



Corporate Sustainability Report 2012

Kuwait Finance House (KFH) Group of Companies



بيت التمويل الكويتي
Kuwait Finance House







Year in review

Gaining momentum towards our vision by leading the international development of Islamic financial services; thus becoming the most trusted and sustainably most profitable Shariah-compliant bank in the world.

\$ 228,000 in total community investments from KFH Group in 2012

Partnership with the **World Bank** to exchange and promote knowledge about the development of Islamic finance

Employs over **9,500** people across the Middle East and Asia

56% representation of women in the workforce at KFH Malaysia



\$124,500+ donated to refugees in Syria and Somalia and **251** persons sent to Mecca through customer use of KFH Al-Kheir Card as well as staff donations

Best Islamic Bank in the Middle East from emeafinance
Best Islamic Financial Institution in Kuwait from Global Finance
Best Islamic Bank in Kuwait from Euromoney



A+ **CAPITAL** Intelligence

A- **STANDARD & POOR'S**

A+ **FitchRatings**

Aa3 **Moody's Corporation**



Con

07

CEO message

11

Managing our
sustainability
performance



15

We are KFH

19

We are
transforming...



tents

This report serves as a bridge between our current and future sustainability progress, as we embark on our new transformation program

25 Better business

35 Enhanced customer experience

41 Contributing to positive change in the workplace

51 Managing our environmental impact

57 Community highlights

61 KFH in figures: GRI index





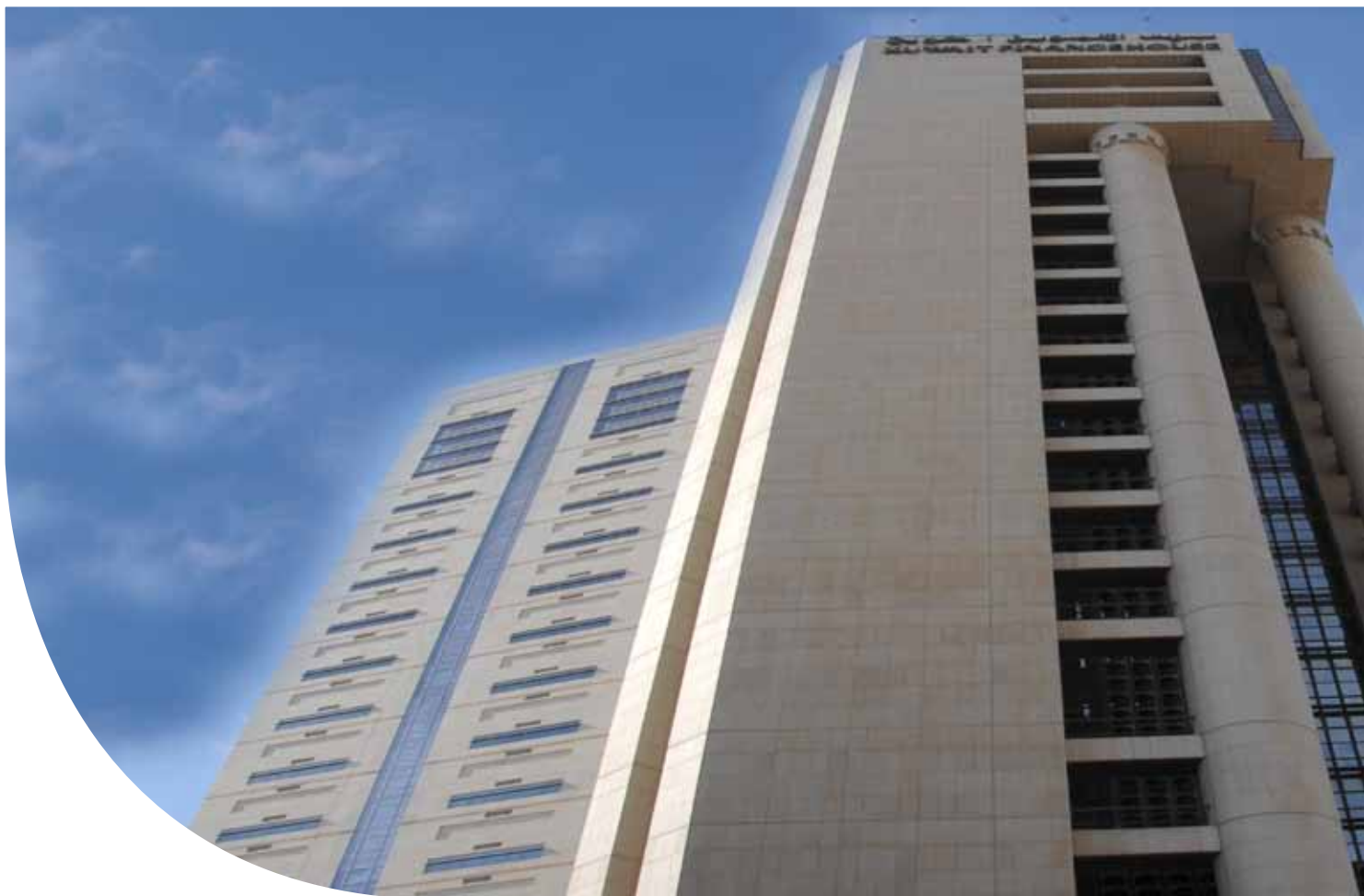
CEO message

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In the past year, KFH entered a new phase in its mission to deliver superior innovation and customer service excellence while protecting and enhancing the interests of its stakeholders. Looking back on 2012, we are pleased with the progress we have achieved and will continue our journey throughout 2013.

It is my pleasure to present to you the Kuwait Finance House (KFH) third Corporate Sustainability Report.

In the past year, KFH entered a new phase in its mission to deliver superior innovation and customer service excellence while protecting and enhancing the interests of all our stakeholders. Looking back on 2012, we are pleased with the progress we have achieved. We are proud to announce that we have included the term “sustainable” into our Vision. We believe this will serve as our compass in our quest to continuously improve our economic, social and environmental performance.



We live in a world where the only constant is change, and especially for businesses, adapting to these changes can determine their success or failure. At KFH, we understand that we have a responsibility to offer sustainable solutions to our changing world, and are excited to apply our financial know-how and group synergies to enable Shariah-compliant financing to pave the way for new sustainable concepts and solutions for tomorrow's marketplace. As a financial institution, and a pillar of the communities in which we operate, we understand the far reaching impacts our practices have on them. Using a global mind set, coupled with local knowledge, we continue to strive to improve the quality of life of our customers and stakeholders.

We celebrate progress as well as realize the work that still needs to be done. As pleased as I am with the progress already made, I also believe that our peak performance and most fruitful days lay ahead of us.

Since KFH's inception, we have had a culture and philosophy of ethical responsibility and community involvement. We have a high interest in embedding sustainability in our DNA and, as a start, it rings through our vision and mission with our new transformation program. The transformation program is the most comprehensive change KFH has undergone since our founding in 1977. As we shift to our new business model, we expect to see an alignment between our responsibility to our stakeholders, society at large, and to our environment, placing us at the forefront of Shariah-compliant sustainable banking.



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In our sustainability reporting, it is important to us to always be reliable. Demonstrating this commitment, last year Ernst & Young provided us with third-party assurance for our sustainability report - a standard we wish to continue. I would like to thank all our stakeholders for the trust they have shown in KFH, in addition to our employees for their tireless contributions to the new transformation program, which is pivotal to the sustainable success of our organization. I would also like to thank you, the reader, for taking an interest in our company. We welcome your feedback and suggestions, which you can email to us at sustainability@kfh.com.



Mohammed Sulaiman Al-Omar

Chief Executive Officer





Managing our sustainability performance

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We report in accordance with the GRI G3.1 Sustainability Reporting Guidelines along with its Financial Services Sector Supplement.

In 2010, we became the first Shariah compliant bank to publish a Global Reporting Initiative (GRI) compliant sustainability report, voluntarily disclosing our economic, social, and environmental performance.

In order to identify issues that are most relevant to us to include in this report, we conducted a thorough materiality assessment involving our external and internal stakeholders.

We report in accordance with the GRI G3.1 Sustainability Reporting Guidelines along with its Financial Services Sector Supplement. KFH has developed an internal system of segregation of duties to ensure integrity of the data collection process and has adopted methods such as audit trails and statistical checks throughout the data collection in order to assure the accuracy of the disclosures in the Sustainability report.



This publication is self-declared a GRI B level. For the full GRI index, see page 59.

This report covers KFH's operations from January 1, 2012 – December 31, 2012. The report uses qualitative descriptions and quantitative data to explain our sustainability performance. The scope of this report includes KFH's operations and select subsidiaries across the world, namely KFH Kuwait, KFH Bahrain, KFH Turkey, KFH Malaysia, KFH Research, Al Salam International Hospital and International Turnkey Systems.

Content selection process: stakeholder engagement & materiality

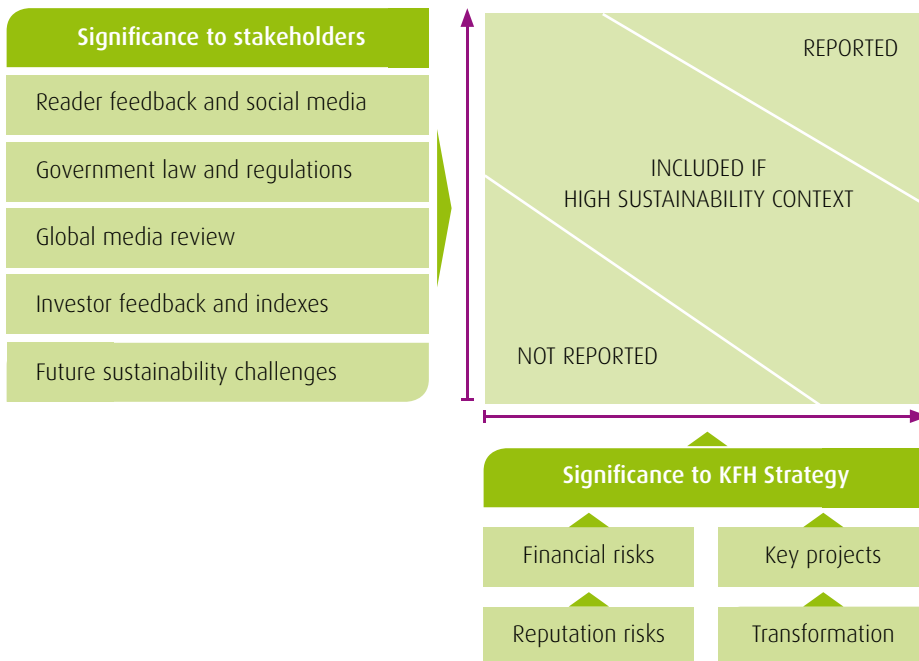
We employed a thorough process to select content for our reporting using GRI guidelines on materiality and information from external and internal stakeholders to identify key economic, social and environmental topics most material to our operations. Our stakeholders include customers, government and regulators, Shariah board, shareholders, employees, non-governmental organizations and suppliers. The process involved the following:

Step 1: Identifying and understanding topics of significance to our stakeholders

Step 2: Identifying topics of importance to KFH's business strategy and transformation program developments through our established internal feedback process.

Step 3: Combining results in a matrix to assess each topic in terms of its wider sustainability impact. The weighting of each topic is performed by a series of variables such as stakeholder interest, future challenges, peer benchmarks, laws and regulations, risks and opportunities, and organizational value.

Step 4: Within the matrix, topics which fall in the higher to medium range are reported.



Sustainability training

At KFH we consider “Our People” to be the most important pillar of our organization. In keeping with our commitment to “Our People”, we take great pride in our employee development programs. Therefore, when we embark on a new strategic initiative, in this case sustainability reporting, we ensure our employees receive the required training to build up their capabilities and meet the expectation of their new roles. In 2012, employees from KFH Kuwait, Al Salam International Hospital and International Turnkey Systems took part in a GRI-certified training course. The training course ran for two days, covering all aspects of developing a sustainability report. The comprehensive program gave perspective to employees on the role each of them will play to improve the sustainability performance of KFH Group. The course included both workshops and case studies which were surpassed with 100% success rate. As a result, each member of the sustainability team received a certificate of completion issued by the Global Reporting Initiative head office in Amsterdam.





