



جمعية البنوك في الأردن
ASSOCIATION OF BANKS IN JORDAN



SUSTAINABILITY REPORT

FOR THE BANKING SECTOR IN JORDAN

A 2016 STUDY BY SCHEMA



2016

تصميم وإشراف فني وطباعة


Control

Design and Printing Services

Tel: 07 88 620 228

e-mail: control_est@hotmail.com



Our Vision

To maintain our leadership as one of the most efficient association of banks in the region by providing services to member banks so as to uphold their capabilities and enable them to maximize their contribution towards achieving sustainable development in the Kingdom.



Our Mission

We seek to upgrade and advance the banking business by keeping the interests of member banks and achieving the highest levels of coordination between them and with the other partners. We aspire to develop the process of delivering and updating banking services as well as deepening the understanding of banking functions and norms besides pursuing unified systems and measures for this purpose.



Our Values

- **Collaboration:** We work with members in a team spirit for serving the society and the national economy
- **Development and modernism:** We seek to upgrade the methods of delivering the banking services in accordance with the best international practices.
- **Innovation and distinctiveness:** We inspire innovative ideas that serve the members and marks their services with quality and distinctiveness.
- **Integrity and transparency:** Transferring of knowledge and exchanging information in accordance with the highest degrees of integrity and transparency
- **Professionalism:** We practice our work with a high professionalism, comprehensive coverage and full vigilance to all what happens in the Jordanian, Arab and international banking environment.
- **Credibility:** We abide by accuracy and reliability and we verify our sources of information with high precision.
- **Continuity in training:** We endeavor to elevate the academic and practical levels as well as keeping up with all what is new in the banking and financial areas.

content list

Title	Page
1. Executive Summary	6
2. Background	8
3. The ABJ Sustainability Journey	11
4. Sustainable Vision	14
5. Sustainability Efforts in the Banking Sector	18
6. Materiality in the Banking Sector	36
7. Material Disclosures	40
8. Impact Assessment	42
9. Recommendations	146
10. Conclusion	51
Annex A – The Survey	52
Annex B – Different Definitions of Sustainability from the Survey	60
Annex C – Details of Material Aspects	62
References	68

List of Tables

Table	Page
Table 1: Banks Licensed in Jordan	8
Table 2: List of Banks that Participated in Survey	9
Table 3: Reference Reports	10
Table 4: Working Definition of Sustainability	11
Table 5: Jordanian Commercial Banks	13
Table 6: Foreign Banks	13
Table 7: Jordanian Islamic Banks	13
Table 8: Foreign Islamic Banks	13
Table 9: Framework for Comparing Sustainable Development and the Financial Sector	16
Table 10: Social Causes Supported by Banking Sector	32
Table 11: Outcomes of Stakeholder Engagement	33
Table 12: Performance of Jordanian Banks Against Sustainability Development Principles	43
Table 13: Performance of Jordanian Banks and 12 European Banks Against Sustainability Development Principles	44

List of Figures

Figure	Page
Figure 1: Licensed Banks in Jordan	8
Figure 2: Participation of Banks in the Survey	9
Figure 3: Central Bank Quotes	14
Figure 4: How Banks Encourage Clients to Be More Sustainable	17
Figure 5: Key Reasons Why Banks Consider Environmental and Social Issues	18
Figure 6: Key Social and Environmental Risks Identified by Financial Institutions	19
Figure 7: Benefits of Considering Social and Environmental Issues	20
Figure 8: Type of Sustainability Strategy in Selected European Banks	21
Figure 9: Social and Environmental risks in Banking Sector	22
Figure 10: Risks Associated with Banks Lending Operations	23
Figure 11: Key social and environmental risks for SME clients	24
Figure 12: Consumer Expectations of Businesses	25
Figure 13: Integration of Sustainability Goals	26
Figure 14: Strategy for Creating Long-Term Value Through Sustainability Banking	27
Figure 15: Percentage of Banks with Sustainability Goals	29
Figure 16: Someone or Unit Handling Sustainability Issues	29
Figure 17: Comparison of Different Sustainability Frameworks	30
Figure 18: Sustainability Disclosure in Jordan	31
Figure 19: Consumer Sentiment Towards Feedback	34
Figure 20: Sustainability Investments Drivers	34
Figure 21: Material Issues for Banking Sector in Jordan	38
Figure 22: Consumers Perception on Transparent Corporate Communication	41
Figure 23: Clusters of Jordanian Banks	45
Figure 24: Level of sustainability strategy and business strategy alignment	47
Figure 25: Supervision of Sustainability Targets	49

1. Executive Summary

Schema was engaged in 2016 to assess the sustainability of the banking sector in Jordan by reviewing the sustainability reports of banks registered in Jordan.

This report covers some background information about sustainability but its main aim is to review the overall sustainability activities of the banks. This was done through a survey circulated to the banks and a review of the banks published information; namely, financial reports and sustainability reports.

A lot of key information is available in the report and this executive summary is intended to provide an outline for some of the findings but should be read in conjunction with the report.

A. Background

The banking sector in any economy is critical to its stability, growth and development. The banking sector in Jordan is no different, if anything, due to the current environment in the Middle East region, the banking sector in Jordan is a key driver for change, advancement and opportunity development.

The banking sector is one of the most influential sectors in Jordan, contributing approximately 18% of the GDP in 2015. Consolidated assets of the sector have increased significantly since the early 2000's due to the fact that the Central Bank of Jordan relaxed the regulations for foreign banks to enter the market.

This report, driven by the Association of Banks in Jordan ("ABJ"), aims to summarize and analyze the sustainability practices in the Jordanian banking sector. It aims at providing a holistic review of successes, challenges and potential recommendations.

B. Successes

Although there are several differences in sustainability practices in the Jordanian banking sector versus global trends, there have been various successes in development.

Data is provided throughout the report that shows improved sustainability practices such as: clearer definitions to sustainability, stronger strategies towards increased sustainability, more defined sustainability goals, increase in non-financial reporting, more advanced engagement practices and further analysis in sustainability investments.

Nonetheless, there is still a long way to go.

C. Challenges

Although there is a slight movement towards using sustainability as an innovative tool for creating new products and attracting new segments of society, sustainability remains as a predominantly philanthropic practice instead of an integrated value-added practice.



The transformation from a philanthropic to a strategic practice is a key challenge in every sector and in many organizations.

Some of the causes of the on-going challenges have been touched on in this report explaining how the sector is: (i) primarily driven by one-dimensional targets (i.e. bottom line versus a broader triple bottom line focus); and (ii) there is a focus on short-term goals versus.

Overcoming such challenges require a change in mindset to impact the way businesses fundamentally operate. If successful, it can also provide many opportunities.

D. Recommendations

As a forward looking tool, this report provides several recommendations for the sector to consider. These can be summarized as follows:

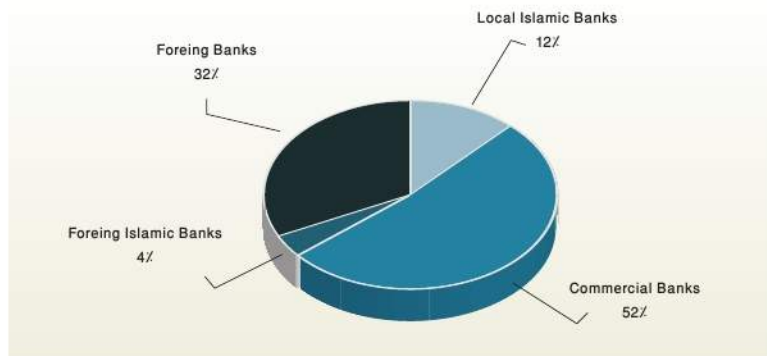
1. Increased awareness and commitment of the financial sector
2. Improve sustainability practices within the banks
3. Creating a sector wide strategy for sustainable development
4. Increase transparency and reporting of non-financial performance

2. Background

Information available publicly (in sustainability and annual reports) was used to drive the key components of the report. An online survey was also shared with all the banks to be completed by them (copy of the survey is available in Annex A). Responses to the survey were not independently verified.

To date, there are 25 banks licensed to operate in Jordan, thirteen commercial banks, three Islamic banks, nine foreign banks and one Islamic bank.

Figure 1: Licensed Banks in Jordan in 2015



Source: Association of Banks in Jordan

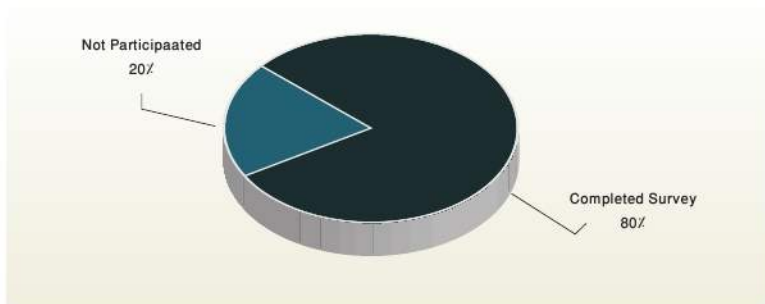
Table 1: Banks Licensed in Jordan

Number of Licensed Banks and their Branches (Central Bank)					
	2011	2012	2013	2014	2015
Number of Licensed Banks Operating in Jordan	26	26	26	25	25
Jordanian Banks, of which:	16	16	16	16	16
Islamic Banks	3	3	3	3	3
Foreign Banks, of which:	10	10	10	9	9
Islamic Banks	1	1	1	1	1
Number of Branches Operating in Jordan (Including Headquarters)	702	722	742	770	786
Number of Branches Outside Kingdom	165	164	172	154	180
Population Per Branch (Thousand)	10.0	10.3	10.9	11.4	12.2

Source: Association of Banks in Jordan

20 banks participated in the online survey which accounts for 80% of the total industry (Figure 2).

Figure 2: Participation of Banks in the Survey



Source: Generated by Schema from the Survey

We would like to take this opportunity to thank all the banks that have participated in the survey:

Table 2: List of Banks that Participated in Survey

Arab Bank
Jordan Ahli Bank
Cairo Amman Bank
Bank of Jordan
The Housing Bank for Trade and Finance
Jordan Commercial Bank
Jordan Kuwait Bank
Jordan Islamic Bank
INVEST BANK
Bank ABC
Societe General De Banque – Jordan
Capital Bank of Jordan
Islamic International Arab Bank
Jordan Dubai Islamic Bank
Egyptian Arab Land Bank
Standard Chartered Jordan
Bank Audi – Jordan
National Bank of Kuwait
BLOM Bank – Jordan
Al Rajhi Bank – Jordan

A. Methodology

The methodology employed in this report was as follows:

1. Review of all banks annual reports
2. Review of all banks sustainability reports if available
3. Preparation of an online survey circulated to banks and review responses provided by the banks
4. Review global trends in sustainability in general and with respect to sustainability in the banking sector
5. Review regional researches that address sustainability in the banking sector

Data received and reviewed was assessed against previous data collected and provided to enable a review of change and an understanding of trends. Although the scope of each previous research differs, they do provide a comparative baseline to consider. The main researches used were:

Table 3: Reference Reports

Name of the Report	Published By	Details	Referred To As	Link
Sustainability in the Banking Sector	Not published yet	This was a survey prepared to collect date to further this report	Survey	N/A
Corporate Responsibility Disclosure and Practices in the Banking Sector of Jordan – 2013	ABJ	The aim of this report was to review the degree of sustainability information disclosed by the banking sector in Jordan	CRD Report	http://bit.ly/1ZdpWGa
Corporate Responsibility, the Opportunity: Fertile Ground	Schema	This report was an analysis of corporate responsibility practices in Jordan	CR Report in Jordan	http://bit.ly/1Uw9o7E
Banking on Sustainability- Financing Environmental And Social Opportunities In Emerging Markets	International Finance Corporation (“IFC”)	This report aims to provide guidance to banks in emerging market that want to increase their competitive advantage by pursuing a sustainability strategy – and in the process create long-term value for themselves and their clients.	IFC Report	http://bit.ly/1T5mOta
CSR Guidelines for the Financial Sector	Union of Arab Banks (“UAB”)	The aim of this publication was to provide guidelines for the banking sector in the Middle East and North Africa to further their CSR and sustainability practices.	UAB Report	http://bit.ly/1V6Q5XZ

B. Disclaimer

This report is based on information available publicly and/or provided to us by the banks. The data has not been verified independently. The case studies mentioned were selected based on the value they add within the context they were mentioned in, and not in any attempt to promote a bank more than the other. The study is solely commissioned by ABJ and both ABJ and Schema are committed to full transparency and accountability in regards to the study's findings and resources.

3. The ABJ Sustainability Journey

The Association of Banks in Jordan (ABJ) was established in November 1978 and registered at that time as an ordinary association in accordance with the provisions of the Societies and Social Charities law number (33) for the year 1966 and its amendments.

In 2000, the Banking Law number (28) was issued, whereof Article 95 stipulated the creation of an association named the Association of Banks. By virtue of this law, ABJ's new bylaws number (35) of 2005 was issued on March 29, 2006, hence becoming an association.

ABJ is currently a member of the Union of Arab Banks. For a more detailed review of ABJ please visit its website at: <http://www.abj.org.jo>.

ABJ seeks to upgrade and advance the banking business through the following:

- Looking after the interests of members and coordinating between them in order to achieve their common benefit.
- Improving and modernizing the methods of delivering banking services.
- Deepening the understanding of banking business and its norms as well as following unified regulations and procedures for this purpose.

As part of its goals to continuously provide added value to the banking sector and facilitate development, the ABJ has taken it upon itself to drive the sustainability of the banking sector forward which resulted in the preparation and issuance of this report.



Table 4: Working Definition of Sustainability

The working definition of sustainability used in this report is that of the International Finance Corporation ("IFC"). Which defines sustainability as:

Sustainability is about ensuring long-term business success while contributing toward economic and social development, a healthy environment, and a stable society. IFC's definition of sustainability, used in this report as applied to financial institutions, encompasses four dimensions of good business performance.

- The financial sustainability of the financial institution and its client-companies, so that they can continue to make a long-term contribution to development
- The economic sustainability of the projects and companies the financial institution finances, through their contribution to host economies
- Environmental sustainability through the preservation of natural resources
- Social sustainability through improved living standards, poverty reduction, concern for the welfare of communities, and respect for key human rights.

These considerations, taken together, aim to capture a fuller range of factors that influence the decisions, activities, products, and services of financial institutions, including the social and environmental impacts of their work. ⁽¹⁾

(1) International Finance Corporation (2007), Banking on Sustainability Financing Environmental And Social Opportunities In Emerging Markets, <https://firstfordsustainability.org/Media/IFC%20Banking%20on%20Sustainability.Pdf>

ABJ is playing an active role in driving sustainability within the sector by championing key events in Jordan such as its annual CSR events. These are events aimed at raising awareness of the importance of sustainability for the banking sector and encouraging collaborative efforts to create sustainable change.

