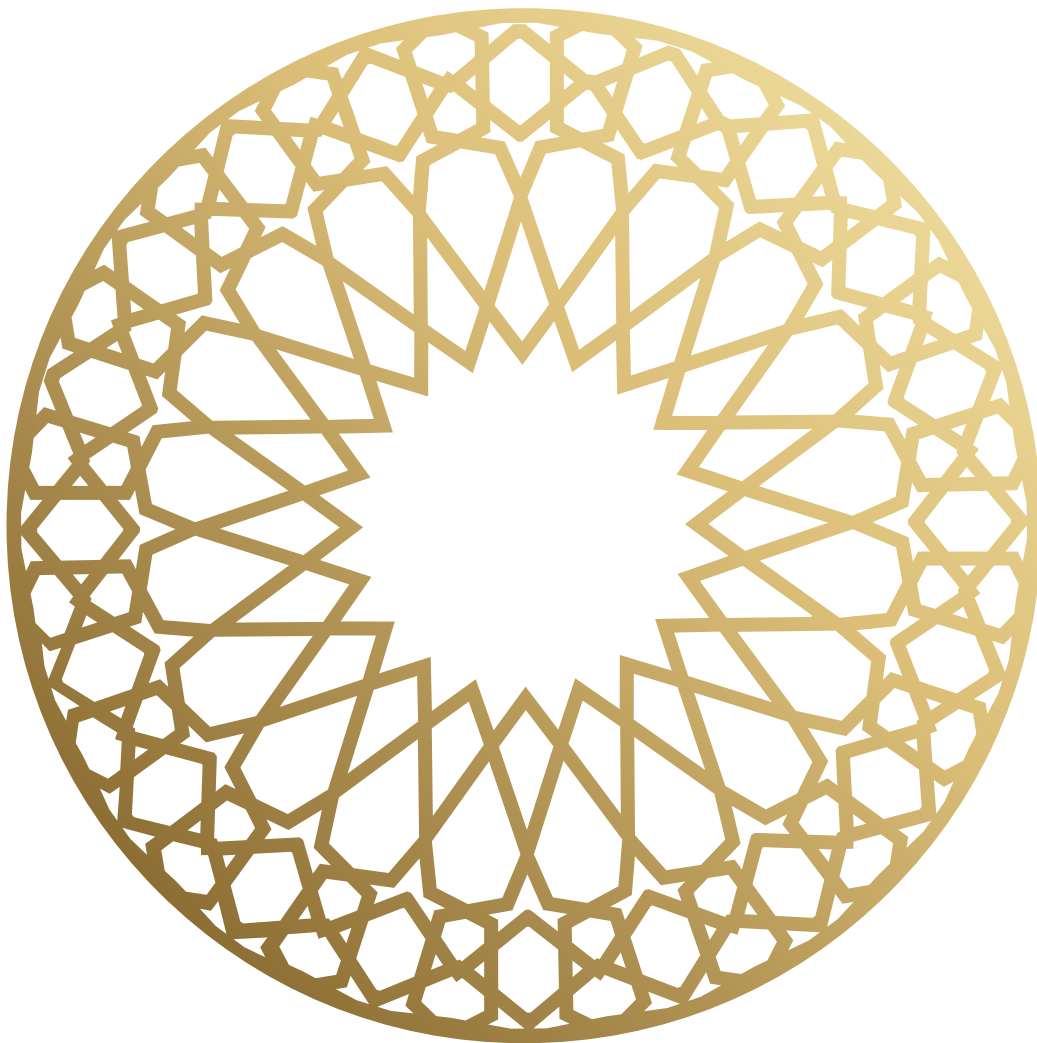




Kuwait Finance House (K.S.C.P.) and Subsidiaries

# Transformation And Building Responsibly











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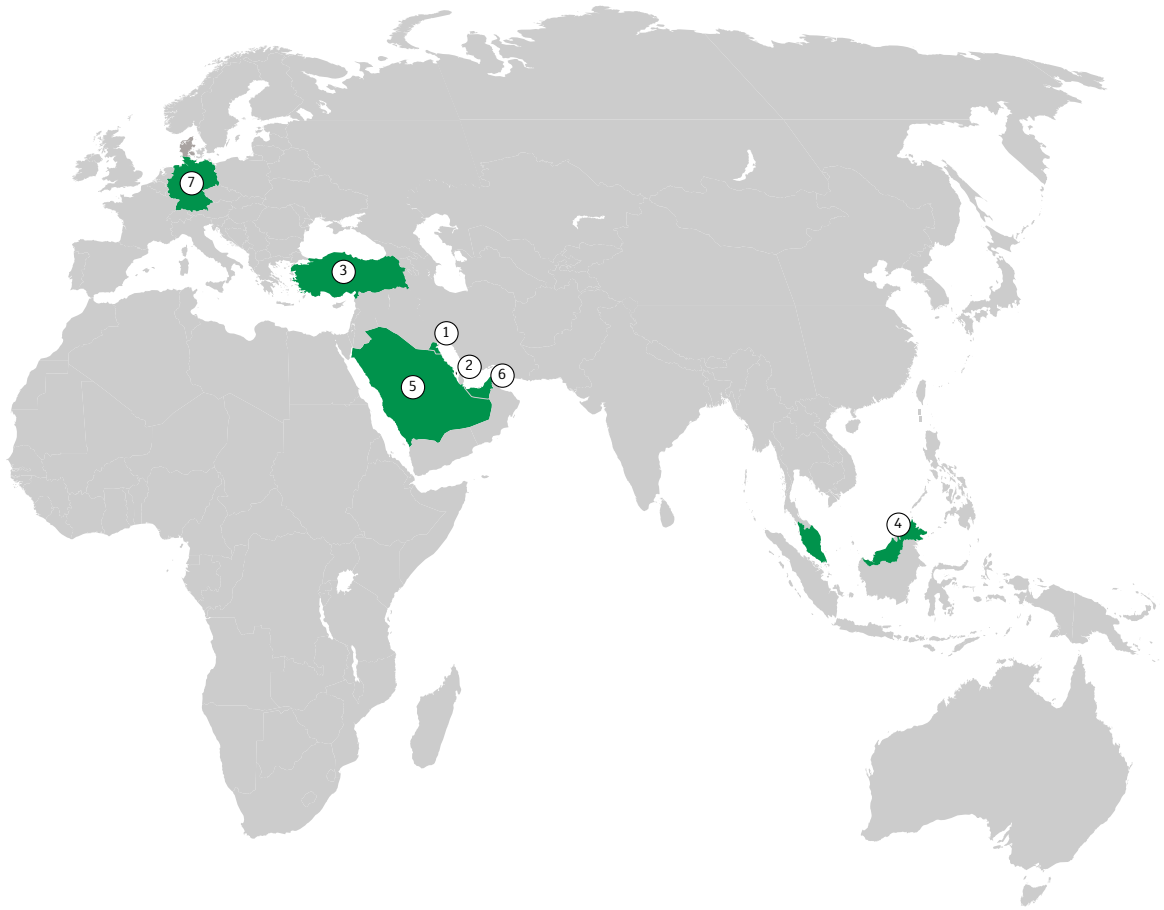
# About US

Kuwait Finance House Group (KFH Group) is one of the oldest and largest Islamic Financial Institutions in the world. Since inception in 1977, we have continued to strive to be at the forefront of Islamic finance and maintain our position as one of the leading Islamic financial institutions in the world. Today, our banking network spans across Europe, the Middle East and Southeast Asia. With 450 branches and over 860 ATMs. Additionally, KFH Group employs over 11,000\* employees across the globe.