We are KFH

We offer Shariah-compliant products and services in a diverse array of regions and countries. We expect to be held to high standards in what we do. We strive to be a leader in our industry, a world-class operator, a good corporate citizen and an employer of choice.

Our principles

Our Shariah-principles are the cornerstone of our business and we respect the sectors in which we operate. We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others. It begins with compliance to standards, laws and regulations.

Our customers

To strengthen our relationship, we are shifting to a customer-centric business model, reflected in our new transformation program. We are currently implementing a strategy which will result in a complete restructuring of the organization, merging, and dedicating functions to meet our client's needs.

Our people

We depend on the relationships we have and respect each other and those we work with. We value diversity of people and thought. We follow and uphold standards that we set for our company and are relentless to learn and improve.

Our deeds

We aim to have a positive effect in the communities where we operate. We work closely with neighbors to develop meaningful community programs, create jobs, and offer business opportunities to touch as many lives as possible.

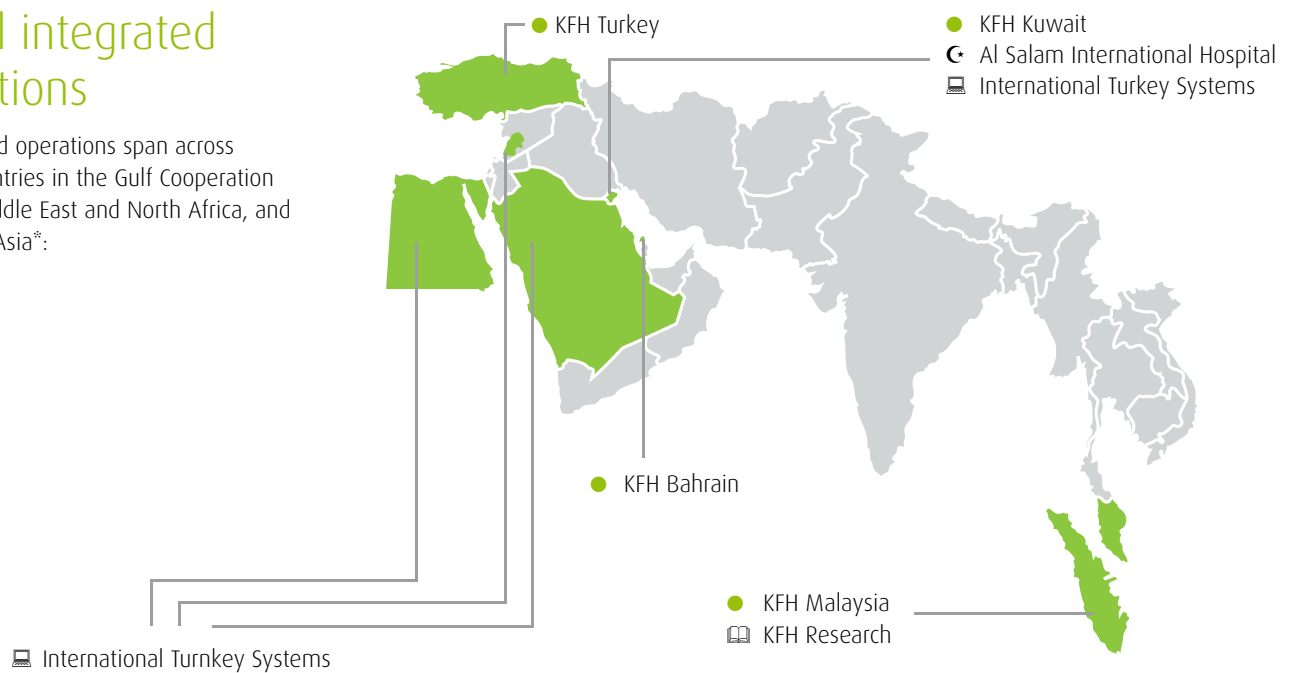
Our environment

We are working to reduce the potential impact of our operations on the environment. We plan to continue monitoring CO2 emissions and reduce our use of natural resources such as paper, energy and water in all regions in which we operate.



Global integrated operations

Our reported operations span across certain countries in the Gulf Cooperation Council, Middle East and North Africa, and South East Asia*:



* Throughout the report, KFH Kuwait, KFH Bahrain, Al Salam International Hospital and International Turnkey Systems (ITS) Kuwait and Saudi Arabia are considered as "Gulf Cooperation Council"; KFH Turkey, ITS Egypt and Levant are considered "Middle East and North Africa" and KFH Malaysia and KFH Research are in "South-East Asia" region.



Governance structure

Good governance and compliance are the foundations of a responsible business practice. They are essential to serve the interests of our customers, shareholders, and employees transparently. We ensure compliance with national laws and regulations as well as ethical shariah standards. The KFH board is the overarching decision making body of the company, guided exclusively on Shariah-related matters by the Fatwa and Shariah board. The Fatwa & Shariah board is an independent body that reports to the General Assembly and offers advice based on the principles of Shariah, which ensures our compliance.

Compliance

We implement clear and practical policies and procedures in our processes across all our business lines. Our system enables management to identify and mitigate emerging risks early. Our risk register is continuously updated in order to address

changing stakeholder concerns and modifications are made to ensure continuous compliance. As part of our commitment to Shariah compliance, 315 KFH Kuwait employees attended a total average of 13 training hours per person during 2012.

KFH's sustainability management Team

KFH's corporate sustainability initiatives are led and coordinated by the Strategic Program Management Office, which is based at our headquarters in Kuwait City. Since 2010, the responsibilities of the sustainability management team includes:

- Develop KFH's sustainability vision and strategy
- Engage in dialogue with stakeholders
- Collect, coordinate, and monitor sustainability performance data with other departments and subsidiaries
- Compile performance data in the annual

KFH Sustainability Report and publish the report

- Manage information and provide support on sustainability internally and externally
- Support our businesses in developing sustainable products and services

KFH currently has a network of subject matter experts throughout the organization who shape the corporate's approach to sustainable business opportunities. As mentioned, in 2012, KFH's cross-departmental sustainability management team underwent a two-day Global Reporting Initiative (GRI) certified training course which covered sustainability reporting, planning, connecting, monitoring, checking and communicating all aspects of KFH's economic, social and environmental performance. These experts now support, monitor and ensure the delivery of our common priorities, and share the responsibility of fulfilling our sustainability agenda.





رؤى التغيير
NG CHANGE

We are transforming...

In our pursuit to deliver unmatched Shariah-compliant financial products and services, we are currently undergoing a transformation program to implement our new strategy, which will enable us to strengthen our relationships with customers whilst delivering value to our shareholders and ensuring that we continue to stay one-step ahead of the competition.

The KFH vision is to “lead the international development of Islamic financial services and become the most trusted and sustainably most profitable Shariah-compliant bank in the world”. In order to support this vision, KFH is currently implementing a five-year strategic plan based on three pillars.

The first strategic pillar focuses on re-building the Bank’s market position in Kuwait. In terms of retail banking this is to include the development of a new wealth management business and increase cross-selling rates to the mass-market segment. For corporate

banking, this entails increasing the Bank’s penetration of the large, mid-cap, and SME segments.

The second strategic pillar redefines KFH’s investment strategy to build specific country and sector areas of focus. In addition, KFH is implementing a new streamlined operating model whereby the bank’s diversified portfolio of investment subsidiaries would be gradually consolidated under a smaller number of holding entities.

The final pillar seeks to increase coordination across the bank’s international banking subsidiaries through the building of centres of excellence across internal operations, as well as developing cross-border market opportunities.

These strategic pillars will be supported by our new customer-centric organization structure and other changes designed to strengthen the bank’s internal capabilities covering people, process and technology.



Internal stakeholder management: Change management communication with employees

KFH has utilized a number of communication channels to engage effectively with employees on the current transformation program. This helps us maintain employee satisfaction and motivation while implementing significant changes in our operations. In doing so, we aim to provide a positive working environment, reduce turnover and minimize operational disruptions. The actions we took have so far have been the following:

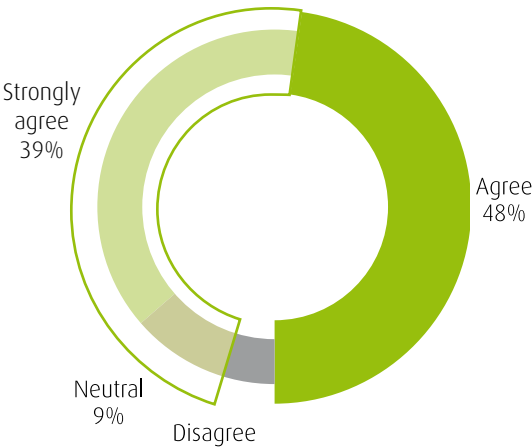
- Invited KFH employees to attend town hall communication sessions to hear about the new strategy and organizational structure. Staff were presented with an update on the transformation program, had the chance to seek clarification and give their feedback through Q&A session with our upper management and CEO;

- Over 500 posters were distributed across the branches and head office about the new program to communicate the ensuing changes to all important internal stakeholders;
- e-Newsletter are being sent out monthly on updated events and activities from the Transformation Program Office;
- Updated KFH internal portal to facilitate the internal stakeholder management process;
- A competition was launched to increase awareness on the vision, mission, values, and strategy of the new transformation which attracted 670 participant employees;
- Branch visits to convey support, engage, and solicit feedback on the program by key members of the Transformation Program Office.

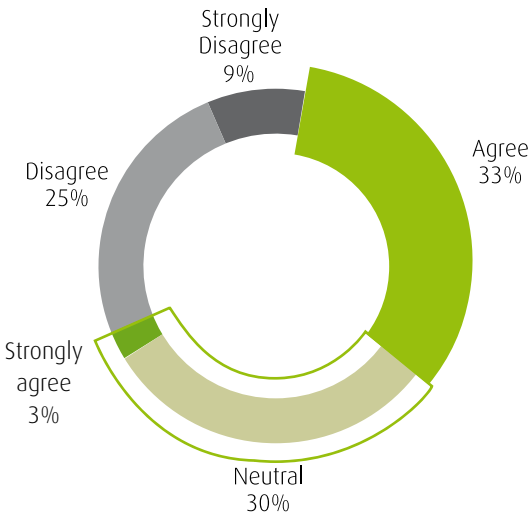
Employee engagement: Change management survey

We wish to be totally transparent as we transform, and therefore, it is especially important for us to engage internally with our stakeholders, to gain a bigger picture of their opinions in order to understand and address any concerns, as well as serve as a way to bring bright, and fresh ideas onto the table. Fostering such communication internally with our workforce keeps mutual trust and respect moving forward together.