Sustainability in an economy like Jordan is key.

Due to the importance of sustainability, ABJ has undertaken an assessment of the banking sector's sustainability disclosure to ascertain the gaps in the market to encourage more sustainable practices through the study "Corporate Responsibility Disclosure and Practices in the Banking Sector of Jordan – 2013"

The study resorts to content analysis based on public information by banks in Jordan. It aims at depicting sustainability in the banking sector based on what the 25 licensed banks did disclose publically covering the years 2010, 2011 and 2012 through their annual reports, sustainability reports, and online publications. Main sustainability practices by banks in Jordan were highlighted in the study, such as internal practices, governance, direct social contributions (donations and sponsorships), responsible banking services, socially responsible investment, and investing in aggregating benefits, while providing examples on each practice.



"Sustainability is now increasingly recognized as central to the growth of emerging market economies. For the private sector, this represents both a demand for greater social and environmental Risk Management as well as a new landscape of business opportunities."
(<http://www.ifc.org>)

The study is available online at <http://www.abj.org.jo/en-us/otherstudies.aspx>.

It would appear from the study that although a lot of financing is dedicated to a myriad of sustainability initiatives, few of such activities appear to have direct strategic sustainable objectives or long-term sustainability goals integral to the business.

However, increasingly, the banks are formalizing their sustainability engagements through well managed strategies with clear targets and goals embedded into the business.

ABJ has aspired to further address sustainability in the banking sector in Jordan, through this report which aims to be the first industry wide report on sustainability in the banking sector Jordan.

A. ABJ Members

All banks in Jordan are ABJ members. Brief about the banks, their establishment and management is below.

Table 5: Jordanian Commercial Banks

No.	Member name	Established
1	Arab bank	1930
2	Jordan Ahli Bank	1956
3	Cairo Amman Bank	1960
4	Bank of Jordan	1960
5	The Housing Bank For Trade and Finance	1974
6	Jordan Kuwait Bank	1977
7	Arab Jordan Investment Bank	1978
8	Jordan Commercial Bank	1978
9	Invest Bank	1989
10	Arab Banking corporation/Jordan	1989
11	Bank El-Ethhad	1991
12	Societe General/Jordan	1993
13	Capital Bank	1996

Source: Association of Banks in Jordan

Table 6: Foreign Banks

No.	Member name	Established
1	Egyptian Arab Land Bank	1951
2	Rafidain Bank	1957
3	Citi Bank	1974
4	Standard Chartered Bank	1925
5	Bank Audi	2004
6	National Bank Of Kuwait	2004
7	Blom Bank	2004
8	National Bank Of Abu Dhabi	2009

Source: Association of Banks in Jordan

Table 7: Jordanian Islamic Banks

No.	Member name	Established
1	Jordan Islamic Bank	1978
2	International Islamic Arab Bank	1997
3	Jordan Dubai Islamic Bank	2009

Source: Association of Banks in Jordan

Table 8: Foreign Islamic Banks

No.	Member name	Established
1	Al Rajhi Bank	2011

Source: Association of Banks in Jordan

4. Sustainable Vision

A. Banks Impact on the Economy and Sustainable Development

One of the main reasons why banks have a special role in the economy is their role in “money creation”. A nominal percentage of money comes from central banks whilst the majority is ‘banks’ money. Banks are not just financial intermediaries, they ‘create’ money by enabling credit. Banks do not lend money, bank loans in effect create money.⁽²⁾

Figure 3: Central Bank Quotes

“The actual process of money creation takes place primarily in banks.”

(Federal Reserve Bank of Chicago, 1961, p. 3)

“By far the largest role in creating broad money is played by the banking sector ... When banks make loans they create additional deposits for those that have borrowed.” (Bank of England, 2007)

“Over time... Banknotes and commercial bank money became fully interchangeable payment media that customers could use according to their needs” (ECB, 2000)

“Contemporary monetary systems are based on the mutually reinforcing roles of central bank money and commercial bank monies.” (BIS, 2003)

“The commercial banks can also create money themselves... in the eurosystem, money is primarily created by the extension of credit.” (Bundesbank, 2009)

Source: Pisano et al. (2012)

To draw the correlation between the potential impact of the financial sector and sustainable development, the impact of the financing aspect of banks should be addressed, albeit briefly.

In September 2011, a report by ‘Forum for the Future’, funded by Aviva Investors, outlined this concern: “Investment is about the future. How the future turns out determines the returns on investments and the volatility of these returns. But, in turn, the pattern of investments (where capital is allocated) itself helps to determine the type of future we get.”⁽³⁾

(2) Pisano et al. (2012)

(3) Ibid

Normative banking operations are built on short term basis for higher return on investment.

“According to Lydenberg (2007), there is a widespread debate within the financial and business community -including the CFA Institute, the Business Roundtable, the Conference Board, the United Nations, the World Economic Forum, and the Aspen Institute. Short-termism is claimed to have a number of detrimental effects on the financial market itself, the real economy, as well as environment and society overall. Among the dangers for financial as well as corporate communities are (Tonello, 2006):

- At the macro-economic level: short-term visions cause market volatility and the instability of financial institutions.
- At the micro-economic level: short-term investment strategies drive short-term thinking in business
 - undermining management continuity and exposing a public company to the risk of losing sight of its strategic business model, compromising its competitiveness.
 - pressure to meet short-term numbers may induce senior managers to externalize a number of business costs (i.e., the cost of a state-of-the-art pollution system), often to the detriment of the environment and future generations.”

Source: Pisano et al. (2012)

B. Sustainable Development in Banking

There are many definitions of sustainability and sustainable development. The most commonly used definition is that of the Brundtland Commission of 1987 which defines sustainable development as “development that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED 1987).

Although an effective definition it would appear to be insufficient to provide guidance on implementation. The Rio Declaration, itself consisting of 27 principles, and Agenda 21, the action plan to implement Rio, have often been used as a source and as a basis for the formulation of a process-related set of sustainable development principles:⁽⁴⁾

1. Balancing different policy dimensions
2. Long timeframes and intergenerational equity
3. Ecosystem limits and planetary boundaries
4. Equal opportunities and access
5. Inclusion and participation
6. Governance for sustainable development.

Based on a research conducted in EU, of the performance of banks against the sustainable development principles, there were many gaps. A brief summary of such gaps can be presented in the following table:

(4) For more information on the sustainable development principles please visit http://www.sd-network.eu/quarterly%20reports/report%20files/pdf/2012-December-The_Financial_Sector_and_Sustainable_Development.pdf

Table 9: Framework for Comparing Sustainable Development and the Financial Sector

Sustainable development	Financial sector
Balancing SD dimensions: environment preservation, social equity, economic development	One-dimensional logic; maximisation of profits and return on investment
Long timeframes and intergenerational equity	Short-term perspective; discounting; present value calculation
Environment preservation, limits to growth, and planetary boundaries	Little to no consideration of environmental effects
Equal opportunities, access, and intra-generational equity	Little to no consideration of social effects
Inclusion and participation	Highly complex; not inclusive, nor open to participation
Governance for SD	Efficiency oriented; shortage of transparency and accountability

Source: Pisano et al. (2012)

C. Banks Two-Fold Responsibility

Banks have two-fold responsibility in their sustainability: Internally and Externally.

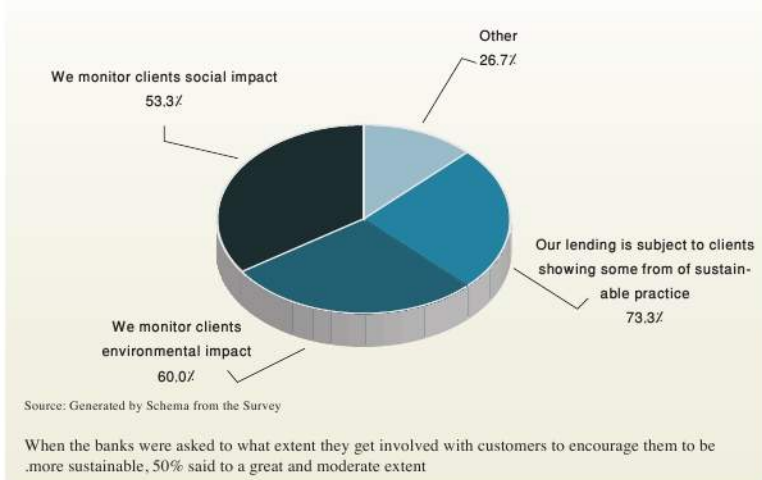
1. Internally

Internally, banks have a responsibility within their operations. This can be further broken down into two components: (a) their employees and internal policies related thereto and (b) their operations i.e. in their management of social and environmental risks and their consideration of such issues in their decision-making process and lending. Banks can integrate social and environmental consideration in their decision-making process focusing their investment on projects that have a positive environmental, social and financial impact ⁽⁵⁾. Alternatively, banks can take a more active role in their investments to ensure such positive impact.

(5) International Finance Corporation (2007)

Figure 4: How Banks Encourage Clients to Be More Sustainable

In the Survey, we inquired if banks encourage clients to be sustainable and if yes, how. 75% of respondents said they do encourage clients to be sustainable using the following methodologies



2. Externally

Externally, banks have a responsibility in terms of their working relationship with their stakeholders. A responsibility to improve their offerings and extend such offerings within the areas of sustainability i.e., creating financial products and services with social and environmental benefits. These can yield to business models that: (i) bring in new clients, (ii) open new markets, (iii) allow for differentiation and competitive advantage, and (iv) improve reputation by generating more goodwill and support from stakeholders ⁽⁶⁾.

Based on the above, it is of great value to understand the practices of the financial sector in Jordan against the principles of sustainable development and understand the sustainable development needs of Jordan, to identify more strategic sustainable practices amongst the banking sector.

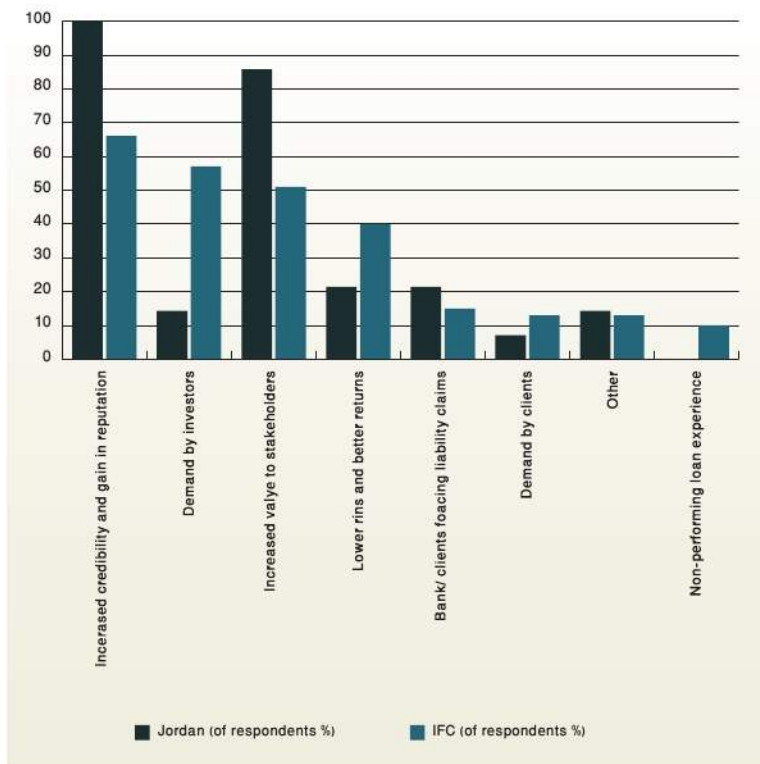
(6) Ibid

5. Sustainability Efforts in the Banking Sector

A. Global Comparative Review

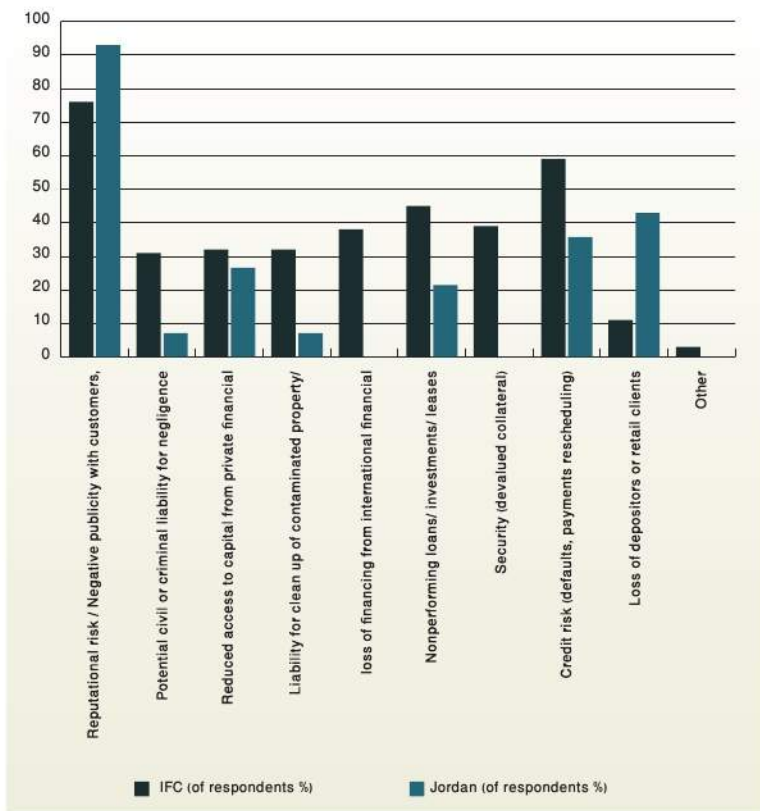
IFC undertook a survey in the financial sector, asking respondents why they consider social and environmental issues (Figure 5), what are the key social and environmental risks identified by financial institutions (Figure 6) and what are the benefits of considering social and environmental issues (Figure 7). Similar questions were put to the banking sector in Jordan and the results are as follows:

Figure 5: Key Reasons Why Banks Consider Environmental and Social Issues



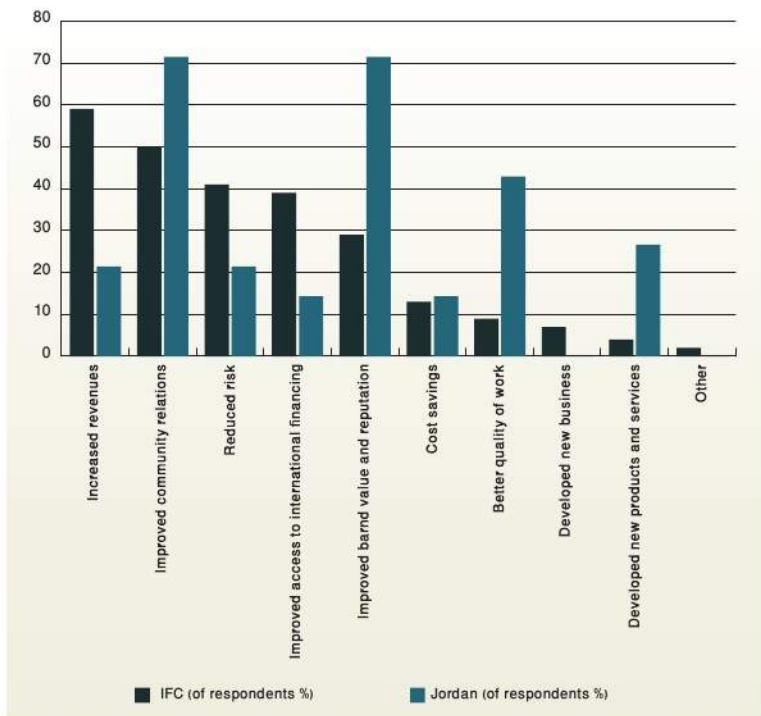
Source: Generated by Schema from the Survey and International Finance Corporation (2007)

Figure 6: Key Social and Environmental Risks Identified by Financial Institutions



Source: Generated by Schema from the Survey and International Finance Corporation (2007)

Figure 7: Benefits of Considering Social and Environmental Issues



Source: Generated by Schema from the Survey and International Finance Corporation (2007)

The areas of significant differences give rise to issues that need further consideration.

