



Sustainability 1

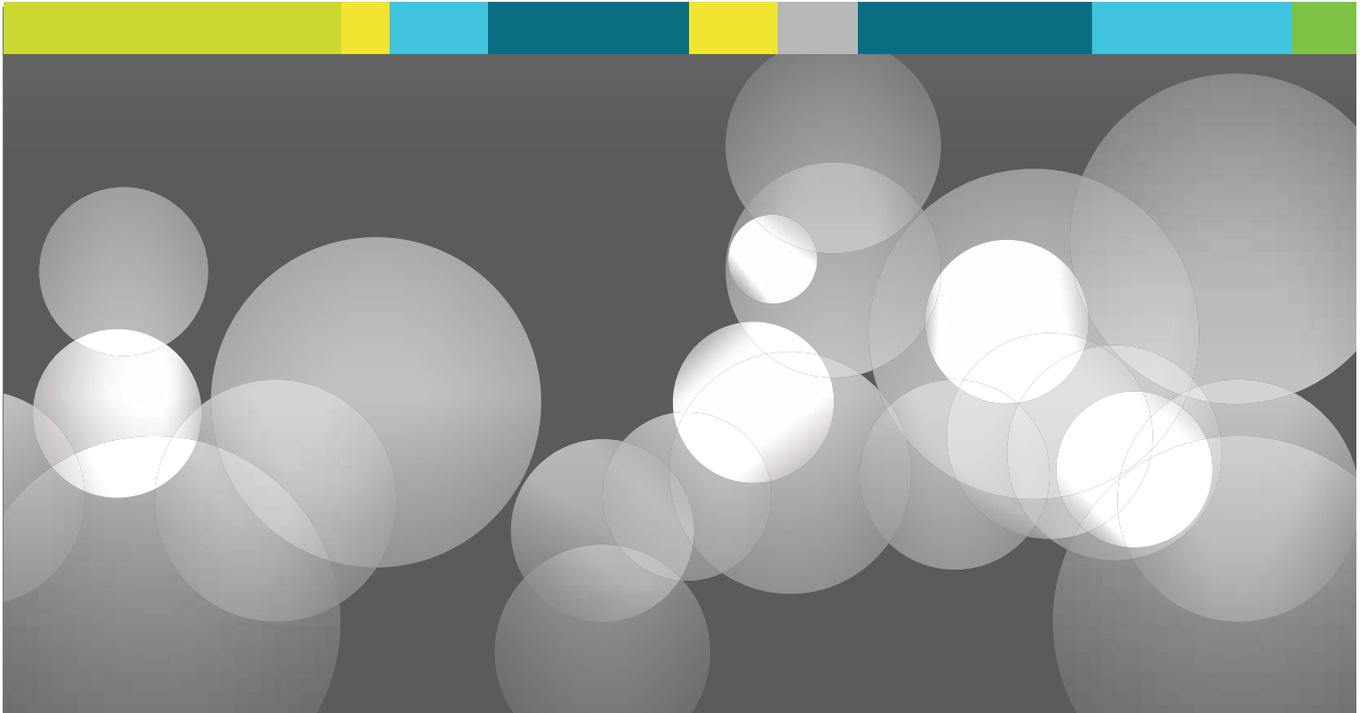


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Introduction

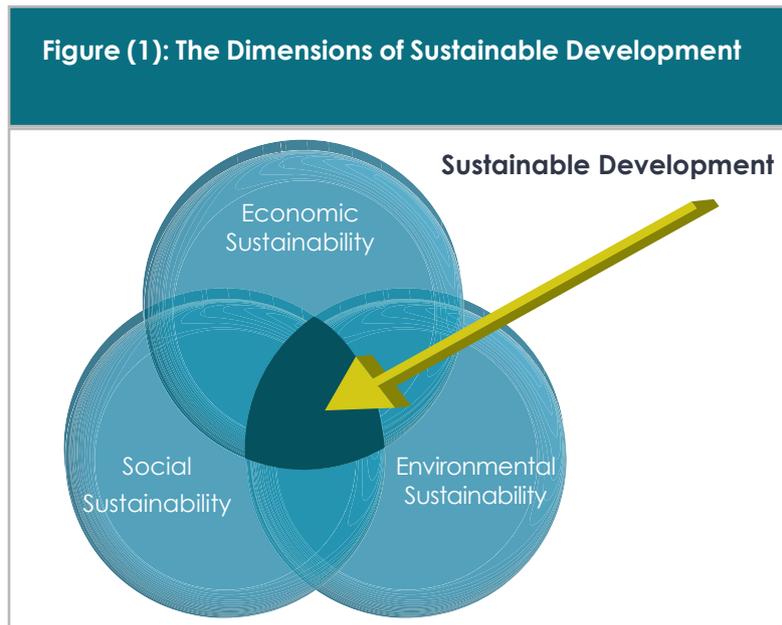
The Amman Stock Exchange (ASE) has joined the United Nations initiative for sustainable development that aims to increase awareness for the related goals in sustainable development that indicates environmental protection, social responsibility and governance.

