiti interns who were put into a variety of departments equipping them with the necessary business experience to kick-start their careers, leading to full-time employment for a select few.



## Age distribution at KFH Group



# What our employees are saying

## Sustainability is reaching to the youth

Abdulaziz Al Houqal

Risk Analysis, Enterprise Risk Management Unit

### What has your experience been like at KFH?

I have been working for KFH for 16 months now and joined as part of what is known as the KFH 'Forsa' graduate training program. Like most my age, KFH attracted me as an employer because of its reputation and working environment. The Forsa program has improved both my vocational and soft skills and in a short amount of time, I grew a lot professionally. Shortly after being hired, following an intensive three month training course, I was sent to KFH Malaysia, where I really began to understand the workings of a Shariah-compliant bank abroad as well as appreciate the rich culture found within the company and in the country.

### Have you participated in any sustainability projects professionally?

Doing my job at the risk department has led me to believe that it is pivotal for true sustainability. We protect the bank from losses, and in doing so, also protect the economy of Kuwait. Operational risk for example uses data from our branches to identify trends and find solutions through analysis.

### What does sustainability mean to you and what areas would you most like to see KFH built on?

The essence of sustainability for me is the value that is added to the disadvantaged people of society especially. In KFH's case, the project I felt most strongly about is the 'Jameati' (Arabic for My University) program, where a family can deposit a set amount of money into a child's bank account which can only be opened until he turns 18.

As an employee in KFH, I find that communication channels between employees and their managers, on top of a clear career path to be the most important topics to ensure the company's sustainability. I would also like to see more efforts in protecting our environment, with simple steps such as in-house recycling bins to limit our waste.



# Sustainability is to fully understand the business

Montaz M Saif

Strategic Performance Manager

**What does sustainability mean to you?**

Our key objective is to ensure the business remains profitable and meets the ever growing needs of our clients in spite of externalities such as variations in the market and changes in the political landscape. I see KFH prospering in the coming years, with sustainability becoming more embedded in our culture as we continually adapt to trends across the globe.

**Have you participated in any sustainability projects and/or initiatives professionally or personally?**

Apart from my professional involvement in introducing sustainability principles to the KFH group, I am proud to say it is also an area of personal interest. I work with the Kuwait community through my own charity dealings to raise awareness on behalf of charities and organisations across the GCC on issues such as lung-cancer through an initiative which was the first of its kind in Kuwait.

**Have you heard about KFH's advancements in corporate sustainability and to what extent is your department involved?**

We have taken the leadership and project management role in driving corporate sustainability within KFH. We understand KFH was the first Shariah-compliant bank in the world to adopt sustainability values in line with Global Reporting Initiative (GRI) standards and we are immensely proud to have achieved this accolade.

**Please list what are, or what you expect to be, the main topics of interest in sustainability for KFH and its employees?**

We are working towards embedding sustainability into our group by using the Life Cycle concept, an approach I am proud to say we have made good progress with. We view sustainability as one of core guiding principles, from when welcoming new comers to our organisation, through to our dealings with our clients and beyond. We also plan to introduce a GRI-Certified training program to our staff by our renowned GRI Certified Training Partner in 2012.

**As an employee, what are your current channels of engagement with Kuwait Finance House to have your voice heard?**

**a. Are you satisfied with the current channel of engagement? If not, what would you suggest needs improving and how?**

When one looks at employee engagement, an example of which is our rigorous annual employee engagement process to solicit staff views, one always strives for improvement in the process so our core strength can be leveraged. Although I am proud of our progress to date, we humbly recognize that we still have room for improvement.

**b. How do you rate your relationship with KFH based on your employee expectations?**

I am immensely proud to be part of the KFH family. Although I have worked amongst diverse cultures throughout Europe in my earlier career, I feel an air of optimism as I walk through the main doors of our Kuwait office each morning with the knowledge that I am part of an organisation that is continually transforming and breaking new ground.

**How do you see KFH's role in the Kuwaiti community?**

From a products and services perspective, we play a major role in stimulating Shari'a compliant finance within the economy by safeguarding public interest due to its inherent transparent nature. Within a long-term sustainability horizon, Islamic Finance operates on the principle of 'Musharakah' as both profit and loss is shared which brings financial stability to the country.

**What areas of sustainability do you think KFH could address in more depth and are there potential sustainability projects KFH and its employees could involve itself in?**

A commonly heard phrase throughout the corridors of KFH 'E'mar Al-Ardh' (developing the land), which translates into raising the sustainability of the land by introducing more sustainable investment. Our involvement within the Kuwaiti community is comprehensive which can be leveraged in the long term by improving the intensity of the engagement.