1. Banks in Jordan perceive the consideration of social and environmental concerns to (1) lower risk and better returns (21.4%-Jordan versus 40% - IFC study) and (2) demand by investors (14.3% - Jordan versus 57%-IFC study) as low drivers although they rated as key drivers globally. Increased value to stakeholders is considered a key driver in Jordan (85.7%- Jordan versus 51% - IFC Study).

This variation in perspective would appear to reflect a non-strategic use of sustainability consideration in the business operation. Sustainability can be a substantial tool to lower risks and improve returns through increased competitive advantage.

There has been empirical evidence to show that there is a positive correlation between considering social and environmental concerns and lowering risks and increasing returns.

If we review this against the sustainable development principle “long timeframes and

intergenerational equity” it would appear that social and environmental considerations in Jordan appear to be key for short term considerations such as value towards the stakeholders versus longer term consideration such as lower risks and intergenerational equity i.e., the protection of society and environment for future generations.

To benefit from such evidence and leverage such drivers, it would be worth for each bank to invest some time and effort in identifying a business case and driver to align social and environmental concerns with its business model.

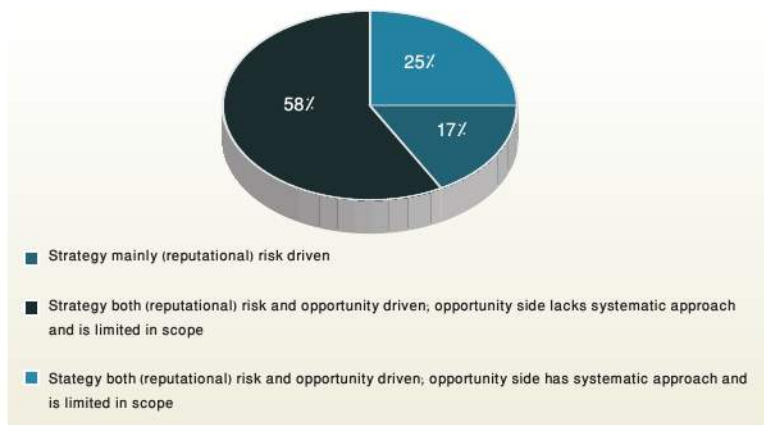
“The sustainability issues that will drive competitiveness within the commercial banking industry include:

- Including underserved customers and developing financial literacy
- Ensuring customer privacy and data security
- Incorporating environmental, social, and governance risk factors in all core products
- Complying with the legal and regulatory environment
- Developing management and mitigation strategies to protect against systemic risk”

Source: SASB (2014)

Further, in a recent research issued by KPMG⁽⁷⁾, it was shown that banks are increasingly adapting their sustainability strategy towards opportunity by not only protecting their value but also creating value instead of a narrow focused sustainability approach managing reputation only.

Figure 8: Type of Sustainability Strategy in Selected European Banks



Source: KPMG (2015)

2. The key social and environmental risks identified seem rather varied. With a growing banking sector, the competition in the market increases; therefore, it is understandable that the key risk identified is reputational. However, it is interesting to note that in Jordan the second most important risk is loss of depositors or retail clients (42.9%-Jordan versus 11%-IFC study) instead of other risks such as nonperforming loans, loss of financing from international financial

(7) KPMG, Ready or Not? An assessment of sustainability integration in the European Banking Sector, 2015

institutions etc.

This goes to show the growing importance of sustainability for consumers and the increased competitive advantage possible as a result of sustainability. However, this raises a flag. There are other key social and environmental risks that should be taken into serious consideration such as social and environmental risks of clients that can result in defaulting or even in some instances reputational damage. Figure 9 is a demonstration of social and environmental risks the banking sector in general are subjected to.

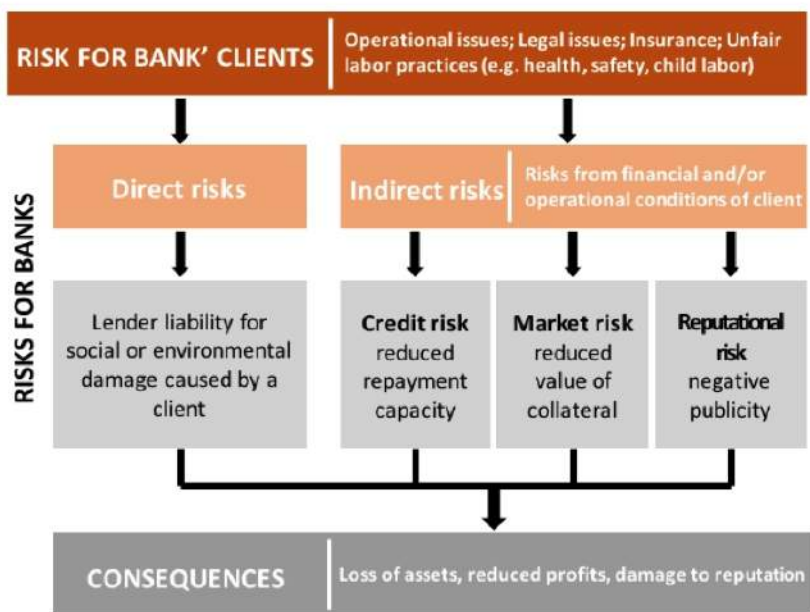
Figure 9: Social and Environmental risks in Banking Sector ⁽⁸⁾



In Jordan, lending is a primary role that banks undertake. Figure 10 reflects some of the risks associated with banks lending operations.

⁽⁸⁾ Pricewaterhouse, The role of Australia's financial sector in sustainability, <http://infohouse.p2ric.org/ref/2221811/.pdf>

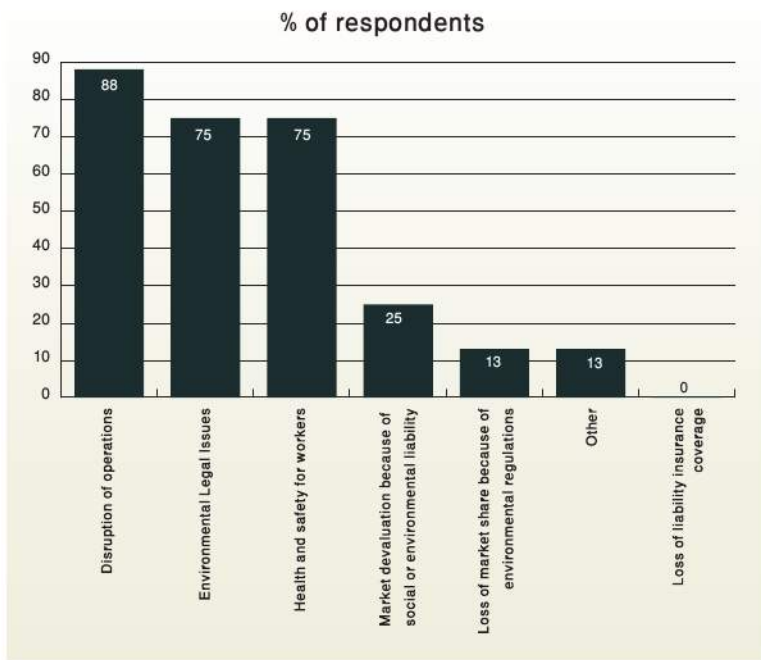
Figure 10: Risks Associated with Banks Lending Operations



Source: International Finance Corporation (2007)

The Jordanian market is majorly composed of small and medium enterprises (SME's), SME's too have associated social and environmental risks as can be demonstrated in Figure 11.

Figure 11: Key social and environmental risks for SME clients



Source: International Finance Corporation (2007)

In other words, there is a perception that social and environmental risks are limited to reputational risks whereby there are more substantial risks associated. This reflects the extent of which social and environmental considerations are integrated into the business decision-making procedures.

If we consider the sustainable development principle “balancing different policy dimensions” i.e., social, environmental and economical aspects it would appear that banks in Jordan, have a tendency to primarily focus only on the economic dimension.

3. There appears to be alignment that the primary benefit of considering social and environmental issues would improve community relations; however, when we consider the other top drivers for Jordan: improved brand value and reputation, better quality of work and develop new products and services versus globally: increased revenues, reduced risk and increased access to international financing it would appear that there are a lot of discrepancies.

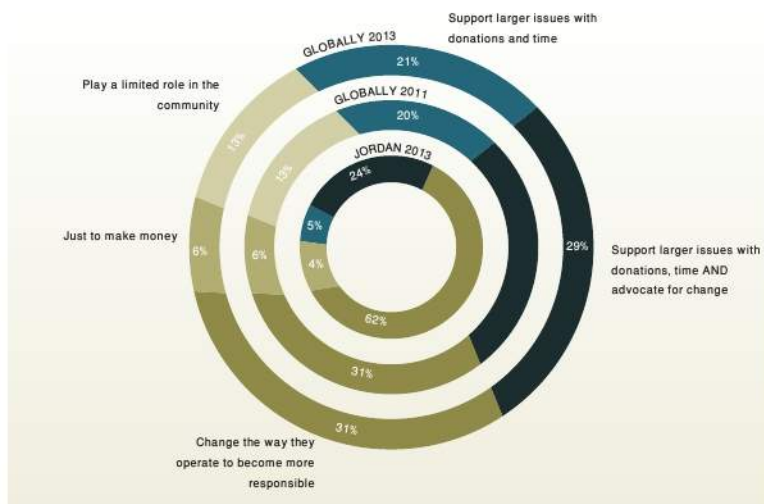
These discrepancies give rise to a number of issues to consider:

- The potential value to be generated from sustainable practices
- The potential risks to be reduced as a result of an integrated sustainability practice.

When one compares return on investment in terms of improved brand value and reputation versus increased revenue it appears that sustainability is perceived as a “soft” practice.

Sustainability yields the highest value if used as a business tool versus a communication asset. To do so, sustainability needs to be part of the business and not a ‘side activity’. Current sustainability practices would appear to be focused on improving an image versus creating change. Based on the CR in Jordan Report, consumers believe that the role of businesses is to ‘change the way they operate to become more responsible’.

Figure 12: Consumer Expectations of Businesses



Source: Schema (2014), Corporate Responsibility, the Opportunity: Fertile Ground

If we look at this perception of sustainability as a “soft” and “side activity” in line with the sustainable development principle “governance for sustainable development” it would appear that governance of sustainable development is limited to a functional objective (improve image) instead of a strategic objective (reduced risks, increased revenue).

Example/Success Story:

Triodos Bank

Triodos Bank is one of the world's leading sustainable banks with a mission to make money work for positive social, environmental and cultural change:

1. Help create a society that protects and promotes the quality of life of all its members
2. Enable individuals, organisations and businesses to use their money in ways that benefit people and the environment, and promote sustainable development
3. Provide our customers with innovative financial products and high quality service

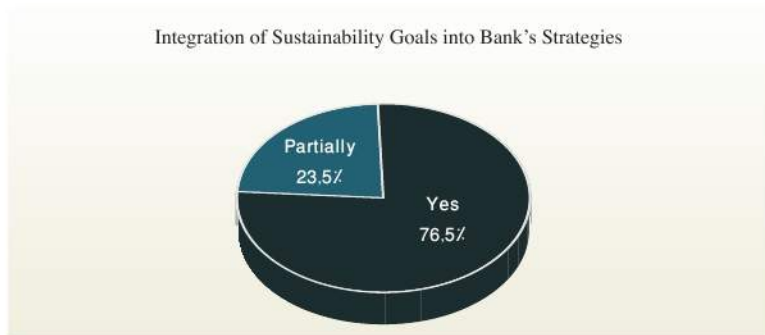
Triodos Bank's approach is based on:

1. **A sustainable business model:** the bank only work in the real economy without investing in complex financial instruments (with the promise of high profits that bring greater risk), in order to remain solid and stable;
2. **Positively 100% sustainable:** only lend money to people and organisations working to make the world a better place, actively seeking out and promoting sustainable, entrepreneurial businesses driven by values and ideas;
3. **Total transparency:** publish details of every single organisation Triodos lends to, with the intention of making possible to savers and investors to see exactly how Triodos is using their money.

(Triodos Bank, 2012)⁴⁵

In the Survey, banks were asked if their sustainability goals are integrated into the banks strategies and although 76.5% said yes and the remaining 23.5% said partially, it would appear that such integration remains at a superfluous level.

