

ESG Report 2021



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Message from the CEO

In recent years, vast global awareness emerged on the significance of sustainability in different sectors, and banking is no exclusion in this regard.

Today, Environmental, Social, and Corporate Governance practices known together as “ESG”, have evolved into a comprehensive framework for organisations, becoming a key assessment tool on their resilience in managing the risks and opportunities created by changing conditions, such as shifts in environmental, economic, and social systems.

In this framework, Khaleeji Commercial Bank “KHCB” has been taking proactive steps to enhance sustainability by driving ESG practices forward as well as embedding them into its strategy. This approach comes within the Bank’s constant interest to keep abreast with the latest global practices in the sector.

I would like to reiterate from this point of view that KHCB has been sparing no effort in encouraging environmentally friendly practices to further advance our sustainability endeavours, by actively participating and funding various forestation initiatives of governmental, semi-governmental, and private entities which included SMEs, that target expanding greeneries and landscapes across different parts of Bahrain and subsequently having a positive impact on the community.

Furthermore, KHCB has dedicated sincere efforts to develop and push forward several causes. On one hand, the Bank has encouraged women empowerment, youth support and guidance, and development of tomorrow’s leaders through a combination of voluntary initiatives and the

funding of training programs, internships, coaching sessions, and various organizations and institutions in these fields such as BIBF and the Supreme Council for Women.

On the other hand, KHCB has been pursuing the adoption of power saving, recycling, and paperless alternatives which were also reflected in the Bank’s keenness to advance digital transformation and endorsement of electronic products that were designed specifically to be efficient, environmentally friendly, and more ESG compliant.

We are delighted to reaffirm our commitment to these values, to which we have set a clear roadmap to further advance during the coming period.

This report highlights part of the Bank’s ESG related initiatives and confirms our determination to continue and develop this approach.

Sattam Sulaiman Alghosaibi

Chief Executive Officer
Khaleeji Commercial Bank



About this Report

Welcome to the first Khaleeji Commercial Bank (KHCB) Environmental, Social and Governance (ESG) report, encompassing the Bank's headquarters and its Bahrain-based operations. We have adopted internationally accepted best practices to measure and report our ESG activities. This report demonstrates our actions to deliver KHCB's sustainability vision to our stakeholders. As we embark on our ESG journey, we recognise that many opportunities exist to enhance our ESG performance in the future.

Reporting Period

This report covers environmental, social, economic and governance performances and activities from 1st January 2021 to 31st December 2021. It presents KHCB's approach and commitment towards sustainable development in the Kingdom of Bahrain.

Reporting Standards

This report has been prepared in reference to the Global Reporting Initiative (GRI) Standards and the Bahrain Bourse ESG Reporting Guide. It discloses information on the specific topics that are most significant to KHCB and our stakeholders. In addition, this report demonstrates Khaleeji Commercial Bank's efforts towards supporting international and national standards, visions, and objectives, including the Sustainability Accounting Standards Board (SASB), United Nations Sustainable Development Goals (SDGs), United Nations Global Compact (UNGC), United Nations Principles for Responsible Banking (UN PRB) and Bahrain Vision 2030.

Inquiries and Feedback

KHCB welcomes any feedback or inquiries related to this report on the following email: callcenter@khcbonline.com



KHCB at a Glance

Khaleeji Commercial Bank is known to be one of the leading Islamic banks in the Kingdom of Bahrain. Established in 2004, the bank has gained a well-acclaimed reputation in the field of Islamic banking. With the loyalty and trust of its shareholders, investors and clients, Khaleeji Commercial Bank has achieved key milestones over the years.

The Bank strives to be a leader in local and regional Islamic banking as it is listed on Bahrain Bourse. It also offers innovative and high-quality products and services to its clients. The Board of Directors of the Bank is composed of recognised veterans and prominent personalities in the field of banking.

The Managerial Team consists of a group of banking experts and professionals. There also exists a Shari'a Supervisory Board comprised of specialized jurists prominent within the region. The Supervisory Board on a regular basis oversees the bank's compliance, workflow, and activity guidance, ensuring adherence to the principles and provisions of Islamic Shari'a.

Vision

To become one of the strongholds of the domestic economy and regional Islamic Banking by providing unique, innovative, and trustworthy Shari'a-compliant products, services, and investment opportunities for our clients.

Mission

To have a major role in developing the economy and contributing to the growth of Islamic banking in the Kingdom of Bahrain, in order to achieve the optimum value for our clients and shareholders in accordance with the provisions and principles of Shari'a.

Values

KHCB is proud in having established a culture that is built upon a unified set of values.



Strong:

KHCB's ability to adapt and transform to market conditions is one of the strengths that will lead its clients and shareholders towards a profitable future.



Stable:

KHCB will continue on the path of growth and expansion, whilst exploring and capitalising on opportunities in key local and regional markets.



Optimistic:

KHCB will always have positive assurance and optimism in the face of financial uncertainty.



Trustworthy:

KHCB will empower its clients by providing the best services available and responding to their different needs, creating long term relationship with them.



Composed:

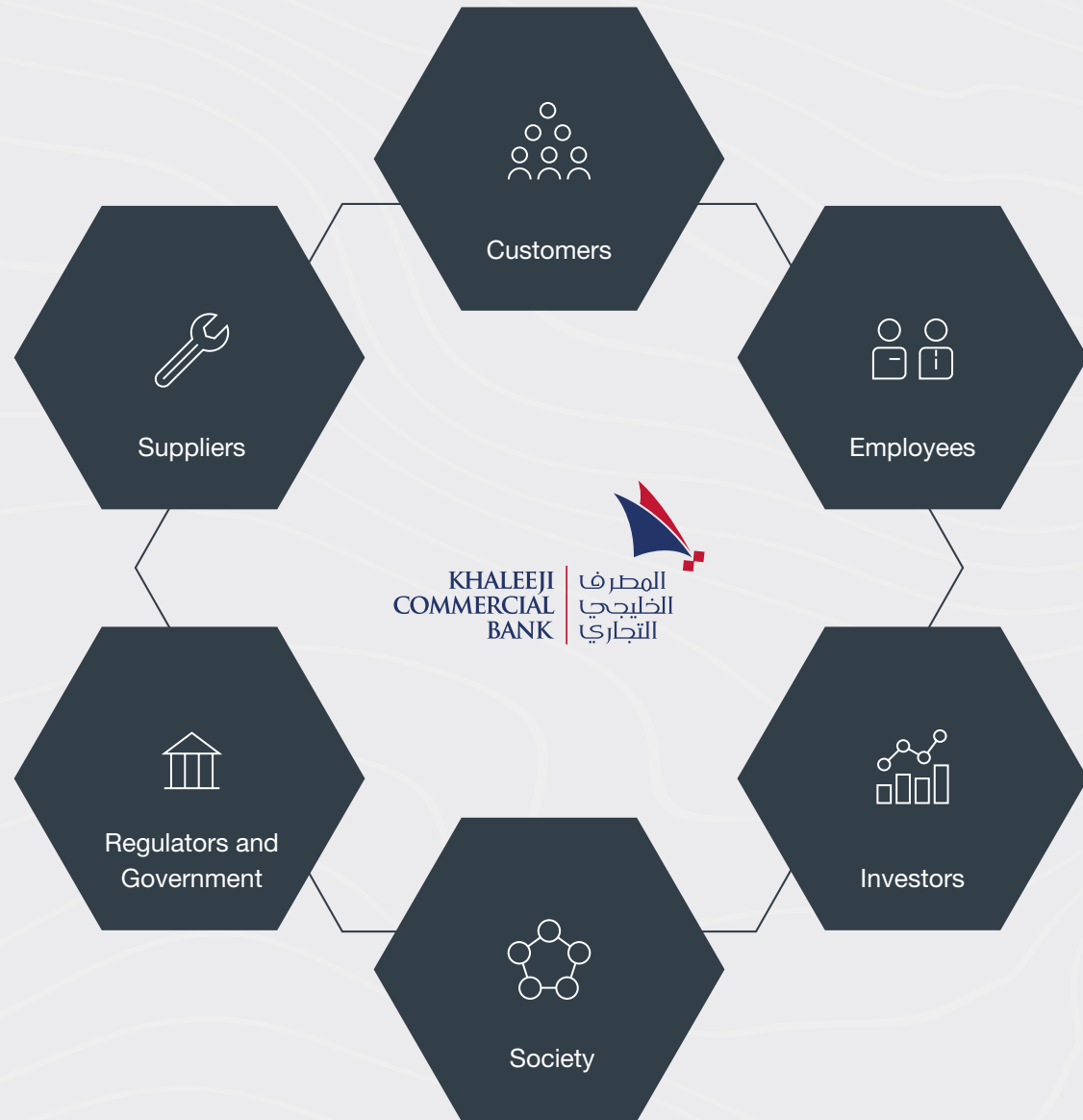
KHCB will continue practicing financial matters with poise and fortitude while investing its long expertise in Islamic banking.