# Our benefits package

We acknowledge the link between employee satisfaction and the health, well-being, motivation and productivity of its people. In order to provide a modern working environment for employees we offer a range of benefits to our full-timers:

- Competitive salary and bonuses
- End of services
- Medical and dental insurance
- Maternity leave
- Over-time compensation
- Teller allowance
- Grade allowance
- Transportation allowance
- Shift allowance
- Branch allowance
- Food allowance
- Special bonuses

*Employee engagement facts:*

*"I want to keep working in my company for at least one year from now"* **74%**

*Top ranking reason for staying with KFH:*

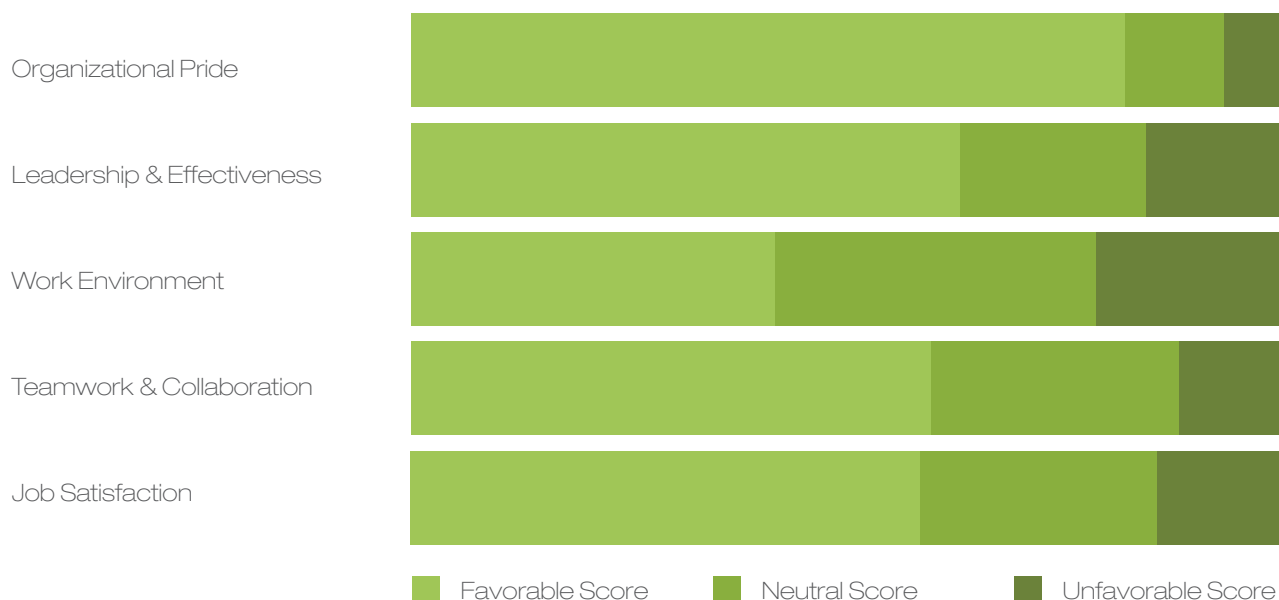
1. *It is a Shariah-compliant company*
2. *Salary and Benefits*
3. *Reputation of the company*

## Employee survey

We know that without a doubt, productivity and success come from challenged, empowered, excited and rewarded teams of people. To better understand our KFH Kuwait employees, we have started an Employee Engagement Survey, handled by a third-party. The survey identified eight key drivers of employee engagement and had a 63.4% participation rate. The following methods were used to conduct the study:

- One-to-one interviews with key sector/department heads
- Two focus groups conducted with focus group discussions with select employees in grades 10 to 16
- Administered an employee engagement questionnaire through a web-based mode to all employees in grades 8 and above

# KFH Employee Engagement Survey: Results Dashboard



## Nurturing potential through training

New recruits at KFH Kuwait are taken on an intensive training schedule consisting of topics including Human Resources, Employee Rights, Work Ethic, Philosophy of Shariah-Finance, Shariah-Compliant Financial Instruments, KFH cards, Takaful Insurance, Aspects of Banking, Money Laundering, Aspects of Law, Communication Skills, Selling Skills, Team Work in addition to the full range of products and service offerings of KFH. The number of hours dedicated to each topic depends on whether the new member of staff will be working in the Branches, the Call Center or the Commercial Center. In 2011, a total of 175 recruits were trained for a total of 350 hours.