Figure 13: Integration of Sustainability Goals



Source: Generated by Schema from the Survey

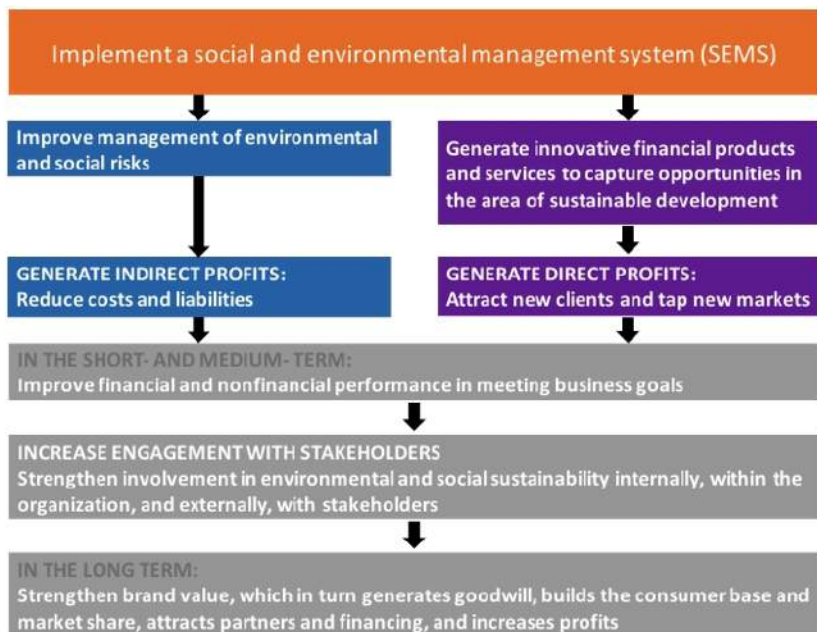
Based on KPMG's research⁹⁾, more than 92% of the banks set qualitative targets with 8% setting both qualitative and quantitative targets.

(9) KPMG, Ready or Not? An assessment of sustainability integration in the European Banking Sector, 2015

One strategy for creating long-term value through sustainability banking is by implementing a social and environmental management system. However, this requires better understanding and quantification, monetization and management of these risks.

An example of such strategy and the potential results can be found in Figure 14.

Figure 14: Strategy for Creating Long-Term Value Through Sustainability Banking



Source: International Finance Corporation (2007)

If we consider the current economic model against the sustainable development principle of ecosystems and planetary boundaries we find that the current economic model operation fails to include environmental and social considerations when valuing and pricing economic activity e.g., as a consequence of water scarcity in Jordan, water is a key resource that should be priced beyond the monthly bill as it continues to be less and less readily available. This is a megatrend that can also create opportunities.

To create sustainable development for generations to come, it is important to consider different economic models that take into account the planetary boundaries through appropriate pricing of natural resources.

B. Achievements

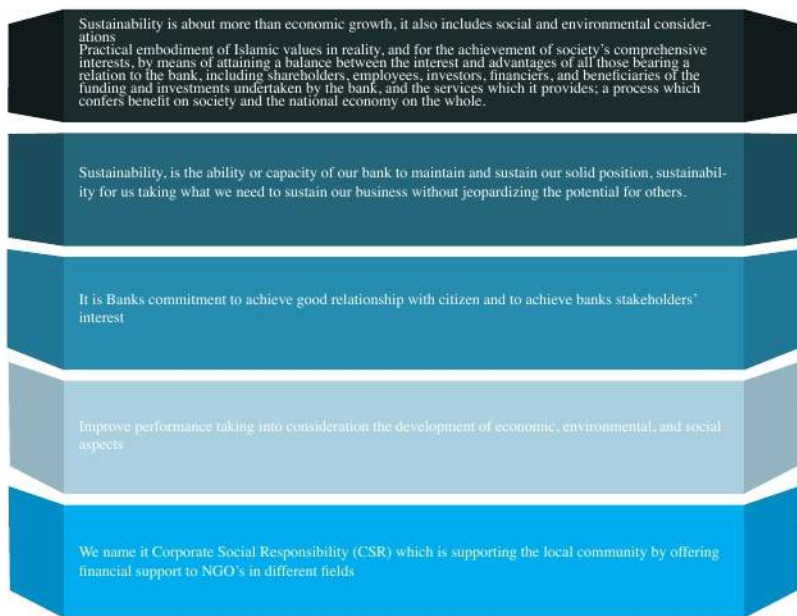
In addition to identifying potential shortcomings against global trends, it is important to recognize growth and achievements. The banking sector has come a long way in the past few years. To

demonstrate some of the developments that occurred, we reviewed the data from the CRD Report and re-evaluated the results. Below are different criteria considered for comparison.

i. Defining Sustainability

According to the Survey, almost 54% of the banking sector have come a long way to define what sustainability is for them to be able to better manage, monitor and implement sustainability practices.

Some of the different definitions banks provided were (complete list is available in Annex B):



Source: Generated by Schema from the Survey

ii. Clear Sustainability Strategy

In the CRD Report, 19% of banks announced a clear strategy for their sustainability with identified focus areas and directions.

Based on publicly available information, 62% of all banks in Jordan announced that they have a sustainability strategy. That is almost a three-fold growth.

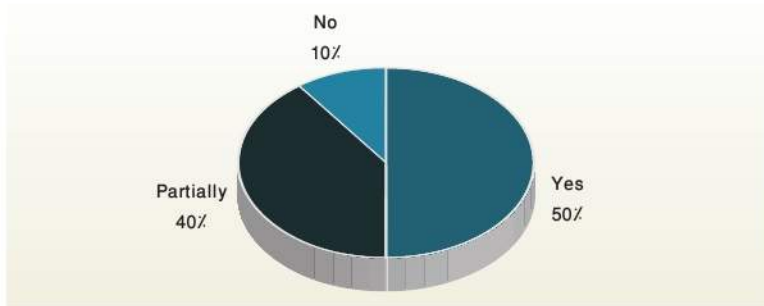
In the UAB Report, 62% of the respondent banks across the Middle East and North Africa said that they have a community investment policy.

According to the Survey, 65% of the respondents said they have an investment policy. This reflects the maturity of the Jordanian banks on a regional scale.

iii. Sustainability Goals

To assess the impact of such sustainability strategies and commitments, the banks were asked if they have sustainability goals. 90% of the banks surveyed said they do or partially do.

Figure 15: Percentage of Banks with Sustainability Goals



Source: Generated by Schema from the Survey

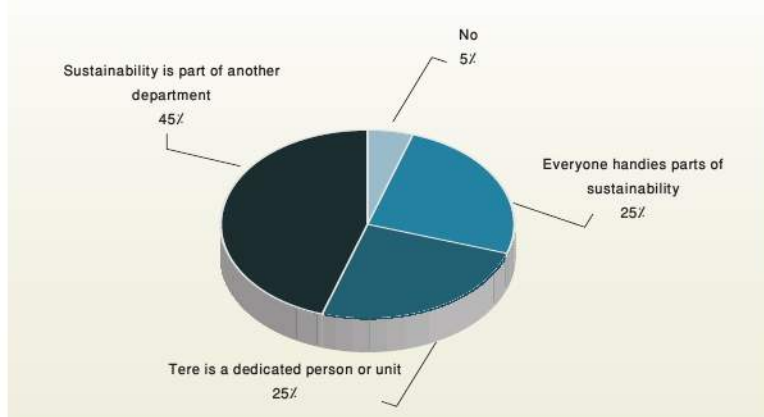
iV. Dedicated Sustainability Practice

In the CRD Report, none of the banks reflected a dedicated sustainability function in their organizational charts while only two local banks showed sustainability committees in their organizational charts.

In the Survey, three banks show sustainability functions in their charts and five banks state that they have a dedicated person or unit for sustainability.

Figure 16: Someone or Unit Handling Sustainability Issues

Is there someone or Unit within the organization that handles sustainability issues?



Source: Generated by Schema from the Survey

V. Reporting on Sustainability

As of 2015, based on publicly available information, 38.5% of banks provided sustainability reports versus 28.5% of banks that reported on their sustainability based on the CRD Report.






Sustainability reports are reports that cover the sustainability activities of an organization. Such reports can either be based on a particular recognized framework or not.

There are several recognized sustainability reporting frameworks such as (this is not an exhaustive list):

- Carbon Disclosure Project
- Dow Jones Sustainability
- International Integrated Reporting
- Sustainability Accounting Standards Board (SASB)
- Global Reporting Initiative
- SA 8000
- Global Compact



Figure 17: Comparison of Different Sustainability Frameworks⁽¹⁰⁾

STANDARD	FOCUS	WHY REPORT	SCORING	WHO REPORTS	REPORTING PERIOD
	Primarily GHG emissions, but has grown to address water and forestry issues as well.	CDP holds the largest repository of corporate GHG emissions and energy use data in the world and is backed by nearly 800 institutional investors representing more than \$60 trillion in assets. Its transparent scoring methodology helps respondents understand exactly what's expected of them. CDP was regarded as the world's most credible sustainability rating in 2013.	Companies receive two separate scores for Disclosure and Performance using a 100-point scale. CDP recognizes top scoring companies in the Carbon Disclosure Leadership Index (CDLI).	Public and private companies, cities, government agencies, NGOs, supply chains.	<ul style="list-style-type: none"> • Climate Change program: Feb. 1 - May 28 • Supply Chain program: April 1 - July 3 • Cities program: Jan. 1 - Mar 31 • Water and Forestry program: Feb. 1 to June 30
	Industry-specific criteria combined into one to Investors. Equal balance of economic, social and environmental indicators.	Membership in the EUS is prestigious as it represents the top 10% of the 2,000 largest companies in the S&P Global Broad Market Index. The Corporate Sustainability Assessment (CSA) brings in sector-specific focus and need to create simplicity to disclosure for public companies. The index was regarded as the world's second most credible sustainability rating after CDP.	Companies receive a total Sustainability Score (in between 0-100) and are ranked against peers includes a Media and Stakeholder Analysis. Those scoring within the top 10% are included in index.	The 2,000 largest public companies in the world.	April 2 - May 28
	Corporate social responsibility with an equal weight on environmental, social and governance factors. Heavy on stakeholder engagement to determine materiality.	GRI was announced as the official reporting standard of the UN Global Compact, making it the default reporting framework for the compact's more than 5,000 associated companies. It's among the oldest, most widely adopted and most widely reported reporting methodologies in the world. Its thorough focus on social and governance aspects of ESG is unparalleled.	Focus is on transparency so no box scoring methodology; new G4 framework requires entity scoring to choose "Core" or "Complete" reporting.	Public and private companies, cities, government agencies, universities, hospitals, NGOs.	Anytime. Not typically integrated into a company's traditional annual report.
	Environmental, social and governance performance in the global commercial real estate sector only. Includes asset- and entity-level disclosures.	Private and public institutional investors look to GRESB's annual survey as the barometer of sustainability performance in the commercial real estate industry. Its niche target audience allows it to give deeper and more accurate insights into industry performance and reveal "investment grade" results.	Responses rated out of a possible 140 points distributed across two categories of data. Heavy weighting placed on implementation and asset-level performance.	Commercial real estate owners, asset managers and developers.	April 1 - June 30
	US public companies only. Industry-specific issues deemed material to investors.	SASB's standards enable comparison of peer performance and benchmarking within an industry. Studies by Goldman Sachs and Deutsche Bank have shown the stock of companies who disclose on sustainability outperforms that of companies who do not. SASB is backed by the likes of Bloomberg LP and the Rockefeller Foundation, giving it extra clout with capital markets.	No scoring system. Instead, SASB is a standardized methodology for reporting sustainability performance through the Form 10-K.	No one yet - they've just released their first sector reporting guidelines.	Integrated into quarterly 10-K filings.

(10) Anon, The Top 5 Sustainability Reporting Frameworks You Should Know, <https://www.measurabl.com/blog/the-top-five-sustainability-reporting-frameworks-you-should-know/>

GRI is the most globally recognized framework and has developed a comprehensive Sustainability Reporting Framework that is widely used worldwide and can be accessed on www.globalreporting.org.

The GRI reporting framework is used as a reference framework for the purposes of this report.

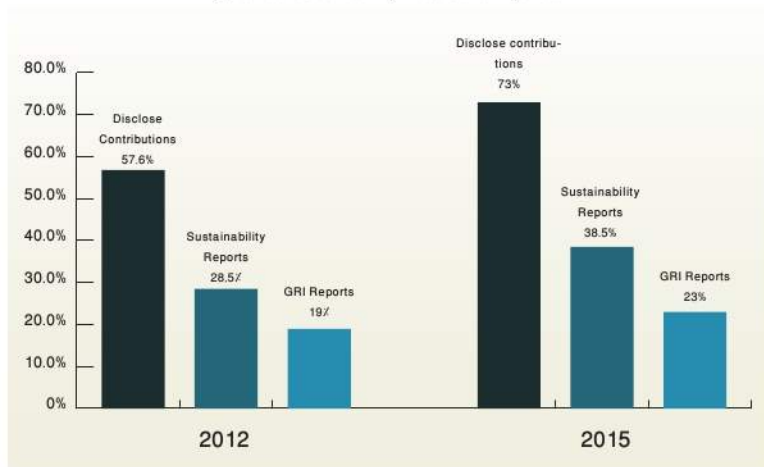
Based on the CRD Report only 5 banks issued GRI-based sustainability reports whilst as of 2015, from publicly available information, 6 banks issued reports based on GRI. However, only one of which is a national bank (Arab Bank) the rest are foreign operating banks.

Based on the CRD Report, 57.6% of banks in Jordan have reported on their sustainability spending either through their annual reports or sustainability reports. As of 2015, from publicly available information, this has increased to 73% of banks in Jordan.

About GRI Reporting

GRI is the dominant framework for sustainability reporting worldwide; it guides corporations in identifying material issues to report on, and in how to report on them in relevance to performance indicators for sustainability on economic, environmental and social levels. Those indicators are further divided into labor practices and decent work, human rights, society, and product responsibility; topics that corporations need to cover in their sustainability reporting. Such a report also presents the reporting organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy

Figure 18: Sustainability Disclosure in Jordan



Source: Generated by Schema

From the Survey, it appears that 60% of the banks report publically and 15% report internally with 25% not reporting at all. This discrepancy reflects an inconsistent understanding of the standard for sustainability reporting.

It would appear that some banks, did not consider their disclosure of contributions as reporting

whilst others, considered their disclosure on contributions, social initiatives, sponsorships and employee volunteering as sustainability reporting.

Although all disclosures are a form of reporting, sustainability reporting is focused more on the short and long term impact of such activities, alignment with the banks objectives and sustainability strategy.

When using a sustainability framework such as the GRI, there is guidance on how to report, what to report on, what indicators to use and how to measure performance against such indicators. This enables companies to (i) track the trend in their performance year on year since there is consistency in the reporting methodology and (ii) compare performance against their peers.

Vi. Social Contributions

In the CRD Report, findings revealed that the majority of social contributions by reporting banks were directed towards education, culture, and scientific research; community development; and support for the poor. This has not changed much for 2015 with the exception of a few categories gaining less support (i.e., culture) whilst others gained more support (i.e., during the month of Ramadan). However, it is of value to note that the value of non-detailed contributions has substantially decreased from 6.68% to 1.73%.

