

Resolution No. (136) of 2022
Regarding the Requisites of Sustainable Finance

Having Perused:

- Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its Executive Bylaws, and their amendments; and
- CMA Board of Commissioners Resolution passed in its meeting No. (31) of 2022 held on 24/08/2022.

The Following Was Resolved

Article (1)

Module One (Glossary) of the Executive Bylaws of the Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments is hereby amended pursuant to Annex 1 attached to this Resolution.

Article (2)

Module Six (Policies and Procedures of Licensed Persons) of the Executive Bylaws of the Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments is hereby amended pursuant to Annex 1 attached to this Resolution.

Article (3)

Module Twelve (Listing Rules) of the Executive Bylaws of the Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments is hereby amended pursuant to Annex 1 attached to this Resolution.

Article (4)

Module Thirteen (Collective Investment Schemes) of the Executive Bylaws of the Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments is hereby amended pursuant to Annex 1 attached to this Resolution.

Article (5)

Module Fifteen (Corporate Governance) of the Executive Bylaws of the Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments is hereby amended pursuant to Annex 1 attached to this Resolution.

Article (6)

Attachment 10 (Investment Controls for Sustainable Funds) shall be added to Appendix 4 (Investment Controls for Each Type of Funds) of Module Thirteen (Collective Investment Schemes) of the Executive Bylaws of the Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments pursuant to Annex 2 attached to this Resolution.

Article (7)

The concerned bodies shall execute this Resolution, each within its jurisdiction. This Resolution shall come into force from the date of its issuance, and it shall be published in the Official Gazette.

Prof. Ahmad Almelhem

Issued on: 25/08/2022

Annex (1)

Sr.	Module	Chapter	Article	Amendment Type	Present Text	Proposed Text
1	One	-	Sustainability	Adding an Article	-	the development that meets the present needs without compromising the ability of future generations to meet their own needs. The pillars of Sustainability are the economy, the environment, and society.
2	One	-	Sustainable Fund	Adding an Article	-	a Fund that adopts one or more of the environmental, social, or governance considerations in its investment policies or strategies that are determined in its Articles of Association. A Sustainable Fund is also considered a responsible fund, as both sustainable and responsible investments have the same meaning.
3	Six	Four	4-1	Amending an Article	Risk management systems are considered an essential part of strategic management of a <u>Licensed Person</u> , and accordingly shall include the main aspects which would enable the Licensed Person to determine, analyse, assess and evaluate risks and management thereof and the mechanisms of following up on them and	Risk management systems are considered an essential part of strategic management of a <u>Licensed Person</u> , and accordingly shall include the main aspects which would enable the Licensed Person to determine, analyse, assess and evaluate risks and management thereof and the mechanisms of following up on them and report them properly to ensure protection and to add value to the establishment and to all other concerned parties as a minimum. These systems

					report them properly to ensure protection and to add value to the establishment and to all other concerned parties through supporting the objectives of the establishment in the following way:	may include environmental, social and governance <u>Sustainability</u> factors through supporting the objectives of the establishment in the following way:
4	Twelve	One	1-16	Adding an Article and renumbering the following Articles	-	<u>Sustainability</u> report regulations for <u>Listed Companies</u> :
5	Twelve	One	1-16-1	Adding an Article and renumbering the following Articles	-	The <u>Listed Company</u> may issue an annual Sustainability report and publish it through its website. The report shall determine the impact of the company's activities on the environment, society, and the economy, as well as the company's opportunities and risks associated with those areas and how it manages them. The <u>Authority</u> shall be notified of the report, and it shall be published on the website of the <u>Exchange</u> .
6	Twelve	One	1-16-2	Adding an Article and renumbering the following Articles	-	The information available in the <u>Sustainability</u> report must be clear and accurate, and the report must cover the most important issues of environmental, social, and economic impact in a way

						<p>that enables stakeholders to evaluate the company's <u>Sustainability</u> level during the report's period. The following points shall be taken into consideration when preparing the report:</p> <ol style="list-style-type: none"> 1. The report shall be prepared according to one or more of the international <u>Sustainability</u> reporting standards. 2. Describe the scope of the report and the basis for its determination. 3. Determine the company's most important topics of environmental, social, and economic impact, and engage stakeholders in the materiality assessment process of those topics and describe the method followed in the assessment process. 4. Describe the method and procedures followed in dealing with each of the <u>Sustainability</u> topics that were determined in the materiality assessment process mentioned in item (3) of this Article. The company may seek external assurance to enhance the report's credibility, provided that the assurance report shall be included in the <u>Sustainability</u> report.
7	Twelve	One	1-16-3	Adding an Article and renumbering the	-	<p>The <u>Exchange</u> shall prepare a comprehensive guide for <u>Listed Companies</u> to refer to when preparing their <u>Sustainability</u> reports, and this</p>