We require highly trained professionals with strong vocational qualities to extend our competitive position. As well as promoting young talent, we look to a continuous training plan as a strategic priority for our sustainability. Training for our staff are separated by Physical Courses and Self-Study, where an array of tools and materials are available. Examples of training courses offered by KFH Kuwait to employees

Technical	Forssah	Soft Skills	Professional Skills	Shariah
Advanced Banking and Risk Management	Financial Reporting Requirement	Selling and Cross-Selling	KFH Management Workshops	Basics of Shariah
Advanced Mergers & Acquisition	Dubai Field Trip	Team Building	Process Mapping	Ethical Decision-making
Legal Aspects for Commercial Sector	Turkey Field Trip	Supervisory Skills	Money Laundering	Walking the Values
Accounting for Corporations	Coaching for Case Study	How to Work with Negative People and Procrastinators	Effective Budget Management	Methods of Shariah-financial instruments

# Training given to KFH Kuwait employees by grade

Grade Category	Training Seats	Training Days
7 to 12	1639	2095
13 to 16	1175	2267
17 to 19	264	654
20 to 22	29	82

Looking at KFH Group, we averaged a total of 14 hours of training per full-time employee.

It is important to KFH to keep Shariah values close to our employees, from the financials to day-to-day work ethic. In 2011, an average of 11 hours per Full-Time-Employee (FTE) of Shariah training was given to KFH Kuwait staff. Looking at KFH Group, a total of 16 hours per FTE was provided by KFH Malaysia and 1.2 hours per FTE in KFH Turkey

Banking services is among the largest with its number of employees, customer base and business volume. The scale of the sector and intensity of monetary transactions causes a number of risks, with corruption topping the list. Corruption can be prevented by control systems and training to a greater extent. KFH holds training sessions to our new and current employees on the subject of "Money Laundering" to increase awareness on things to do and not to do.

## Progression in our employee careers through performance reviews

Our career performance reviews give our employees the ability to mould their career path. Although KFH Kuwait and most of our subsidiaries provide 100% of its employees regular performance reviews, as of yet the KFH Group as a whole does not fully provide this key service to its employees.

*Mechanisms for employee opinions and suggestions.* Feedback from employees to senior management is encouraged via meetings and several internal channels. The Human Resources department provides a direct phone-line which can be accessed both internally and externally to address any employee issues and comments. The KFH company culture encourages our senior management to remain approachable and thereby eliminating bureaucratic-style means of expressing an employee's views.





# Our Deeds



Ultimately, we see finance as a way to realize people's dreams and ambitions. What we do enables people to buy a family home, educate their children or improve their health and well-being. Close to our heart, and even closer to our Shariah Principles, is giving back to communities of the world.

## Focus on community health & safety

Teaming up with the International Diabetes Federation (IDF)

IDF is an umbrella organization of over 200 national diabetes associations in over 160 countries. It represents the interests of the growing number of people with diabetes and those at risk. The IDF has been leading the global diabetes community since 1950 with a mission to promote diabetes care, prevention, and a cure worldwide.

Working towards extending our corporate sustainability role to serve millions of people in the gulf and the Middle East, KFH signed a memorandum of understanding with the International Diabetes Federation (IDF) that is rendered to be the first of its kind among banks to upgrade the services offered to diabetes patients in the gulf and the Middle East areas. The agreement states that the two parties cooperate in organizing awareness campaigns, forums, lectures, and programs about diabetes, in order to control the disease and its complications.

This action in sustainability goes hand in hand with the Kuwait National Plan to combat diabetes for people below twenty and above forty years of age. This significant role played by KFH causes a paradigm shift in Al Salam International Hospital.

Concrete steps taken by KFH include:

- Collaborating with Al Salam International Hospital, KFH organized a meeting with the public to raise parents' awareness of measures to protect children from the disease. The meeting gave the option of undergoing a test and was held on World Diabetes Day, November 14<sup>th</sup> 2011. The event offered gifts for children and booklets developed in conjunction with the Ministry of Health showing steps necessary to prepare healthy food for diabetic patients.
- Participating in the IDF Forum in Dubai along with 15,000 scientists and figures working in the field from over 160 countries. With over 1,000 speakers to participate and being held for the first time in the MENA region, the forum is considered one of the most important in the world. Representatives from over 200 institutions related to the disease, including World Health Organization, World Bank and senior global government officials also participated.