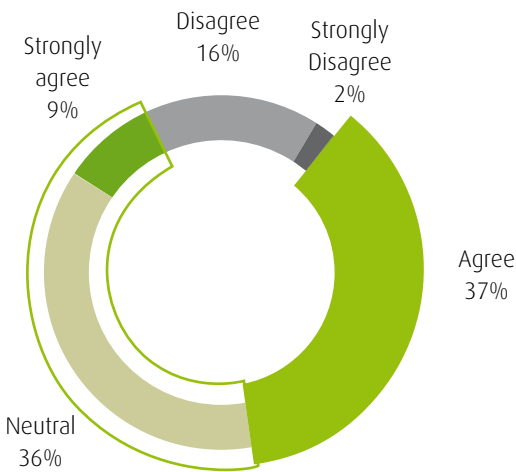
Understanding of aims and need for transformation



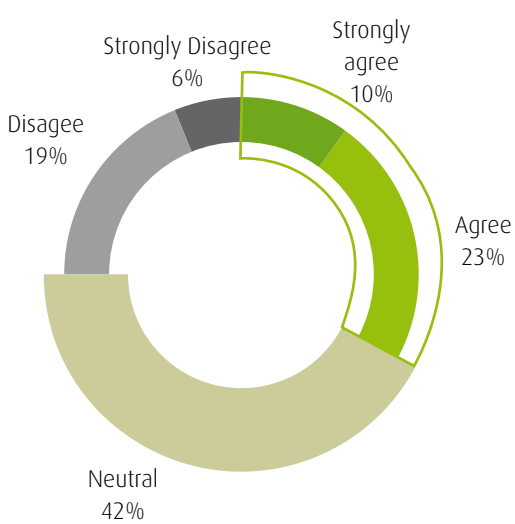
Received sufficient communications about proposed changes



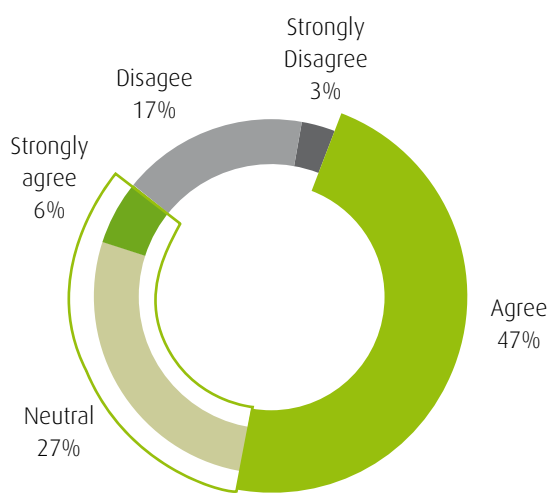
Believe that changes will have a positive business impact



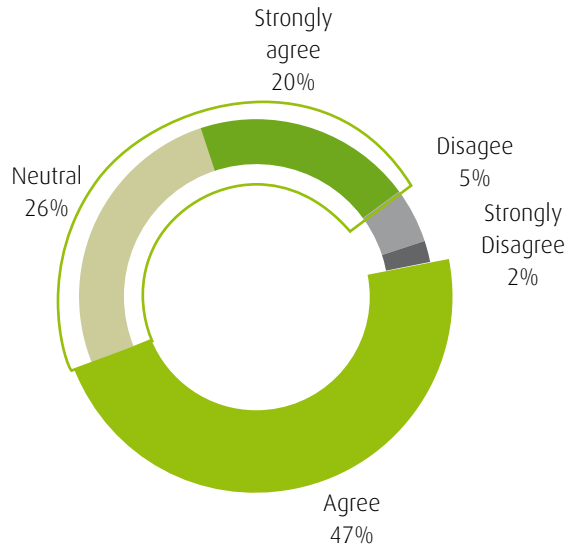
Learn how to raise questions and feedback related to changes

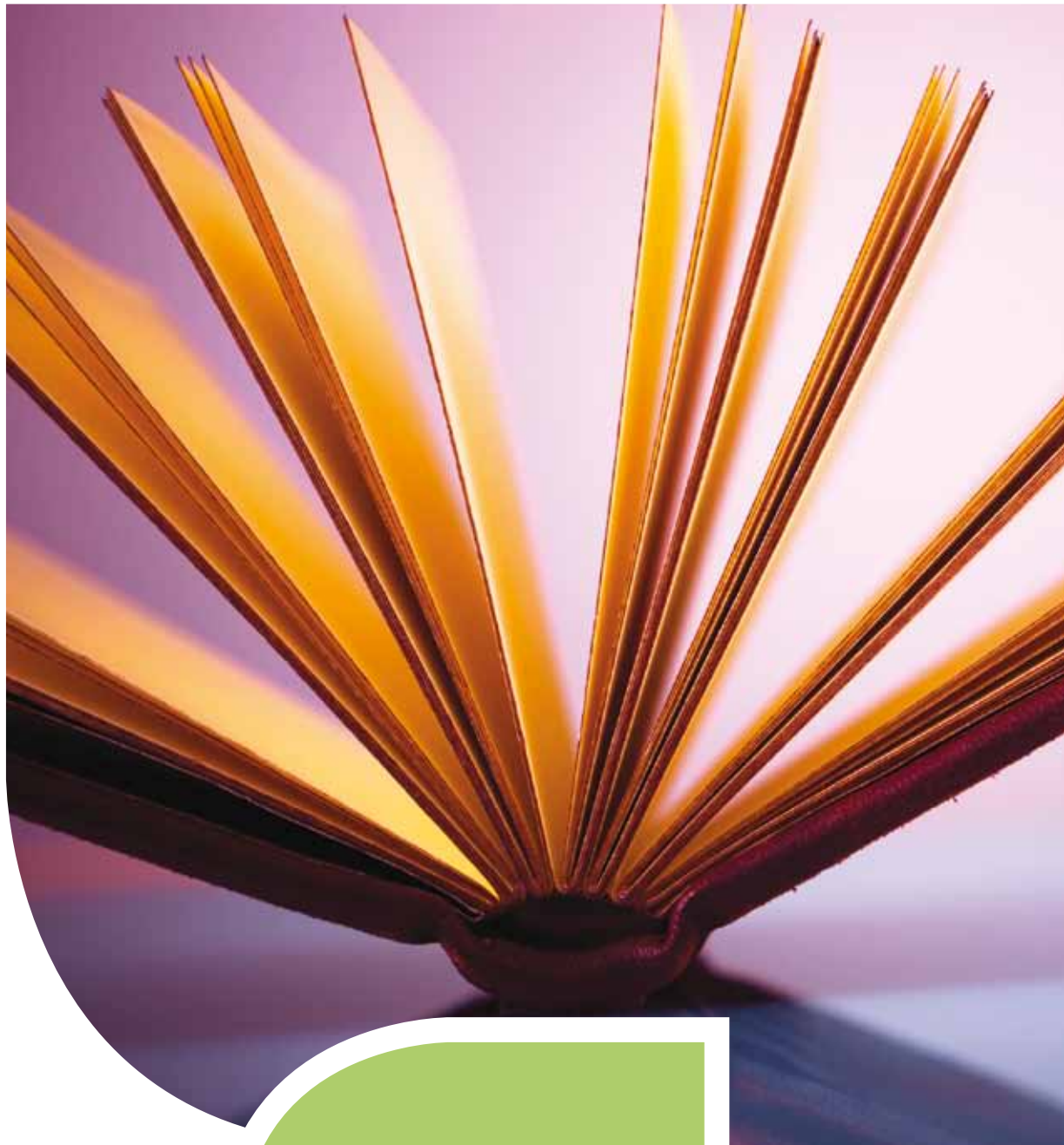


Believe that feedback on the changes are valued



Comfortable and positive about the desired transformation







Better business

KFH has always been a pioneer in Shariah-compliant banking, an alternative way of 'banking' which first surfaced approximately 50 years ago to provide a viable alternative to manage our finances and economy better.

Our customers and shareholders need to know and feel that we are committed to managing their money ethically and in a sustainably profitable way. An important factor in this respect is that we are aware the increasing levels of expectations of society has towards responsible and sustainable finance. We consider it important to be transparent on how we manage our customer's savings.



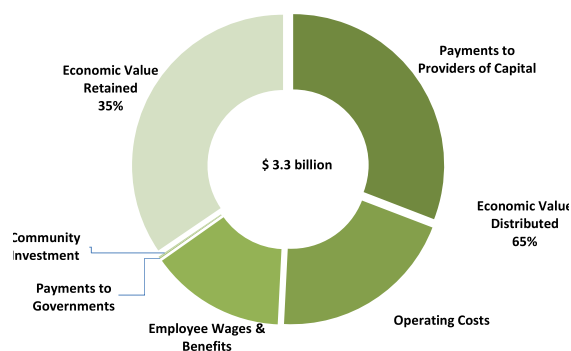
Shariah-compliant banking

KFH has always been a pioneer in Shariah-compliant banking, an alternative way of 'banking' which first surfaced approximately 50 years ago, to provide a viable alternative to manage our finances and economy better. Shariah banking focuses on the following essential facets: partnership and profit sharing, underlying assets, ethical investment and giving back to society. Shariah-compliant banking emphasizes partnerships, while prohibiting interest, known as 'riba'. Shariah-compliant banking creates business activities that generate fair and equitable profit from transactions backed by tangible assets. Activities are based on the trading principles of buying and selling of assets and the sharing of profit and loss. Here, a bank becomes a partner with its depositors.

Economic value generated				
Revenue – \$3.3 billion				
Economic value distributed - \$2.2 billion				
Payments to providers of capital ¹	Operating Costs ²	Employee wages and benefits	Payments to governments ³	Community investments ⁴
\$1 billion	\$661 million	\$478 million	\$3.8 million	\$4.3 million
Economic value retained – \$1.1 billion				

This table is based on data contained within the KFH Annual Report 2012.

KFH's 2012 Group Economic Contribution



¹ Dividends to shareholders; interest payments to providers of loans

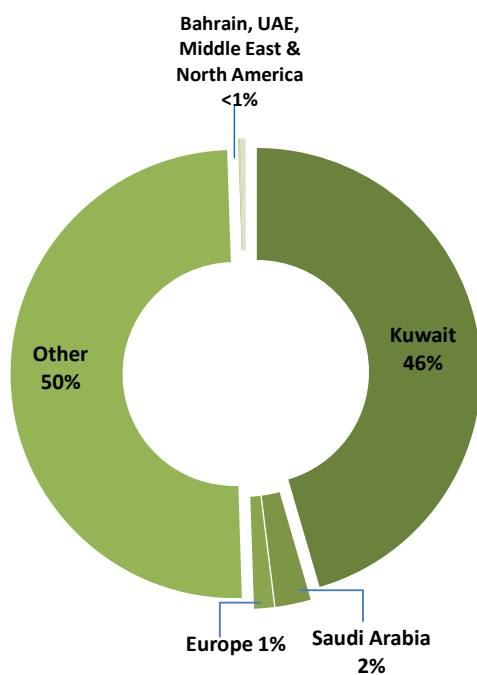
² Payments to suppliers, non-strategic investments, royalties, and facilitation of payments)

³ National Labor Support Tax

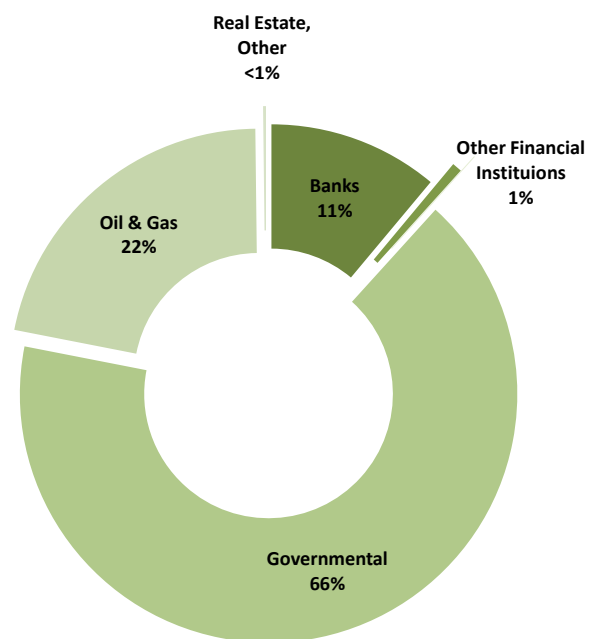
⁴ Donations to Zakat (based on Zakat Law No. 46/2006) and contribution to Kuwait Foundation for the Advancement of Sciences



Global Portfolio of Investments at KFH Kuwait



Sector Portfolio of Investments at KFH Kuwait





Our products and services

KFH provides a broad range of Shariah-compliant banking products and services that meet our customer's needs and expectations. We have a host of services which are customized to respond to the changing needs and requirements of clients. Our clients come from different tiers of society, at individual and corporate levels, requiring banking solutions in different currencies and geographies. KFH offers various interactive communication channels that enable our customers to get in touch with us easily and safely, whether through our branches, e-banking, our call centre or ATMs. Our customers benefit from our banking services that caters for their needs around the clock. All of our banking operations across all regions offer products catered to the desires of its own demographic and customer base.