Sustainability at KHCB

As a leading Islamic bank in Bahrain and a key player in the national economy, we recognise the importance of initiating our ESG journey. In line with the Kingdom's vision to achieve sustainability, fairness, and competitiveness, KHCB has integrated effective ESG practices into our business operations. By incorporating responsible actions and initiatives into our operations, we aim to achieve sustainable development and long-term success.

Our Stakeholders

At KHCB, we continuously engage with stakeholders to build strong relationships. Our primary stakeholders include people who are directly affected by our business and operations, as well as people who are indirectly impacted in the communities that we serve.



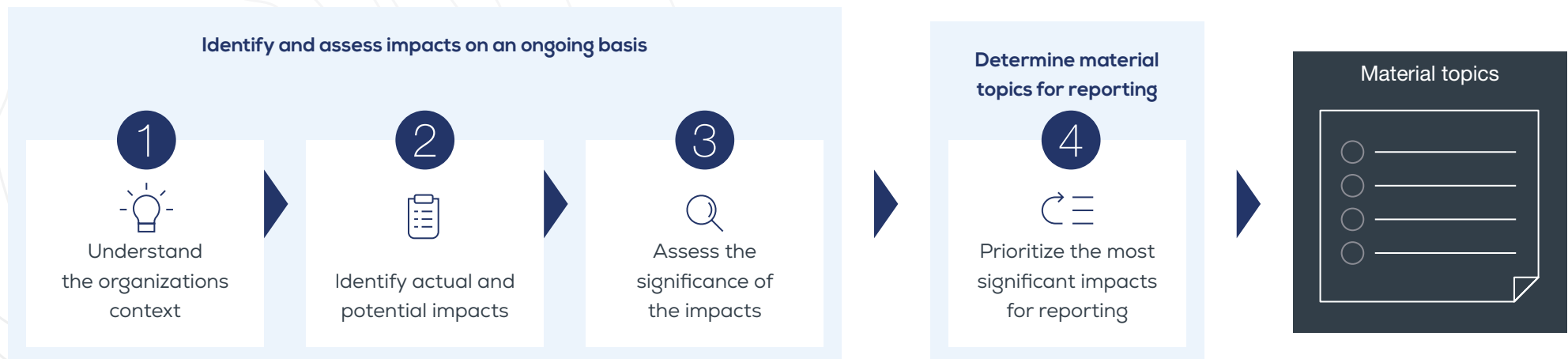
Materiality Assessment

In 2021, we undertook a materiality assessment to identify KHCB's most significant impacts on the economy, environment, and people. This exercise was conducted in alignment with the four-step process set out by the GRI, to identify and assess impacts on an ongoing basis and to determine its material topics for reporting.

We have identified and prioritized fourteen material topics that are most relevant to our business operations, activities, and stakeholder priorities.

KHCB's Material Topics

- | | | | | | |
|---|---|--------------------------------|---|----|---------------------------------------|
|  | 1 | Governance and business ethics |  | 8 | Training and development |
|  | 2 | Systemic risk management |  | 9 | Digitalisation and innovation |
|  | 3 | Financial performance |  | 10 | Community development |
|  | 4 | Customer engagement |  | 11 | Financial inclusion and accessibility |
|  | 5 | Data privacy and security |  | 12 | Diversity and inclusion |
|  | 6 | Employee wellbeing |  | 13 | Environmental footprint |
|  | 7 | Responsible banking |  | 14 | Responsible procurement |



ESG Framework

Across KHCB, we aim to incorporate ESG consideration into our operations to create and sustain positive outcomes.

We rely on our ESG framework for defining and managing our environmental, social, economic and governance impacts. Our ESG framework encompasses three pillars which align with our corporate approach to address our stakeholders' needs and expectations, ESG commitments, and align with our material topics.



ESG Framework



Aligning with SDGs and National Priorities

We recognise our role in the economy to deliver meaningful contributions to national and international sustainability standards and priorities.

As such, we have aligned our priorities with the United Nations Sustainable Development Goals (SDGs) and the Bahrain Vision 2030. We aim to continuously contribute to positive impact and sustainable growth, expanding our efforts towards supporting the SDGs and the national vision.

SDGs		Bahrain Vision 2030	Our contribution
	Ensure healthy lives and promote well-being for all at all ages	All Bahraini nationals and residents have access to quality healthcare	We provide all staff and their immediate family members with a comprehensive medical insurance and social insurance contribution that covers work injury and death
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	A high standard of social assistance gives all Bahrainis an equal start	We annually sponsor the TradeQuest's programme that aims to train young investors theoretically and practically
	Ensure availability and sustainable management of water and sanitation for all	Bahraini nationals and residents enjoy a sustainable and attractive living environment	We have installed automated water-saving sensor systems across our facilities to manage and reduce water consumption.
	Ensure access to affordable, reliable, sustainable, and modern energy for all	Bahraini nationals and residents enjoy a sustainable and attractive living environment	We joined Tamkeen's Solar Financing Scheme to support enterprises needing funds to enable them to purchase solar energy panels to generate clean energy.
	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	Bahrain stimulates growth by enhancing productivity and skills	We achieved a total profit of BD10.85 million for the year ending 31st December 2021.
	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	A world-class infrastructure links Bahrain to the global economy	We continuously expand our coverage of operations to provide our services nationwide. We focus on enhancing and simplifying our products and services to ensure client satisfaction, ease of access, and to deliver digital solutions for seamless operations.



Reduce inequality within and among countries

A predictable, transparent, and fairly enforced regulatory system facilitates economic growth

We follow a non-discrimination policy that is reflected in the Employee Handbook signed by all staff to ensure a safe and fair work culture.



Make cities and human settlements inclusive, safe, resilient, and sustainable

A high standard of social assistance gives all Bahrainis an equal start

We support and nurture young talents through several initiatives, such as Bahrain Bourse's Capital Market Apprenticeship Programme and the INJAZ programme, to empower young people to own their economic success.



Ensure sustainable consumption and production patterns

Bahrain diversifies and builds the economy by focusing on existing high-potential sectors

Our suppliers are expected to abide with our Procurement Policy, provide a safe working environment for their employees and preserve the privacy and confidentiality of any information related to KHCB.



Take urgent action to combat climate change and its impacts

Bahraini nationals and residents enjoy a sustainable and attractive living environment

We track, monitor, and report our carbon emissions and aim to regularly identify initiatives to reduce our overall carbon footprint.



Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt biodiversity loss

Bahraini nationals and residents enjoy a sustainable and attractive living environment

We support the "Forever Green" initiative which focusses on implementing afforestation projects in the Kingdom.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels

A predictable, transparent, and fairly enforced regulatory system facilitates economic growth

We maintain the highest levels of transparency and accountability through the adoption of stringent standards of corporate governance, and monitoring of corporate strategies, goals, and policies to comply with the regulatory framework.



Corporate Governance and Customer Centricity

Our robust governance model enables us to maintain the highest level of transparency and accountability by implementing and monitoring strategies, goals, and policies which comply with regulators' rules and guidelines. This guarantees our role in achieving the optimum value for all our stakeholders with interests balanced and protected. We ensure the safety of the business and our clients by performing risk analysis, as well as integrating the most up to date measures to ensure data privacy and security. We also engage with our clients to determine ways we can enhance their experience and recognise our ability to positively contribute to wider society and the communities in which we operate.

Material Topics

- Governance and business ethics
- Systemic risk management
- Data privacy and security
- Customer engagement
- Community development

SDGs Alignment



Bahrain Vision Contribution Areas

- Bahrain stimulates growth by enhancing productivity and skills
- A high standard of social assistance gives all Bahrainis an equal start
- A predictable, transparent, and fairly enforced regulatory system facilitates economic growth

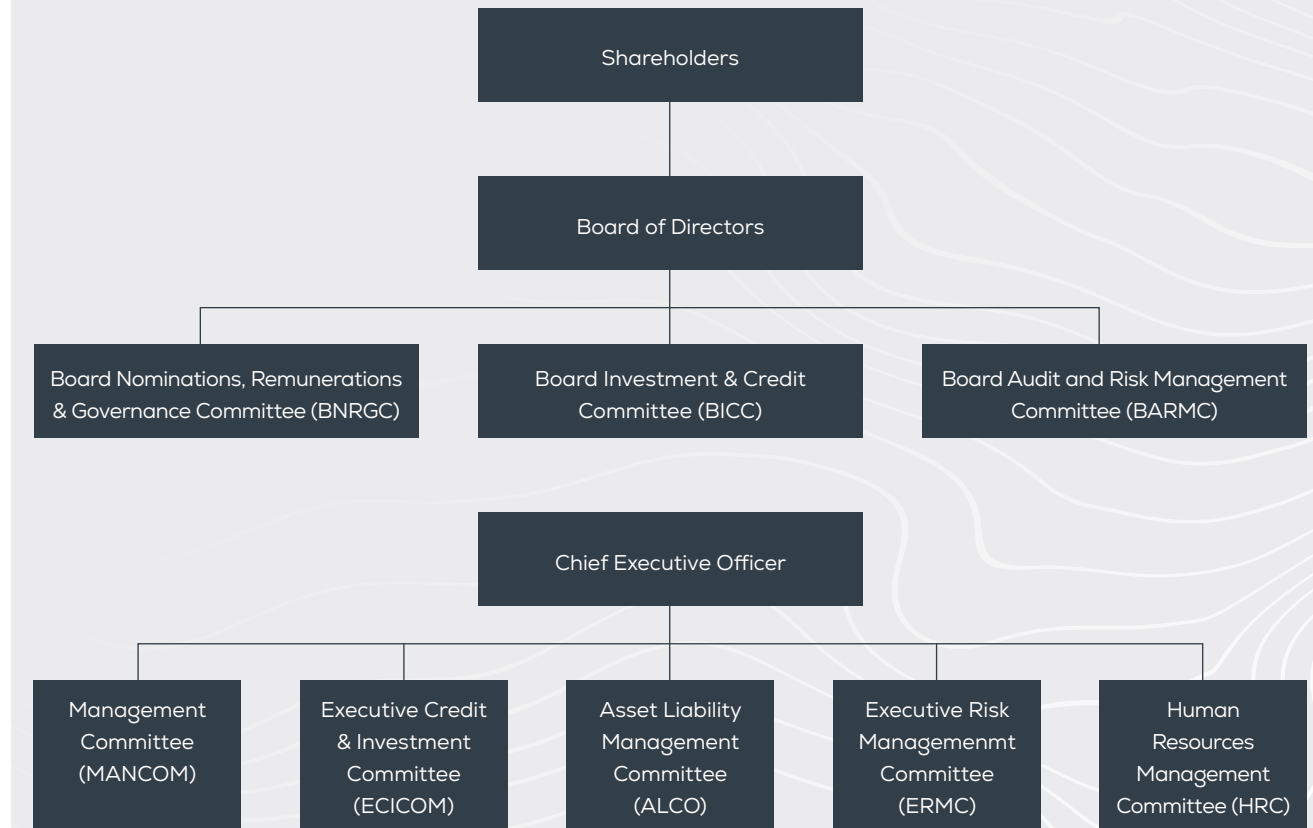
Governance and Business Ethics

At KHCB, we ensure business is conducted with distinguished integrity and transparency and we continuously review and develop our corporate governance policies.

This guarantees our adoption and compliance with the changing requirements of regulatory bodies and best practices. Recognising the critical role of governance and business ethics in KHCB's success, the Board of Directors ensures strong leadership and sound governance practices.

Our corporate governance structure is demonstrated opposite.

Corporate Governance Structure



The Bank has three Board Level Committees with varying responsibilities. These include:

1 Board Nominations, Remunerations, and Governance Committee (BNRGC)

The BNRGC is responsible for establishing the corporate governance framework as well as putting in place policies on compensation and incentives, human resources, and administration.

2 Board Audit and Risk Management Committee (BARMC)

The BARMC oversees internal and external audit, compliance, and anti-money laundering. The committee is responsible for ensuring the effectiveness of the risk management framework and the management of the risks according to parameters set by the board.

3 Board Investment and Credit Committee (BICC)

The BICC manages investment and credit approvals in addition to setting limits and investments strategies. BICC also manages the banking relationships and monitors asset impairment and asset liability management.

We are currently in the process of establishing an ESG Committee that will be responsible for reviewing and managing the integration of ESG activities and initiatives into the bank and its operations. The ESG Committee will ensure that an ESG policy, strategy, and framework is in place, as well as monitor and review current and emerging ESG trends with the aim of identifying and eliminating ESG risks in connection with KHCB's activities. The committee will report to the BNRGC, which in return will have a delegated role to oversee this matter. On the management level, KHCB will assign focal points to each department to be responsible for specific ESG matters.

Committee	2019	2020	2021
Total number of Committee chairs	3	3	3
Total Committee chairs occupied by men	3	3	3
Total Committee chairs occupied by women	0	0	0

KHCB prohibits the Chief Executive Officer (CEO) from serving as a board chair and in compliance with the CBB requirements, the position of the Chairman and that of the CEO are segregated and there is no amalgamation of responsibilities in these two positions.

Board members	2019	2020	2021
Total number of board members	10	10	9
Total number of independent members	4	5	5
Total number of non-independent members	6	5	4
Total number of executive members	4	4	3
Total number of non-executive members	6	6	6
Total board seats occupied by men	10	10	9
Total board seats occupied by women	0	0	0

The Board has approved KHCB's Code of Conduct which is to be signed by all Board members and employees. The Code of Conduct is designed to maintain a culture of honesty, integrity, and accountability, as well as guide the directors, executive managers, and employees to maintain the highest standards of professionalism and diligence on performing their duties. The Code of Conduct is reviewed periodically and consists of the most important standards of business and personal performance, covering elements such as integrity, data confidentiality and privacy, conflict of interest, priority transactions, gifts, insider information, money laundering, regulators and auditors, public statements, misuse of information, political activities, assets protection and whistleblowing.