KFH participates in IDF Forum as an official partner

# Implementing the Al Salam International Hospital Community Services Strategy



Strategy Goal	Actions in 2011
Planting the basis of a healthy life and awareness in the young generation	<ul style="list-style-type: none"> <li>• Organization of school field trips to implement an interactive, simple and entertaining program which includes nutrition sessions, dental check ups, audiometer tests and growth charts</li> <li>• Invited Kuwaiti schools to be checked by the hospital free of charge, where over 2,000 students took part in 2011</li> <li>• Providing children with fun activities that are directly related to health education such as colouring and drawing booklets with health themes</li> </ul>
Focusing attention on the core of the family, the woman	<ul style="list-style-type: none"> <li>• Direct awareness lectures and events by specialist speakers to women such as Cervical Cancer Awareness Day, Breast Cancer Awareness Day and a lecture on topic "How to Stay Healthy and Beautiful"</li> </ul>
Educating the mother on the essentials of raising a newborn	<ul style="list-style-type: none"> <li>• Monthly education courses free of charge for mothers which includes an antenatal and postnatal course and after-delivery home visits to educate mothers on proper lactating techniques</li> </ul>
Educating the family on how to shift lifestyle from unhealthy to health habits	<ul style="list-style-type: none"> <li>• Lectures, campaigns and fund raising exhibitions for different members of the family on principle diseases such as diabetes and hypertension</li> </ul>
Educating the medical workforce along with community members	<ul style="list-style-type: none"> <li>• "The importance of a smile" campaign, the success of which was assessed using SIH customer feedback</li> <li>• Lecture held by Al Sheikh Jassem El Mehalhal Al Yassine on "Ethics of Medical Practice"</li> <li>• Free training courses for Kuwait University Medical Students annually</li> <li>• CPR and First Aid teaching campaign with regular training sessions scheduled through SIH web-link. In 2011, several members of the British Council participated</li> </ul>
Encouraging and promoting compliance to safety, security and health guidelines	<ul style="list-style-type: none"> <li>• "Don't Smoke Your Life Away" safety campaign</li> <li>• Drive Safety campaign with advertising banners and child car seat safety campaign</li> <li>• Hand sanitization campaign</li> </ul>
Reallocating the community's energy towards being proactive instead of reactive	<ul style="list-style-type: none"> <li>• Campaigns on how to prevent or decrease the incidences of complications</li> <li>• Free check-ups offered at certain times throughout 2011</li> <li>• Regular full free checkups offered to Ambassadors of the Embassies of the Gulf Cooperation Council</li> <li>• Awareness lectures on the importance of water intake</li> <li>• National Health Awareness Days including a Blood Donation Day</li> </ul>
Leading energy conservation	<ul style="list-style-type: none"> <li>• Stickers posted around the office to encourage conservation on the hospital premises</li> </ul>

# Contribution to the community

We have a long history of working in the charity sector which helps those in need. We look to help as many as possible, whether it be from a natural disaster or simply supporting living and providing domiciliary care. Highlights of efforts include:

- Contribution to the NSTP-Media Prima Disaster Fund in aid of the Hidayah Madrasah Al-Taqwa orphanage landslide victims which killed sixteen people and injured nine on 21 May 2011
- Providing members of the Kuwaiti Sports Club for the Handicapped with devices to load their wheelchairs onto cars to improve their living conditions
- Donations made to orphanage houses in Kuwait and Malaysia in the spirit of the holy month of Ramadan
- Donation of three ambulances to the Malaysian Red Crescent Society, supporting the humanitarian missions that society is involved in
- Sponsorship of "Special Needs Support Exhibition" held under the patronage of the Royal Charity Organization (RCO) to raise awareness about the latest technologies and products that can be used by people with special needs to help them integrate into the workplace and society in general
- Participation in blood donation drives by KFH Group employees



## Encouraging education

KFH acknowledges that encouraging education is essential in providing young adults with the best chance of succeeding in life. Education can be life-changing, and can lead to economic growth and the development of healthy societies. Investing in education for all today is an investment for our future. Highlights of efforts include:

- Honoring of Faculty of Engineering and Petroleum students during an engineering design exhibition showing the bank's support of the scientific initiatives and innovations made by the Kuwaiti youth
- Becoming the main financier of MysysNet Development, which will see the construction of 97 schools in Johor through a Murabahah Tawarruq facility. Apart from financing, KFH will supply relevant facilities and equipment for the resource centers
- Hosting final year Bachelor Students from the Erasmus University Rotterdam and educating them on the KFH Shariah Compliance Framework and Islamic Project Financing
- Sponsorship of scholarships to attain High Diploma in the practice of teaching the Holy Quran



*Engaging the youth, Malaysia*

# Keeping Culture Alive

A community's culture can serve as a pulse, and gives an insight to the people they are, the people they once were and the people they are going to be. Preserving culture, whether it be historic, spiritual, or sport is a subtle yet vital part of keeping a community system alive.