The value of non-detailed contributions has decreased from 6.68% to 1.73%

Table 10: Social Causes Supported by Banking Sector

Social Cause/NGOs	2012 %	2015 %	Change
Culture, Education, and Scientific Research	62.50%	54.04%	-8.46%
Community Development & Poverty & Ramadan	21.50%	33.12%	11.62%
Health & Support for People with Disabilities	3.93%	4.07%	0.14%
Children	0.87%	0.58%	-0.29%
Economic & Human Capital Development	1.89%	2.71%	0.82%
Environment	0.47%	0.03%	-0.44%
Sports	0.37%	0.23%	-0.14%
Internships	0.18%	0.08%	-0.10%
Other	1.13%	1.75%	0.62%
Religion	0.48%	1.65%	1.17%
Total of non-detailed contributions	6.68%	1.73%	-4.95%
Total	100.00%	100.00%	

Source: Generated by Schema

Vii. Stakeholder Engagement

Stakeholder engagement has not traditionally been given a lot of attention. When asking the banks about their stakeholder engagement in 2015, 85% of the respondents said that they undertake a form of engagement.

All respondent banks state that they engage their employees, and most of the respondent banks engage customers and the community. However, less banks engage governments and even fewer engage their suppliers.

The preferred method of engaging employees appears to be through newsletters and some feedback forms, whilst for customers it is through surveys, for suppliers through feedback forms and for the community through another form. Unfortunately, the “other” category provided in the survey was not completed with details of what “other” entailed making it difficult to ascertain the method of engagement with the community.

Some of the key outcomes of such stakeholder engagements identified by the respondent banks have been:

Table 11: Outcomes of Stakeholder Engagement

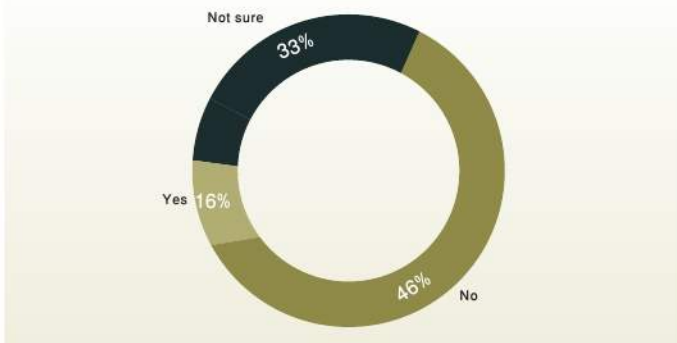
Outcomes of Stakeholder Engagement
Increase satisfaction rates, identify areas for improvement
Create a positive relationship
Enable the launch of new products that support women empowerment
Improve service levels
Increase profitability
Ensure a better reputation
Increase business opportunities
Ensure greater customer satisfaction
Reduce social risks
Increase trust
Improve the bank as a workplace
Create a team working spirit

Source: Generated by Schema from the Survey

Unfortunately, consumers feel unheard. In the CR in Jordan Report, 46% of consumers responded saying that they do not feel that companies are interested in what they have to say:

Figure 19: Consumer Sentiment Towards Feedback

As a consumer, do you feel that the company is interested in what feedback you have to share?

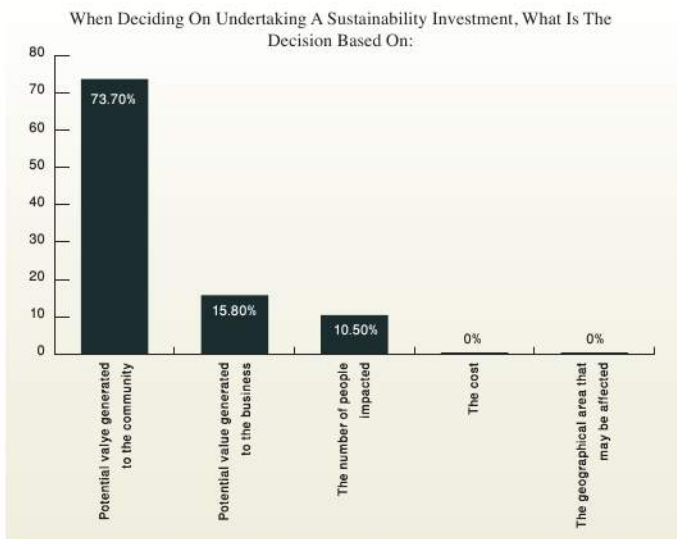


Source: Schema (2014), Corporate Responsibility, the Opportunity: Fertile Ground

Viii. Sustainability Investment

The question posed to the banking sector was “when deciding on undertaking a sustainability investment, what is the decision based on”. The responses were:

Figure 20: Sustainability Investments Drivers



Source: Generated by Schema from the Survey

It would appear that for the majority of respondents, 63%, seem to be of the opinion that their investments create a more than average impact (4 and 5 out of a scale of 5).

With a focus on value to be generated to the community such “sustainability” investing would appear to be of a philanthropic nature. This leads to a question of how impact is assessed. Is it assessed based on number of beneficiaries of an activity or against sustainability values.

Examples of Different Impact:

Short-term impact: Providing social support to persons with disability through various sponsorship and activities. These activities provided an opportunity to these persons limited to those days.

Long-term impact: Providing assistance to persons with disability through providing key services that meet their unique needs i.e., a focus or alignment with health insurance and medical needs or addressing issues of accessibility in the long term in public facilities and service areas to enable such persons to have a higher quality of life.

6. Materiality in the Banking Sector

To better understand the scope of sustainability in the banking sector and its impact, it is of great importance to ascertain what is material to the sector and the sector's stakeholders.

GRI defines materiality "as the relevant topics that may reasonably be considered important for reflecting the organization's economic, environmental and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report.

Materiality is the threshold at which Aspects become sufficiently important that they should be reported" (12).

GRI framework provides for reporting at three levels: a category (Environment, Economic and Social); amongst each category there are various aspects that address these categories; within each aspect there are indicators that measure performance. To ascertain materiality, we focus on aspects.

Based on an analysis of global banks reporting on their sustainability, the GRI has identified the following aspects as material to financial institutions (13):

1. Customer Privacy
2. Materials
3. Marketing and communication
4. Equal remuneration for Women and Men
5. Training and education
6. Public Policy
7. Investments
8. Procurement Practices
9. Diversity and Equal opportunity
10. Corruption
11. Indirect Economic Impacts

In Jordan, based on the Survey, the aspects considered most material are:

1. Anti-corruption

"Our problem with banks, insurance companies, and other financial institutions that tout their commitment to sustainability by focusing on energy and water in their sustainability reporting is that these issues are simply not material to the sustainability of the institution itself. Thus this focus is not material to shareholders and a vast range of other stakeholders including employees, customers, counterparties, and society itself which depend upon a stable financial services sector to create jobs and responsible economic growth."

What these institutions' stakeholders need is transparent information about their true source of sustainability: their social and governance performance, and how it relates to financial performance. Examples of social performance include talent recruitment, employee compensation, customer security and privacy, customer transparency, responsible products, and financial inclusion. Examples of governance performance include management of the legal and regulatory environment, systemic risk management, and managing conflicts (11).

(11) Eccles R. et al. (2013)

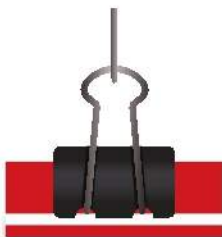
(12) Global Reporting Initiative (2014)

(13) Global Reporting Initiative and RobecoSAM (2015)

2. Compliance
3. Security Practices
4. Economic Performance
5. Marketing Communication
6. Public Policy
7. Child Labor
8. Non-discrimination
9. Local Communities
10. Market Presence
11. Transport

Other issues that banks have also raised as material have been corporate governance and stakeholder engagement. Both of which, although not aspects within the GRI framework are considered at the heart of reporting and sustainability to ascertain the report content.

In view of the above, this report will analyze the sustainability of the banking sector along three dimensions (social, economic and environmental) within the scope of the material issues listed above.



There are other organizations that have also given this consideration such as the Sustainability Accounting Standards Board. From their analysis the following is material for the financial sector⁽¹⁴⁾:

Social Capital:

- Financial inclusion and capacity building
- Customer privacy and data security

Business Model and Innovation:

- Integration of environmental, social and governance risk factors in Credit Risk Analysis

Leadership and Governance:

- Management of the legal and regulatory environment
- Systematic Risk Management

(14) SASB (2014)

Figure 21: Material Issues for Banking Sector in Jordan

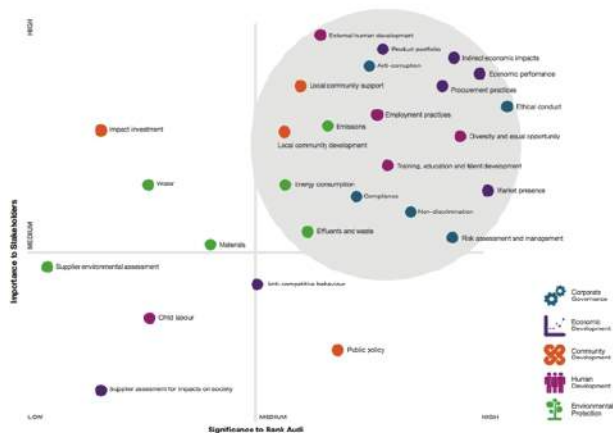


Source: Generated by Schema

Example of a materiality assessment:

Bank Audi have undertaken an in-depth materiality assessment. Based on such assessment, they have prepared a materiality matrix that represents the issues that are most material for them.

Figure 5: Materiality Matrix and Main Issues of Priority Concern for ZOH



Source: Audi Bank Sustainability Report 2014

An analysis of the long-term impact of the sustainability efforts of the banking sector on the material issues identified was not possible due to the difference in scope of the disclosure (i.e., some banks covered only Jordan whilst others covered their regional or global operations) and format of disclosure (i.e., aside from the banks that reported using GRI the metrics of measurement were not always clearly defined in reports).

However, in an attempt to raise the bar for disclosures and to enable an impact assessment of material issues in the future we assess below, the disclosures (based on publicly available information) of such material issues.

Details of each aspect discussed and the associated indicators can be found in Annex C.

By means of a summary, disclosures on issues identified as material are minimal. A percentage of the banks that disclose on each aspect (as defined below) in general and/or based on the GRI can be summarized as follows:

Aspect	Total Companies that Disclose*	Percentage of GRI disclosure*
Social		
Labor Practices and Decent Work	21%	9%
Human Rights	11%	8%
Society	12%	6%
Product Responsibility	9%	6%
Environment	14%	6%
Economic	46%	12%

*These were calculated by averaging out the companies that disclosed in that aspect based on the different areas.

7. Material Disclosures

A. Social Aspect Disclosures

Aspect	Disclosed based on GRI	Disclosed in General Terms
Labor Practices and Decent Work		
Equal remuneration for Women and Men	3	2
Training and education	3	3
Diversity and Equal opportunity	3	2

Addressing issues such as equal remuneration, diversity and equal opportunity and training and education are material to show the working environment of banks. This provides stakeholders with assurances that employees are equipped to handle their responsibilities and that positions are based on meritocracy standard through equal opportunities. Creating a diverse work place with equal remuneration encourages increased productivity and yields innovation ensuring a solution based service facilitating on-going economic growth.

Aspect	Disclosed based on GRI	Disclosed in General Terms
Human Rights		
Investment	3	1
Security Practices	1	1
Child Labor	2	
Non-discrimination	2	1

Investing in screening for human rights practices, providing training on the organizations human rights policies and actively monitoring issues of child labor provides stakeholders with an understanding of the values of which the banks operate. Operating in a non-discriminatory manner reflects an inclusivity value that encourages stakeholders to perceive the banking sector as a partner and not just a service provider.

Aspect	Disclosed based on GRI	Disclosed in General Terms
Society		
Public Policy	1	
Corruption	3	
Local Communities	2	6

Banks play a key role in driving the economic environment and indirectly the regulatory environment. The role they play in maintaining the public interest and advocating for positive change in public policy is of an immeasurable value for the economic stability of a nation.

In an effort to protect public interest, taking concrete steps to address corruption, and putting in place the relevant policies and procedures to prevent corruption instills confidence in stakeholders. The cost of corruption is surmountable.

To effect change, it is important for any institution to ascertain the positive and negative impact it has on its surrounding environment, in particular the local communities in which it operates. Social contributions are valuable and they assist in addressing philanthropic needs of local communities but engagement, social impact assessments and strategic development programs are the key to impactful social contributions.

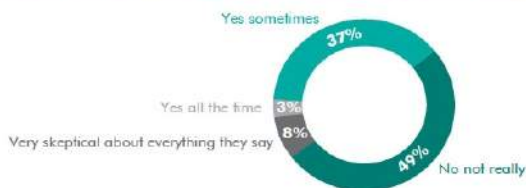
Aspect	Disclosed based on GRI	Disclosed in General Terms
Product Responsibility		
Customer Privacy	1	
Marketing and communication	2	1
Compliance	2	1

Banks provide a key service. Ensuring that they are compliant with regulations (and best practices) provides stakeholders with confidence. Customers also need a sense of security in terms of privacy to create trust. Ethical marketing and effective communication can be key tools for mindset shifts.

There is a degree of mistrust amongst consumers and businesses in Jordan and addressing this would go a long way to create a fruitful relationship with stakeholders.

Figure 22: Consumers Perception on Transparent Corporate Communication

Do you believe that companies are transparent in their communication about what they do?



Source: Schema (2014), Corporate Responsibility, the Opportunity: Fertile Ground

B. Environmental Aspects Disclosures

Aspect	Disclosed based on GRI	Disclosed in General Terms
Materials	1	2
Transport	2	2

Directly as a bank, the key environmental factors that would reflect the banks commitment to sustainability are limited. This is not to say that all environmental efforts are not of value; however, in view of the business model of banks it would appear that material and transport are the key contributors to banks environmental footprints and therefore should be disclosed in more details.

C. Economic Aspects Disclosures

Aspect	Disclosed based on GRI	Disclosed in General Terms
Market Presence	3	3
Economic Performance	3	26
Procurement Practices	3	
Indirect Economic Impacts	3	5

Saving the best to last, the economic impact of banks is the most important but also the most challenging to assess.

Based on the material aspects identified, all banks disclosed through their annual report and other reports, their economic performance. However, not many disclosed in details the implications of various social and environmental risks and opportunities.

In terms of market presence, and based on the scope of the GRI aspect, not many banks disclosed their ratio of wages compared to minimum wage.

On a more critical note, many banks did pay attention to their indirect economic impacts. Disclosure of such impact adds value to create a comprehensive national development plan and facilitate more improved infrastructure.

Also, like “no man is an island” no institution operates in a vacuum. Banks have an upstream and a downstream in their value chain and therefore assessing the impact of their work in terms of their suppliers and procurement practices adds value towards creating effective sustainable partnerships.