Hence, the ASE will work within this frame to increase awareness regarding the importance of the sustainability in the Jordan Capital Market by communicating with all relevant parties, according to that, the ASE has issued this brochure, which indicates significant information related to the concept of sustainable development, its importance, the benefits accruing to the companies and related parties as well as defining the objectives of the United Nations in the sustainable development. This brochure is a step that will be followed by subsequent steps to issue other brochures besides seminars and workshops that will be held in this regard. The ASE will issue Guidance on Sustainability Reporting, which will contain the most important international standards in this domain, also it will be considered as a tool to help the companies and enable them to prepare their own reports.



Sustainable Development Definition

Sustainable Development has been defined by the Brundtland Commission in 1987 as “the development that meets the needs of the present without compromising the ability of the future generations to meet their own needs. The three dimensions of sustainable development are environmental sustainability, economic sustainability and social sustainability. In order to achieve sustainability, there should be a balance between the environmental, economic and social factors equally and harmoniously, this can be clarified in the diagram below, figure (1).



Sustainable Development Dimensions

- **Environmental Sustainability:** The responsible dealing with the environment to avoid the depletion or degradation of natural resources and the preservation of the environment on the long term, whereby the Environmental Sustainability Practices help in ensuring meeting the needs of the people in the world today without compromising the ability of future generations to meet their own needs, in order to limit the adverse effects of the production activities on the environment, the rational consumption of non-renewable resources, and waste recycling, reducing the impact of global warming through seeking to develop the use of renewable energy sources.
- **Economic Sustainability:** the ability of the economic system to support a specific level of the economic production on the long term, that enable to meet all the basic human needs and

improve the prosperity and living standards, this calls for the development of productive capacities and techniques available through supporting the scientific research and adopting the modern methods of production and management in order to maximize the productivity.

- **Social Sustainability:** the ability of the social system in a country to maintain a specific level of social welfare in the long term, however it is possible to achieve that through the equitable distribution of wealth and resources, and establishing a system of social protection, which provides the right to all members of society without discrimination to access health services and ensure them with a risk life insurance.

Sustainable Development goals to achieve a balance between the different needs on the one hand, and the awareness of environmental and social and economic EXPOSURES that we face as a society on the other hand, however, It is a changing approach in order to exploit the resources and to direct investments and technological development and changing the company's strategies, in harmony to strengthen the current and future potential to meet the people needs and their aspirations, sustainability development will clear up any question regarding the way of balancing between the economic, social and environmental goals when making our decisions now without damaging the future generations to meet their needs.

Historical Improvements of Sustainable Development

More than 200 years ago, the first issue relating to the impact of civilization development on the environment and on land resources has arisen; the following are the most important events that have contributed in developing the concept of sustainable development.

- **In 1972**, the Club of Rome provided a book entitled "**Growth Limits**", which includes a mathematical model that is to study five basic variables; the depletion of natural resources, population growth, industrialization, malnutrition, environmental degradation, trends of these variables and their impacts on the environment for thirty years from 1973-2003.
- **In 1972**, the Stockholm Conference on the human environment was held in the presence of 119 countries and 19 representatives from international organizations and it was considered the first real conference that dedicated to discuss the issues of the environment, which resulted in **the United Nations Environment Program (UNEP)**, whose mission is to provide a leadership and encourage partnership in caring for environment, assisting and enabling nations and peoples to improve their quality of life without damaging the future generations.
- **In 1983**, The United Nations General Assembly established "**The World Commission on Environment and Development**", which was known later as the "**Brundtland Commission**". **In 1987**, the Commission has published the Brundtland Report under the title "**Our Common Future**", which is on the base of what had been achieved in the Stockholm Conference, and made a great political definition among all definitions of sustainable development, as this definition contained two basic

concepts: the concept of (the needs), especially the basic needs of the poor in the world, which should be given absolute priority, and the concept of (restrictions), the restrictions imposed by both the country and technology on the ability of the environment to respond to the present and the future needs.