				following Articles		guide shall be approved by the <u>Authority</u> .
8	Twelve	One	1-16-4	Adding an Article and renumbering the following Articles	-	Based on instructions issued by the <u>Authority</u> , the <u>Exchange</u> shall require <u>Listed Companies</u> in one of the market segments pursuant to Article (1-8) of this Module to disclose their <u>Sustainability</u> reports. The <u>Exchange</u> 's rules shall provide details on the requirements for the <u>Sustainability</u> reports disclosure.
9	Thirteen	Two	2-3	Amending an Article	<p>According to the nature of its activity, a <u>Fund</u> may take one of the following types:</p> <ol style="list-style-type: none"> 1. <u>Equity Fund</u>. 2. <u>Private Equity Fund</u>. 3. <u>Money Market Fund</u>. 4. <u>Debt Instrument Fund</u>. 5. <u>Real Estate Fund</u>. 6. <u>Fund of Funds</u>. 7. <u>Real Estate Income-Generating Fund (Traded)</u>. 8. <u>Hedge Fund</u>. 9. <u>Venture Capital Fund</u>. 10. Any other type approved by the <u>Authority</u>, provided that it shall be a <u>Private Fund</u>. <p>....</p>	<p>According to the nature of its activity, a <u>Fund</u> may take one of the following types:</p> <ol style="list-style-type: none"> 1. <u>Equity Fund</u>. 2. <u>Private Equity Fund</u>. 3. <u>Money Market Fund</u>. 4. <u>Debt Instrument Fund</u>. 5. <u>Real Estate Fund</u>. 6. <u>Fund of Funds</u>. 7. <u>Real Estate Income-Generating Fund (Traded)</u>. 8. <u>Hedge Fund</u>. 9. <u>Venture Capital Fund</u>. 10. <u>Sustainable Fund</u>. 11. Any other type approved by the <u>Authority</u>, provided that it shall be a <u>Private Fund</u>. <p>....</p>
10	Fifteen	Three	3-1	Amending an Article	The role of Board of Directors represents the	The role of Board of Directors represents the balance core which aims at achieving

					<p>balance core which aims at achieving shareholders' goals and pursuing the company executive management. Board of Directors aim at accomplishing the strategic goals of the company through ensuring that executive management are perfectly performing its assigned roles and that it enhances the company's competitive capacity, achieving high growth rates, and increasing profits and that executive management resolutions and actions are always for the benefit of the shareholders.</p>	<p>shareholders' goals and pursuing the company executive management. Board of Directors aim at accomplishing the strategic goals of the company through ensuring that executive management are perfectly performing its assigned roles and that it is enhancing the company's competitive capacity, achieving high growth rates, increasing profits, and integrating economic, social, and governance <u>Sustainability</u> considerations in its processes if required, and that executive management resolutions and actions are always for the benefit of the shareholders.</p>
11	Fifteen	Three	3-7	Amending an Article through adding an Item	<p>Board roles and responsibilities include, for example without limitation: </p>	<p>Board roles and responsibilities include, for example without limitation: 19. Develop a plan/policy for integrating <u>Sustainability</u> factors in the company's comprehensive strategy, main work plans, and the risk assessment and management process if required. </p>

12	Fifteen	Six	6-1	Amending an Article	<p>The Board of Directors shall be able to understand and analyse the nature and extent of risks encountered by the company's activities, in order to reduce them as much as possible. In addition, it shall identify the proper procedure to deal therewith. This shall include identifying internal or external factors resulting in occurrence of such risks and developing appropriate measures to face the same, in light of the special strategies and policies applied in this regard, particularly the company's risk appetite.</p>	<p>The Board of Directors shall be able to understand and analyse the nature and extent of risks encountered by the company's activities, and be aware of environmental, social, and governance <u>Sustainability</u> risks, in order to reduce them as much as possible. In addition, it shall identify the proper procedure to deal therewith. This shall include identifying internal or external factors resulting in occurrence of such risks and developing appropriate measures to face the same, in light of the special strategies and policies applied in this regard, particularly the company's risk appetite.</p>
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Annex (2)

Attachment 10

(Investment Controls for Sustainable Funds)

Investment Controls for Sustainable Funds

The Sustainable Fund is a fund that aims to follow an investment method that adopts one or more of the environmental, social, or governance factors. The Sustainable Fund is also considered a responsible fund, as sustainable and responsible investments have the same meaning.

The Sustainable Fund is subject to the following conditions and controls:

1. The Fund shall comply with one of the international or local Sustainability principles or objectives, for example and without limitation: Principles for Responsible Investment (PRI), United Nations Global Compact (UNGC), the United Nations Sustainable Development Goals (SDGs), and the pillars of Kuwait's National Development Plan 2035.
2. The Fund's Articles of Association shall include at least one of the environmental, social, and governance Sustainability factors that will be adopted by the Fund, provided that none of the sustainability factors negatively impacts another.
3. The Fund's investments may focus on a specific factor within the main factors of sustainability (environmental, social, and governance).
4. The Fund's Articles of Association shall include one of the recognized sustainable investment strategies that will be followed by the Fund, according to the following:
 - a. **Negative/exclusionary screening:** excluding the companies, sectors, or countries that are related to the activities that do not comply with the international standards relevant to the environmental, social, and governance factors of the fund's components.
 - b. **Positive/best-in-class screening:** investing in the companies, sectors, and projects that outperform their counterparts in the environmental, social, and governance measures, or the companies that have a more rapid development in this field, or the companies that address environmental, social, or governance challenges.
 - c. **ESG integration:** incorporating environmental, social, and governance factors in the investment analysis and the process of selecting the Fund's investment.
 - d. **Impact investing:** an investment that aims to achieve a specific social or environmental impact or achieve social or environmental solutions that are measurable.

In addition to other investment strategies that are based on the adoption of Sustainability factors.

5. The periodic report of the Unit holders mentioned in Article (2-34) of this Module shall include evidence of compliance of the Fund's investments with the Fund's strategy of sustainable investment.
6. All Sustainable Funds, according to their type, shall comply with the controls of each type of Fund included in this Appendix.