We believe that through our business strategy, we create value for our shareholders, we are proficient at taking care of the financial needs of our customers and clients, pay close attention to the needs of our workforce, and invest responsibly in the communities in which we operate. We aim to ensure that KFH Group remains an ever-more reliable and powerful force for a prosperous and healthy economy, society and environment in the areas where we operate or do business.



\* As per the scope of this report, only KFH Banking Subsidiaries, SIH, and ITS are taken into consideration.



- ① Kuwait Finance House K.S.C.P. - Kuwait
- ② Kuwait Finance House B.S.C. - Bahrain
- ③ Kuwait Turkish Participation Bank - Turkey
- ④ Kuwait Finance House - Malaysia ( Berhad )

- ⑤ Saudi Kuwaiti Finance House S.S.C.
- ⑥ Kuwait Turkish Participation Bank - Dubai
- ⑦ KT Bank AG ( Germany )

## Our Mission

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






## Our Vision

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

## KFH in Social media

In this fast growing and wide spread availability of information media as a part and culture of globalization, KFH keeps up its high presence and demonstrates the true Kuwaiti culture, identity and tradition to promote the universal brother hood and "fellow feeling".

Follow us on:

-  <https://ar-ar.facebook.com/KuwaitFinanceHouse>
-  <https://twitter.com/kfhgroup>
-  <http://www.youtube.com/user/KuwaitFinanceHouse>
-  <http://instagram.com/kfhgroup>
-  <https://www.linkedin.com/company/kuwait-finance-house>







“We aim to ensure that KFH Group remains an ever-more reliable and powerful force for a prosperous and healthy economy, society and environment in the areas where we operate or do business.”

“The objectives of alleviating poverty, hunger and inequality along with protecting the environment and ensuring education is available for all who seek it have been inscribed in our culture as a Shari’a compliant institution.”





# CEO Message

It is my pleasure to present to you KFH Group's sixth Corporate Sustainability Report. Every year we remain true to our vision to be a market leader in providing Islamic financial services and be one of the most trusted and sustainably most profitable Shari'a-compliant banks in the world. The interests of our customers and stakeholders are of paramount importance to us and we are committed to establishing a sustainable and profitable business model for the years to come.

The milestone development for sustainability in 2015 came out of the historical United Nation's Summit held on September 25th 2015, titled "2030 Agenda for Sustainable Development." In this summit, 17 Sustainable Development Goals (SDGs) were adopted by world leaders. Over the next fifteen years, countries pledged to take action to end all forms of poverty, fight inequalities and tackle climate change. These new goals, which will be applied in full force, will universally apply to all.

We at KFH Group are proud of this development as it places the spotlight on the efforts we have been working on since our inception. The objectives of alleviating poverty, hunger and inequality along with protecting the environment and ensuring education is available for all who seek it have been inscribed in our culture as a Shari'a compliant institution. Islamic Shari'a has always placed the betterment of society and the environment among the highest duties of Muslims. It gives me great pride to see the United Nations take on the challenge of addressing these pressing issues on a global scale.

In our business, we encourage our business units to incorporate sustainable practices into their operations through setting more holistic departmental goals. In our sixth year of reporting to our valued stakeholders we have continued to expand on KFH Group's commitment across the five key focus areas: Our Principles, Our Customers, Our Deeds, Our People and Our Environment. We want to ensure that our business flourishes, while keeping in mind the best of interests of our society and environment.

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. Having a global mind set coupled with local knowledge, we continue to strive on improving the quality of life of our customers and stakeholders.

We continue to invest in our employees as they are our most valuable asset. Human Resources are a key and active component in helping us achieve our sustainability objectives. We seek to build on experiences and prepare new generations of existing staff to develop, as well as attract the brightest talent from around the world.

In 2013, we set up the Zakat & Community Service Committee as an affirmation of our sustainability principles and the teachings of Shari'a. Through this committee, we took on the role of overseeing the donations and community service as part of the committee's core activities. In 2015, KFH Group donated around KD 5.5 million to finance community investments via government approved entities. These projects and activities are directed towards serving humanitarian, relief, and community service causes. In Kuwait, we continue to focus on addressing major health and safety issues such as diabetes and traffic safety. In Malaysia, we helped finance and build a library for students in rural areas. In Turkey, we helped and supported cancer awareness and cancer patients. These are just highlights of the work KFH Group has continued to do in 2015 as part of our responsibility to the sustainability of our economy, environment and society.

Thanks to Almighty Allah for what we have managed to accomplish around the world. I would also like to thank our stakeholders for the trust they have shown in KFH, our Board of Directors, executive management and employees who have brought us all where we are today, and the honorable Fatwa and Shari'a Supervisory Board for their continued guidance and support.

I would also like to express my sincere gratitude to H.H. the Emir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, H.H. the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, our regulators, business partners and clients.

Finally, thanks to you, the reader, for your interest in the KFH story. Your contributions are valued greatly, and as always, we welcome your questions and comments which can be sent via email to: [sustainability@kfh.com](mailto:sustainability@kfh.com).

Yours sincerely,



**Mazin Saad Al-Nahedh**  
Group Chief Executive Officer

# Sustainability Pillars

Driven by a strong Islamic tradition and culture we provide our services to individuals and business firms alike and equally attentive to the wider world, KFH Group has always been regarded the five focus areas as the integral pillars in achieving its sustainability objectives.

## Our Values

Our banking system follows Shari'a law, and is guided by Islamic principles on economics and ethical banking practices. Services are constantly being modernized and standardized to meet the various needs of customers. All of this while maintaining the ethical boundaries embodied in the beliefs of the Islamic faith that all investments need to be wholesome and for the well-being of the people, as well as contributing to the development of the land and entire society.

## Our Deeds

We are dedicated to always doing the right thing, supporting not only our customers but also the communities where we function. We aim to develop meaningful community programs focusing on health, youth and financial education. We strive to touch as many lives as possible in communities where we operate by creating jobs and business opportunities and thus to build a harmonious and healthy community.