- **In 1992**, The United Nations Conference on Environment and Development was held, known as the “**Earth Summit in Rio**”, which is a historical event, the most important outcomes are “**Rio Declaration**” and the “**Agenda 21**”, and “**the Relevant Committee on Sustainable Development**”.
- **In 1997**, The Kyoto conference on climate change was held where the developed countries agreed on specific targets to reduce greenhouse gas emissions, and control the efficiency of energy use in different economic sectors, and increasing the use of energy systems, which was later known as the “**Kyoto Protocol**”.
- **In 2000**, “**The Millennium Summit**” was held in the city of New York, which world leaders agreed on **the Millennium Development Goals** and considering the year of 2015 as the time frame to achieve them, while the year of 1990 was used as a reference point.
- **In 2002**, the conference of “**World Summit on Sustainable Development**” was held in Johannesburg, this summit has developed the concept of sustainable development to more productive concept to explore the relationship between economic development and environmental quality, and it also came to fill some gaps in the “**Agenda 21**” and “**The Millennium Development Goals**”.
- **In 2005**, the Kyoto Protocol came into force regarding to reducing emissions leading to global warming.
- **In 2007**, the international conference on climate change was held in Bali, Indonesia, this conference's discussions revolved around many serious environmental problems, the most important was increasing earth's temperature significantly due to global warming.
- **In 2009**, the first conference of “**the United Nations Initiative for Sustainable Development**” was held by the Secretary-General of the United Nations Ban Ki-moon in New York City, and later the global dialogues have been held every two years, starting from the global dialogue in 2010 in Xiamen, China.”
- **In 2010**, the “**Copenhagen Climate Summit**” was held; the summit discussed the recent climate changes, and how to confront the phenomenon of the global warming as well as the ways to achieve global sustainable development.
- **In 2015**, the United Nations summit for sustainable development adopted a resolution entitled “**Transforming our World: the Agenda of 2030 for Sustainable Development**”, that indicates 17 goals for the sustainable development and 169 objectives.



Goals of Sustainable Development

As previously mentioned, in September/2015, the United Nations World Summit on Sustainable Development has adopted a resolution entitled “transforming our world: the agenda of the 2030 for Sustainable Development” ,which goals for the sustainable development and 169 objectives to eliminate poverty and inequality and improving health, education and economic growth through the creation of suitable employment opportunities and the provision of clean energy, water and infrastructure and the creation of sustainable cities and the protecting the natural environment and biodiversity and combating climate change in an atmosphere full of peace and justice.

These goals are as following:

1. Eliminate all forms of poverty everywhere.
2. Eliminate hunger and provide food security, improved nutrition and promote sustainable agriculture.
3. Good health and well-being.
4. Ensure quality education for all and promote equitable opportunities for a lifelong learning for all.
5. The achieving gender equality and empower women and girls.
6. Ensure the availability of water and sanitation services for all besides sustainable management.
7. Ensure that all will get the sustainable and reliable modern energy services at a reasonable cost.
8. Promote sustained, comprehensive and sustainable economic growth and development for all, full and productive employment with providing the decent work for all.
9. Establish an infrastructure that is able to withstand and stimulate the inclusive and sustainable industrialization for all, as well as encouraging innovation.
10. Reduce the inequalities within and among countries.
11. Make cities and societies secure and able to withstand besides being sustainable.
12. Seeking for reasonable consumption and production.
13. Take urgent action to address climate change and its effects.
14. Save the oceans, seas and marine resources and use them in a sustainable way to achieve sustainable development.

15. Protect and maintain the ecosystems and promote sustainable use, sustainable forest management, combat desertification and land degradation, reverse and halt the loss of biodiversity.
16. Peace and justice.
17. Strengthen the means of implementation and reinvigorate the global partnership for sustainable development.



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The Social Responsibility and Sustainability

The concept of sustainability is often associated with the concept of **Company Social Responsibility (CSR)**, which includes initiatives by companies to take responsibility for the implications of company's activity on the environmental health and social development, whereby the term of social responsibility is called on the efforts by companies that are made optionally not compulsory.

The concept of social responsibility is different from the concept of sustainability, **in terms of vision**, the social responsibility is looking backwards, and it includes things that occurred during the past period,

which contributed to serve or develop the society.

Where Sustainability is looking forwards, whereby it plans for the potential changes that could occur in the scope of the work to ensure that what could happen in the future. **As for in terms of goals**, the social responsibility tend to target decision-makers in society, such as politicians, the media, but sustainability is targeting all the relevant parties who are affected by or affect the corporation's activities, such as the shareholders, suppliers, the local society and personnel, etc., **In terms of the motive**, the motive of social responsibility comes from the companies' need to maintain its reputation in the market, where the motive of sustainability is the need for companies to provide new opportunities for the future in the market and control risks that may result from the environmental, social and labor matters.