Spotlight

First Global Economic Real Estate Forum

KFH organized the first Global Economic Real Estate forum last year in Kuwait. It is considered to be the first of its kind in the Gulf and Middle East regions, where several elite business and real estate figures, including former British Prime Minister and former Minister of Treasury Gordon Brown, were in attendance. The forum gave the participants a chance to meet and discuss global developments in real estate and their effects on the economy with global experts in the field. The conference supports KFH's five-year strategic plan that aims to reinforce our leadership and status in global markets and positively impact performance. One of the main objectives of the event was to stimulate GCC countries to execute a batch of economic solutions to offer suitable jobs for youth, and to train and encourage them to launch small projects, which will ease the unemployment tension that has triggered revolutions in the Arab world. In addition, the conference underlined the importance of joining the G20, in order for GCC countries to take part in global efforts to reform and stabilize the global economy.



Cards with a special purpose from KFH

The Al-Kheir Card is a unique Shariah-compliant card to control expenses and help the less fortunate. Every time a customer uses the card, KFH donates 0.25% of purchases to those in need to fulfill their religious duties by visiting the Holy City of Makkah. In 2012, KFH was able to send a total of 51 persons to Hajj and 230 persons to Umra through the funds raised through the use of this product.



The Al-Osra Prepaid Package is a group of prepaid cards allowing customers to manage their family's monthly expenses. The card provides the user the ease of handling their budget and finances, ensuring their family's needs are met month by month and person by person.



Spotlight

Donations to Syria and Somalia through Al-Kheir

KFH donated over \$124,500 to refugees in Syria and Somalia trapped at the Turkish border. Funds were also collected from KFH employees. The donations were made through the Al-Kheir card portfolio. Past efforts have included the building of houses for the poor in Sri Lanka, the building of a mosque and Quran centre in Bangladesh, providing 'breaking fast' meals for Muslims during Ramadan, financing a computer lab for a women's centre in Bosnia, equipping a dental clinic in Gaza, and equipping a clinic in China.



	Benefits
"Baiti" Account for Minors	Safe investment for minors under the age of 14 compliant with Shariah Principles with profits credited to the account on an annual basis
"Hesabi" Program for Youth	A program specifically tailored for young people (both genders) of ages between 15 and 21 years with Islamic investments where profit is credited to the account on annual basis
"Al Rubban" Program for Men	Tailored for men age 21 and above, giving special discounts and offers from various KFH sectors relevant to them, i.e. banking, real estate and finance
"Al Sundus" Program for Ladies	Tailored for women age 21 and above, with special discounts and offers in banking, real estate and finance
"Al Tomayoz" Program	Personal banking services specifically tailored with a dedicated relationship manager

Special personal accounts at KFH

Our customers are our most important stakeholders. To cater to them, we have devised a range of accounts to match their needs. All of our accounts come with links to 60-65 merchants that grant discounts and other offers to KFH card users.

Investment deposits

At KFH, we ensure our customers make the most of their investments with deposits, for one month, 3 months, 6 months, 9 months, or a year. Customers can even withdraw their revenues in due dates based on the type of deposit, where profits will be distributed as agreed upon with the bank and in accordance

with the Islamic Shariah principles. We take pride in ourselves for being one of the first and the pioneer bank to create and manage such accounts both locally and globally.



	Benefits
Al-Kawthar Investment Deposit	The deposit returns are credited on a monthly basis.
Continuous Investment Deposit	Substantial profits distributed on annual basis with a minimum amount of deposit being KD 500
Thulathiya Investment Deposit	Profits distributed every 3 months.
Al-Sedra Investment Deposit	Substantial profits distributed on annual basis with a The minimum amount of deposit is KD 1,000
Investment Deposits in foreign currencies	Substantial profits to be distributed depending on investment period.

Managing reputational risk

In efforts to manage risks, all KFH banks have a system necessary to prevent such incidents. An integral part of the induction process to new employees across the KFH group is Shariah training. KFH assumes responsibility to train all of its new employees on Shariah-compliant banking services. The education is continuous, and employees must go through refresher courses every few years to keep them up to date with the latest

regulations. The same practice is followed for anti-corruption training. In KFH Bahrain for example, 44% of non-management and 20% of management received training in 2012 to ensure continuous ethical financial and social practices are up to date, and in accordance with the latest global regulations.

Privacy and security

We respect our client's right to privacy, and wish to take care of them as we would ourselves. KFH was the first bank in Kuwait to implement 3D security to combat fraud, especially online fraud. In cases of fraud, KFH assumes full responsibility and reimburses the customer.



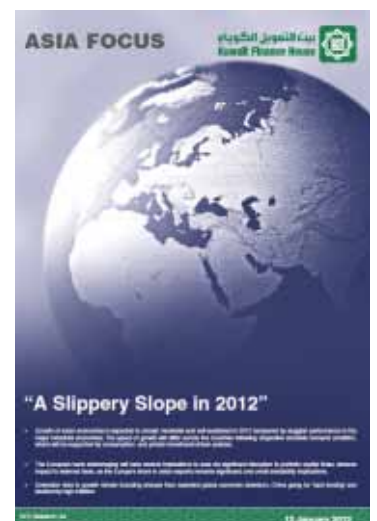
Healthcare sector focus: Al Salam International Hospital efforts offers health services for those on lower incomes

KFH subsidiary Al Salam International Hospital has begun adopting several services at affordable prices with the sole purpose of raising health awareness in the community. The Marketing and PR Department has been assigned an annual budget in order to implement and promote campaigns to integrate and support those on lower incomes to improve their health. Services promoted include a full-check offer, a Lasik campaign, and breast cancer check.

Sector focus: KFH Research World Bank Partnership & Publications in 2012

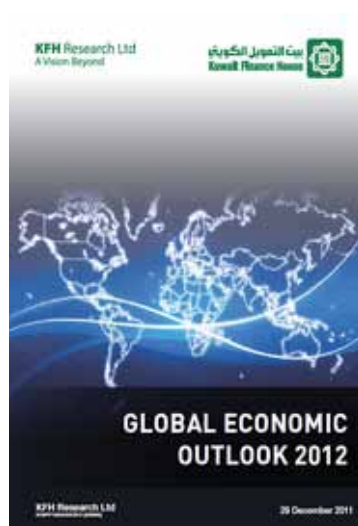
KFH Research Ltd is the world's first investment research firm to be established by a Shariah-compliant bank. Through its research, the company provides insightful,

objective and decisive thoughts and arguments designed to enable divisions within the Kuwait Finance House Group as well as its corporate clients to make informed





investment decisions. Last year, KFH Research partnered with the World Bank to bolster efforts in developing Shariah-compliant financing, enabling the exchange of views and expertise in the field.



Spotlight

World Islamic Banking Conference

While the global financial crisis had put a hold on economic growth and also forced leading players in the international Islamic finance industry to re-think key strategies, today's changing landscape promises new opportunities and the arrival of the next phase of growth for Islamic finance institutions. KFH was a Gold Strategic Partner and dinner host for last year's 19th Annual World Banking Conference (WIBC) held in Bahrain. More than 1,200 industry leaders, senior decision-makers and key regulators from over 50 countries gathered for the WIBC 2012. The theme for this conference, "New Strategies for Islamic Finance to Come of Age", addressed new opportunities in terms of expanding the industry on an international level – boosting cross-border transactions, accessing new markets and creating new products that pave the way forward to new growth horizons.





Enhanced customer experience

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We wish to deliver high-quality Shariah-compliant products and services in the way our customers want them delivered, and it is vital that our customers trust our ability to manage their finances ethically and responsibly.

Our shift towards a more customer-centric business through our transformation program demonstrates how committed we are to listening, assessing, and acting upon their needs and expectations. Bringing customer centricity into practice has its own set of challenges.

Ensuring customer satisfaction

Customer satisfaction surveys are performed on a monthly basis by KFH headquarters targeted at KFH account holders visiting a branch. Our policy requires that a diverse nature of customers should be interviewed. The process is essentially a face-to-face interview conducted by a Service Quality team member with a customer inside the branch at conclusion of their visit or transaction. The aim of this survey is to measure a customer's satisfaction level after visiting a particular branch. The



survey form is developed to investigate customers' opinions based on scale of 5 answers. This form consists of 10 direct questions covering staff courtesy, politeness, grooming, competence, accuracy, knowledge, interaction, and promptness. In 2012, KFH headquarters received a 96.5% satisfaction rate for retail banking and 96.2% satisfaction in the commercial sector.

Qualitative conclusions found through the surveys include re-furbishing our Tamayouz service offerings, redesigning the whole process and offerings of Murabaha products in banking branches, filling the gap of front-line shortages, establishing SLAs between front-liners and support business areas, and diversifying our product offering, mainly investment products for the different customer segments as per their needs.





In focus: Al Salam International Hospital Patient Satisfaction Committee

Al Salam International Hospital has an assigned committee who collate monthly satisfaction surveys. The purpose is to gather the views of patients about the health care they have recently received, use survey results to design and track quality improvement over time and promote informed decision-making by gaining statistically reliable data. The committee is responsible for collecting data and feedback in a constructive way for both in-patients and out-patients, identify and correct issues with the patient's care processes, recognize new opportunities to be more effective and efficient, and improve practices which translate into better care and happier patients.

Spotlight

Ramadan campaigns

Ramadan is the festival of giving. Each year, KFH donates and hosts iftar 'breaking fast' meals, religious programs and campaigns that generate awareness as well as boost community spirit and values through TV program sponsorship and social media engagement.



With the click of a button, our clients can give back to society by giving those in need online on kfh.com. From the banking services menu, customers can select a standing order of the amount desired to a list of government approved charity accounts provided.

The KFH experience via mobile

KFH provides a set of options giving our customers instant access to our products and services, as well as participate in the KFH community. Our mobile banking service, KFHOnline Application, is available on iPhone, iPad, iPod touch, and as of 2012, on Android. Customers are able to securely access their accounts and deposits, transfer funds, settle utility bills, monitor and settle credit cards, report lost and stolen cards, and view commercial invoices. The KFH network engages customers across social media through Facebook, Twitter and Instagram accounts where participants can voice concerns, provide feedback or even join prize competitions. Looking to touch on the community in a more positive way in terms of health, KFH launched the Diabetes cell-phone Application which allows diabetic

patients to monitor and manage the disease, as well as raise awareness regarding a critical regional issue in Kuwait. In our quest to making a positive difference in the world, our customers can help us too. With the click of a button, our clients can give back to society by giving those in need via www.kfh.com. From the banking services menu, customers can select a standing order of the amount desired to a list of government approved charity accounts provided.



Name: **Salma A. Hammad**

Department: **Kuwait Finance House, Kuwait - Legal Department**

Title: **Legal Counsel, International Affairs**

Years at KFH: 7+

- ? Which areas of sustainability do you think KFH can have the most impact on society?
- Simply by virtue of its asset-based Islamic finance structure, KFH has a sound underlying foundation that should be economically sustainable in the long term. Yet broadly speaking, KFH can, and does, have a profound impact on sustainability beyond a purely economic sphere especially as relates to community building: one such example is Bahrain's affordable housing in Diyar Al Muharraq. Communities grounded in healthy values, and which enjoy resilient financial status, pave the way for thriving environmental sustainability.
- ? Has your knowledge of sustainability issues globally and in Kuwait changed your day-to-day life?
- A common-sense perspective governs my approach to sustainability issues both on the work front and on a personal level. No one person can, for example, eradicate diabetes from the earth or even tackle all the problems that children who happen to have special needs or disabilities may face. Yet I endeavor to support such worthy causes, as well as others, with my varied resources—whether by volunteering a special set of legal skills, or by giving time and effort to achieve a particular goal, or simply by making regular donations—because I believe that it is important to make meaningful contributions within our respective communities.