## Our People

We firmly believe in investing in our people to nurture and enhance their skills and talents, while upholding the true tenets of Shari'a Principles. Without a doubt, we can say that our staff members are the greatest source of our achievement, pride and inspiration and we have mutually benefitted from this partnership and built a harmonious and family culture. The majority of our people have said that the unique work culture and environment at KFH Group is the main attraction for them to seek employment with the organization. They also expressed their willingness to contribute wholeheartedly to the growth and success of our business.

## Our Environment

The Shari'a Principles which guide our bank includes the belief that humans are guardians of the nature and they have the duty to preserve the integrity, balance and harmonious nature of the ecosystem. Muslims believe that over exploitation of nature and natural resources are punishable and should keep always a moderate level in their consumption. Furthermore, Shari'a principles promote the idea of moderation, discouraging over indulgence. Green ethics is at the root of Islam wherein the welfare of the entire society is placed at the heart of every matter under consideration including finance.

## Our Customers

We strive on achieving business excellence to meet the aspirations of all our customers. KFH Group gives paramount importance to trust that its clients put on us and is committed to safe guard that trust the best possible way. We thank Almighty Allah for the sustained market share that we enjoyed over the years as a result of the confidence and trust that the customers have in KFH Group.

# Operating Environment





## A. Industry Sectors

Core Banking Business	Kuwait Finance House K.S.C.P. (Headquarters) Kuwait Finance House (Bahrain) B.S.C. Kuwait Finance House (Malaysia) Berhard Kuwait Turkish Participation Bank
Real Estate	Kuwait Finance House Real Estate Company K.S.C. Al Enma'a Real Estate Company K.S.C. Baitak Real Estate Investment Company K.S.C.
Energy	Development Enterprises Holding Company K.S.C.
Information Technology	International Turnkey Systems Company K.S.C.
Financial Sector	KFH Capital Investment Company K.S.C. Kuwait Finance House Investment Company K.S.C. KFH Financial Services Ltd KFH Private Equity Ltd Aref Investment Group K.S.C. Saudi Kuwaiti Finance House S.S.C.
Health Care	Al Salam International Hospital

## B - Building Sustainable Business Operations

KFH Group's executive management have established a new strategic plan that will drive the group's focus and strategy over the next 3-year period, from 2016 to 2018. The plan aims to achieve the Group's vision to lead global the development in the field of Islamic finance as the best Islamic bank in the world.

The plan includes an agenda to highlight the Group's points of strength, establish a firm basis for future growth, increase efficiencies across the board, increase competitiveness and grow overall market share. These objectives cannot be achieved without the total focus on customer satisfaction, which is at the forefront of our principles and values derived from Islamic Shari'a. Of equal importance is the focus on employee development in order to attract and retain the best talent. Alongside the structural improvements that are ongoing, we aspire to achieve harmony and positive synergies between the institutions of KFH Group.

We have already started building a new culture of productivity, accountability and efficiency in order to prepare the bank for future growth. At the heart of these actions will be a renewed attention given to communication starting with a stronger unified corporate image.

### 1. Global Integration

KFH Group has a geographically diverse presence through its banking subsidiaries in Bahrain, Malaysia, Saudi Arabia and Turkey. In Turkey, our banking subsidiary Kuwait Turkish Participation Bank (KTPB) continues to show impressive results both in terms of profitability as well as the number of branches. The bank now has a branch network spanning more than 355 branches across Turkey. In addition, through KTPB the Group expanded into Germany and currently operates 3 branches with a plan to expand this to 7 within the coming years. In Asia, KFH Malaysia operates 16 branches and has a plan to grow its business and customer base in line with KFH Group's international growth and development objectives.

### 2. Retail Banking Services

In 2015, the Retail Banking Group in Kuwait launched a new initiative called "We Care" in order to reinforce service quality and place the customer at the forefront of our business. It also focuses on strengthening relationship not only with customers, but also with employees. The "We Care" campaign have so far shown a significant increase in customer trust and satisfaction in KFH Group's services. This was based on internal indicators and surveys.



The growth rate of the bank deposits in Kuwait has exceeded the overall Kuwaiti banking sector; a fact that helped us gain prominence as one of the leading banks in the market. By the end of 2015, our branch network in Kuwait reached 64 branches for men and 45 dedicated sections for women.

KFH Group has achieved several key product development objectives during the past year. The Group has developed and launched new and distinguished banking products and services to fulfill customers' needs. Some of the new products launched include AlRabeh account, which promotes new banking customers to transfer their salaries to KFH Kuwait. One of the attractive features is the quarterly prize draws for new customers, in addition to other features and benefits. KFH Kuwait also launched the new Shari'a compliant saving account, which applies the Shari'a principal of Wakala in its investments. This is a new and unique product in the market and differentiates KFH Group from its competitors.



On top of new and innovative product developments, KFH Group continues to develop its electronic communication channels with the aim of increasing the number of customers who bank online or via smartphone banking services. KFH online services have seen significant growth in the number of banking transactions. Smartphones and SMS services have seen an unprecedented increase in the number of users. KFH Group aims to always build bridges of communication with customers and stay close to them at all times.

In credit and debit card services, Visa International awarded KFH Group the prize for the leading bank in issuing prepaid Visa cards. This prize comes in appreciation of KFH Group's distinguished efforts in banking cards. The Group won the prize after scoring the highest Visa cards sales in Kuwait, exceeding 1 million cards.



### 3. Corporate Banking Services

Corporate finance occupies the most significant and leading position in the Kuwaiti banking market as it provides the most trade finance solutions than any other bank in the market. Corporate finance sector continued to expand customer service level and focus on a large tier of corporate customers. New customers were added this year and several service packages were provided for this tier. These steps had a positive impact on our business activities during the year.

Financing activities were extended to include all of KFH Group bank subsidiaries. The number of branches providing financing services increased in light of the competitive advantages for the small and medium-sized enterprises (SME), which are growing daily. In this light, KFH Group achieved distinction and appreciation during the Global Islamic Finance Conference of the 20 Group in Turkey in September 2015.



In 2015, KFH Group focused on arranging a number of cross-border transactions in Bahrain, Germany, Malaysia, Saudi Arabia and Turkey. In Kuwait, KFH Group arranged several transactions worth millions of US dollars to finance large projects in the country.

KFH Group is keen in supporting Kuwaiti companies and their projects that lead to real economic growth. On the Kuwait level, KFH Group participates in financing one transaction out of every 5 transactions in the corporate sector.

In addition, KFH Group continues to provide its services to real estate and construction sector, which is considered as one of the main vital players in the real estate finance scheme.

KFH Group has sought to develop infrastructure and re-design and simplify credit procedures. The focus has been on providing banking services to SME sector in Kuwait. This sector is considered as one of the most promising sectors as it comprises more than 24 thousand companies. As part of the State's efforts in supporting and reinforcing such projects, KFH Group has played a leading role developing the instruments and forms of Shari'a and legal contracts that will be used in the National SME Fund. The fund is a Kuwait government sponsored fund designed to promote entrepreneurship and small business development in the country.