Anti-Money Laundering

At KHCB, we are committed to rigorous compliance to all applicable Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) laws and regulations to prevent our products and services being used for money laundering and terrorist financing purposes.

We have a dedicated AML/CFT policy in place which specifies the overall AML/CFT Framework of the Bank, in adherence with the CBB. Also, we are working on integrating ESG issues within the Anti-Financial Crimes Department to improve the quality of financial flow while mitigating financial crimes risk, corruption, and identifying and avoiding dealing with outlawed political authorities and terrorist groups.

Know your Customer (KYC)

KHCB holds Customer Onboarding Guidelines that describe the onboarding of new-to-bank customers, and the approach to identifying and categorising the Know Your Customer (KYC) risk rating and approvals required for high-risk customers. We have introduced KYC forms that are in line with the CBB requirements and international best practices. We have also introduced Customer Relationship Review Procedures which describe the process of conducting ongoing due diligence on all KYC customer risk categories, from low and medium risk to high-risk.

We conduct a comprehensive KYC remediation exercise to collect and update any missing or expired customer information in the Core Banking System. As part of this exercise, we also review the existing high-risk customers and reclassify their business in the system to reflect their KYC Risk Rating. These high-risk customers include but are not limited to, Politically Exposed Persons (PEP), consultancies, charities, and societies, jewellery dealers, logistics and transportation, automobile dealers, pooled funds, and Special Purpose Vehicles (SPVs).





Anti-Corruption, Fraud, and Whistleblowing

At KHCB, we have zero tolerance for actions and activities that intentionally breach anti-corruption and fraud laws, as it involves forgery, and misrepresentations.

Hence, anti-corruption and fraud is covered in the Code of Conduct that is signed by all employees. There were no incidents of corruption or fraud recorded in the organisation during 2021.

Our internal Whistleblowing policy is in place to ensure all employees can raise concerns without fear of enduring retribution and provide a transparent and confidential process for dealing with concerns raised. All employees are encouraged to raise genuine concerns about improprieties in matters of financial reporting and other malpractices at the earliest opportunity, and in an appropriate way.

Concerns about malpractice in the workplace can be reported to the line manager, Head of Internal Audit, or the chairperson of the Board Audit and Risk Management Committee (BARMC) depending on the severity of the matter. All reports submitted will be treated seriously and be subjected to a thorough investigation, with the aim of locating evidence that either substantiates or refutes the claims made by the whistle-blower. Employees who have raised concerns will be informed of who is handling the matter and if there is any further assistance required. Example of malpractices include fraud; corruption, bribery, or extortion; criminal offences; failure to

comply with a legal or regulatory obligation; injustice; endangering the health and safety of an individual; coercion, harassment, or discrimination.

KHCB benefits from the Bahrain Institute of Banking and Finance (BIBF) public offers in training, which are covered in levy, where we recommend and encourage our employees to attend suitable courses. In 2021, two employees attended courses related to fraud and anti-corruption. We also conducted several awareness campaigns to raise our employees understanding on phishing and how to avoid such attacks.



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Incidents of corruption or fraud recorded in the organisation during 2021

Systemic Risk Management

At KHCB, we seek to enhance our clients and shareholders' values in accordance with Shari'a principles and treat all stakeholders with fairness and transparency.

This is achieved by ensuring our business is conducted with a minimum level of risk. The nature of the business reflects that KHCB is exposed to risks that include, but are not limited to, credit, market, liquidity, and operational risk. As part of our decision-making process, we perform a detailed risk and reward analysis that is appropriate to the size and nature of the business being considered. This aims to achieve an appropriate balance between risk and return, as well as minimise any potential adverse impact on our overall performance.

‘As part of our decision-making process, we perform a detailed risk and reward analysis that is appropriate to the size and nature of the business being considered’

To maximise risk adjusted returns without exceeding risk tolerance level, KHCB has implemented an Enterprise Risk Management Framework to directly manage enterprise-wide risks focusing on identifying, assessing, managing, and mitigating risk of our activities. The framework promotes ongoing monitoring and risk awareness and encourages operational and strategic decision making. The first and crucial step in managing the risk of any activity is to identify and assess potential negative risk events. To do so and to dynamically manage our business, we endure a risk scanning process including inputs from internal and external risk environment and potential threats and opportunities from a business and client perspective.



Data Privacy and Security

KHCB strives to ensure that a stakeholder's interaction with our services operates smoothly and that they are protected from any cyberattacks.

To this end, we have established several security measures to protect our customers. First, we established a Data Privacy Policy that incorporates the General Data Protection Regulation (GDPR) law rules. In addition, we have completed all necessary data privacy and security policies and procedures and mapped them to the CBB, to align with their mandates. We also follow national and international standards, such as the National Institute of Standards and Technology (NIST) standard and The International Information Security Standard - ISO 27001. There were no identified issues or risks related to customer privacy and security reported nor observed in the organisation in 2021.

In line with the regulatory requirements and to increase security, a remotely managed Security Operation Centre (SOC) has been implemented. In addition, we have also installed a Web Application Firewall (WAF) to protect our assets and Denial-of-Service Attacks (DoS). KHCB has also implemented Swift Customer Security Programme (Swift CSP) for security control and applied multi-factor authentication on its products.

A fully-fledged Email Archiving System has also been implemented to enable the Bank to retrieve any email sent internally and externally, as well as help recover any lost emails and facilitate future security investigations on the email exchange should they arise. Domain-based Message Authentication, Reporting and Conformance (DMARC) was established to strengthen the security on emails and avoid mail deceiving.

KHCB has an Incident Response Playbook that includes all the possible scenarios of security incidents that could take place and details how we would respond to each scenario. We also regularly conduct self-assessment exercises on all aspects of cyber-security. Any gaps observed during these exercises are escalated to the Information Security Department to be fixed or to be highlighted for future implementation.

KHCB is developing a project to enhance cyber resilience and incident response using defensive controls. This project is heavily focused on building a solid plan that is broken into several phases starting with reconnaissance and asset discovery,





control selection through a risk-based approach, control implementation, and finally the rescan of the network to ensure all assets are discovered and protected by the security controls. This will ensure a highly resilient and protected network that can prevent cyber-attacks and respond to security incidents.

Policies

- Third Party Security Policy
- Cyber Security Strategy
- The Payment Card Industry Data Security Standard (PCI-DSS) Charter
- Password Management Policy
- Access Control Policy
- Acceptable Use Policy
- Information Security Policy
- Cyber Security Framework

The policies and procedures related to data privacy and security that has been adopted by the Bank include:

Procedures

- Incident Management Procedure
- Access Management Procedure
- Audit Logs Management Procedure
- Asset Management & Handling Procedure
- Equipment Sanitisation Procedure
- Change Management Procedure
- Vulnerability Patch Management Procedure
- Servers Maintenance and Capacity Management Procedure
- Physical Security Procedure
- Network Security Procedure
- Backup Procedure
- Email Security Procedure
- Risk Management Procedure
- Password Management Procedure
- Software Acquisition, Development and Maintenance Procedure
- Third Party Security Procedure
- Personnel Security Procedure

Customer Engagement

Our customers are the driving force for our continuous growth and success, and as a result we are continuously working on enhancing our customers experience and take any disputes or complaints very seriously.

KHCB thrives to integrate customer satisfaction criteria and tools into action, and we have a comprehensive policy on handling external complaints that all employees abide by. We have a designated officer for handling complaints, and the officer's contact details are provided on our website, in branches, and on any publicly distributed materials. All complaints are attempted to be addressed within five working days, and if not, the customer is contacted directly and a period for addressing the complaint is advised.