Highlights of efforts include:

- Sponsorship of issuing the 'Names of Streets and History of Kuwait' Encyclopedia
- Gathering of staff to celebrate Hari Raya Aidilfitri festival (Eid) in Malaysia with local favorite food and a typical "kampong" (traditional malay village) scene backdrop to set the scene
- Renovation of Ortokay Mosque in Turkey, considered a milestone in historical and cultural preservation
- Sponsoring the 'I am Bahrain' campaign to promote national belonging and unity with an objective of restoring the principles of national cohesion of the Bahraini society
- Honoring Holy Quran memorizers, totaling 26 students receiving cash prizes for their accomplishment of completing the memorization of the Holy Quran
- Golden sponsorship of the 4th King Hamad Trophy Golf Championship 2011



*Ortokay Mosque renovation, Turkey*

# Changing lives through Microfinance

Microfinance is an effective means of helping people in developing countries to help themselves – and is an important sector for KFH to support. Such a scheme was conducted by KFH Malaysia through microfinance provided to widows to start-up their own business. In 2011, microfinancing was given out to eighteen recipients in areas of Kota Bharu, Kuching and Batu Pahat. It is becoming increasingly popular to incorporate micro-entrepreneurship within corporate sustainability strategies, described as The Bottom of the Pyramid movement.