#### 4. Treasury Operations

The Treasury Department has played an important role in KFH strategy towards international expansion. This can be seen through increasing the department's transactions with financial institutions spread all over the world. Treasury has recorded a successful year. It has expanded its fixed income activities through the establishment of secondary market for Sukuk, alternatives to conventional bonds. The Group continues to maintain an active presence in both primary and secondary markets for Sukuk around the world. This has enabled it to be a key player in the global Sukuk market.

#### 5. Risk Management

KFH Group affirms the importance of Risk Management as being one of the main components of a prudent banking business. An independent body has been in place, reporting directly to the Board Risk Committee and assumes the responsibility of supervising the management of credit risks, market risks and operational risks, along with the regulatory obligations. This is managed at both the local level in Kuwait as well as on the Group level.

The Risk Management department submits regular reports to the Board Risk Committee and top management on the quality of assets and the market value subject to risk as well as the liquidity risks. It is also required to provide reports to the regulators and to conduct the stress tests to ensure banking stability. Further the department regularly conducts stress tests at the group level and banking subsidiaries level.

#### 6. Corporate Governance

KFH Group continues to adopt Corporate Governance Standards in accordance with legislative and local regulatory requirements. It also kept pace with the rapid developments at the international level in Corporate Governance principles and practices.

KFH Group distribution of economic benefits table (KD 000s)

Economic value generated	Revenue	1,011,222
Economic value distributed	Payments to providers of capital	355,171
	Operating costs	174,219
	Employee wages and benefits	179,866
	Community investments*	5,503
Economic Value Retained		296,463

\*Kuwait Foundation for the Advancement of Science (KFAS) Zakat & National Labor Support Tax.

# Stakeholder Engagement





## We will demonstrate Leadership across all our business activities:

- Leadership in furthering Shari'a compliant financial services across the globe through innovation,
- Leadership in serving our customers and Leadership in developing our employees.

## A- Defining Our Stakeholders

KFH Group's values include strengthening leadership through all its businesses, including leadership in the Islamic banking services in the region and worldwide through innovation. The Group believes in being a leader in delivering better service to the valued clients and in the development of its employees. In addition, the Group is committed to all its procedures, and to setting up long-life partnerships with the concerned authorities.

## B- Customer Engagement

### Service Quality

The Service Quality (SQ) team is responsible for establishing an organizational culture that directs front-line staff performance to be aligned with the service excellence standards, aiming at retaining and satisfying valued customers and enhancing their customer-service-experiences. The customer-centricity focus is at the heart of SQ plans. Therefore, Service Quality adopts professional methodologies and mechanisms to create a competitive performance environment amongst front-line staff. It also strives to understand customers' needs and explore their expectations and support management in order to discover areas needing improvement.

In 2015, Service Excellence team coached and evaluated most front-line staff across retail banking business units on latest service standards. Moreover, Service Excellence participated in internal campaigns, such as "We Care" to uplift the performance and enhance culture of service amongst front-liners. On the other hand, Service Excellence surveyed a large selection of affluent customers to rate their recent experience with KFH IP service. Majority of surveyed customers revealed their good experience during their last visit to KFH branches.

We do and will always continue our efforts to engage with our customers to understand their expectations and needs. Each of our subsidiaries has their own unique method of reaching out to customers, tailoring their systems based upon the local context, culture and nature of the product or service. On the whole, we conduct regular customer satisfaction surveys, provide feedback forms and questionnaires through our various local centers, whether it be via website, email, fax, phone or social media. KFH Group ensures specific call centers for each bank and subsidiary.

When it comes to surveying, for KFH Group this can be performed daily, monthly, quarterly and on an annual basis. As we strive to keep innovating and connecting with customers on a personal level, each bank and subsidiary develops its particular way to do so. For example, in KFH Turkey, customers can send their suggestions through a special innovation platform [www.saglamfikir.com.tr](http://www.saglamfikir.com.tr), IT fully complies with ISO 2008-9001 clause No.8.2.1 to meet its objectives and in Al Salam International Hospital, an assigned committee meeting meets monthly to discuss the daily surveys conducted on inpatients and outpatients.

## C- Employee Engagement

Employees at KFH Group are identified as the primary stakeholder both from the normative and influential perspectives. Employees are not only our brand ambassadors, but also our customers having a unique outlook into our business model. Having a strong, active employee engagement benefits both employees and the Group.

Employees can openly communicate their grievances and concerns with any of the Human Resources Business Partners that are deployed in each sector. Employees can also connect with shareholders and ultimately give recommendations to the various governance committees either via the Human Resources whistle-blower policy or through the employee engagement surveys.

## D - Supplier's Engagement

KFH Group's commitment towards being the Customer Centric organization is well demonstrated when it held a supplier engagement to find solutions to better serve the Group's valued clients.

KFH Group has strategic relationships with the local retail market aiming to facilitate clients with mutual interests of procurement. It participates in local exhibitions on a regular basis in order to support the lines of communication between the suppliers in the local market and the clients. The clients, in turn, are able to visit and learn about the various products and services offered by suppliers.

KFH Group's vision is to spearhead the global development in Islamic financial services, and elevate the bank's operations to becoming the most sustainable and profitable Islamic bank in the world.

# Responsible **Banking**





## A - Shari'a Compliance and Sustainable Investing

The Group, by the grace of Allah, has been able to maintain a sustainable and balanced growth during the last decade despite the many challenges that faced the global economy and the local business environment. This reflects the strength of the Group's financial position and its ability to continue to grow. As a proponent of Islamic economics and finance, KFH Group firmly believes that the philosophical foundation of an Islamic financial system goes beyond the economic and financial aspects of transactions. Although a challenge for the Islamic system to be implemented in the current economic environment, we take pride at KFH Group to operate and base our business partnerships and activities along the lines of Shari'a principles called Fiqh (deep understanding) transactions.

KFH Group continues to be the best bank in Kuwait in terms of returns on deposits, which led to gaining clients' confidence and constantly increasing the number of deposits. All our businesses are aimed at improving the living conditions of human life on earth. In order to enhance fairness and parity in the communities that we function, equal importance is placed on the religious, ethical, moral and social pillars. KFH Group specializes in consumer banking, real estate financing, lease financing, trade finance and portfolio investing.



*“All of KFH Group's community investments are Shari'a-compliant ,”*

We are dedicated to supporting our communities, clients and customers. Widening access to finance is a core tenet of our strategy, as is our commitment to providing finance that helps businesses to set up, expand and trade

across borders. We take care to align our investments with sustainable development by financing efficiently and responsibly contributing to economic growth and job creation in the local communities.