In my view, if every individual does his or her best to positively influence a little part of their adjacent economic, social or environmental surroundings, many large and unwieldy global problems could be sized down into smaller issues that are easier to tackle by individuals and communities who take ownership of the challenges and constructively work toward solutions—and such optimistic sentiment could even be contagious!
- ? Do you think the same growth opportunities are available for women and men in KFH?
- A prerequisite to sustainability entails genuine participation and significant involvement from all members of any given society—from people of various walks of life, diverse denominations of faith, and irrespective of gender. Offering the same growth opportunities for women and men is a matter of global interest that reaches beyond KFH. As a person who grew up in the United States, it comes to mind that in over 200 years of American history, no woman has ever been president; but that paradigm does not exclude the potential for growth in women—whether or not opportunities are “the same”—as we have seen in the prominent role that some have played, such as with three former US Secretaries of State.

As a woman and as an attorney, I have experienced good things in KFH: the work is often challenging and a number of peers have thoughtful, respectful and professional qualities that I admire. I largely attribute this understanding to the fact that my appointment at KFH was based on experience and merit, as I graduated with honors from one of America's top fifteen law schools, that is, from Northwestern University's School of Law (IL, USA).

- ? What can be done to engage employees on sustainability at KFH?
- Each individual employee has something unique to give, as well as a distinctive set of skills, talents and resources to fall back on. And many of those who work at KFH choose to do so with a conviction that KFH has something different to offer in a dynamic financial world. There is in attendance among employees, regardless of our various faith denominations (and KFH truly boasts many) a shared sense of common values and high-minded ideals.

Such moral capital represents a precious commodity that may be leveraged in an institution-wide effort to increase sustainability, if the corporate endeavor is generous enough to give each person a chance to express him- or herself. Promoting active employee awareness and involvement in various projects and at different junctures along the way could produce a proactive annual assessment that more people identify with.

I, for one, would love to see my children's school involved with KFH in a joint campaign to beautify Kuwait and increase the long term environmental sustainability of this good earth—with each student planting a tree, a bush, or even a seed. Likewise, I would be interested in the vision and thoughts of esteemed colleagues.



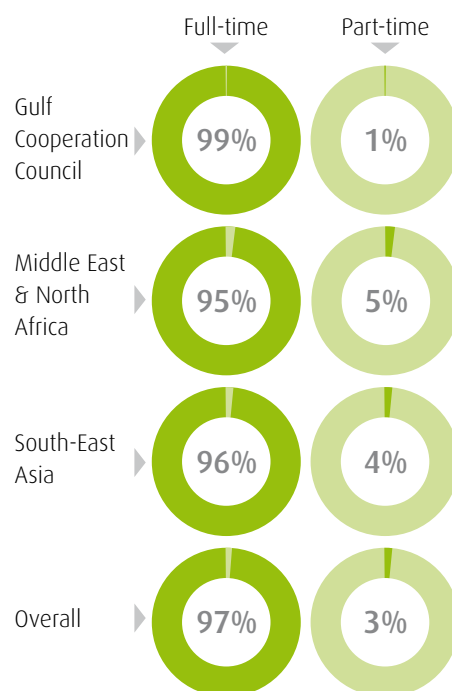


Contributing to positive change in the workplace

Our business is in constant change both internally from the transformation program, and externally with changing market conditions. It is imperative that we develop and retain our employees, who are our most valuable assets. We aim to consistently provide our employees with the tools they need to be successful by creating a conducive and nurturing work environment.

It is pivotal for our success that KFH keeps a safe and stimulating working space for our employees. It is our ambition to become one of the most desired employers in all areas of operation by creating a stimulating atmosphere that attracts high caliber employees and allows them to develop. KFH currently has over 9,500 employees of whom approximately 5,500 are based outside of Kuwait.

Breakdown of workforce full-time/part-time by region



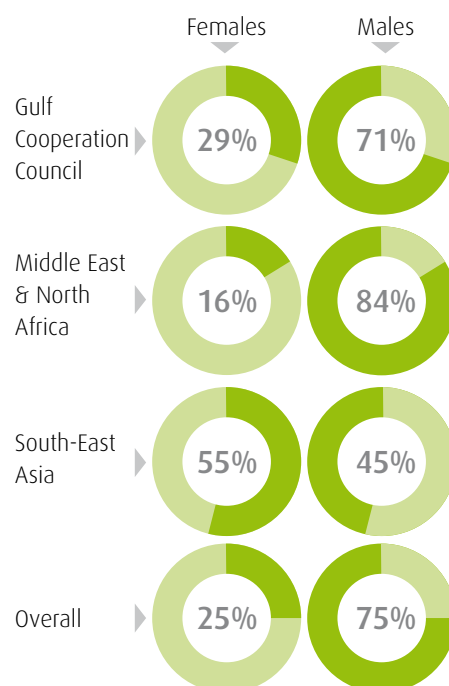


We understand that diversity goes beyond just a female/male ratio and touches upon various cultures, ages, genders and physical abilities. With this said, we especially find it important to recruit women, where we are pleased that we are able to celebrate significant successes, such as our female CEOs in KFH Malaysia and KFH Research.

Diversity

KFH and its subsidiaries operate across a spectrum of regions from the Arabian Gulf, the Middle East and North Africa and South-East Asia in countries including Kuwait, Bahrain, Saudi Arabia, Egypt, Turkey and Malaysia. It is important for KFH to mirror the diversity of the communities where we operate, while still retaining a healthy percentage of local talent. We understand that diversity goes beyond just a female/male ratio and touches upon various cultures, ages, genders and physical abilities. With this said, we especially find it important to recruit women, where we are pleased that we are able to celebrate significant successes, such as our female CEOs in KFH Malaysia and KFH Research. In keeping with the values of gender equality, we do not discriminate in salaries across our banks. Our men and women get paid equal amounts along similar grades.

Total workforce gender breakdown by region





In focus: KFH Malaysia's strides for women

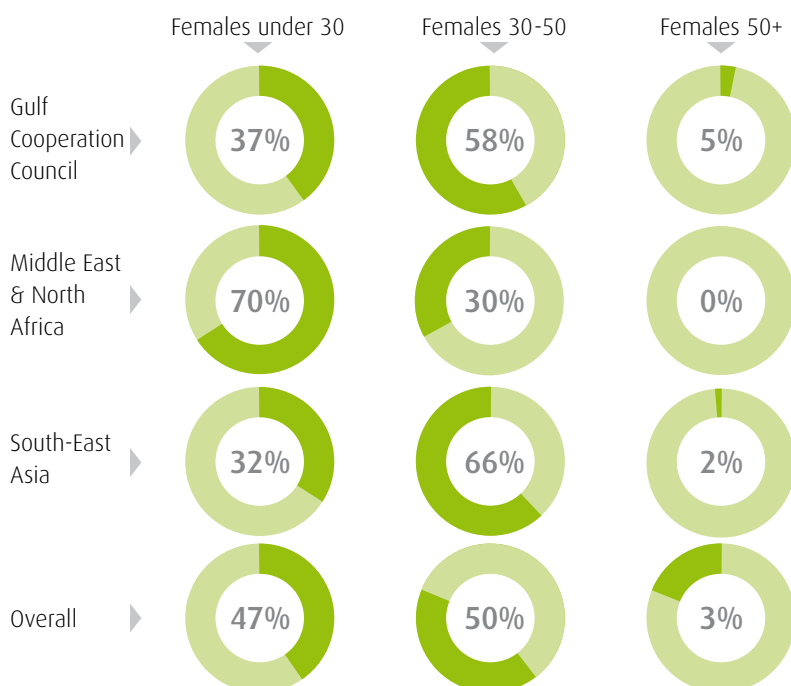
With KFH aiming to promote leadership opportunities for women globally and improving the gender balance within our company, KFH Malaysia proudly has the highest respective percentage of women, where they make up 55% of the bank. In 2012, the bank's CEO, YBhg Dato' Jamelah Jamaluddin received a Datukship on the occasion of the birthday of His Royal Highness of Malaysia, for her contributions to Islamic Finance. Since becoming CEO, Jamelah Jamaluddin has displayed and reflected the bank's commitment in making it possible to reach the people of Malaysia, so that they can benefit as much as possible from our innovative range of Islamic banking products and services.

Breakdown of workforce by age by region





Breakdown of workforce by age by region

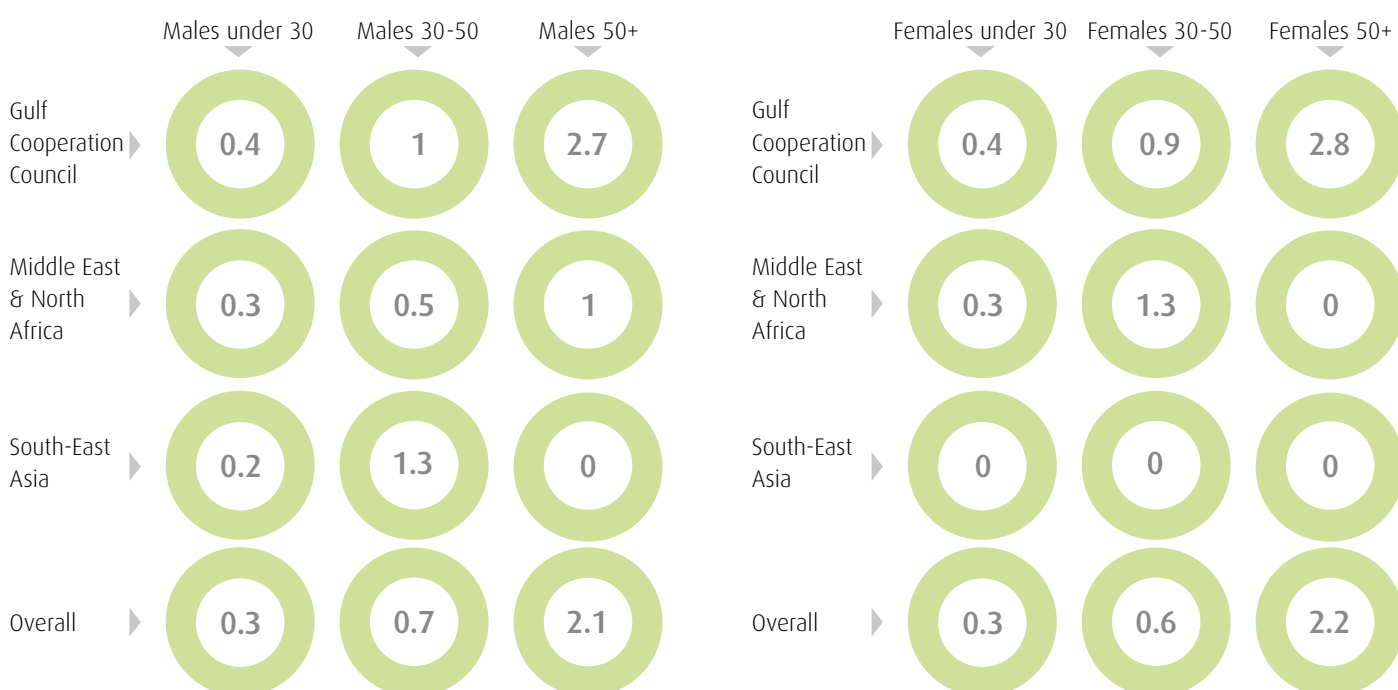


Employee turnover

Managing employee turnover and loss of key staff is essential to running a responsible business. High turnover rates can indicate levels of uncertainty and dissatisfaction among employees, or may signal a fundamental change in the structure of an organization's core operations. With our current transformation program at KFH Headquarters, we seek to keep an eye on our employee turnover by age and gender, in order for us to address any uneven patterns should they arise.



Employee turnover rates by region





Empowering locals

Ensuring local representation within KFH is imperative to us. Ensuring that senior management is populated with local residents greatly benefits the local economy, community, and helps us understand local needs. KFH also complies with all national labor laws, including the minimum percentage of locals to be employed in a financial sector set by governments in our Gulf operations in Kuwait and Bahrain.