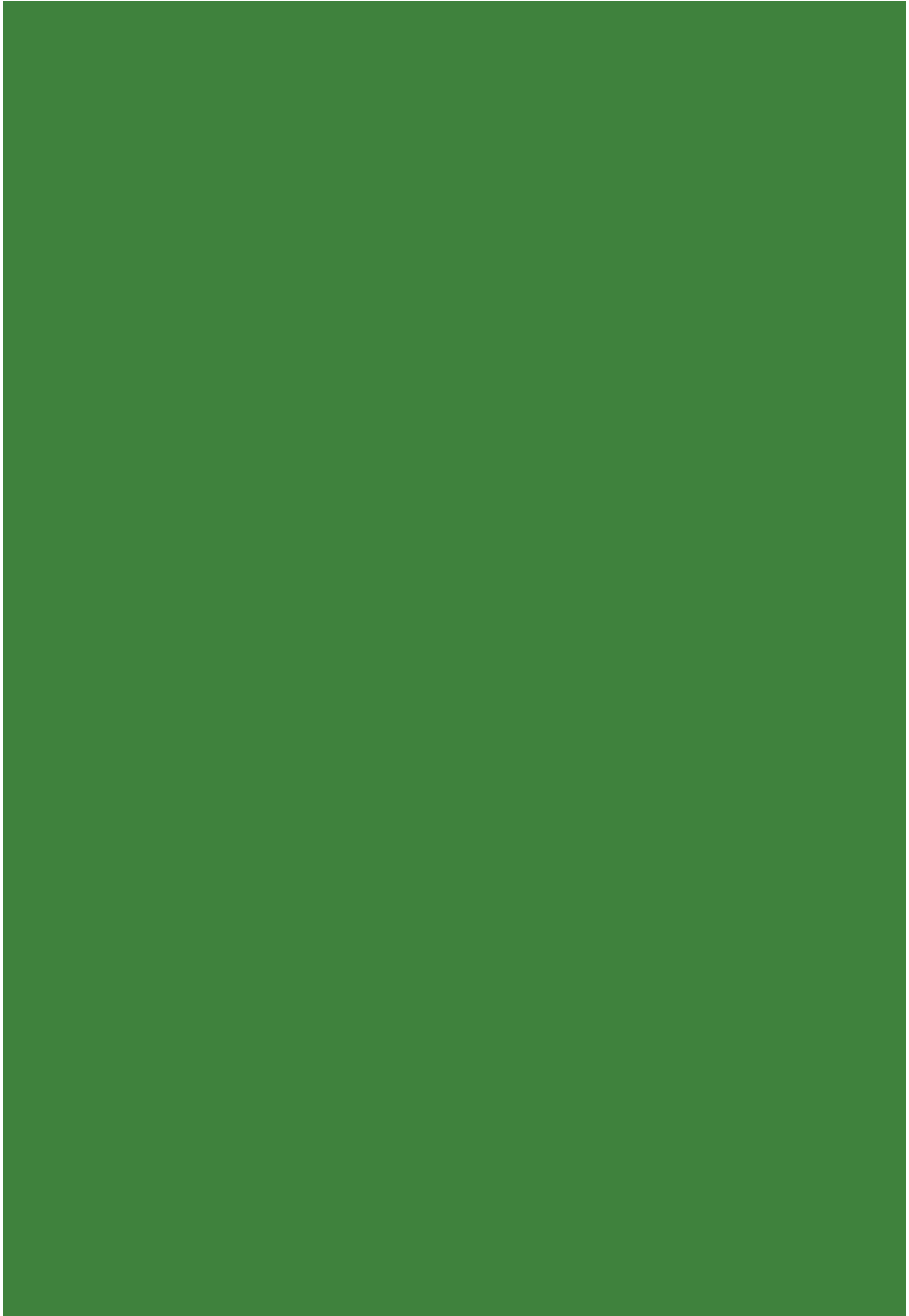
## *Spreading the Community Spirit*

*The KFH YouTube page, [youtube.com/KuwaitFinanceHouse](http://youtube.com/KuwaitFinanceHouse) streams videos of our Television Commercials available for the user to enjoy and leave comments. Our ads last year featured in Ramadan, promoted the holy month and encouraged community values such as social gatherings, connections and empowering values - themes which ring across the world whoever community a person is part of.*





Ortokay Mosque after renovation, Turkey



# Our Environment



Resource depletion and climate change are set to affect the world for generations to come. Not only does this have an effect on the environment, but on the society and economy as a whole. We are continuously looking to improve our environmental data collection processes going forward so that we can continuously monitor our progress in energy efficiency and resource conservation.

*Our carbon footprint.* As global efforts to mitigate and adapt to climate change continue, we too continue our efforts in monitoring our carbon emissions. The climate change conference in South Africa 2011 once again showed how difficult this pending issue is to solve. Periodically measuring our carbon footprint equips us with the means to effectively reduce it over time, as we are able to identify emission 'hot spots' within our operations. Our carbon footprint was calculated with the aid of a country-specific tool developed by the UNEP Environment Management Group, UN Department of Field Support and the World Resources Institute using our electricity consumption data.

*Conserving water.* We need to act as true stewards of this planet and sustain our water resources for the generations to come. KFH operations, especially those in the Arabian Gulf, are situated in naturally water-scarce areas – adding to the urgency to save this essential resource for humanity. Moreover, by saving water in Middle East where most of the water comes from desalination, we are indirectly saving energy and contributing to the reduction in green house gases

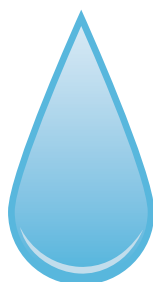
*The International Year of Forests.* The year 2011 marked the United Nations International Year of Forests which aimed to raise awareness and strengthen the sustainable management and conservation of all types of forests for the benefit of current and future generations. The conservation of forests, being a major carbon source, is vital in global efforts to fight climate change. With numbers reaching as high as 24 trees needing to be felled to produce one tonne of office paper, we would like the concept of reduce, reuse and recycle to ring throughout our corridors, thereby embedding it in our office culture.



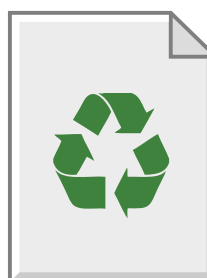
1,85 Kwh per FTE  
Our Electricity Consumption



1.2 tonnes CO<sub>2</sub> per FTE  
Our Carbon Footprint



18,659 liters per FTE  
Our Water Consumption



49 kg per FTE  
Our Paper Consumption

**Taking Care of Waste.** Medical waste and its management can pose a major and ongoing problem around the world. The type of waste produced in hospitals can have a detrimental effect on the environment by contaminating the land, air and water resources. It also poses a threat to the employees working in the hospital and the people in the surrounding area. Al Salam International Hospital takes utmost care to ensure that waste is dealt with accordingly, and last year treated 91 tonnes of infectious waste. But it doesn't stop there. At KFH Kuwait we are conscience of the waste we produce through our operation activities, particularly when it comes to electronic waste. Known as e-waste, this refers to electronic products nearing the end of their 'useful life', and its disposal is arguably one of the fastest growing segments of the world's waste stream. Electronic scrap components can be harmful to the environment and community as they may contain contaminants such as lead, cadmium, beryllium or brominated flame retardants. At KFH Kuwait, we try to make remain resourceful, and have a system of recycling our electronics. Last year alone, we managed to recycle 3.7 tonnes of used computers, and 1.7 tonnes of ATMs for use in other forms.