- Builds trust amongst subsidiaries and strengthens cross border trade flow
- Assists the business owner clients across borders with improved business marketing and networking opportunities

KFH Group's banking subsidiaries assist mid-size company owners in Turkey and Kuwait with limited marketing capability by giving them access to new markets through the use of networking events, profile magazines/e-zines, real estate models and brochures. This strategic initiative not only adds value to our clients, but also increases cross border trade flows and builds trust between the two countries.



## B - Major Awards in 2015

Best Local Bank 2015 (Kuwait)	emeafinance
Best Islamic Bank 2015 (Kuwait)	emeafinance
Best SME Loan (Kuwait)	The Banker Middle East (magazine)
Best Premium/Private Banking Service (Kuwait)	The Banker Middle East (magazine)
Best Personal Loan (Kuwait)	The Banker Middle East (magazine)
Best Islamic Financial Institution in GCC 2015	Global Finance (magazine)
Best Islamic Bank in Kuwait 2015	Islamic Finance News
Kuwait Deal of the Year	Islamic Finance News
Turkey Deal of the Year	Islamic Finance News

Table 1. major awards received in 2015

## C- Products & Services

### Taking care of our young customers

KFH Group believes in shouldering societal responsibility of cultivating good saving habits amongst our children. The Group has on numerous occasions hosted students from schools and educational institutes to raise their awareness of the importance of the banking business. It also stresses the importance of savings as an essential value in the life of the individual and society. In Kuwait for example, we developed banking products specifically targeted for the youth so that they become familiar with Islamic banking services. The 'Baitii' and 'Jameaty' accounts caters to the financial needs of young adult clients and encourages responsibly saving.

Because the future of our children is our top priority, we always strive to build a brighter future full of opportunities and success for them. We designed "Baitii" account for minors from the date of birth to the age of 14 years old to encourage children to save money and educate them on the culture of saving.







Higher Education Investment Plan

- An investment saving account where KFH invests 60% of the lowest available monthly balance, and where the total investment amount is added to the account at the end of the year.
- Minimum opening balance is KD 10.
- ATM card with a unique design that allows you to benefit from its special offers and promotions.
- The account is designed for children of both genders up to 14 years old.

The best investment you can offer your children, is to secure their university education, that's why KFH designed the higher education investment plan "Jameati", so you can ensure a bright future for your children.

If your children are below 14 years, "Jameati" will offer you a monthly based saving plan, while earning higher investment returns.

When your child becomes 18 years, your total savings plus profits will be available to cover their education expenses.

The future of your child is even more secured through "Jameati" Takaful coverage, that guarantees the targeted saving amount, during the Takaful coverage period.

All you need to do, is open the Higher Education Investment account "Jameati" and determine the total targeted amount you want to reach at the end of plan, and leave the rest to KFH.



## D - Improving Internally

KFH Group values the relationship and the trust it has with its clients. These have been built up over time and we consider them to be an invaluable asset. KFH Group has constantly sought opportunities to strengthen the internal capabilities covering People, Process and Technology.

We continue to work in an environment of changing economic and regulatory conditions in addition to unprecedented regional and global political developments. We have taken upon ourselves at an early stage to develop our businesses to face the future with a strategic vision to become the world leader in the Islamic banking industry.

Moreover, the bank is progressing with enhancements of its abilities in all fields, but particularly in human resources, as we view our employees to be a vital asset. Increasingly, we regard the expansion of our scope in local and international markets as well as the modernization, development and the launching of the new and innovative banking products, as the keys to our success.

The strengths of KFH Group were reflected in maintaining its credit rating of (A+) by Standard & Poor's and Fitch Ratings. In addition, KFH Group received many prominent awards in the banking sector including the award of the Best Islamic Bank in the GCC and Best Islamic Bank in Kuwait. A list of our most recent awards are highlighted in Table (1).

# Caring for the Environment

“O Children of Adam! Wear your beautiful apparel at every time and place of prayer: eat and drink; But waste not by excess, For Allah loveth not the wasters.”

- Quran chapter 7:31



## Water Use

KFH Group understands the implications of over-consumption of water on the global supply of water. The per capita usage of water in the Middle East region is much higher than the global average. We strongly believe that by reducing water consumption in our regional operations, not only will we be able to do our part in preventing environment degradation, but also see financial benefits as a result of lower operational costs.



Environmental campaign for schools around Kuwait in partnership with the renewable energy development organization

## Energy Consumption

KFH Group has established initiatives, policies and practices in place to reduce electricity usage in its business operations. Employees take proactive measures to conserve electricity and water in our offices and other business units.

At the end of the working day, all equipment and lights in unoccupied rooms are turned off. The nature of our business combined with regulatory enforcement aimed at transparency call for detailed documentation of all types of communications sent out.

It is of great importance that all of the Group's business operations maintain an open line of communication with its customers, employees, and that they document all the proceedings as per the sector regulations.

Some of our efforts to conserve water and energy during the peak summer months include:

- Switching off office lights after working hours;
- Replacing building lighting with energy saver compact fluorescent lamp (CFL) bulbs;
- Using the latest technology for electrical appliances;
- Conducting regular checkups for water leakages.



## Environmental Performance at KFH Kuwait



**35 Kg**

Paper Consumption (Kg)  
per FTE



**8.14 Tons**

CO2 Emissions (Tons) per  
FTE



**12,780 Kwh**

Electricity Consumption  
(Kilowatt hours) per FTE



**19,057 Liters**

Water Consumption (Liters)  
per FTE

KFH Kuwait is taking key steps in its mission to conserve the environment.

We are actively involved in the Tarsheed conservation campaign organized by the Ministry of Electricity and Water, which takes place during the summer months.

### Future Sustainable Operations: **KFH Zero-Waste**

KFH Kuwait has embarked on an initiative to commit all of its operations to the Zero-Waste Strategy. Work is progressing on the best and most efficient ways to implement this strategy.

The initiative aims to recycle and re-use all the waste from its banking operations potentially including paper, plastic and e-waste.



Students participating in a KFH environmental awareness campaign in Kuwait

### Environmental data for KFH Group by region

	Units	GCC	EMEIA	SEA
Full time employee (FTE)	Persons	5,339	6,005	491
Paper Usage	Kg	292,396	409,477	10,498
Water Usage	Liters	131,386,688 <sup>1</sup>	79,995,565	8,057,407
Electricity Usage	Kwh	118,814,294	25,080,141	2,893,609
CO2 Emissions/FTE	Ton	14.31	3.62	4.41

<sup>1</sup> water usage for ITS was not available and has not been included in this report.

# Human Capital



## A - Employees

KFH Group's global integrated operations employs 11,835 people at the various sites and offices across the Gulf Cooperation Council (GCC), Europe, Middle East, India and Africa (EMEIA) and South East Asia (SEA).