'All complaints are attempted to be addressed within five working days, and if not, the customer is contacted directly and a period for addressing the complaint is advised'

At KHCB, we strive to offer the best in customer service and use every customer engagement as a learning opportunity so that we can continue to improve and offer the best customer experience. Customer feedback is taken into consideration and is incorporated into our business strategy to enhance the quality of our work. In 2021, we introduced the Skiplino queuing system, an intelligent and cloud-based system, to monitor data related to queues in real-time and collect customers' feedback. We regularly evaluate all customer feedback received through the Skiplino system and any action mitigation measures taken to address customer concerns and enhance customer satisfaction.



Community Development

In 2021, KHCB was dedicated to contributing to the Kingdom of Bahrain's efforts to achieve sustainable development and the objectives of Bahrain Economic Vision 2030, to cement the kingdom's achievements and gains at various levels and fields. The focus was on four vital sectors: Education, Environment, Youth, and Sports.

KHCB acknowledges its role in respecting and contributing to the community where our business is operating. We strive to continuously support local initiatives that align with our values. Stemming from its solid belief in the key role played by the educational sector in building the Kingdom's present and future, KHCB announced its support of the BIBF new building at Bahrain Bay, which by sponsoring the building's sixth floor, that consists of lecture halls and many other service facilities. BIBF's new building is among the key development projects in the Kingdom, as it forms a turning point in providing the appropriate infrastructure for training and development within the process of evolving the Financial Services sector and the national economy of Bahrain.

For the Environmental sector, as part of our social responsibility, KHCB took an initiative in supporting the "Forever Green" event along with other leading institutions, showing our keenness to protect and preserve the Bahraini environment as well

as upgrade its basic components as one of the Kingdom's many essential ingredients and treasures.

We support and nurture young talents through several initiatives such as Bahrain Bourse's Capital Market Apprenticeship Programme and the INJAZ program. Both initiatives empower young people to own their economic success. We are also a strategic funding and training sponsor of the TradeQuest's programme that aims to train young investors theoretically and practically on simulating the local and international financial markets.

KHCB also supports the Bahrain Internal Auditors Association (BIAA), by financing and providing training sessions to the organisation, to empower the performance of the auditors. Our support aims to obtain reasonable assurance on material misstatement whether caused by error or fraud. We also contribute to the CBB's Waqf Fund every year to help fund training staff members, academically and professionally, in the Islamic Financing field.

The Bank donated towards the renovation of the Sheikh Isa bin Ali Al Khalifa Mosque as well as organised yearly donations during Ramadan to charities that provide food boxes to the people in need.

KHCB is an active supporter of the health and wellbeing of the community by supporting activities that promote a healthy and active lifestyle. We financially sponsor the Ministry of Youth and Sport Affairs and various sports associations events, for example football, Futsal, Basketball and Golf, according to our belief in the importance of consolidating the distinguished position of Bahraini sports.



Resilient Sustainable Business Practices

At KHCB, we believe that protecting our resources is a key driver for sustainable business growth. We aim to grow diversely and provide training and development opportunities to our employees, ensuring a motivated and happy workforce. We also foster several business practices to take responsible actions towards the environment, such as reducing energy consumption, saving natural resources, and lowering emissions.

Material Topics

- Environmental footprint
- Employee wellbeing
- Training and development
- Diversity and inclusion

SDGs Alignment



Bahrain Vision Alignment

- All Bahraini nationals and residents have access to quality healthcare
- A high standard of social assistance gives all Bahrainis an equal start
- A predictable, transparent, and fairly enforced regulatory system facilitates economic growth
- Bahraini nationals and residents enjoy a sustainable and attractive living environment

Environmental footprint

We seek to implement environmental and sustainable practices within our operations. KHCB highlights these practices as important goals to accomplish and strives to achieve progress in.

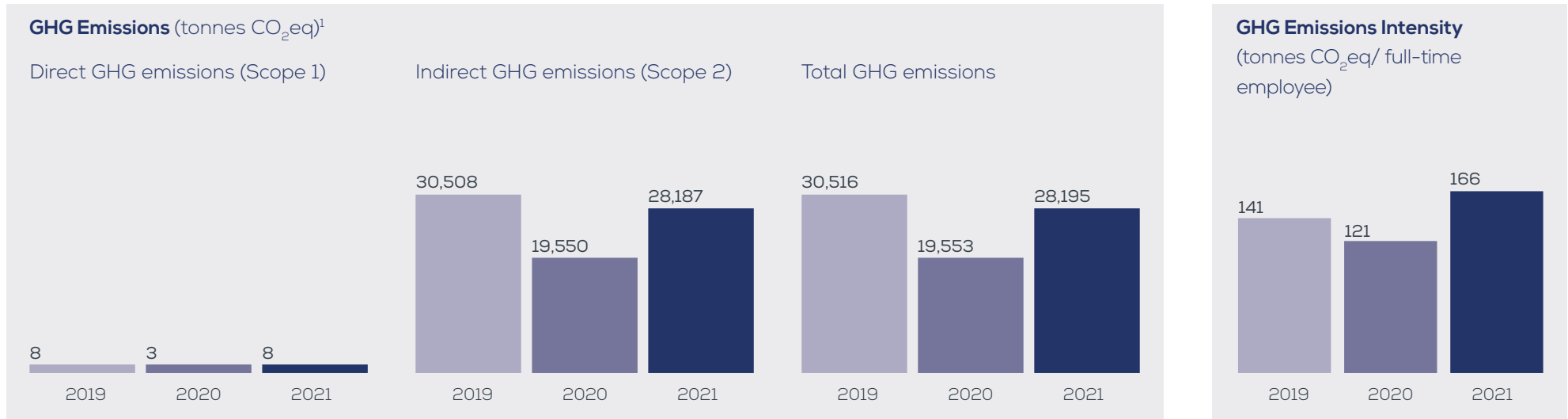
To reduce our electricity consumption and manage our energy usage, we have introduced automated lighting across our facilities. In addition, all the light bulbs in Wadi Alsail Branch and Hidd Branch have been changed to energy-efficient light-emitting diode (LED) lights. This is just one step we are taking towards reducing our Greenhouse Gas (GHG) emissions and demonstrates our commitment to climate action.

Although our 2021 emissions have increased compared to 2020, they are lower than the baseline energy consumption in 2019. The reduced 2020 energy figures were a result of the mandatory lockdown in Bahrain due to the COVID-19 circumstances.

Energy Consumption	2019	2020	2021
Total Energy Consumption (GJ)	151,396	96,983	139,889
• Direct energy consumption (GJ)	115.90	42.31	117.14
• Indirect energy consumption (GJ)	151,281	96,940	139,772
Energy consumption intensity (GJ/employee)	701	599	823



Similarly, our GHG emissions have also increased when compared to the 2020 year, however, they remain below the business-as-usual situation in year 2019.



¹ GHG emissions were calculated from our direct and indirect energy consumption (i.e. petrol consumption from vehicles and electricity consumption). Electricity emission factors used are from the International Financial Institution (IFI) Dataset (version 3.0) published in December 2022.



Building on the Bank's efforts towards preserving natural resources, we have installed automated water saving sensor systems across all our facilities, which helps to manage and reduce our water consumption.

Water Consumption	2019	2020	2021
Total water consumption (m ³)	8,463	2,668	5,055
Water consumption intensity (m ³ / full-time employee)	39	16	30

To reduce waste generated from our operations, we have introduced several initiatives. This includes the amendment of all printers to be set to print double-sided by default to reduce the amount of paper printed and used by half. This amendment resulted in a reduction in energy consumption and reduced the overall cost of printing. KHCB has also adopted e-Marketing Channels such as social media and emails to further reduce paper waste related to the Bank's activities.