*Lights off. Al Salam International Hospital energy program - keeping everyone reminded.*



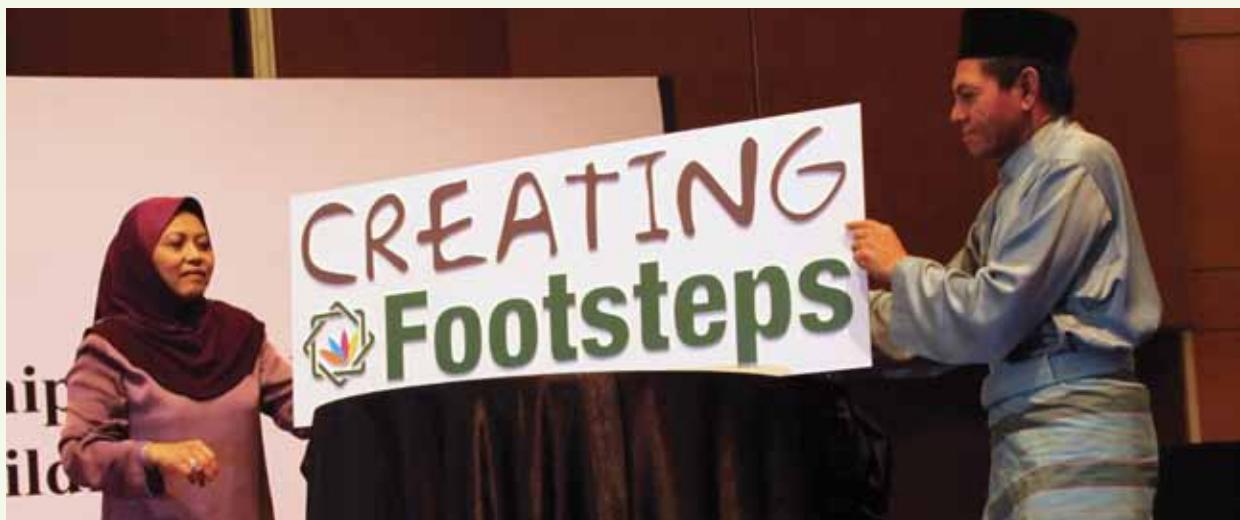
**Staying Ozone-Friendly.** Approximately 20-30 km above the earth, our ozone layer protects us by absorbing the sun's high frequency ultraviolet (UV) light. The depletion of the ozone, caused primarily by chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs) has long been of major global concern. We are happy to report that we have maintained progress of our ozone-friendly chillers installed in our offices in 2010, which led to our offices emitting zero ozone depleting substances.

## KFH Malaysia: Creating Footsteps

KFH Malaysia has launched the new Corporate Social Responsibility (CSR) flagship in August 2011. The bank unveiled a new CSR logo, 'Creating Footsteps' which aligns the bank's best experiences in CSR. The move signifies KFH's commitment for the betterment of society and hopes to pave the way and inspire others to reconcile the economic, social and environmental ambitions of the country.

The emblem of 'Creating Footsteps' signifies the Kuwait Finance House brand. The four-coloured leaves inside the emblem represent the four quadrants as prescribed by the Bursa Malaysia CSR Framework, under which the bank's CSR programme is structured:

- The Orange Leaf: COMMUNITY i.e. school enhancements and assistance to underprivileged communities
- The Blue Leaf: MARKETPLACE i.e. business & knowledge-sharing with university students and entrepreneurial seminars for low income communities, Shariah-compliant banking knowledge-sharing
- The Pink Leaf: WORKPLACE i.e. staff volunteer work and working environment
- The Green Leaf: ENVIRONMENT i.e. tree-planting and environmental awareness



# GRI Index Table

Key Performance Indicator		Pages
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EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement.	58, 59, 60, 61, 62
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	34
LA1	Total workforce by employment type, employment contract, and region broken down by gender	48, 49
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant areas of operation	52
LA10	Average hours of training per year per employee, by gender, and by employee category	54
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HR1	Percentage and total number of significant investment agreements and contracts include clauses incorporating human rights concerns, or that have undergone human rights screening	48
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	34, 54