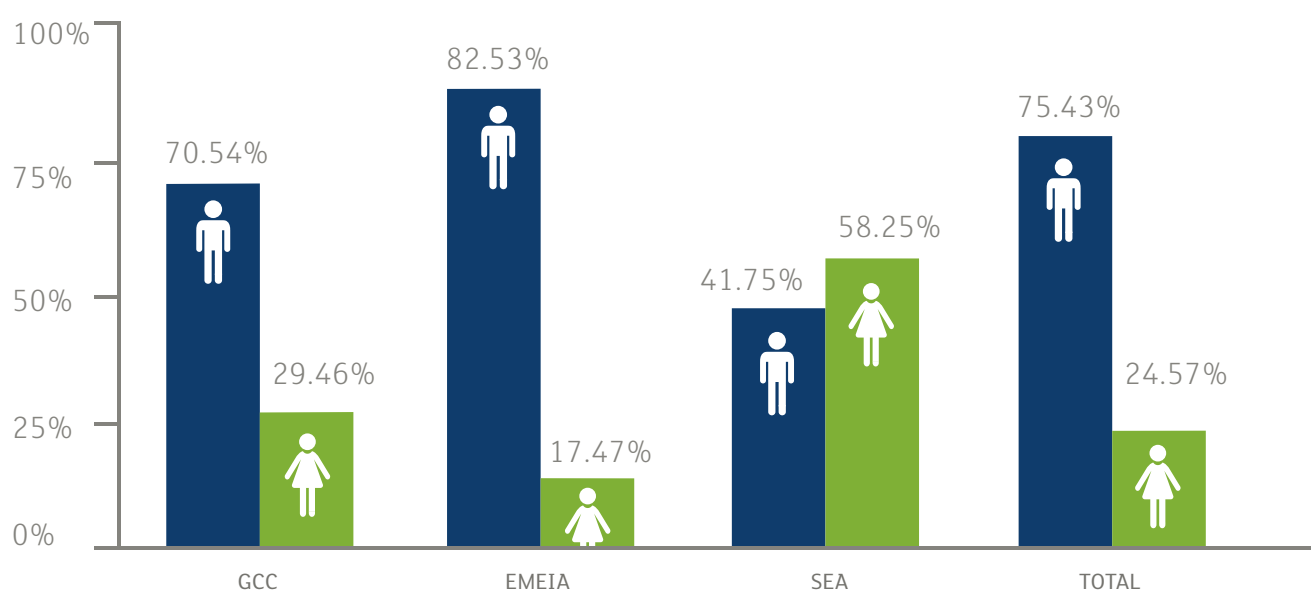
The majority of staff (94.82%) in the three regions of operation are full time employees of which about 75% are males. The following table gives the breakdown in numbers and percentage representing full-time equivalent number of employees by the region.

	GCC	EMEIA	SEA	Total	%
Total # of employees	5,339	6,005	491	11,835	100%
Full time	5,324	5,415	483	11,222	94.82%
Part time	15	590	8	613	5.18%
Males	3,766	4,956	205	8,927	75.43%
Females	1,573	1,049	286	2,908	24.57%

## B - Diversity

KFH Group believes in attracting, hiring and retaining talented employees from various parts of the world. We are able to enrich our business with fresh talents, ideas and skills. Our workforce represents many nationalities and cultural backgrounds, but is unified by the common KFH business culture and shared values. At KFH Group, we strive to make our workplace a more welcoming and inclusive place for people of different ethnicities, ages, abilities, orientations and skills. We are happy to note that 25% of employees are female, which underlines our keenness to support female employees and clients through offering them their own dedicated branches.

The below table illustrates the detailed information of KFH Group employees by gender and age across the regions. Although KFH Group employs a higher percentage of men (75.43%) compared to women, it is important to note that more than 58% of KFH Group employees in the Southeast Asia (SEA) region are women.



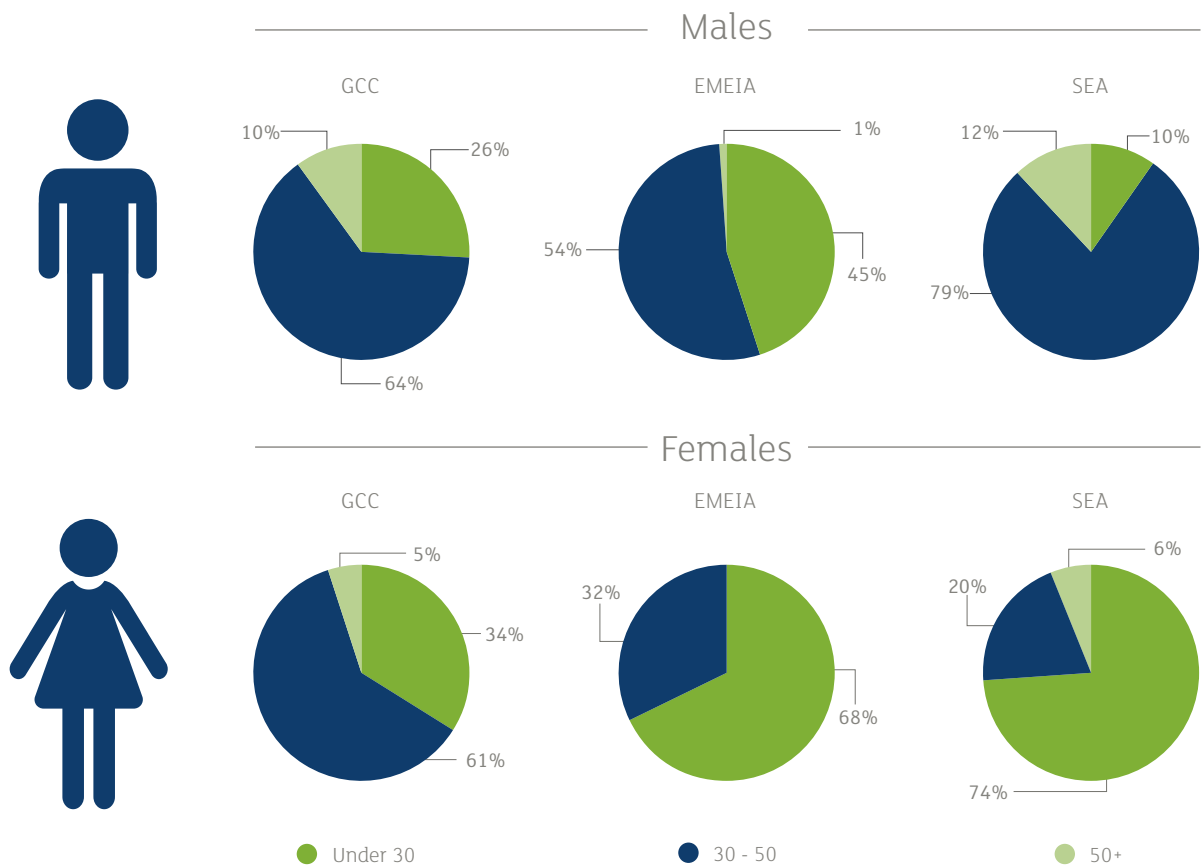


## C- Gender Equality

KFH Group ensures that there is equal representation of women and men of all age groups in the workforce. The Group strongly supports the Human Rights policy and ensures that its employees in the same grade draw same allowance irrespective of their nationality. The standard entry salary is on par with the local minimum wages as per the labor laws in the locations of operation.