In the Survey, 90% of banks stated that they have procurement policies – of which 43.8% include concepts of responsible procurement, 18.8% include concepts of responsible sourcing, 6.1% include concepts of green procurement and 31.3% do not include any of these concepts.

31.3% of banks stated that on average they have been working with over 70% of their suppliers for over two years.

8. Impact Assessment

As mentioned earlier, it is difficult to ascertain the conclusive social, environmental and economic impact of the banking sector in view of the limited scope and form of disclosures being undertaken.

However, from a review of the information disclosed, it would appear that the key tangible impact of the sustainability efforts from the banking sector are nominal in comparison to what they actually may be or can be.

Nonetheless, in an attempt to capture some of the impact, we have tried to assess the impact in two different formats:

- Performance against the sustainability development principles
- Performance against best practices

To enable a fair assessment, we excluded non-Jordanian Banks since it is not clear how the impact disclosed directly affects Jordan as oppose to their scope of operations regionally or globally.

A. Performance Against Sustainability Development Principles

Focusing on Jordanian banks (commercial and Islamic) we assessed the information disclosed against the sustainability development principles. We rated each bank from a scale of 1 to 5 (1 being low impact and 5 being high impact) and then came out with an average. The rating was based on a set criterion for each principle. Where no information was provided the rating given was zero. The average performance of Jordanian banks against each sustainability development principle is presented in Table 12.

Table 12: Performance of Jordanian Banks Against Sustainability Development Principles⁽¹⁵⁾

Sustainable Development Principles	Criteria of Assessment	Scoring
Balancing different policy dimensions	<ul style="list-style-type: none"> - Charters, commitments towards considering social, environmental and economic dimensions - Strategy to address different dimensions - Discussions of social and environmental issues in key decisions at the board level - Seniority of persons responsible for sustainability 	2.75
Long timeframes and intergenerational equity	<ul style="list-style-type: none"> - Investment in projects that affect resources accessible to future generations - Investment in activities that yield long-term value versus short term 	1
Ecosystem limits and planetary boundaries	<ul style="list-style-type: none"> - In depth consideration of environmental risks - Ensuring there is an in depth analysis and understanding of environmental impact of projects financed 	1
Equal opportunities and access	<ul style="list-style-type: none"> - Equal opportunities being provided - Accessibility to resources 	2
Inclusion and participation	<ul style="list-style-type: none"> - Appropriate access to information - Opportunities to participate in decision-making processes 	2
Governance for sustainable development.	<ul style="list-style-type: none"> - Effectiveness and efficiency - Transparency - Accountability - Rule of Law 	3.5

Source: Generated by Schema from the Survey

We acknowledge that this assessment and analyses is very subjective based on our views; however, we have tried to be consistent in our analysis and review of information available.

The governance aspect is the highest rating with a score of 3.5 due to the extensive regulatory role the central bank plays in regulating and monitoring banks performance. Also, there have been new governance regulations issued recently that have increased transparency and accountability practices throughout the banking sector although not extensively covering sustainability issues.

The second highest scoring is balancing the different dimensions with a score of 2.75. This score is probably high due to the increased disclosure on sustainability practices and an increasing awareness on the importance of sustainability. Unlike other dimensions, there was a lot being disclosed in this respect.

To further ensure objectivity and to provide a baseline for analysis, 12 European banks were selected and assessed against the principles in the same format. The results can be found in Table 13.

(15) Independent assessment)

Table 13: Performance of Jordanian Banks and 12 European Banks Against Sustainability Development Principles⁽¹⁶⁾

Sustainable Development Principles	Criteria of Assessment	Scoring	
		Jordan	European Banks
Balancing different policy dimensions	<ul style="list-style-type: none"> - Charters, commitments towards considering social, environmental and economic dimensions - Strategy to address different dimensions - Discussions of social and environmental issues in key decisions at the board level - Seniority of persons responsible for sustainability 	2.75	4.25
Long timeframes and inter-generational equity	<ul style="list-style-type: none"> - Investment in projects that affect resources accessible to future generations - Investment in activities that yield long-term value versus short term 	1	3.75
Ecosystem limits and planetary boundaries	<ul style="list-style-type: none"> - In depth consideration of environmental risks - Ensuring there is an in depth analysis and understanding of environmental impact of projects financed 	1	4
Equal opportunities and access	<ul style="list-style-type: none"> - Equal opportunities being provided - Accessibility to resources 	2	4.25
Inclusion and participation	<ul style="list-style-type: none"> - Appropriate access to information - Opportunities to participate in decision-making processes 	2	4.5
Governance for sustainable development.	<ul style="list-style-type: none"> - Effectiveness and efficiency - Transparency - Accountability - Rule of Law 	3.5	4.75

Source: Generated by Schema from the Survey

B. Performance Against Best Practice

In an effort to analyze the sustainable performance of the banking sector in Jordan, we established a criteria of best practices and rated the banking sector's performance against such criteria. The criteria are:

Presence of a clear sustainability strategy with defined targets and mechanisms to measure and monitor such targets.

Sustainability commitment reflected in the form of a charter, department or champion responsible for sustainability within the whole banking operation with key decision making authority to impact all departments (i.e. credits, loans etc. not just marketing, communication and social contributions)

Sustainability consideration in the core business and operation of the bank from the top (board) to the bottom (every department).

There is an increasing practice to hold sustainability related discussions in the board room. This increases the integration of sustainability into the business DNA of the organization increasing the awareness of risks and providing more guidance at the highest level.

Reporting on sustainability practices in a structured formalized manner including reporting against the strategy and targets set.

(16) Source: Generated by Schema from the Survey

The impact of sustainability activities undertaken against the sustainability development principles. Again, each bank was rated from a scale of 1 to 5 (1 being low performance and 5 being high performance) on each criterion above and then given a total score.

The Jordanian banks scored in groups of three clusters:

	Clusters	% of banks
1	Between 15% and 35%	58%
2	Between 40% and 65%	27%
3	Above 80%	15%

Based on such data, it appears that banks in Jordan fall into three categories:

Philanthropic:

It would appear that most banks are still undertaking investments, activities and initiatives from a philanthropic perspective in the form of donations.

Responsible:

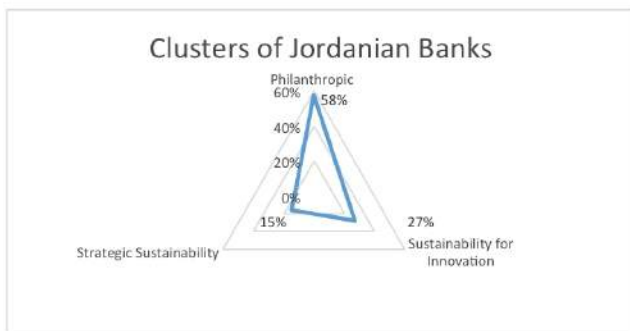
Some banks have advanced to creating some innovative products and tools as a result of their sustainability commitment but this remains limited in terms of reporting on the impact of such products and services.

Sustainable:

Some banks have advanced sustainability systems integral to their day to day operations and consideration.

Based on that criteria, to date, Jordanian banks sustainability practices can be represented as follows:

Figure 23: Clusters of Jordanian Banks



Source: Generated by Schema

Comparatively, based on the KPMG research, the select European banks also show that their sustainability related activities and programs within their business are still immature. Only 25% execute opportunity driven sustainability activities in a systematic and strategic manner.

9. Recommendations

Several millions of Jordanian Dinars are being invested in social, environmental and economic development activities. However, they do not appear to reap the proportionate benefit and added value to the business.

The sector is composed of 25 banks, each with its own strategy, focus area and sustainability practice. However, in order to gain maximum impact, there is room to creating sector wide initiatives to advance sustainability.

As mentioned earlier, banks have a two-fold responsibility: within their operations and as a result of their operations. Below we discuss some recommendations that affect banks internally whilst others affect how banks impact society, environment and the economy.

A. Increased Awareness and Commitment of the Financial Sector

As demonstrated in this report, some banks appear to be more committed to sustainability than others. Also, banks appear to have a different approach and understanding to sustainability. Therefore, it is worth raising the bar in terms of sustainability by:

- Creating a sector wide charter that reflects the sector's commitment to sustainable development

A good example of a commitment is available in the UNEP FI Guide to Banking & Sustainability⁽¹⁷⁾.

The infographic displays Clause 1.4 from the UNEP FI Guide to Banking & Sustainability. It is structured into several sections: **CLAUSE** (1.4 We recognize that sustainable development is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices.), **INTERPRETATION** (WHAT DOES THIS MEAN? HOW DO I SHOW AND FULFILL THIS COMMITMENT? While clause 1.1 establishes credibility the necessity for sustainability to be inherent in sound business management and business sustainability itself, this clause spells out the key to implementation: in order to become a market, sustainability needs to be fully integrated across the institution's policies, process and operations. In other words, sustainability is central to corporate identity and culture itself. This means action directly at the highest levels of the institution, i.e. the Board of Directors and the Management Committee. Board Members and CEOs), **IMPLEMENTATION** (Things that Board Members and CEOs might want to ask themselves include: 1. What is my understanding of a sustainability issues and what vision should I derive thereof, for the institution? When it comes to sustainability issues, ignorance can no longer be bliss. While institutions can position themselves in a variety of ways on the matter, they cannot remain passive. Seeking at least minimal understanding of sustainability issues will be key to establishing a line that makes sense for the institution.), **Q&A** (By embedding corporate social responsibility into our business process, we link our non-financial performance with our business strategy. Our abilities to focus our efforts on long-term value drivers that contribute to the success of our bank and progress for society as a whole. Our objective is to integrate corporate responsibility into / across bank's day-to-day operations; and to make it the way we conduct our business as it becomes particularly clear in these difficult times that corporate responsibility and business success / belong together. Therefore, at a time when the global economy is undergoing challenges, our bank is maintaining corporate responsibility to living above/positive and sustainable change.), **ILLUSTRATIONS** (George Osakwe MFR, Chairman Access Bank, Sustainability Report 2022, [http://www.accessbank.com/library/Documents/CSI_Report/CSI_report_2022.pdf](http://www.accessbank.com/library/Documents/CSR_Report/CSI_report_2022.pdf)), and **FURTHER INFORMATION** (UNEP FI Resources on Effecting Corporate Culture Change, http://www.unepfi.org/~/media/Documents/Files/Effecting_Corporate_Culture_Change.pdf).

Source: United Nations Environment Program (2011), UNEP FI Guide to Banking & Sustainability

(17) United Nations Environment Program (2011), UNEP FI Guide to Banking & Sustainability, http://www.unepfi.org/fileadmin/documents/guide_banking_statements.pdf

Creating sector-wide definitions to sustainable development as is material and aligned to the sector

Based on KPMG's research⁽¹⁸⁾, more than 50% of the banks consider sustainability as a strategic priority aligning such strategy with business strategies with around 17% of the banks considering sustainability as a tool to contribute towards executing the business strategy.

Figure 24: Level of sustainability strategy and business strategy alignment



Source: KPMG (2015)

Working on preparing and communicating success stories that show the correlation between sustainable operations and the business value for banks in Jordan

B. Improve sustainability practices within the banks

As a key sector of the economy, it is worth considering improving sustainability practices within banks by: (i) setting targets for each bank to achieve with respect to the sustainability of their operations; and (ii) improve environmental and social management systems.

I. Targets:

Setting targets is one of two key considerations to ensure a more holistic sustainable development approach. Banks should consider setting their own targets internally but the ABJ should consider setting targets for the sector to meet. These targets need to be both qualitative and quantitative in nature to ensure that sustainability activities are properly cascaded throughout the bank and not limited to one or two departments. Furthermore, the sustainability targets should be set at all levels of the organizations, by department, against business strategy and for the board.

Some material aspects identified that should have set targets include:

- From a social perspective:

(18) KPMG, Ready or Not? An assessment of sustainability integration in the European Banking Sector, 2015

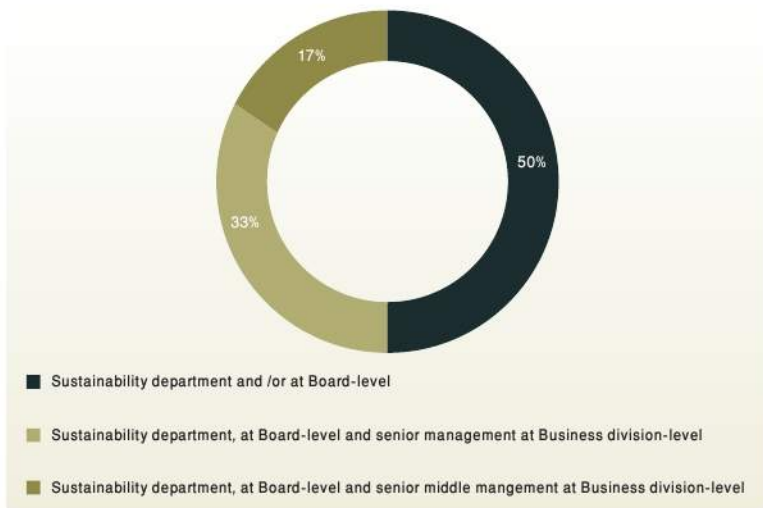
- Employees competency by setting targets in relation to:
 - Training of employees at all levels (this includes type of training, value of training to personal and professional development etc.)
 - Monitoring of promotions
 - Employees satisfaction
 - Diversity within the sector at all levels
 - Turnover rates of employees in terms of gender and location
- Human rights practices by setting targets in relation to:
 - Discrimination practices within the sector
 - Investments towards protecting human rights, refugees and other disadvantaged groups
- Social policies by setting targets in relation to:
 - Anti-corruption policies and procedures
 - Public policies necessary to ensure a sustainable banking sector is in place
 - Criteria for social support
- From an environmental perspective:
 - Materials used in the day to day operations
 - Transportation as a result of the operations
 - Water and energy as they are material to Jordan
- From an economic perspective:
 - Procurement practices and outreach to local SME's
 - Indirect economic performance in the communities of operation i.e., increasing the bankability of clients

These are suggestive targets and are not meant to be exhaustive covering the needs of the sector.

Furthermore, setting targets alone is not enough. To ensure the efficiency of such targets, key monitoring and performance systems need to be put in place that ensure accountability of performance against the set and agreed on targets.

Based on KPMG's research⁽¹⁾, supervision of sustainability targets is not yet completely aligned with the sustainability strategies and governance structures of banks. 50% of the banks have their sustainability targets supervised by the sustainability department and/or at the board level.

Figure 25: Supervision of Sustainability Targets



Source: KPMG (2015)

2. E & S Management Systems

It is clear throughout this report that the environment and social management systems of banks are at best basic and taking into consideration only direct potential environmental and social impacts.