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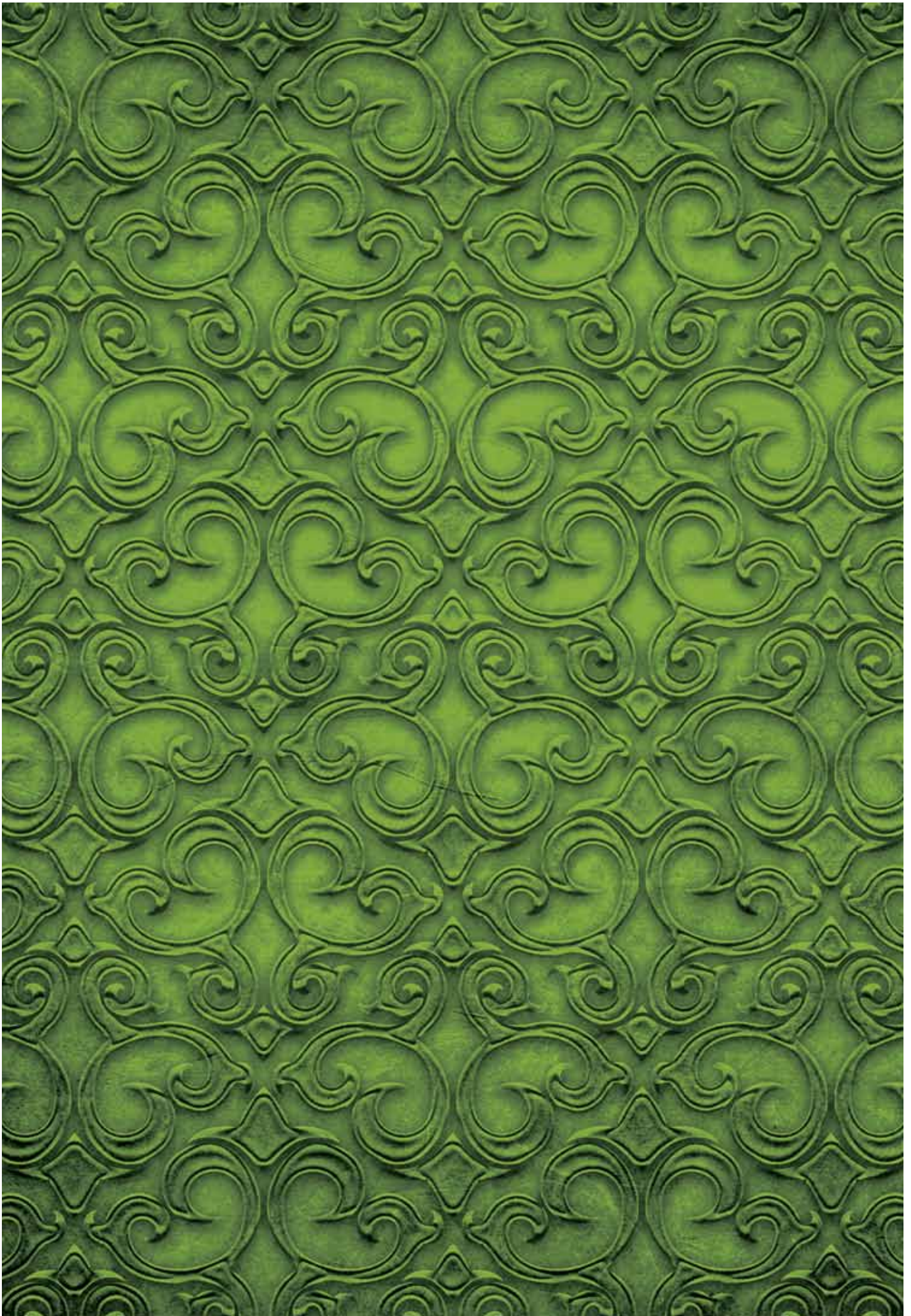
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# Glossary

<b>Carbon dioxide</b>	A greenhouse gas associated with global climate change, expressed as CO <sub>2</sub> .
<b>Carbon Footprint</b>	The total amount of greenhouse gases produced due to anthropogenic activities. It is the sum of all emissions of carbon dioxide, which were induced by your activities in a given time frame.
<b>CSR</b>	Corporate Sustainability Reporting/Report
<b>Economic Value Distributed</b>	Includes payments to suppliers, employee wages and benefits, payments to providers of capital, payments to governments and community investment.
<b>Economic Value Generated</b>	Net sales plus revenues from financial investments and sales of assets.
<b>Economic Value Retained</b>	Calculated as Economic value generated less Economic value distributed.
<b>Full-Time Employee (FTE)</b>	Total number of full time employees working in KFH as of 31/12/2010.
<b>Global Reporting Initiative</b>	GRI is a network of many international partners that has developed a framework for sustainability reporting, in particular sustainability reporting guidelines, sector supplements and protocols.
<b>Greenhouse Gas</b>	Greenhouse gases are gases in the atmosphere that absorb and emit radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect, where the planet is warmed by the atmosphere.
<b>Ozone-friendly</b>	Not containing chemicals that are destructive to the ozone layer.
<b>Ozone Layer</b>	A layer in the earth's stratosphere at an altitude of about 10 km (6.2 miles) containing a high concentration of ozone, which absorbs most of the ultraviolet radiation reaching the earth from the sun.



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