Breakdown of workforce by age and region

	Males			Females		
Age Group	Under 30	30 - 50	50+	Under 30	30 - 50	50+
GCC	974	2,423	369	542	957	74
EMEIA	2,231	2,692	33	713	336	0
SEA	20	161	24	211	58	17
Total KFH Group	3,225	5,276	426	1,466	1,351	91



## D - Employee Turnover

Employee turnover is a normal part of any business cycle where an employee could be replaced by another for any reason, be it to retire or relocate, or just in response to changing circumstances in their lives. A high turnover rate would also indicate the employee's dissatisfaction with the organization's structure and working environment.

KFH Group firmly believes in investing in its employees and has immense interest in enhancing and retaining talented employees of the organization. KFH Group keeps an open line of discussion with each of employee and they are assured of all support from the management. The table below illustrates that overall KFH Group has been successful in retaining our employees in 2015.

Turnover Rate %	Males			Females		
Age Group	Under 30	30-50	50+	Under 30	30-50	50+
GCC	6	2	2	6	6	<1
EMEIA	4	<1	<1	5	<1	<1
SEA	<1	<1	<1	<1	<1	<1
Total KFH Group	5	1	2	5	5	<1

## E - Localization

In Kuwait, we strive to encourage the recruitment and training of young Kuwaiti graduates and encourage them to play an active role in the development of the economy. The Group's new recruits are given a career boost right out of college by introducing them to hands-on training programs as well as introducing them to banking practices. We hope that these young talent progress and become future leaders working at Islamic financial institutions in the region and worldwide. We trust that the strategy to support and provide employment opportunities for the promising young Kuwaiti nationals in the Islamic banking sector would prove to be a successful investment factor that would reflect positively on the labor market in the near future.

KFH Group has a committed approach to increasing the representation of local people in its workforce. We seek to provide appropriate training, workplace experiences and ultimately job opportunities to help local residents into sustainable employment.

Employees Hired Locally across the region (%)					
GCC				EMEIA	SEA
KFH Kuwait	KFH Bahrain	ITS	SIH		
65%	90%	3%	1%	99%	97%



## F – Learning and development

KFH Group has a robust training program for new recruits and mid to high-level managers. Each employee is allocated training hours for the year to build on their skills and give them the opportunity to learn new skills and expertise.

Newly hired employee attended induction training sessions which includes special focus on Ethics and Core value. Training sessions are designed to improve their technical skills, enhance their competency to implement the environmental and social policies and procedures as applied to business lines.

In addition, employees are given awareness training on the bank's anti-corruption policies and procedures. Employees also have access to Shari'a compliance e-learning tools, which we believe is unique among other banks in Kuwait and the region.

Employee Training Hours		KFH Kuwait	KFH Bahrain	ITS	SIH	KFH Turkey	KFH Malaysia
Males	Senior Management	38	24	12	0.13	12	36
	Non-Seniors	38	22	19	0.31	10	77
Females	Senior Management	21	30	15	0.31	12	27
	Non-Seniors	49	50	14	0.11	9	94

### KFH Training Sessions aimed to build up a strong workforce.

- KFH held money laundering workshops for its employees to raise their awareness and develop skills regarding the regulations concerning money laundering and terrorism funding, in compliance with the terms of the Central Bank of Kuwait and other international banking legislation.
- KFH employees trained in Islamic banking products, Islamic economy principles, and conditions of sales operations, to embody the bank's approach in being the best Islamic bank in Kuwait and also to add distinctive characteristics and significant values to employees.
- 600 employees trained across e-learning platforms.







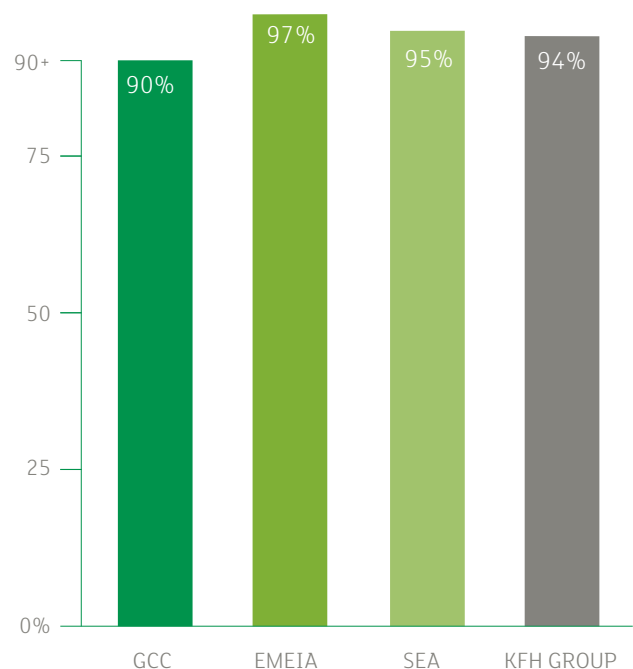
## G - Talent Management and Career Development

KFH Group regularly conducts formal reviews of our most talented people and closely monitors their progression within the organization. The Group aims to increase the number of experienced, skilled and mobile workforce across the organization, hoping that our talented employees achieve leadership positions more quickly than their peers.

Overall in 2015, about 94% of the KFH Group employees received their annual performance reviews.

KFH Group sees the value in upgrading the capacity of human resources and encouraging the employees to further their career development and performance, for which they are duly appreciated and awarded.

KFH Group honors employees who excel among their peers, which in turn, motivates their colleagues to improve their performance. The synergy shared between the management and the employees creates a dynamic team work environment at KFH Group.



KFH employees receiving annual performance review.

# Community Involvement



## A - Supporting Youth and Education

KFH Group recognizes and supports the role that education plays in the development and prosperity of a society. The Group regularly takes part in honoring many distinguished Kuwaitis who have made significant accomplishments for their country. KFH Group is inspired by its clients to assist in contributing to numerous national programs and events, which promote a sense of national pride and awareness of societal responsibilities in the fields of economy, youth, education and health.



- In Kuwait, KFH Kuwait takes part in honoring distinguished boys' and girls' at school graduation ceremonies throughout the year.
- In Turkey, KFH Turkey provides paid internships to college students.
- In Malaysia, KFH Malaysia has helped finance the building of schools and libraries.
- In Bahrain, KFH Bahrain offers a special financing program to help university student finance their education.