In addition, our pantries no longer offer plastic cutlery to staff, instead we have opted for cutlery that is more sustainable and less harmful to the environment. We are currently assessing measures to increase recycling across our facilities. We assigned a third party to carry out our waste management activities, which is in charge of handling and managing our wastes including our recyclables.



Highlight:

Participating in Tree Planting Event

As part of our efforts to develop the agricultural sector, we accepted The National Initiative for Agricultural Development's invitation to financially support and participate in a tree planting event. The programme chooses the hottest area in Bahrain and invites financial institutions to contribute to the fund of planting tree saplings in the area. The trees are known to cool the surrounding environment through evapotranspiration and providing shade. They also act as carbon sinks and absorb CO₂ from the atmosphere which helps to limit global warming. Our CEO, Mr. Sattam Sulaiman Algosabi, along with other executives joined the event, in December 2021, to plant tree saplings in Manama near the Seef district.

Employee Wellbeing

At KHCB, we aim to motivate, empower, and recognise our employees' performance.

We achieve this through several initiatives such as the Staff Appreciation and Recognition Scheme (STARS), variable remuneration training, academic sponsorship, gesture of giveaways on various occasions, and acknowledging their personal educational development achievements. We also like to be a part of some of their personal events such as welcoming a new baby, marriage, and birthdays. As part of our support, we also offer schooling hours for our working mothers and reduced working hours for our pregnant employees.

The pandemic taught us the importance of being flexible and focused on the health of our people. Throughout that period, our main goal was to ensure our employees safe return to work by requesting they wear masks, maintain social distancing when possible, and perform rapid testing when necessary. We provide all employees and their immediate family members with full coverage medical insurance and social insurance covering work injuries and death.

Highlight:

Honouring Outstanding Employees with 'STARS' Program

KHCB has honoured outstanding employees as a symbol of recognition and appreciation for their efforts in serving our clients and their willingness to improve their work performance. Here at KHCB, we strongly believe in the significance of rewarding the employees' dedication and outstanding performance and the STARS programme is a great motivation for our employees to maintain their efforts and show more devotion to work. This investment in our employees enables the Bank to adopt the best banking practices in the local market and offer the best financial solutions and banking services to its valued clients.



Training and Development

KHCB adopts learning values that focus on building teamwork between employees and developing their skills. The Bank assists the employees with learning opportunities to hone their talents and realise their full potential.

For every employee, we carry out an appraisal evaluation and if required we develop a training plan in consultation with the line manager. Following this, our Human Resources Department arranges external or internal training sessions to ensure that all our employees receive the training they need to meet our requirements.

In addition, the Bank has offered online training programs for all staff, new joiners, and interns, through a web-based training portal, including BIBF courses. We also arrange First Aid and Fire Marshal training on an annual basis to ensure the safety of our employees. An Information Security Awareness Weekly Campaign has also been initiated to circulate weekly through emails. This campaign fosters awareness of information security and delivers informative security messages that are required to be known by all employees. KHCB also raises our employees' awareness of preserving the environment through adopting daily best practices and highlighting local initiatives for the employees to contribute to.



930

Total number of training hours
for female employees

Training and Development ²	2019	2020	2021
Total number of training hours for all employees	5,715	3,176	2,779
Total number of training hours for female employees	2,557	979	930
Total number of training hours for male employees	3,158	2,197	1,849

² Total training hours are estimated.



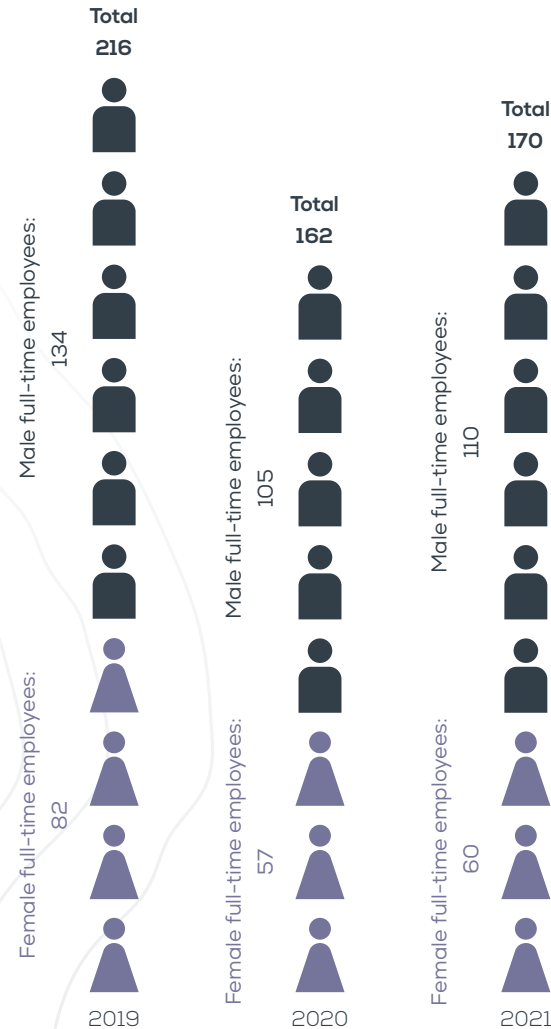
Diversity and Inclusion

KHCB ensures that employees' rights are always protected by ensuring a work environment that is respectful to all employees.

We follow a non-discrimination policy that is reflected in the Employee Handbook, signed by all staff, to ensure a safe and fair work culture that does not endure any form of discrimination, harassment, or abusive behaviour based on religion, gender, race, age, or disability. We encourage all employees to report any concerns either in person or anonymously.

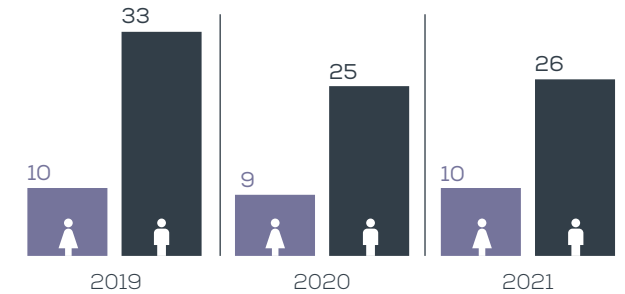
We continuously work towards building a workforce that is diverse and inclusive to foster a healthier working environment that is focused on equality and teamwork. Diversity and inclusion will provide a better working mechanism that is focused on innovation, economic stability, productivity, and a satisfactory customer experience.

Workforce

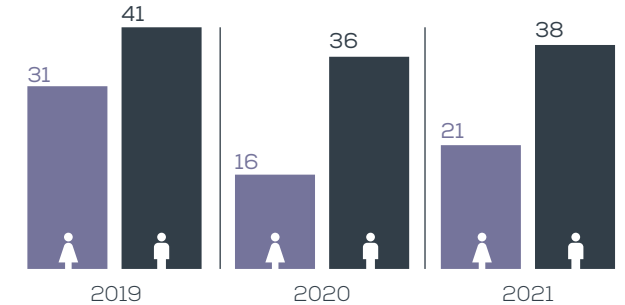


Workforce by employment level

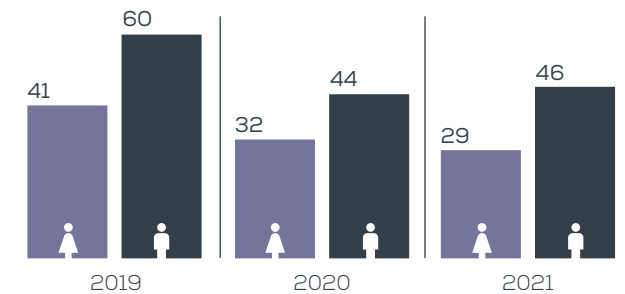
Full-time employees in senior management



Full-time employees in middle management



Full-time employees in staff (other levels)



In 2021, we hired 19 new employees of which 26% are female.