For banks to play a leading role in sustainable development these E & S management systems need to expand. Issues that the banks may wish to consider in their review of their E & S Management systems include:

- Monetizing various social and environmental aspects in their investment and financing

- Integrating, aligning and taking into consideration the social and environmental risks in their sustainability and business strategies

- Ensuring environmental and social management frameworks are part of the risk management framework of all the banks activities and at a transactional level

- Review environmental and social risks on a portfolio level and not only transactional and sector levels

Integrating environmental and social factors in the bank-wide risk management framework and as part of the banks risk appetite statements and risk limits framework

Increase reporting and disclosure in relation to environmental and social risks

C. Creating a sector wide strategy for sustainable development

It is always the case that two working together can create a higher impact than one. Therefore, in view of the amount of investment that goes into social, environmental and economic development it is worth considering creating a sector-wide strategy for all banks to follow creating economies of scale and measurable long-lasting impact.

To go about doing that ABJ may wish to hold various roundtables to, from a sectorial level:

- Identify and agree on key social, environmental and economic focus areas for the sector. This would enable more strategic investments into such focus areas creating longer-term impact instead of short term value added solutions.
- Agree on social, environmental and economic targets for the sector to achieve. This would enable the sector to gear away from short-term activities towards a focus on long-term solutions.
- Agree on a format to capture and report on such agreed on targets to enable a structured comprehensive comparative review.

In the meantime, each bank may wish to proceed to:

- Identify the social, environmental and economic focus area the bank will focus on based on its business model and its strategic objectives
- Set working models to implement programs that impact the social, environmental and economic focus area(s) selected
- Monitor the impact of such activities against short term, medium term and long term goals

D. Increase transparency and reporting of non-financial performance

Upon setting targets be it for internal performance or sector performance, it is imperative that the scope and boundaries of these targets are set in terms of how the data is captured, what it includes and how it is reported on. Alternatively, using a recognized framework such as the GRI, can provide the necessary guidance.

It is worth encouraging the practice of increased non-financial performance reporting in general but at the very least against the targets set for the sector to enable better impact assessment in the future.

This can be done as follows:

- ABJ to provide a survey for banks to complete on an annual basis
- In collaboration with the Central Bank, require banks to disclose agreed on non-financial information

10. Conclusion

The banking sector globally is still nascent to the needs of sustainable development and Jordan is no different. However, there have been many advances in practices globally that have not yet made their way into the operational culture of the banking sector in Jordan; mainly, the importance of integrating sustainability into the core business and taking key sustainable issues in the day-to-day operations of the banks. Sustainability is not a side project, but should be at the heart of every business to ensure that its operations yield positive impact socially, economically and towards the environment with every service.

Nonetheless, positive changes have been apparent in the banking sector over the past few years and with the leadership of the ABJ and the Central Bank, there is no doubt that there will continue to be increasing practices towards more sustainability in the banking sector in Jordan.

Annex A – The Survey

Sustainability in the Jordanian Banking Sector

This is a survey to help Association of Banks report on sustainability in Jordan. The survey uses the terms sustainability as a generic term. If the bank uses an alternative definition, please explain that in question 1 and use it synonymous with Sustainability throughout the survey.

Please note that all information provided here is confidential and will be analyzed in a confidential manner.

* Required

Confirmation*

- I confirm that I represent a financial institution registered and operating in Jordan
- I do not represent a financial institution registered and operating in Jordan

Contact Information

This information will not be shared but it is for quality assurance only.

Please provide us with the following information about you.

Name of the financial institution/bank you work with: _____

Your name: _____

Your contact details: _____

Definitions & Background

What is the banks definition of Sustainability?

Note: If the bank uses another term i.e., CSR, please provide that and its definition.

Who is the most senior person in the organization responsible for sustainability?

Note: Please provide a name, position and email.

Do you have any of the following:

Sustainability Strategy:

1. Yes
2. No
3. Not sure

Social investment policy/criteria:

1. Yes
2. No
3. Not sure

Is there someone or unit within the organization that handles sustainability issues? *

- Everyone handles parts of sustainability
- Sustainability is part of the marketing and communications department
- Sustainability is part of another department
- There is a dedicated person/unit
- No

Definitions & Background Contd.

Please provide more information about the dedicated person/unit responsible for sustainability
Contact details, scope of responsibility, role etc.

Definitions & Background Contd.

Sustainability is part of which department?

Sustainability Goals

Do you set any Sustainability goals? *

1. Yes
2. Partially
- . No

Sustainability Goals Contd.

Are these goals publicly reported on?

1. Yes
2. Partially
3. No

Are these tangible measurable SMART goals?

Note: SMART= Specific, Meaningful, Action-oriented, Realistic, Timely

1. Yes
2. Partially
3. No

Are your Sustainability goals incorporated into the company's business plan/strategy?

1. Yes
2. Partially
3. No

Social and Environmental

Do you consider environmental and social issues in your decision making process? *

1. Yes all the times
2. Yes sometimes
3. No

Social and Environmental Contd.

Why do you consider environmental and social issues:

Please select at most 3 options

- Increased credibility and gain in reputation
- Demand by clients
- Bank/clients facing liability claims
- Lower risk and better returns
- Increased value to stakeholders
- Demand by investors
- Nonperforming loan experience
- Other:

What are the key social and environmental risks you consider:

Please select at most 3 options

- Reputational risk / Negative publicity with customers, shareholders and the general public
- Potential civil or criminal liability for negligence

- Reduced access to capital from private financial institutions/international bond market
- Liability for clean up of contaminated property/collateral
- Loss of financing from international financial institutions
- Security (devalued collateral)
- Nonperforming loans/investments/leases
- Credit risk (defaults, payments rescheduling)
- Loss of depositors or retail clients
- Other:

What would you describe are the key benefits of considering environment and social issues:

Please select at most 3 options

- Increased revenues
- Developed new products and services
- Developed new business
- Better quality of work
- Cost savings
- Improved brand value and reputation
- Improved access to international financing
- Reduced risk
- Improved community relations
- Other:

Customer Focus

How do you, if at all, encourage clients to be sustainable?

Please select all that apply

- Our lending is subject to clients showing some form of sustainable practice
- We monitor clients environmental impact
- We monitor clients social impact
- Other:

To what extent do you get involved with customers to encourage them to be more sustainable?

Not at all 1 2 3 4 5 To a great extent

Have you undertaken a customer satisfaction survey in the past three years? *

1. Yes
2. No

Customer Focus Contd.

What was the percentage rating of customer satisfaction?

Note: If your customer satisfaction is analyzed other than as a percentage, please provide more information below.

Suppliers

On average, what percentage of suppliers have you been working with for more than two years?

- Less than 10 %
- Between 11% and 25%
- Between 26% and 70%
- Above 71%

As an overall from the procurement budget, what percentage is spent on suppliers from Jordan?

What are the payment terms for your suppliers?

- Less than 30 days
- Between 30 – 60 days
- More than 60 days

Do you have a procurement policy? *

1. Yes
2. No

Suppliers Contd.

Does your procurement policy address the following:

- Responsible procurement
- Green procurement
- Responsible sourcing
- None of the above

Materiality

Please complete the below table by selecting the issues that the financial institution/bank considers material and to what extent are they material *

Mark only one oval per row. (Not very material, Material, Very Material, Not applicable)

- Economic: Economic Performance
- Economic: Market Presence
- Economic: Indirect Economic Impacts
- Economic: Procurement Practices
- Environment: Energy
- Environment: Water
- Environment: Products and services
- Environment: Compliance
- Environment: Transport
- Labor: Labor/Management Relations
- Labor: Occupational Health and Safety
- Labor: Equal Remuneration for Women and Men
- Labor: Labor Practices Grievance Mechanisms
- Human Rights: Investments
- Human Rights: Non-discrimination
- Human Rights: Freedom of Association and Collective Bargaining
- Human Rights: Child Labor
- Human Rights: Forced or Compulsory Labor
- Human Rights: Security Practices
- Human Rights: Supplier
- Human Rights Assessment
- Human Rights: Human Rights Grievance Mechanism
- Society: Local Communities
- Society: Anti-corruption
- Society: Public Policy
- Society: Anti-competitive Behavior
- Society: Compliance
- Society: Grievance Mechanisms for Impacts on Society
- Product Responsibility: Product and Service Labeling
- Product Responsibility: Marketing Communication

- Product Responsibility: Customer Privacy
- Product Responsibility: Compliance

Please list below any other issues that you consider material:

Reporting

Have you reported on your sustainability in the past two years:*

1. Yes reported publically
2. Yes reported internally
3. No did not report

Reporting Contd.

Has this reporting been based on international frameworks i.e. GRI?

1. Yes
2. No
3. Not sure

Reporting Contd.

Why do you choose not to report on your sustainability?

Not sure of the value of sustainability reporting

- Have nothing to report on
- Too costly
- Not enough resources

Sustainability Investment

When deciding on undertaking a Sustainability investment, what is the decision based on?

- Potential value generated to the community
- Potential value generated to the business
- The cost
- The number of people affected
- The geographical area that may benefit
- Other:

In general, how effective do you think your investments are in making a social, environmental or economical difference?

Not effective 1 2 3 4 5 Very effective

Stakeholder Engagement

Do you engage with your stakeholders? *

1. Yes
2. No
3. Not sure

Stakeholder Engagement Contd.

Which of the following stakeholder groups do you engage with:

Please select all that applies

- Employees
- Customers
- Suppliers
- Community
- Government

How do you engage with your stakeholders?

	Newsletter	Survey	Feedback forms	Focus groups	Other
Employees					
Customers					
Suppliers					
Community					
Government					

General

Have you received and considered the CSR Index issued by ABJ in 2013? *

Link: <http://bit.ly/1ZdpWGa>

1. Yes
2. No
3. Not sure

General Contd.

Have the results of the Index affected your process? *

1. Yes
2. No

Annex B – Different Definitions of Sustainability from the Survey

- The ability to sustain, grow and perform
- Sustainability is about more than economic growth, it also includes social and environmental considerations
- Social Responsibility: practical embodiment of Islamic values in reality, and for the achievement of society's comprehensive interests, by means of attaining a balance between the interest and advantages of all those bearing a relation to the bank, including shareholders, employees, investors, financiers, and beneficiaries of the funding and investments undertaken by the bank, and the services which it provides; a process which confers benefit on society and the national economy on the whole.
- The Bank follows the most familiar definition by the WCED, which is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Bank considers sustainability as a voluntary business activity that looks at achieving economic development while contributing to the social and environmental developments in which the business operates.
- Sustainability, it is the ability or capacity of our bank to maintain and sustain our solid position, sustainability for us is taking what we need to sustain our business without jeopardizing the potential for others.
- Incorporates principles of sustainability into each of its business decisions... It supplies environmentally friendly products or services that replaces demand for non-green products and/or services.
- We do not have sustainability; we have corporate social responsibility. CSR refers to companies taking responsibility for their impact on society.
- To give the support for different sectors in Jordan as education, medical and refugees services with cooperation with UNHCR
- It is the Banks commitment to achieve a good relationship with citizens and to achieve banks stakeholders' interest
- Organizational management strategies designed based on the concept of enhancing the sustainability to ensure the continuity of achieving long and short term strategic goals.
- Improve performance by taking into consideration the development of economic, environmental, and social aspects of the staff within the concept of the internal banks culture.
- Sustainable development means development capable of meeting the needs of current generations without compromising the needs of future generations, through a responsible approach that factors the interests of stakeholders.
- We name it Corporate Social Responsibility (CSR) which is supporting the local community by offering financial support to NGO's in different fields
- Corporate Social Responsibility (CSR) represents the pay back to the local community through sponsoring and supporting educational, cultural, sporting, and charitable activities.
- Corporate Social Responsibility (CSR)

What's in name? A few Definitions ⁽¹⁹⁾

While this Guide is constructed upon the concept of sustainability, as derived from the Brundtland Commission's definition of sustainable development, a number of other terms are commonly used to encapsulate FI's approaches to issues, such as the environment and society, which have not traditionally been at the heart of FI operations.

Sustainability

The Brundtland Commission, convened by the United Nations in 1983, produced the report *Our Common Future*, which established the widely accepted definition of sustainable development as "Meeting the needs of the present without compromising the ability of Future generations to meet their own needs." The definition supported by the equally widely acknowledged three pillars: economic, social and environmental development.

Sustainability has since become a generic concept utilized in a variety of domains, to support the worldview that economic, social and environmental issues are fundamentally interlinked and must therefore be considered in unison.

<http://www.un-documents.net/wced-oct.htm>

ESG

ESG IS a generic term usually traced back to the initial work of United Nations Global Compact on Financial markets and Sustainability issues, now widely used in capital markets /by investors ESG (environmental, social and governance) Factors are considered as subset of non-Financial performance indicators, which serve to evaluate corporate behavior and determine the Future Financial performance of companies.

United Nations Global Compact who Cares wins Series, 2004. 2008

<http://www.onglobalcompact.org/issues/financial-markets/index.html>

Corporate Social Responsibility

The origins of Corporate Social Responsibility (CSR) terminology are closer to the corporate sector itself, with a distinct focus on the concerns, needs and expectations of society in companies' business operations and their interaction with stakeholders, on a voluntary basis.

Social Responsibilities of the Businessman Howard Bowen, 1953.

Corporate Citizenship

Corporate Citizenship is a concept close to CSR but perhaps preferred by some (and especially in North America) for its more intimate connection to the communities directly surrounding the corporation. Corporate Citizenship strives to meet the social, cultural and environmental responsibilities with the community wherein which the institution seeks a license to operate, as well as economic and financial responsibilities to its shareholders or immediate stakeholders.

Business Ethics

Business Ethics is an approach founded more closely on ethical and moral beliefs: what is the right (or wrong) thing to do: and profits, adversely affect others, it is an ethical imperative to exercise appropriate constraint.

(19) United Nations Environment Program (2011), UNEP FI Guide to Banking & Sustainability, http://www.uneepfi.org/fileadmin/documents/guide_banking_statements.pdf

Annex C– Details of Material Aspects

Category: Social

Aspect	Associated indicators	Description of Indicator
Labor Practices and Decent Work		
Equal remuneration for Women and Men	<u>G4-LA13</u> Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	a. Report the ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation. b. Report the definition used for 'significant locations of operation'.
Training and education	<u>G4-LA9</u> Average hours of training per year per employee by gender, and by employee category	a. Report the average hours of training that the organization's employees have undertaken during the reporting period, by: • Gender • Employee category
	<u>G4-LA10</u> Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	a. Report on the type and scope of programs implemented and assistance provided to upgrade employee skills. b. Report on the transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.
	<u>G4-LA11</u> Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	a. Report the percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.
Diversity and Equal opportunity	<u>G4-LA12</u> Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	a. Report the percentage of individuals within the organization's governance bodies in each of the following diversity categories: • Gender • Age group: under 30 years old, 30-50 years old, over 50 years old • Minority groups • Other indicators of diversity where relevant b. Report the percentage of employees per employee category in each of the following diversity categories: • Gender • Age group: under 30 years old, 30-50 years old, over 50 years old • Minority groups • Other indicators of diversity where relevant
Human Rights		
Investment	<u>G4-HR1</u> Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	a. Report the total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. b. Report the definition of 'significant investment agreements' used by the organization.
	<u>G4-HR2</u> Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	a. Report the total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations. b. Report the percentage of employees in the reporting period trained in human rights policies or procedures concerning aspects of human rights that are relevant to operations.