The Group recognizes the long-term benefit of supporting and encouraging young entrepreneurs. These efforts also play an important role in addressing unemployment and contributing to a strong, diverse economy. KFH Group regularly participates in job fairs to recruit new graduates giving them the opportunity to have a rewarding career in banking, real estate, investment, and information technology sectors. KFH plays an active role in creating skillful Kuwaiti employees who are capable of adding value to the society and the national economy.

## B - Supporting Health and Health Awareness

Kuwait is ranked 6th highest in the world to have the highest occurrence rates of diabetes. According to the International Diabetes Federation, there were nearly 410,000 cases of diabetes in Kuwait as of year-end 2014. Diabetes has grave social and economic dimensions for the patients, such as hampering the capabilities of those suffering from the disease along with high treatment and prevention costs.

KFH sponsored numerous activities in 2015 to educate the employees in the area of personal health

- Blood drives
- Diabetes awareness campaigns
- Anti-Smoking Campaigns
- CPR training for the Secretaries

*“KFH Group is Committed to serving the public and supporting community causes”*

KFH believes that a healthy nation is closely linked to sustainable and social development.

- KFH Group organizes medical screening day for its employees and public
- KFH Group sponsors diabetes specialists to attend international health centers to receive updates on diabetes prevention
- KFH Group organizes blood donation campaigns on World Blood Donation Day



KFH Group organized a blood donation campaign on World Health Organization (WHO) led World Blood Donation Day and in response to requests made by the Central Blood Bank. Employees, general public and noted celebrities came forward to donate their blood.

Al Salam International Hospital (SIH) contributes to raising health awareness in the community. SIH ensures to effectively support and encourage society's low income strata to benefit from the following campaigns:

- Full Checkup offer
- Lasik Campaign
- Breast Cancer Check up



KFH employee blood drive

## C - Supporting the Needy

As part of its charitable activities that underline its Islamic identity, KFH Group is an active participant during the Holy Month of Ramadan activities. The Public Relations team visits mosques and Ramadan tents to distribute Iftar meals to those fasting. This initiative highlights the Group's role in the field of social responsibility in assisting and caring for people in the low income groups.

KFH Kuwait's gesture of participating in the girgean gathering during the Holy Month of Ramadan highlights the efforts of the Group in spreading joy and laughter to children and their families.

KFH continuously donates to Zakat House to fund numerous charitable development projects and activities aimed at serving the greater society.



KFH distributing sweets to children during the Ramadan festival of girgean.



Opening ceremony of the Breast Cancer Awareness Campaign

# Reporting Approach



## Scope of Report

This Sustainability Report covers the performance of Kuwait Finance House (KFH) Group of Companies for the 2015 calendar year, from January 1, 2015 to December 31, 2015.

During this particular reporting period, there were some changes regarding the structure of KFH Group that have been implemented in 2015. As far as we are concerned, within the context of the boundary of the report, there are no specific limitations. Since we have used the same subsidiaries as previous reporting years, the basis of reporting on our subsidiaries does not affect the comparability for 2015. There are no restatements of any information provided in earlier reports.

This report serves as an in-depth resource for our stakeholders interested in our sustainability data, information and approach. We issue our Sustainability Report annually; our previous report, the 2014 Sustainability report was released in March 2015.

## Materiality

The contents of this report are largely guided by KFH Group's Sustainability Pillars for business ethics, environment, community, customers and employees, as well as the corporate mission and vision. The development of the indicators were selected based on the results of KFH Group's materiality assessment integrating the sustainability context of Kuwait, Bahrain, Turkey and Malaysia as well as key interests expressed by stakeholders, relevant regulatory requirements and concerns expressed by society.

## Data Collection and Report Development

We collect and report accurate data, supported by a sound underlying methodology. Unless otherwise indicated, the data in the report reflects KFH Group data (KFH Kuwait, KFH Bahrain, KFH Turkey, KFH Malaysia, International Turnkey Systems and Al Salam International Hospital).

In the narrative portion of the report, we discuss events and performance of KFH Group and its subsidiaries on a primarily individual basis. We report in compliance with the Global Reporting Initiative (GRI) framework. KFH Group collects information for this report through a uniform system that has been developed to meet specific data collection requirements which ensures accountability and maintains integrity.

All data concerned with KFH Group requires sign-off from the data-owner, and is taken through Group Investor Relations for quality assurance. Once written and included in the report, all data quantitative and qualitative are sent back to data owners for final approval before publishing.

## Compliance to GRI Guideline

The GRI Report is our fifth report launched using the Sustainability Reporting Guidelines 3.1. For more information on the GRI, please visit [www.globalreporting.org](http://www.globalreporting.org)

This year, KFH Group has self-declared an application level of B per the GRI 3.1. Guideline.



Section/ Indicator	GRI Guideline	Location
<b>STRATEGY AND ANALYSIS</b>		
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2.2	Primary brands, products and/or services	13
2.3	Operational Structure	13
2.4	Location of organization's headquarters	13
2.5	Countries of operations	13
2.6	Nature of ownership and legal form	13
2.7	Markets served	13-15
2.8	Scale of reporting organization	13-15
2.9	Significant changes during reporting period	35
2.10	Awards received in the reporting period	20
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3.3	Reporting cycle	35
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3.6	Boundary of the report	35
3.7	State any specific limitations on the scope or boundary of the report	35
3.8	Basis for reporting that can significantly affect comparability	35
3.9	Data measurement techniques and bases of calculations	35
3.10	Explanation of the effect of any re-statements of information	35
3.11	Significant changes from previous reporting periods	35
3.12	Table identifying the location of the Standard disclosures in the report	36-37
3.13	Policy and current practices regarding external assurance	35
<b>GOVERNANCE, COMMITMENTS AND ENGAGEMENT</b>		
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4.2	Indicate whether the Chair is also an executive officer	Partially, 13-15
4.8	Internally developed statements of mission or values, code of conduct and principles	5, 10-11
4.9	Procedures for overseeing economic, environmental and social performance	13-15
4.10	Process for evaluating the highest governance body's performance	15
<b>COMMITMENTS TO EXTERNAL INITIATIVES</b>		
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses.	9,10-11,15

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4.16	Approaches to stakeholder engagement	16-17
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Economic Performance Indicators		
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EC5	Range of ratios of standard entry level wage compared to minimum wage	Partially, 27
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LA2	Total number and rate of employee turnover	Fully, 28
LA10	Average hours of training per year per employee	Fully, 29
LA12	Percentage of employees receiving regular performance and career development reviews	Fully, 30
LA14	Ratio of basic salary of men to women employees	Partially, 27
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FS7	Monetary values of products and services designed to deliver a specific social benefit for each business line	%100 (Shari'a)
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	%100 (Shari'a)
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental and social issues	%100 (Shari'a)
FS11	Percentage of assets subject to positive & negative environmental or social screening	%100 (Shari'a)









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