New employee hires by gender



We align with the Bahrain Vision 2030 to ensure that all Bahraini people have better living standards, increased employment, and more attractive employment opportunities. Hence, KHCB's workforce is composed of 96% nationals among total workforce and of those Bahraini nationals 37% of them are female Bahrainis.

Nationalisation	2019	2020	2021
Nationals among total full-time workforce	209	158	163
Nationals in senior management	41	33	35

Nationalisation (by gender)			
Female National full-time employees	82	57	60
Male National full-time employees	127	101	103

96%

of KHCB's workforce is composed of Bahraini nationals



Embracing Growth and Innovating for the Future

At KHCB, we strive to maintain sustainable financial performance to ensure long-term success. To achieve this, and to recognise the impact of our banking activities, we acknowledge our responsibility towards integrating ESG factors into our product and service offerings. With the support of innovation and digitalisation, we seek ways to promote access to finance and sustainable procurement to proudly contribute to Bahrain's national economy.

Material Topics

- Financial performance
- Financial inclusion and accessibility
- Responsible banking
- Responsible procurement
- Digitalisation and innovation

SDGs Alignment



Bahrain Vision Alignment

- Bahrain stimulates growth by enhancing productivity and skills
- A world-class infrastructure links Bahrain to the global economy
- Bahrain diversifies and builds the economy by focusing on existing high-potential sectors
- Bahraini nationals and residents enjoy a sustainable and attractive living environment

Financial Performance

Maintaining a strong financial performance allows KHCB to support our operations, provide value to our shareholders, and contribute to the communities in which we operate.

In 2021, KHCB has exceeded the previous year's financial performance, although we have reduced our branches network, in line with KHCB's strategy to go digital and promote all services through the mobile App and kiosk banking.

We have succeeded in developing an effective strategy which contributes to strengthening KHCB's distinguished position among Islamic banks in the Kingdom throughout the past year. The results of such action have been reflected in the Bank's net profit, where we achieved a total profit of BD10.85 million for the year ending 31st December 2021.

In 2021, KHCB took advantage of the opportunities that were witnessed from the gradual recovery of the pandemic effects to continue strengthening our financial performance. We have observed an increase of 36% from 2020's net profit which was BD 7.99 million.





Financial Inclusion and Accessibility

We pursue to ensure that people and companies have access to convenient and valuable financial solutions.

To achieve this goal, we seek to cover most of the residential areas, from branches to ATMs. We also finance women and ensure that they receive fair and equal treatment from our employees. Further, KHCB exempts the elderly and people with disability from any service charges such as Credit Card charges and ATM Card charges. Finally, we offer a wide range of distinguished services to benefit individuals and corporate clients. Some of these services include value-added services, such as Personal Finance, Home Finance, Auto Finance and Visa Credit Cards, as well as account services, such as Current Accounts, Saving Accounts Mudharaba Accounts, and Al Waffer Accounts.

The Bank aims to enhance the economic health and boost financial literacy in the Kingdom. To do so, we introduced COVID related processes that dealt with processing financial deals that were delayed due to the pandemic. KHCB also received an invitation from Bahrain Bourse to participate in the International Organisation of Securities Commissions IOSCO's 2021 World Investor week as a way to promote the importance of financial literacy.

Additionally, KHCB aims to provide superior, well designed and targeted banking products and services to SMEs that will enable them to grow, compete and prosper in a competitive market setting. Hence, we have a dedicated department to investigate the financing of the small and medium sized enterprise (SMEs) which enabled us to continue to serve the SME market during the pandemic, where access to finance was considered difficult due the market conditions.

Responsible Banking

As part of our commitment to support the sustainable growth in the Kingdom, we are working on financing environmental and social projects to support sustainable finance.

We joined Tamkeen's Solar Financing Scheme to encourage the transition to renewable energy. The scheme finances enterprises to purchase solar panels to generate clean energy, mitigate climate change, and reduce costs related to purchasing electricity.

The investments that we manage are distributed among diversified clients and target different sectors. KHCB follows a conservative methodology to control the investment of products and accounts. This procedure considers the market scenarios and developments to achieve the best investment outcomes.

During our investment activities, we consider ESG risk factors, and we have a checklist in place to promote and support ESG considerations for the purpose of responsible banking. KHCB is in the process of developing a 3-year strategy which shall address the ESG risks and attempts to mitigate them through diversification of these risks. We will also work on climate related risks and conduct awareness and training sessions on the concepts of ESG and Climate Risks.

Shari'a Compliance

We provide Shari'a compliant products, services, and investment opportunities that are innovative and trustworthy. These products, services, and investment opportunities contribute to the growth of Islamic banking in the Kingdom as well as maintain economic growth. As part of the Bank's Credit Underwriting policy, we will not undertake any business activity that conflicts with the Shari'a standards, and no deviations from this are permitted under any circumstances. If such deviations were to occur, it would result in breaches of Shari'a compliance.

At KHCB, we always ensure compliance with the regulations applicable to an Islamic licensed bank and should any non-compliance occur, it will be reported according to the guidelines. The Shari'a Supervisory Board (SSB) is responsible for ensuring KHCB's businesses are conducted in strict compliance with the Islamic Sharia's principles and standards. We review and evaluate the nature of an investment and the documents related to it before raising this investment to the SSB for approval.

In addition, KHCB assists the SSB in the issuance of Shari'a statements and resolutions, fatwa, guidelines, and instructions on the products and services by reviewing its activities at the products design and development stage. We maintain the Shari'a basis by adhering to the SSB resolutions and Shari'a standard issued by Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).



Responsible Procurement

KHCB aims to include responsible suppliers within its supply chain through our procurement procedures, where we focus on the creation of shared values and the establishment of long-term relationships. The Bank takes into consideration environmental and social factors when selecting suppliers and products.

According to our Procurement Policy, all suppliers are expected to abide with all laws and regulations. Suppliers need to provide a safe working environment for their employees and those affected by their activities and take balanced steps to identify and reduce risks of child labour and modern slavery and this extends to the supply chain. Also, suppliers need to preserve the privacy and confidentiality of any information they have relating to KHCB, including our employees and our customers, as well as retain appropriate cyber security measures to prevent the use of their systems for criminal purposes.

Any event or action that causes a breach of the Procurement Policy will affect the good standing of KHCB, hence it is essential that suppliers adhere to the Suppliers Code of Conduct, and this holds true for any new supplier that the Bank will work with.



Digitalisation and Innovation

To simplify communications with clients and ease all banking transactions, KHCB offers a broad range of advanced electronic services.

These services are equipped with a system that follows the latest security standards to provide an easy, safe, and more accessible client experience.

KHCB has laid the foundations for the development of the Open Banking Services that will enable it to reach a wide range of international financial technology companies and launch a new range of services, such as the e-cheque. We are working towards the introduction of the e-cheque and upgrading the Bahrain Cheque Truncation System (BCTS) that will aim to offer new features to individuals and corporate customers.