Employees hired locally across our banks



Spotlight

Disaster Relief

KFH created a fund drive for the victims of monsoon floods in Pakistan. This is part of KFH's support to Pakistan since 2010, when the country experienced one of the worst floods in their history. The fund drive involves fundraising activities hosted locally in the regions in which we operate, as well as sending our employees to the source for on-the-ground support.



Employee training hours across our banks

		KFH Kuwait	KFH Bahrain	KFH Turkey	KFH Malasia	Overall
Females	Senior Management ▶	29	0	42	11	11
	Non-seniors ▶	52	36	47	9	26
Males	Senior Management ▶	18	43	118	11	14
	Non-seniors ▶	42	33	113	21	73

In integrating our values into our sustainability commitment, we look into reward, recognition, training and the recruitment process. We provide ample development opportunities for all our employees, where almost all who work in our banking operations worldwide undergo regular career performance reviews. For these assessments, employees have a structured discussion with their supervisors about their work goals, training objectives and development needs. As such, employees are constantly developed through the course of their careers with training, mentoring and opportunities to join professional networks. We continue to focus on training employees after their induction programs, which is fundamental to the growth of our company. Employees at each level have a customized deck of training modules which enhances their career and learning. Young talents who join our banks are soon provided with a comprehensive induction program which gives the necessary skills for a fruitful



career in KFH. The modules contain core topics including Shariah Principles and Anti-Money Laundering. Senior management can develop their skills on credit analysis and management, leadership skills, corporate governance workshops and attending Shariah-related conferences.

In focus: KFH Kuwait Forsa & Induction programs

At KFH Headquarters, specialized training programs are given for the three different types of employee careers, namely Commercial Operations, Retail and Call Center. When new graduates are recruited, they begin with a suite of professional training tools which suit their needs, providing a diverse and comprehensive means for employees to fit into their job requirements best. The training is further complimented by the KFH Forsa program, where our new employees gain valuable experience across sectors and regions in their initial months of working.

Spotlight

Business and entrepreneurship

Every summer, KFH subsidiary International Turnkey Systems (ITS) organizes the “Watani” program, held annually in Kuwait, Egypt, Saudi Arabia and Bahrain. The program seeks to bridge the gap between the academic environment and the future work environment. The program gives students the opportunity to access practical, challenging and meaningful on-the-job work experience, develop skills, set up connections, and strengthen their resumes while being part of a dynamic and a diverse team that can make a difference in the organization.

Promoting staff health

A healthy workplace does not stop in the office. KFH regularly hosts extra-curricular activities for staff including sports competitions, culturtrips and community work. In line with this philosophy, KFH Malaysia’s Human Capital Department in

partnership with the bank’s third-party medical administrator, PMCare, recently launched the ‘Big-loss, Big-win’ Body Makeover Challenge at KFH Malaysia with the objective of improving the health and fitness levels of their staff.



Name: **Yousef AlEssa**

Department: **Assistant Business Analyst, Strategic Program Management Office**

Time at KFH: 4 months

? How has corporate sustainability changed your job role in KFH?

- This is my first job, and so far a positive start for my career. From the get go, it has really given me a sense that business should not be just about money, and that's a great lesson to learn. I knew KFH was different, and I found out what it really means to work for an ethical bank. Part of working here is maximizing shareholder wealth and at the same time maximizing social welfare, something I never really learned at university.

? As a member of the sustainability project management team, where do you see KFH sustainability in the future?

- KFH took the lead on the Sustainability Program two years prior to my joining, and from what I see from my time here is that KFH sustainability is taking a more prominent role in the group. There are obstacles, but I believe that with the

new transformation program, the new governance structure will facilitate the process of embedding sustainability in our day to day operations. A department will be responsible for sustainability, which I think will make a massive difference. This will ensure each department in the bank achieves their targets on performance indicators, and will really drive and incentivize this agenda moving forward.

? Which areas of sustainability do you think KFH should focus on?

- At the end of day our logo is green – we need to stop printing and shredding paper and really start going green in our offices by introducing principles such as LEED. Being in the sustainability program management team has changed something in me, especially when it comes to the environment. However, I understand that we need to start at step 1. This goes not just for KFH, but for Kuwait as a whole. I believe that sustainability should be in all in companies operating in Kuwait, with the private sector taking a role along side our government. It is indeed something you give to your creator not just to society. If we all have such standards the world is going to improve, not just Kuwait.





Managing our environmental impact

During our materiality analysis and through our stakeholder engagements, we found that one of the most material issues to our external stakeholders is our environmental impact. This may come as a surprise to some of our readers because financial institutions are not considered by society to be among the big polluters compared to other industries. However, if you consider the fact that almost 40% of energy¹ consumed in the world goes to power buildings, then our understanding, and subsequently our responsibility changes.

The GCC countries are considered among the highest energy consuming countries in the world on a per capita basis. Kuwait ranks third in the world in Kilowatt Hours consumed per capita². The principle reason behind the high consumption rates is the heavily subsidized price of energy. Kuwaiti consumers pay approximately 5% of the cost to generate electricity. Given these facts, we have taken a conscious decision to be a market leader in

environmental responsibility in the banking sector by constantly monitoring, managing, and reducing our energy footprint in all of our branches.

We manage our environmental indicators through our Facilities Management departments. Our materiality analysis identified electricity and material (paper) consumption to be our most material performance indicators. Since our energy consumption occurs through our offices, we use a global methodology, developed by the International Energy Agency (IEA) to estimate our CO2 emissions using a grid emission factor multiple. The grid factor is determined by a country's sources or fuels used in the power plants. Countries that use cleaner fuels such as natural gas and renewable energy have lower grid emission factors, and countries using more polluting fuels, such as coal, will have higher grid emission factors.

¹ Source: International Energy Agency (IEA)

² Source: World Bank



Carbon dioxide emissions

KFH aims to manage its operational carbon dioxide emissions through energy efficiency.

In our bank buildings and branches, the main source of emissions comes indirectly from

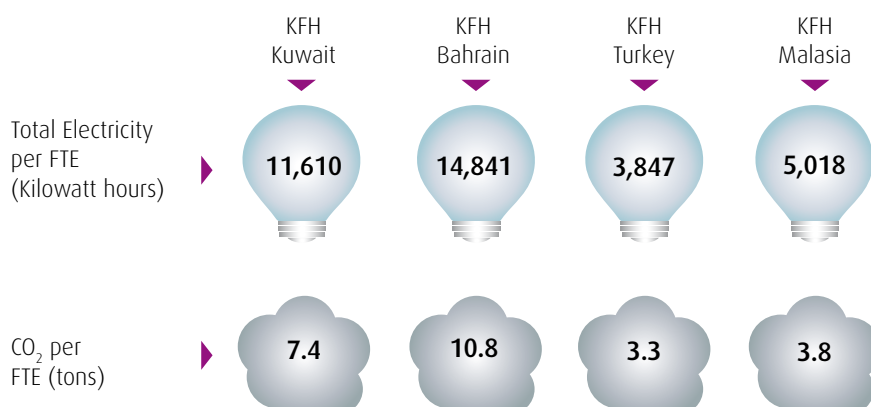
our electricity use. We started calculating our carbon footprint in 2010, the first year we published our sustainability report, and have been monitoring and reporting on it ever since.

Water management

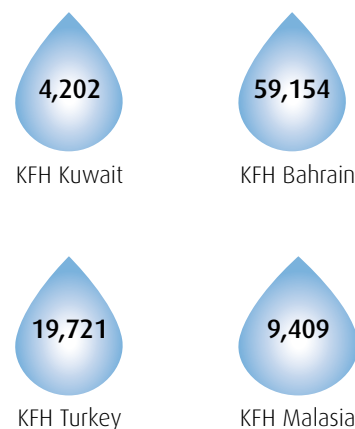
We want to respond to the impending global pressures on water supply by taking a more strategic approach and develop sustainable water management practices.

Water consumption across our banking operations

Total CO2 emissions across our banking operations



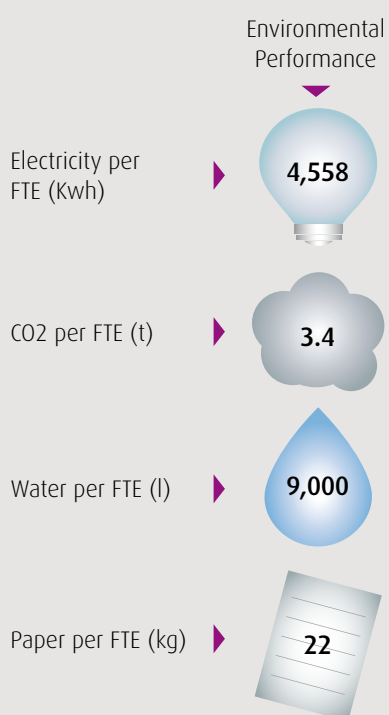
Water per FTE (liters)





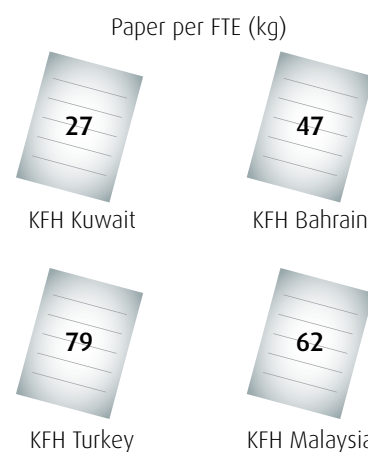
Sector focus: KFH Research environmental data breakdown

In our quest to achieve environmental sustainability, it is important to measure a baseline so we determine where we stand, in order to monitor and improve performance in the future. With a staff of 20 persons, KFH Research is the best place to make big changes in the years to come, given its size, location and interest in the field.



Paper consumption

The nature of our business is highly paper intensive. Central Market regulations and legal compliance issues necessitate the use of large amounts of paper (hard copies) as backup copies for security reasons. Given those limitations, we are currently evaluating ways of minimizing our paper consumption without jeopardizing our legal standing.





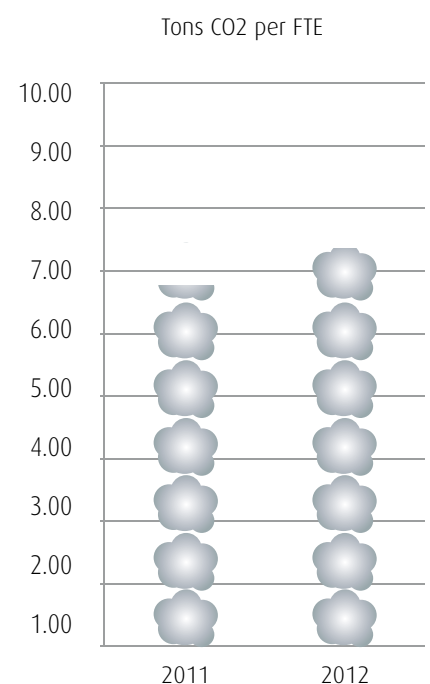
Spotlight

Strategic Partnership for Environmental Awareness.

In 2012, KFH sponsored an event held by the Kuwait Environment Public Authority (EPA) to increase awareness of environmental issues in Kuwait. This year's topic was recycling. The EPA highlighted the magnitude of the waste management issues facing Kuwait, and stressed the importance for companies in Kuwait, both in the public and private sectors, to join each other and lead by example in this most pressing of environmental challenges facing the country.

During the launch of the event, Minister of Health Mr. Ali Al Obaidi applauded Kuwait Finance House for its efforts in supporting and sponsoring these awareness sessions. He also highlighted KFH's leading role in sustainable development in Kuwait, and hopes that other financial institutions and private sector companies follow KFH's example.