Aspect	Associated indicators	Description of Indicator
Security Practices	<u>G4-HR7</u> Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	a. Report the percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security. b. Report whether training requirements also apply to third party organizations providing security personnel.
Child Labor	<u>G4-HR5</u> Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	a. Report operations and suppliers considered to have significant risk for incidents of: • Child labor • Young workers exposed to hazardous work b. Report operations and suppliers considered to have significant risk for incidents of child labor either in terms of: • Type of operation (such as manufacturing plant) and supplier • Countries or geographical areas with operations and suppliers considered at risk c. Report measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.
Non-discrimination	<u>G4-HR3</u> Total number of incidents of discrimination and corrective actions taken	a. Report the total number of incidents of discrimination during the reporting period. b. Report the status of the incidents and the actions taken with reference to the following: • Incident reviewed by the organization • Remediation plans being implemented • Remediation plans have been implemented and results reviewed through routine internal management review processes • Incident no longer subject to action
Society		
Public Policy	<u>G4-SO6</u> Total value of political contributions by country and recipient/beneficiary	a. Report the total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary. b. Report how the monetary value of in-kind contributions was estimated, if applicable.
Corruption	<u>G4-SO3</u> Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	a. Report the total number and percentage of operations assessed for risks related to corruption. b. Report the significant risks related to corruption identified through the risk assessment.
	<u>G4-SO4</u> Communication and training on anti-corruption policies and procedures	a. Report the total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region. b. Report the total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region. c. Report the total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. d. Report the total number and percentage of governance body members that have received training on anti-corruption, broken down by region. e. Report the total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.
	<u>G4-SOS</u> Confirmed incidents of corruption and actions taken	a. Report the total number and nature of confirmed incidents of corruption. b. Report the total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Report the total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d. Report public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.

Aspect	Associated indicators	Description of Indicator
Local Communities	<u>G4-SO1</u> Percentage of operations with implemented local community engagement, impact assessments, and development programs	<p>a. Report the percentage of operations with implemented local community engagement, impact assessments, and development programs, including the use of:</p> <ul style="list-style-type: none"> • Social impact assessments, including gender impact assessments, based on participatory processes • Environmental impact assessments and ongoing monitoring • Public disclosure of results of environmental and social impact assessments • Local community development programs based on local communities' needs • Stakeholder engagement plans based on stakeholder mapping • Broad based local community consultation committees and processes that include vulnerable groups • Works councils, occupational health and safety committees and other employee representation bodies to deal with impacts • Formal local community grievance processes
	<u>G4-SO2</u> Operations with significant actual and potential negative impacts on local communities	<p>a. Report operations with significant actual and potential negative impacts on local communities, including:</p> <ul style="list-style-type: none"> • The location of the operations • The significant actual and potential negative impacts of operations
Product Responsibility		
Customer Privacy	<u>G4-PR8</u> Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<p>a. Report the total number of substantiated complaints received concerning breaches of customer privacy, categorized by:</p> <ul style="list-style-type: none"> • Complaints received from outside parties and substantiated by the organization • Complaints from regulatory bodies <p>b. Report the total number of identified leaks, thefts, or losses of customer data.</p> <p>c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.</p>
Marketing and communication	<u>G4-PR6</u> Sale of banned or disputed products	<p>a. Report whether the organization sells products that are:</p> <ul style="list-style-type: none"> • Banned in certain markets • The subject of stakeholder questions or public debate <p>b. Report how the organization has responded to questions or concerns regarding these products.</p>
	<u>G4-PR7</u> Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	<p>a. Report the total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by:</p> <ul style="list-style-type: none"> • Incidents of non-compliance with regulations resulting in a fine or penalty • Incidents of non-compliance with regulations resulting in a warning • Incidents of non-compliance with voluntary codes <p>b. If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.</p>
Compliance	<u>G4-PR9</u> Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	<p>a. Report the total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</p> <p>b. If the organization has not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient.</p>

Category: Economic

Aspect	Associated indicators	Description of Indicator
Market Presence	<u>G4-C5</u> Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	a. When a significant proportion of the workforce is compensated based on wages subject to minimum wage rules, report the ratio of the entry level wage by gender at significant locations of operation to the minimum wage. b. Report whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums could be used as a reference, report which minimum wage is being used. c. Report the definition used for 'significant locations of operation'
	<u>G4-EC6</u> Proportion of senior management hired from the local community at significant locations of operation	Report the percentage of senior management a. at significant locations of operation that are hired from the local community. b. Report the definition of 'senior management' used. c. Report the organization's geographical definition of 'local' d. Report the definition used for 'significant locations of operation'.
Economic Performance	<u>G4-EC1</u> Direct economic value generated and distributed	a. Report the direct economic value generated and distributed (EVG&D) on an accruals basis including the basic components for the organization's global operations as listed below. If data is presented on a cash basis, report the justification for this decision and report the basic components as listed below: • Direct economic value generated: – Revenues • Economic value distributed: – Operating costs – Employee wages and benefits – Payments to providers of capital – Payments to government (by country) – Community investments • Economic value retained (calculated as 'Direct economic value generated' less 'Economic value distributed') b. To better assess local economic impacts, report EVG&D separately at country, regional, or market levels, where significant. Report the criteria used for defining significance.
	<u>G4-EC2</u> Financial implications and other risks and opportunities for the organization's activities due to climate change	a. Report risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure, including: • A description of the risk or opportunity and its classification as either physical, regulatory, or other • A description of the impact associated with the risk or opportunity • The financial implications of the risk or opportunity before action is taken • The methods used to manage the risk or opportunity • The costs of actions taken to manage the risk or opportunity

Aspect	Associated indicators	Description of Indicator
continue/ Economic Performance	<p><u>G4-EC3</u> Coverage of the organization's defined benefit plan obligations</p>	<p>a. Where the plan's liabilities are met by the organization's general resources, report the estimated value of those liabilities.</p> <p>b. Where a separate fund exists to pay the plan's pension liabilities, report:</p> <ul style="list-style-type: none"> • The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them • The basis on which that estimate has been arrived at • When that estimate was made <p>c. Where a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage.</p> <p>d. Report the percentage of salary contributed by employee or employer.</p> <p>e. Report the level of participation in retirement plans (such as participation in mandatory or voluntary schemes, regional or country-based schemes, or those with financial impact).</p>
	<p><u>G4-EC4</u> Financial assistance received from government</p>	<p>a. Report the total monetary value of financial assistance received by the organization from governments during the reporting period, including, as a minimum:</p> <ul style="list-style-type: none"> • Tax relief and tax credits • Subsidies • Investment grants, research and development grants, and other relevant types of grants • Awards • Royalty holidays • Financial assistance from Export Credit Agencies (ECAs) • Financial incentives • Other financial benefits received or receivable from any government for any operation <p>b. Report the information above by country.</p> <p>c. Report whether, and the extent to which, the government is present in the shareholding structure.</p>
Procurement Practices	<p><u>G4-EC9</u> Proportion of spending on local suppliers at significant locations of operation</p>	<p>a. Report the percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally).</p> <p>b. Report the organization's geographical definition of 'local'.</p> <p>c. Report the definition used for 'significant locations of operation'.</p>

Aspect	Associated indicators	Description of Indicator
Indirect Economic Impacts	<u>G4-EC7</u> Development and impact of infrastructure investments and services supported	a. Report the extent of development of significant infrastructure investments and services supported. b. Report the current or expected impacts on communities and local economies. Report positive and negative impacts where relevant. c. Report whether these investments and services are commercial, in-kind, or pro bono engagements.
	<u>G4-EC8</u> Significant indirect economic impacts, including the extent of impacts	a. Report examples of the significant identified positive and negative indirect economic impacts the organization has. These may include: <ul style="list-style-type: none"> • Changing the productivity of organizations, sectors, or the whole economy • Economic development in areas of high poverty • Economic impact of improving or deteriorating social or environmental conditions • Availability of products and services for those on low incomes • Enhancing skills and knowledge amongst a professional community or in a geographical region • Jobs supported in the supply chain or distribution chain • Stimulating, enabling, or limiting foreign direct investment • Economic impact of change in location of operations or activities • Economic impact of the use of products and services b. Report the significance of the impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.

Category: Environment

Aspect	Associated indicators	Description of Indicator
Materials	<u>G4-EN1</u> Materials used by weight or volume	a. Report the total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by: <ul style="list-style-type: none"> • Non-renewable materials used • Renewable materials used
	<u>G4-EN2</u> Percentage of materials used that are recycled input materials	a. Report the percentage of recycled input materials used to manufacture the organization's primary products and services.
Transport	<u>G4-EN30</u> Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	a. Report the significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce. Where quantitative data is not provided, report the reason. b. Report how the environmental impacts of transporting products, members of the organization's workforce, and other goods and materials are mitigated. c. Report the criteria and methodology used to determine which environmental impacts are significant.

References

- Ahli Bank Corporate Responsibility Report 2014, http://www.ahli.com/arabic/pdf/Corporate_Responsibility_Report2014_ar.pdf
- Anon, The Top 5 Sustainability Reporting Frameworks You Should Know, <https://www.measurabl.com/blog/the-top-five-sustainability-reporting-frameworks-you-should-know/>
- Arab Bank Sustainability Report 2014, <http://www.arabbank.com/uploads/File/SustainabilityReport2014EN.pdf>
- Association of Banks in Jordan & Schema (2013), Corporate Responsibility Disclosure and Practices in the Banking Sector of Jordan, <http://bit.ly/1ZdpWGa>
- Association of Banks in Jordan, <http://www.abj.org.jo>
- Audi Bank Sustainability Report 2014, <http://www.bankaudiigroup.com/GroupWebsite/openAudiFile.aspx?id=2783>
- Case, P., (2012), Managing Sustainability risks and opportunities in the financial services sector, PwC UK, <https://www.pwc.com/jg/en/publications/ned-sustainability-presentation-may-2012.pdf>
- Central Bank of Jordan, www.cbj.gov.jo
- CERES (2014), The CERES roadmap for sustainability, <http://www.ceres.org/roadmap-assessment/sector-analyses/financial-services>
- 2014 Citi Global Citizenship Report, http://www.citigroup.com/citi/about/data/corp_citizenship/2014-citi-global-citizenship-report-en.pdf
- Eccles R. and Serafeim, G. (2013), Sustainability in Financial Services Is Not About Being Green, <https://hbr.org/2013/05/sustainability-in-financial-services-is-not-about-being-green>
- Forum for the Future (2011), Sustainable economy in 2040. A roadmap for capital markets.
- Global Reporting Initiative and RobecoSAM (2015), Defining Materiality: What Matters to Reporters and Investors, <https://www.globalreporting.org/resourcelibrary/Defining-Materiality-What-Matters-to-Reporters-and-Investors.pdf>
- Global Reporting Initiative (2014), G4 Guidelines, <https://g4.globalreporting.org/how-you-should-report/reporting-principles/principles-for-defining-report-content/materiality/Pages/default.aspx>
- Housing Bank Corporate Social Responsibility Report 2014, www.hbtf.com
- International Finance Corporation (2007), Banking on Sustainability Financing Environmental And Social Opportunities In Emerging Markets, <https://Firstforsustainability.Org/Media/IFC%20Banking%20on%20Sustainability.Pdf>
- Jordan Islamic Bank Social Responsibility Report 2014, <http://www.jordanislamicbank.com/usersfilenew/folder/files/newislamic20142e.pdf>
- Jordan Kuwait Bank Social Responsibility Report 2014, http://ar.jkb.com/sites/default/files/JKB_CSR_Report_2014_FINAL.pdf
- KPMG, Ready or Not? An assessment of sustainability integration in the European Banking Sector, 2015, www.kpmg.com/NL/nl/IssuesAndInsights/ArticlesPublications/Documents/PDF/Banking-en-Leasing/Ready-or-not-Survey-WWF-KPMG-Sustainable-Banking.pdf

- Lydenberg, S. (2007). Long-Term Investing: A proposal for how to define and implement long-term investing. Summit on the Future of the Corporation, Paper No. 5. <http://www.corporation2020.org/pdfs/SummitPaperSeries.pdf>
- Pisano, U., Martinuzzi, A. & Bruckner, B. (2012), The Financial Sector and Sustainable Development: Logics, principles and actors, ESDN Quarterly Report No 27, http://www.sd-network.eu/quarterly%20reports/report%20files/pdf/2012-December-The_Financial_Sector_and_Sustainable_Development.pdf
- PricewaterHouse, The role of Australia's financial sector in sustainability, <http://infohouse.p2ric.org/ref/2221811/.pdf>
- SASB (2014), Accounting for A Sustainable Future, Commercial Banks Research Brief, http://www.sasb.org/wp-content/uploads/201405/SASB_Commercial_Banks_Brief.pdf
- Schema (2014), Corporate Responsibility, the Opportunity: Fertile Ground
- Standard Charter Sustainability Summary 2015, https://www.sc.com/en/resources/global-en/pdf/annual_reports/annual_report_2015_sustainability_summary.pdf
- Tonello, M. (2006), Revisiting Stock-Market Short-Termism. The Conference Board, New York, p. 42.
- Union of Arab Banks & Schema (2009), CSR Guidelines for the Financial Sector, <http://bit.ly/1V6Q5XZ>
- United Nations Environment Program (2011), UNEP FI Guide to Banking & Sustainability, http://www.unepfi.org/fileadmin/documents/guide_banking_statements.pdf
- Weber, O., And Oni, O., (2015), The Impact of Financial Sector Sustainability Regulations On Banks, CIGI Papers No. 77, <https://www.Cigionline.Org/Publications/Impact-Of-Financial-Sector-Sustainability-Regulations-Banks>
- WCED (1987) Report of the World Commission on Environment and Development: Our Common Future. Oxford: Oxford University Press.



جمعية البنوك في الأردن
ASSOCIATION OF BANKS IN JORDAN



SUSTAINABILITY REPORT

FOR THE BANKING SECTOR IN JORDAN

A 2016 STUDY BY SCHEMA



2016