Highlight:

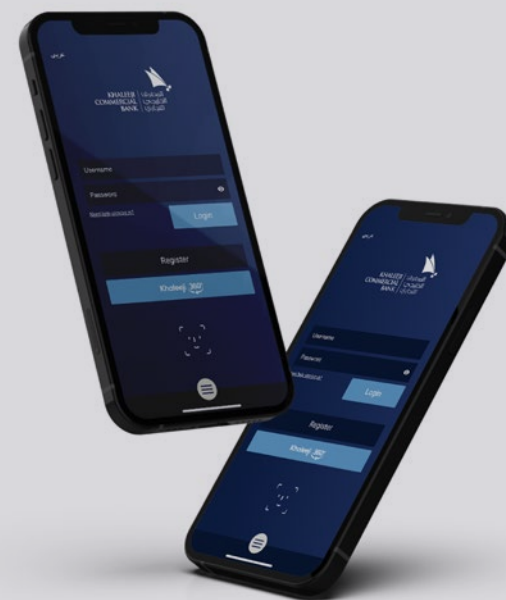
New Version of “Khaleeji Mobile App”

As a way of providing innovative digital services to our clients and facilitating a banking experience, KHCB has launched an updated version of the “Khaleeji Mobile App.” This app has a range of banking services and financial solutions. The updated version digitalised many banking transactions that previously required a branch visit or call, providing the clients with an advanced and more secure banking experience.

The services that the Application provides to our clients includes the ability to open various banking accounts, full management of Debit and Credit Cards, interbank transfers inside and outside Bahrain, bill payments, and Open Banking Services that include “Khaleeji 360”, allowing clients to link their account with different banks and examine their financial operations.

This new Application also supports Fingerprint Scanning and Facial Recognition to ensure the highest level of protection. Further, it provides

stamped Account Statements, Account Balances, and IBAN Certificates. Detailed Receipts for Remittances, Transfers, and Payments can also be downloaded through the Application and shared with the recipients.



Appendices

Appendix A. Bahrain Bourse ESG Guide

Metric	Calculation	Corresponding GRI Standards	Corresponding SDGs	Coverage (page number)
Environment				
E1. GHG Emissions	E1.1) Total amount, in CO ₂ equivalents, for Scope 1 (if applicable)	GRI 305: Emissions 2016		24
	E1.2) Total amount, in CO ₂ equivalents, for Scope 2 (if applicable)			24
	E1.3) Total amount, in CO ₂ equivalents, for Scope 3 (if applicable)			N/A
E2. Emissions Intensity	E2.1) Total GHG emissions per output scaling factor	GRI 305: Emissions 2016		24
	E2.2) Total non-GHG emissions per output scaling factor			N/A
E3. Energy Usage	E3.1) Total amount of energy directly consumed	GRI 302: Energy 2016		23
	E3.2) Total amount of energy indirectly consumed			23
E4. Energy Intensity	Total direct energy usage per output scaling factor	GRI 302: Energy 2016		23
E5. Energy Mix	Percentage: Energy usage by generation type	GRI 302: Energy 2016		N/A
E6. Water Usage	E6.1) Total amount of water consumed	GRI 303: Water and Effluents 2018		25
	E6.2) Total amount of water reclaimed			N/A
E7. Environmental Operations	E7.1) Does your company follow a formal Environmental Policy? Yes/No	GRI 103: Management Approach 2016		N/A
	E7.2) Does your company follow specific waste, water, energy, and/or recycling polices? Yes/No			N/A

E7. Environmental Operations	E7.3) Does your company use a recognised energy management system? Yes/No	GRI 103: Management Approach 2016		N/A
E8. Environmental Oversight	Does your Board/ Management Team oversee and/or manage climate-related risks? Yes/No	GRI 102: General Disclosures 2016		14
E9. Environmental Oversight	Does your Board/ Management Team oversee and/or manage other sustainability issues? Yes/No			14
E10. Climate Risk Mitigation	Total amount invested, annually, in climate-related infrastructure, resilience, and product development?			N/A
Social				
S1. CEO Pay Ratio	S1.1) Ratio: CEO total compensation to median FTE total compensation	GRI 102: General Disclosures 2016		N/A
	S1.2) Does your company report this metric in regulatory filings? Yes/No			N/A
S2. Gender Pay Ratio	Ratio: Median male compensation to median female compensation	GRI 405: Diversity and Equal Opportunity 2016		N/A
S3. Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees	GRI 401: Employment 2016		29
	S3.2) Percentage: Year-over-year change for part-time employees			N/A
	S3.3) Percentage: Year-over-year change for contractors and/or consultants			N/A
S4. Gender Diversity	S4.1) Percentage: Total enterprise headcount held by men and women	GRI 102: General Disclosures 2016 GRI 405: Diversity and Equal Opportunity 2016 GRI 405: Diversity and Equal Opportunity 2016		28
	S4.2) Percentage: Entry- and mid-level positions held by men and women			28
	S4.3) Percentage: Senior and executive-level positions held by men and women			28
S5. Temporary Worker Ratio	S5.1) Percentage: Total enterprise headcount held by part-time employees	GRI 102: General Disclosures 2016		N/A
	S5.2) Percentage: Total enterprise headcount held by contractors and/or consultants			N/A

S6. Non-Discrimination	Does your company follow a sexual harassment and/or non-discrimination policy? Yes/No	GRI 103: Management Approach 2016		28
S7. Injury Rate	Percentage: Frequency of injury events relative to total workforce time	GRI 403: Occupational Health and Safety 2018		N/A
S8. Global Health & Safety	Does your company follow an occupational health and/or global health & safety policy? Yes/No	GRI 103: Management Approach 2016		N/A
S9. Child & Forced Labor	S9.1) Does your company follow a child and/or forced labor policy? Yes/No	GRI 103: Management Approach 2016		N/A
	S9.2) If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No			N/A
S10. Human Rights	S10.1) Does your company follow a human rights policy? Yes/No	GRI 103: Management Approach 2016		N/A
	S10.2) If yes, does your human rights policy also cover suppliers and vendors? Yes/No			N/A
S11. Nationalization	S11.1) Percentage of national employees			29
	S11.2) Direct and indirect local job creation			N/A
S12. Community Investment	Amount invested in the community, as a percentage of company revenues			N/A
Governance				
G1. Board Diversity	G1.1) Percentage: Total board seats occupied by men and women	GRI 405: Diversity and Equal Opportunity 2016		14
	G1.2) Percentage: Committee chairs occupied by men and women			14
G2. Board Independence	G2.1) Does the company prohibit the CEO from serving as board chair? Yes/No	GRI 102: General Disclosures 2016		14
	G2.2) Percentage: Total board seats occupied by independents			14
G3. Incentivized Pay	Are executives formally incentivized to perform on sustainability? Yes/No	GRI 102: General Disclosures 2016		N/A

G4. Collective Bargaining	Percentage: Total enterprise headcount covered by collective bargaining agreement(s)	GRI 102: General Disclosures 2016		N/A
G5. Supplier Code of Conduct	G5.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No	GRI 102: General Disclosures 2016		34
	G5.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	GRI 103: Management Approach 2016		N/A
G6. Ethics & Anti-Corruption	G6.1) Does your company follow an Ethics and/or Anti-Corruption policy? Yes/No	GRI 102: General Disclosures 2016		14
	G6.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?	GRI 103: Management Approach 2016		14
G7. Data Privacy	G7.1) Does your company follow a Data Privacy policy? Yes/No	GRI 103: Management Approach 2016		18
	G7.2) Has your company taken steps to comply with GDPR rules? Yes/No			18
G8. Sustainability Reporting	G8.1) Does your company publish a sustainability report? Yes/No			4
	G8.2) Is sustainability data included in your regulatory filings? Yes/No			4
G9. Disclosure Practices	G9.1) Does your company provide sustainability data to sustainability reporting frameworks? Yes/ No			4
	G9.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No			10-11
	G9.3) Does your company set targets and report progress on the UN SDGs? Yes/No			N/A
G10. External Assurance	Are your sustainability disclosures assured or validated by a third party? Yes/No	GRI 102: General Disclosures 2016 GRI 103: Management Approach 2016 is to be used in combination with the topic specific Standards		N/A



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