Monitoring our performance in KFH Kuwait





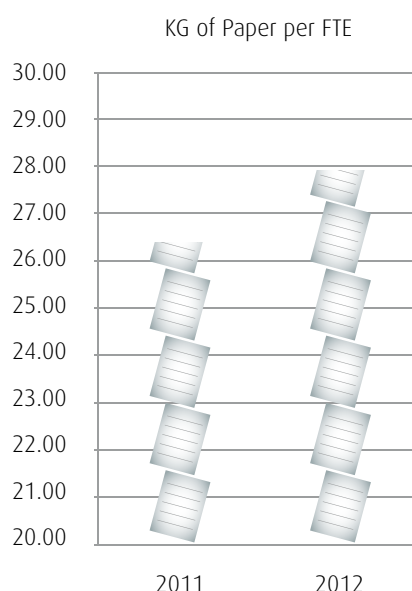
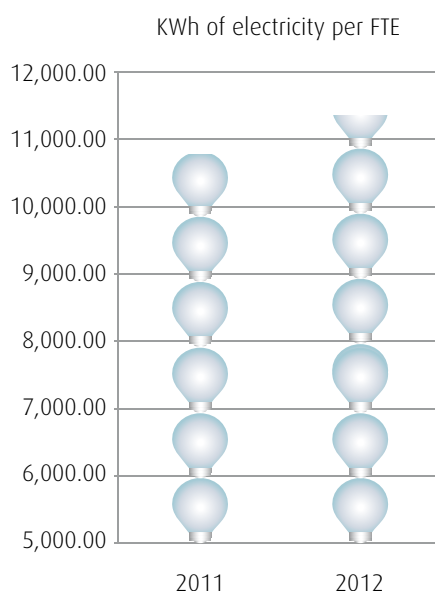
KFH is keen to play a larger role in raising environmental awareness in Kuwait, and is committed to sponsoring awareness events and campaigns.

Our main office in Kuwait is the centre of the comprehensive transformation program. Once complete, the transformation program will usher in several new practices and

greatly enhance our operating efficiency, however, our environmental key performance indicators did not improve during the past year.

There are several reasons why we did not achieve our reduction targets this past year. The principle reason is the scale of restructuring taking place. Old departments are being consolidated, and new functions are being formed and shifted to new locations. Another factor is that we opened five new branches this year, and added over 300 full time employees. Once these new functions and branches are up and running, we expect their operational efficiency to improve with regards to energy and materials used.

We are well aware of the shortfalls of our environmental performance of the year. Rather than deflate our morale, we are using this set back as a motivational tool to increase our efforts and are determined to improve our environmental performance in the next reporting cycle.







Community highlights

At KFH, we have always strived to be a responsible and nurturing organization by supporting all citizen in areas we operate in. We have been dedicated to supporting causes in our communities long before we started disclosing our community involvement efforts in sustainability reports. In fact, our social responsibility efforts continuously drive us to explore new methods to give back to our communities.

One of the pillars of Islam is “Zakat”, considered to be as important as praying and performing Hajj. Therefore, as a Shariah-compliant institution we take our commitment to our communities very seriously. We are continuously looking to support local NGOs in promoting practices such as healthy living, children’s education, and environmental responsibility.

Microfinance

KFH ‘Microfinancing-1’ has been developed by KFH Malaysia with the objective to diversify KFH’s Corporate Sustainability activities. The main aim is to assist groups of defined underprivileged people to start their own business and support themselves. KFH provides capital or equipment assistance to small business customers to allow them to generate income. Basic features of the program are based on the Shariah concept of ‘Qardh’, as well as profit-free and short-term financing. The project targets individuals who have the expertise and skill set to start a business, but do not have the capital to support themselves. Priority is given to women in poverty, with hopes that once the business is set up, they will be able to expand and improve their standard of living.



Children and education

Demand for religious schools in the State of Johor, Malaysia was met by KFH with the development of 96 schools in a two year project through a grant of \$51 million. The project is deemed to be a long-term commitment by the government to ensure sufficient supply of schools to meet the growing need for education. To enhance sustainability value, subcontractors were selected from Bumiputera, in order to increase local involvement and support entrepreneurial firms in the area.

KFH sponsored a number of schools across its operating regions which has led to the creation of career labs to assist teenagers planning their careers, e-learning, state of the art technology hardware and refurbishment of classrooms. KFH also actively sponsors and participates in societies across the region on various disciplines such as medicine and engineering.

More than making financial gains and serving customers with innovative banking products and services, KFH Malaysia is also a strong supporter of sustainability initiatives that benefit the community. Creating footsteps, represented by four leaves, focuses on the community, marketplace, workplace and environment. In 2012, KFH worked with a number of orphanages to open accounts for orphans, and provided cash donations to start their accounts. KFH Malaysia has also implemented various programs and activities which include assisting the underprivileged community and natural disaster victims, educating universities and school students on Islamic (Shariah-compliant) banking, providing basic business skills for low income groups, providing aids and facilities to Islamic religious schools and related Islamic activities, contribution to Tabung Haji pilgrims, tree-planting as well as staff volunteerism in the local community.

KFH and health

KFH subsidiary Al Salam international Hospital (SIH) provides safe, modern and integrated health services with ethical standards in a professional environment, while ensuring patient's safety and the aspirations of shareholders as well as patients. KFH regularly engages with SIH to organize blood donation drives, child protection, safety weeks, health awareness days and lectures, first aid courses, graduation ceremonies, diabetes campaigns, nursing days and medical conferences and exhibitions, to name a few.

KFH is committed to promote the health of the community around us for both our employees and societies in which we operate. We regularly host events as well as sponsor teams and championships for men and women. Under the auspices of KFH, Side-Kick Academy, a Kuwaiti martial arts fitness center, won three medals for the first



time ever at the World Professional Jiu-Jitsu Championship held in Abu Dhabi last year. Side-Kick Academy received Gold, Silver and Bronze awards for various categories, making a mark for Kuwait in the sport. The Championship is one of the biggest in the world, attracting more than 500 participants.

KFH also sponsored Bahrain Women's Day in 2012, with the year's theme being "Woman & Sport: Will - Achievement - Aspirations". The Bahraini Women's Day is a national celebration that appreciates the achievements of women in various fields. The occasion aims to shed light on the successes and the challenges they face and how they were able to make notable achievements in their participation at international tournaments. The event also launched various initiatives to attract qualified women in various sports fields who are able to represent Bahrain honourably in international events.

Preserving culture

KFH Turkey has the honour of being located in one of the world's most culturally rich locations. Projects, supported by our employees, are aimed at keeping the historical heritage alive for future generations. Projects undertaken in 2012 include the restorations of Saliha Sultan Fountain and Kozahan Fountain – both with their own unique cultural importance. Saliha Fountain, built in 1732 located in Azapkapı Square, represents one of the earliest examples of western influence on Ottoman architecture and is classed as a "Meydan" (freestanding) fountain designed as part of sebils, where passersby could drink from water cups filled by attendants. Kozahan fountain, built in 1491, located at the stop on the historic Silk Road in Anatolia, is one of the best-known examples of Ottoman heritage in the northwestern province of Bursa.

GRI Index Table

GRI guideline			Inclusion	Location
Strategy and analysis				
1.1	Core	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy.	Yes	CEO message, page 9
1.2	Core	Description of key impacts, risks and opportunities.	Yes	Managing our sustainability performance, page 13
Profile				
2.1		Name of reporting organization.	Yes	KFH Group of Companies, cover page
2.2		Primary brands, products and or services.	Yes	Better Business, pages 29-31
2.3		Operational structure of the organization including main divisions, operating companies, subsidiaries and joint ventures.	No	
2.4		Location of organization's headquarters.	Yes	We are KFH, page 16
2.5		Number of countries where organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Yes	We are KFH, page, 18
2.6		Nature of ownership and legal form.	No	
2.7		Markets served	Yes	We are KFH, page 18
2.8		Scale of the reporting organization including: <ul style="list-style-type: none"> Number of employees Number of operations Net sales (for private organizations) or net revenues (for public organizations) Total capitalization broken down in terms of debt and equity; and Quantity of products or services provided. 	Yes, partially	We are KFH, page 18 Better business, page 26 Contributing to positive change in the workplace, page 41
2.9		Significant changes during the reporting period regarding size, structure or ownership, including: <ul style="list-style-type: none"> Location of, or changes in operations, including facility openings, closings, and expansions; and Changes in the share capital structure and other capital formation, maintenance, and alteration operations. 	Yes	We are transforming, page 21
2.10		Awards received in the reporting period.	Yes	Year in review, page 5
Report Parameters				
3.1		Reporting period for information provided.	Yes	Managing our sustainability performance, page 14
3.2		Date of most recent previous report.	No	
3.3		Reporting cycle.	Yes	Managing our sustainability performance, page 14
3.4		Contact point for questions regarding the report or its contents.	Yes	CEO letter, page 8
Report scope and boundary				
3.5		Process for defining report content, including: <ul style="list-style-type: none"> Determining materiality. Prioritizing topics within the report; and Identifying stakeholders the organization expects to use the report. 	Yes	Stakeholder engagement and materiality, page 14
3.6		Boundary of the report.	Yes	Managing our sustainability performance, page 14
3.7		State any specific limitations on the scope or boundary of the report.	Yes	Managing our sustainability

GRI guideline		Inclusion	Location
			performance, page 14
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	No	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	Yes	Managing our environmental impact, calculations used for CO2 grid emission factor, page 51
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	No	Not applicable
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	No	Not applicable
GRI content index			
3.12	Table identifying the location of the Standard disclosures in the report.	Yes	This index
Assurance			
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the Sustainability 2012: Summary Report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider.	Yes, partially. We have had our 2011 Sustainability Report assured by Ernst & Young and have plans to seek assurance for this publication.	Managing our sustainability performance, page 14
Governance, Commitments and Engagement			
Governance			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Yes	We are KFHH, page 19
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and if so, their function within the organization's management and the reasons for this arrangement).	Yes	Annual Report
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Yes	Annual Report
4.4	Mechanisms for stakeholders and employees to provide recommendations or direction to the highest governance body.	Yes	We are KFHH, page 19
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements) and the organization's performance (including social & environmental performance).	No	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	No	
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	No	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance, and the status of their implementation.	Yes, partially	We are KFHH, page 17
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Yes, sustainability management team	We are KFHH, page 19
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	No	
Commitments to external initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Yes, Shariah compliant banking	Better Business, page 26
4.12	Externally developed economic, environmental, and social charters, principles or other initiatives to which the organization subscribes or endorses.	Yes	Community highlights, page 57
4.13	Members in associations and/or national/international advocacy organizations in which the organization:	No	

GRI guideline			Inclusion	Location
		<ul style="list-style-type: none"> Has positions in governance bodies Participates in projects or committees Provides substantive funding beyond routine membership dues; or Views membership as strategic. 		
Stakeholder engagement				
4.14		List of stakeholder groups engaged by the organization. E.g. communities, civil society, customers, shareholders and providers of capital, suppliers and employees, other workers and their trade unions.	Yes	Managing our sustainability performance, content selection process, page 14
4.15		Basis for identification and selection of stakeholders with whom to engage. Includes process for defining stakeholder groups and for determining the groups with which to engage.	No	
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. E.g. surveys, focus groups, community panels, corporate advisory panels, written communication, management/union structures and other vehicles. Say whether any engagement was undertaken specifically as part of the report preparation process.	No	
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Yes	We are transforming, page 22-23
Performance: Economic				
Disclosure on Management approach				
		Provide a concise disclosure on the Management Approach items outlined below with reference to the following economic aspects; economic performance, market presence and indirect economic impacts.	Yes, partially.	KFH contributes directly to the economies of countries in which we operate through our Shariah-compliant products and services. This contribution to development is a key focus of our strategy to help create sustainable societies.
Economic Performance indicators				
Aspect: Economic Performance				
EC1	Core	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Yes	Better business, page 26
EC2	Core	Financial implications and other risks and opportunities for the organization's activities due to climate change.	No	
EC3	Core	Coverage of the organization's defined benefit plan obligations.	No	
EC4	Core	Significant financial assistance received from government.	No	
Aspect: Market presence				
EC5	Additional	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	No	
EC6	Core	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation.	No	
EC7	Core	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Yes	Contributing to positive change in the workplace, page 46
Aspect: Indirect economic impacts				
EC8	Core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement.	Yes	Community highlights,

