

# Clear directions on the sustainability roadmap

The momentum is building around the ESG agenda in the Middle East region, driven by numerous government initiatives and the increasing requirements for disclosure on sustainability reporting and implementations. Committed to achieving a deeper integration of sustainability into the banking and finance sector, Jordan takes a leap of faith into the future.

In alignment with global sustainability trends and the anticipated new sustainability strategy for the banking sector of the CBJ, banks in Jordan are ramping up their efforts to implement ESG frameworks and policies. Also, other stakeholders, like investors and consumers, are increasingly demanding businesses and banks to measure and address their ESG impact.

Jordan's energy consumption is growing by five percent annually, and 97 percent of its energy comes from imports.<sup>1</sup> In addition, Jordan is one of the most water-scarce countries in the world. In the past two decades, Jordan's population has more than doubled – from 5 to 11 million – placing additional pressure on the country's limited natural resources.<sup>2</sup> As a result of water scarcity, rising temperatures, and extreme weather, Jordan needs to become more resource-efficient and competitive. On the positive side, developing green infrastructure creates jobs and economic value for the long-term. As part of Jordan's Nationally Determined Contributions (NDCs) under the Paris Agreement on climate change, one can identify opportunities that benefit society too.<sup>3</sup>



## Regulatory efforts driving sustainability reporting

The energy sector in Jordan has been put in the spotlight in recent years, so far resulting in several new energy policies and legislations. The National Energy Strategy 2020-2030 aims to reduce the carbon emissions by 10 percent by 2030 and expand renewable energy's share from 11 percent in 2020 to 14 percent in 2030 – supported by the Renewable 2012 Energy and Energy Efficiency Law.<sup>4</sup>

To achieve this goal, technical committees were established with the participation of all relevant stakeholders and the objective to develop a strategy technically supported and funded by the European Renewable Energy and Energy Efficiency Program (REEE II-TA) in Jordan. Based on previous strategies, developments, achievements, and lessons learned, the committee aims to identify the available scenarios with the most appropriate options to develop an executive operational plan.

So far, the Ministry of Energy and Mineral Resources succeeded in building a legislative and procedural base on renewable energy. This led to a significant increase in the participation of renewable energy in the energy mix, whether by signing several energy purchase agreements, or using solar energy to cover consumptions of different sectors or other practices. Eventually, this should pour in the pool of sustainable local practices.

Also the strategic plan of the Amman Stock Exchange for 2021-2023, launched in line with Jordan's ten-year strategy (2015-2025), outlines several initiatives to enhance sustainability. Those

include a project to oblige companies listed in the general index to issue sustainability reports starting from 2022 to identify sustainability-related risks and opportunities that may significantly affect the performance of organizations. This will help position Jordan – through the listed companies – more in line with international practices and ahead of the curve in the region. That said, it will require the unwavering support from Jordanian business leaders to deliver and become corporate advocates for increasing transparency in sustainability reporting.<sup>5</sup>

Considering that the majority of the top 20 listed companies in Amman Stock Exchange (ASE) are banks, it translates into the growing green bankable projects in Jordan across energy, water and mobility industries and their noticeable contributions to the local economy. Also, the sustainability reporting cycles end in March and June of each year, and this will be implemented for all companies – not only the listed ones.

In 2022, the International Sustainability Standards Board (ISSB) announced its IFRS Sustainability Disclosure Standards, in order to achieve a comprehensive global baseline for sustainability-related standards. Therefore, organizations need to engage with local standard setters to understand how they plan to introduce the requirements and whether any transition relief might be permitted. Jordan is currently in a transitional period, pending further announcements on the timeline. The proliferation of voluntary disclosure frameworks from intergovernmental and non-governmental organizations fills a void left by regulators who have yet to provide clear guidance around ESG disclosures globally.



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## Banks in Jordan getting on board with the program

It is noticeable today that banks in Jordan are not only adhering to the ongoing demand on sustainability reporting efforts but are also initiating new ways of integrating sustainability into all banking practices.

Jordan Kuwait Bank and Jordan Ahli Bank have been publishing sustainability reports for the last three to four years, following Global Reporting Initiative (GRI) standards. Arab Bank has been committed to launching annual sustainability reports since 2010, highlighting the main challenges, achievements and updates on their sustainability strategy.

Jordan Kuwait Bank sets the bar even higher and issued the first bond in Jordan in March 2023, worth US\$50 million, paving the way for the issuance of more green bonds in the Kingdom.<sup>6</sup> Green bonds are one tool in the financial toolkit for enabling the desired transformation into a greener economy and developing a new asset class to the Jordanian capital market to finance sustainable and environmentally friendly projects that aim to reduce greenhouse gas emissions and unemployment rates.

Such practices will earmark the proceeds for green projects and assets – including renewable energy projects, low-carbon vehicles, green infrastructure such as low-carbon transport, new energy-efficient green buildings, and sustainably managed water resources and waste.

## Potential roadblocks of sustainable reporting from a banking perspective

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A further aspect concerns adopting the GRI guidelines, therefore, legitimacy issues connected with sustainability reports. In this case, the challenge is to increase the company's legitimacy in its operational context. All banks and corporations must aim to achieve a higher degree of comparability and readability and increase the legitimacy of sustainability related documents.



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