GRI guideline			Inclusion	Location
				page 57-59
EC9	Additional	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Yes, partially	Better business, page 28-33
Performance: Environmental				
Disclosure on Management approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following environmental aspects: materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance, transport and overall.	Yes	Reducing our environmental impacts is a sustainability priority for KFH, and is also a business imperative, helping us cut operating costs and meet the increasingly robust environmental requirements of our business customers and investors. We are still working on getting systems in place to manage the impacts of our own operations, with key focus areas including reducing electricity and transport use and associated carbon emissions, and managing electronic waste and paper from our products and services.
Environmental Performance indicators				
Aspect: Materials				
EN1	Core	Materials used by weight or volume.	Yes	Managing our environmental impact, paper use, page 53
EN2	Core	Percentage of materials used that are recycled input materials.	No	
Aspect: Energy				
EN3	Core	Direct energy consumption by primary energy source.	No	
EN4	Core	Indirect energy consumption by primary source.	Yes	Managing our environmental impact, electricity use, page 52
EN5	Additional	Energy saved due to conservation and efficiency improvements.	No	
EN6	Additional	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	No	
EN7	Additional	Initiatives to reduce indirect energy consumption and reductions achieved.	No	
Aspect: Water				
EN8	Core	Total water withdrawal by source.	Yes	Managing our environmental impact,

GRI guideline			Inclusion	Location
				page 52
EN9	Additional	Water sources significantly affected by withdrawal of water.	Not material – KFH does not use large quantities of water, nor does the business depend on water	
EN10	Additional	Percentage and total water volume of water recycled and reused.	Not material – KFH does not use large quantities of water, nor does the business depend on water	
Aspect: Biodiversity				
EN11	Core	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity outside protected areas.	Not material	
EN12	Core	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not material	
EN13	Additional	Habitats protected or restored.	Not material	
EN14	Additional	Strategies, current actions and future plans for managing impacts on biodiversity.	Not material	
EN15	Additional	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not material	
Aspect: Emissions, effluents and waste				
EN16	Core	Total direct and indirect greenhouse gas emissions by weight.	Yes	Managing our environmental impact, carbon dioxide emissions, page 52
EN17	Core	Other relevant indirect greenhouse gas emissions by weight.	No	
EN18	Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved.	No	
EN19	Core	Emissions of ozone-depleting substances by weight.	Not material – KFH holds ozone-depleting substances only in small quantities, and these are controlled	
EN20	Core	NO _x , SO _x , and other significant air emissions by type and weight.	Not material	
EN21	Core	Total water discharged by quality and destination.	Not material	
EN22	Core	Total weight of waste by type and disposal method.	No	
EN23	Core	Total number and volume of significant spills.	Not material	
EN24	Additional	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not material	
EN25	Additional	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not material	
Aspect: Products and services				
EN26	Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	No	
EN27	Core	Percentage of products sold and their packaging materials that are reclaimed by category.	No	
Aspect: Compliance				
EN28	Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Not material	
Aspect: Transport				
EN29	Additional	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	No	

GRI guideline			Inclusion	Location
Aspect: Overall				
EN30	Additional	Total environmental protection expenditures and investments by type.	No	
Performance: Labor Practices and Decent work				
Disclosure on management approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following labor aspects; employment, labor/management relations, occupational health and safety, training and education and diversity and equal opportunity.	Yes	KFH is committed to treating employees fairly and we do not condone discrimination on any grounds. We aim to promote equal opportunities and diversity, provide opportunities for training and development, engage employees in the business and ensure their wellbeing.
Labor Practices and Decent Work Performance Indicators				
Aspect: Employment				
LA1	Core	Total workforce by employment type, employment contract and region, broken down by gender.	Yes	Contributing to positive change in the workplace, page 41
LA2	Core	Total number and rate of employee turnover by age group, gender and region.	Yes	Contributing to positive change in the workplace, page 45
LA3	Additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.	No	
Aspect: Labor/management relations				
LA4	Core	Percentage of employees covered by collective bargaining agreements.	Not material	
LA5	Core	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	No	
Aspect: Occupational health and safety				
LA6	Additional	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	No	
LA7	Core	Rates of injury, occupational diseases, lost days, absenteeism, and number of work related fatalities by region and by gender.	No	
LA8	Core	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	No	
LA9	Additional	Health and safety topics covered in formal agreements with trade unions.	No	
Aspect: Training and education				
LA10	Core	Average hours of training per year per employee by gender category and by employee category.	Yes	Contributing to positive change in the workplace, page 47
LA11	Additional	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing their career ending.	No	
LA12	Additional	Percentage of employees receiving regular performance and career development reviews, by gender.	No, although the majority of our employees are given career	

GRI guideline			Inclusion	Location
			performance reviews	
Aspect: Diversity and equal opportunity				
LA13	Core	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	No	
Aspect: Equal remuneration for men and women				
LA14	Core	Ratio of basic salary of men to women by employee category, by significant locations of operation.	No	
LA15	Core	Return to work and retention rates after parental leave, by gender.	No	
Performance: Human rights				
Disclosure on management approach				
		Provide a concise disclosure on the implementation of the due diligence process on the management approach items outlined below with reference to the following human rights; investment and procurement practices, non-discrimination, freedom of association and collective bargaining, abolition of child labor, prevention of forced and compulsory labor, complaints and grievance practices, security practices, assessment, remediation and indigenous rights.	Yes	KFH respects and complies with all human rights legislation, regulations and standards in the countries where we operate and our fully compliant to the Labor Laws. We are committed to protecting and enhancing the human rights of everyone working in KFH. KFH does not tolerate child labor, forced or compulsory labor.
Human rights indicators				
Aspect: Investment and procurement activities				
HR1	Core	Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening.	No	
HR2	Core	Percentage of significant suppliers, contractors and other business partners that have undergone screening on human rights and actions taken.	No	
HR3	Additional	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees that are trained.	No	
Aspect: Non-discrimination				
HR4	Core	Total number of incidents of discrimination and actions taken.	No	
Aspect: Freedom of Association and Collective bargaining				
HR5	Core	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Not material – not applicable to KFH	
Aspect: Child Labor				
HR6	Core	Operations and significant suppliers identified as having a significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Not material – not applicable to KFH	
Aspect: Forced and compulsory labor				
HR7	Core	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Not material – not applicable to KFH	
Aspect: Security practices				
HR8	Additional	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	No	
Aspect: Indigenous rights				
HR9	Additional	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not material – KFH operations	

GRI guideline			Inclusion	Location
			do not affect indigenous people	
Aspect: Assessment				
HR10	Core	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	No	
Aspect: Remediation				
HR11	Core	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	No	
Performance: Society				
Disclosure on management approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following society aspects; community, corruption, public policy, anti-competitive behavior and compliance.	Yes	The KFH network bring many benefits for society, particularly in when it comes to Shariah banking, where our services can make a significant contribution to development. We expect our employees to uphold the high ethical standards and we have a zero tolerance policy on bribery and corruption.
Society performance indicators				
Aspect: Community				
SO1	Core	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	No	
SO9	Core	Operations with significant potential or actual negative impacts on local communities.	No	
SO10	Core	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	No – KFH has no new operations implemented in 2012 however we have spoken about action done for this indicator in previous reports.	
Aspect: Corruption				
SO2	Core	Percentage and total number of business units analyzed for risks related to corruption.	No	
SO3	Core	Percentage of employees trained in organization's anti-corruption policies and procedures.	Yes, partially. Shariah and ethics training is mandatory for all new hires and employees across the Group.	Better business, page 31
SO4	Core	Actions taken in response to incidents of corruption.	No	
Aspect: Public policy				
SO5	Core	Public policy positions and participation in public policy development and lobbying.	Not material, KFH is not involved with public policy and lobbying	
SO6	Additional	Total value of financial and in-kind contributions to political parties, politicians and	Not material,	

GRI guideline			Inclusion	Location
		related institutions by country.	KFH does not to make political donations or support particular party political interests.	
Aspect: Anti-competitive behavior				
SO7	Additional	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	No	
Aspect: Compliance				
SO8	Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	No	
Performance: Product responsibility				
Disclosure on management approach				
		Provide a concise disclosure on the management approach items outlined below with reference to the following product responsibility; customer health and safety, product and service labeling, marketing communications, customer privacy and compliance.	Yes	Staying true to our Shariah compliant services for our customers, employees and the public is paramount. We comply with guidelines given to us by the Shariah and Fatawa Board.
Product responsibility Performance indicators				
Aspect: Customer Health and safety				
PR1	Core	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	No	
PR2	Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	No	
Aspect: Product and service labeling				
PR3	Core	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	No	
PR4	Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	No	
PR5	Additional	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	No	
Aspect: Marketing communications				
PR6	Core	Programs for adherence to laws, standards and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship.	No, however KFH fully adheres to the Central Bank of Kuwait's marketing and communications guidance.	
PR7	Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	No	
Aspect: Customer privacy				
PR8	Additional	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	No	
Aspect: Compliance				
PR9	Core	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	No	

[Back to top](#)

Financial services sector specific guidelines

GRI guideline		Compliance	Location
Product Portfolio			
FS1	Policies with specific environmental and social components applied to business lines.	Yes	We are KFH, page Better business, page 26-31
FS2	Procedures for assessing and screening environmental and social risks in business lines	Yes, KFH being Shariah compliant intrinsically negative screens social risks	Better business, page 26
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	No	
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	Yes	Better business, page 31
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	No	
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector.	Yes	Better business, page 27
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Yes, all of KFH's products are 100% Shariah-compliant and thus deliver social benefit	Better Business, page 30-31
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	No	
Audit			
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Yes, Ernst & Young are KFH's sustainability assurance providers	CEO letter, page 11
Active Ownership			
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	Yes, 100% of our portfolio is Shariah-compliant	Better business, page 26
FS11	Percentage of assets subject to positive and negative environmental or social screening.	Yes, 100% of our portfolio goes through social screening	Better business, page 26
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	No	

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Project Mangement

Fahad Khaled Al-Mukhaizeem, General Manager, Strategy and Corporate Affairs - KFH Kuwait

Momtaz M. Saif, Executive Manager Strategic PMO / Sustainability Programme Manager - KFH Kuwait

Louay El Samadi, Sustainability Project Manager - KFH Kuwait

Yousef Al-Essa, Sustainability Project Support - KFH Kuwait

KFH Kuwait

Homoud Al-Mullah, Compensation and Manpower Planning

Adel Abdullah Al-Were, General Services Manager

Ahmed Al-Nori, Manager Compensation & Manpower Planning

Houssam Q. AlKhatib, Service Quality Manager

Imad R. Mirza, Training & Development Manager

Mohammad Al-Awadhi, Senior Marketing Officer

Shareef Al-Ackad, Marketing & PR Officer

KFH Turkey

Gökhan ENGÜL, Corporate Communication

KFH Malaysia

Akmal Baqi Mohamed Ariff, Head, Corporate Communications

Hajjah Rumaizah Dato' Abu Bakar, Media Relations & Publications Manager

KFH Bahrain

Ahmed Khalifa Khalfan, Assistant Manager Corporate Communications

Adnan Shakoor Malik, Head of Strategic Planning & Governance

Badoor Tariq Kazem,

KFH Research

Baljeet Kaur Grewal, Managing Director

Waina Leong, Associate Director

Al-Salam International Hospital

Aliaa El Sayed, Marketing & PR Manager

Sawsen Sobhi, Marketing & PR Administrator

International Turnkey Systems

Dr. Costas G. Constantinidis, AGM

Kuwait Finance House

P. O. Box 24989 Safat

13110 Kuwait

Tel: 22445050

Fax: 22455135

Cable: BAITMAL KT

corp@kfh.com

www.kfh.com

E-mail: sustainability@kfh.com

-  @KFHGROUP
-  Kuwait Finance House (KFH)
-  @KFHGROUP

Ernst & Young sustainability assurance advisors to Kuwait Finance House Group



kfh.com 180 3333