The Impact of Applying Sustainability in Companies

There is no doubt that applying the principles of sustainability can help companies in access to excellence in all aspects, which would assist in achieving the best value for its partners and shareholders, society and environment in which they operate. This application is based on the foundations of sustained reflection and moral values, which help companies to design their products and services and the way of dealing with the relevant parties and clients besides their interaction with the society. Therefore, the companies those are willing to apply the principles of sustainability shall start adopting effective measures for a positive contribution in the serving society and create value for the relevant parties in order to face the growing social, economic and environmental challenges that are facing our societies in the Current Era. In order to achieve that, companies are communicating with the relevant authorities, identifying the needs of these stakeholders and meet their expectations, in line with the nature of the company that is based on sustainability, and thus the developing an approach that creates a value for all relevant stakeholders.

There is a set of practices that promote the ways of applying sustainability in any company, including; developing a strategic plan that includes a systematic analysis of the economic, environmental and social impact of the company's operating activities, used or produced materials through the lifecycle analysis of those materials or products. In addition to adopting a measuring and control strategy based on full transparency with external and relevant parties in the company, including their operational activities and their impact on economy, environment and society around them, In addition to the involve the stakeholders in the decision-making process and to learn from them and understand their requirements and needs more and try to meet them as much as possible whereby to improve the life quality of the society in general. In addition to the attempt to provide environmental management systems and processes, which help to consolidate the environmental efficiency in its culture, mitigation and reduction of risks that could result from operational activities on the surrounding environment.

Companies must also include the frameworks and tools that ensure the optimal use of the available resources and reducing the depletion of or damage it in their strategic plan, as one of the most important objectives of sustainable development is to leave to the future generations equal opportunities and

resources to those that are available to the current generation, if not more.

There are many important factors and effects that reflect on companies as a result of applying and adopting the principles of sustainability, including:

1. Reduce risks and increase opportunities for the projects and works of the company.
2. Realize benefits and maintain the continuance of the company's work.
3. Improve the efficiency of the operational performance through cost reduction and rationalize the use of resources.
4. Improve the satisfaction level of the workforce in the company.
5. Strengthen the company's reputation and branding, which reflected positively on its position in the market among competitors.
6. Enhance the susceptibility of strategic planning for the long-term.
7. Contribute to improve living standards and help the society to reach the self-sufficiency.

Principles of Sustainability Reports

Sustainability disclosure is the disclosure process from the company regarding its performance in the financial, environmental and social activities as well as the practices of company's governance. The disclosure contains the Control Reports, such as the company's commitment to the environment, and reports on greenhouse gases or it may contain optional reports (voluntary), such as Company Responsibility Reports. The disclosure criteria and standards, which are internationally approved allow the information contained in the sustainability reports to be available and comparable, however, this will give stakeholders accurate and enhanced information that support their decisions.

One of the most important initiatives and principles that companies can use in the preparation of the reports are:

- **Global Reporting Initiative (GRI):** It is a Non-Governmental organization that supports economic, environmental and social sustainability. Which provide to all the companies and institutions a comprehensive framework to prepare sustainability reports adopted widely around the world. This Organization has issued guidelines where the latest was in the year 2016. Whereby integrated standards issued to prepare sustainability reports (GRI- Sustainability Reporting Standards). The objective of these standards is to help reports' preparers or presenters in preparing essential objective sustainable reports that contain information on the material issues related to sustainability, besides making the preparation of sustainability reporting as a general standard practice, and changing it from an exceptional activity by a minority of leading companies to a general practice by all companies.

- **UN Global Compact:** It is an initiative adopted by the United Nations to encourage companies throughout the world to adopt responsible and sustainable institutional policies and practices and to submit reports on the implementation of these policies and practices, as companies basing on this initiative are aligning their operations and strategies according to the ten principles which are globally accepted in the field of human rights, labor, environment and anti-corruption.
- **United Nations Principles of Responsible Investing:** this aim at helping investors to integrate the standards of environmental, social and governance performance (ESG) to the investment decision-making process and thereby improve the returns on the long-term for beneficiaries.
- **United Nations Conference on Trade and Development (UNCTAD) guidelines** regarding to the good practices to disclosure of the company governance: that is considered as a guide to determine the most important issues of company governance, which could be included in the report, UNCTAD aimed at these guidelines to assist the developing countries and countries that their economies are going through transitional phase in order to strengthen the ability of these countries, hence attract investment capital through better communicating with the relevant authorities by enhancing the good practices in company governance disclosure.
- **Climate Disclosure Standard Board's (CDSB):** It is an international consortium of non-governmental commercial organizations, where policymakers are provided with a clear framework for the disclosure of information on the environment, climate and capital issues based on natural resources. These standards were designed to provide clarity and certainty in the available information besides achieving more stability in the financial markets.
- **Sustainability Accountant Standard Board (SASB):** It is a non-profit organization whose mission is to prepare, integration and disseminate the sustainability criteria in the accounting standards, therefore, helping companies in preparing integrated reports and disclose the sustainability performance, as they also provide education and training programs on sustainability criteria in accounting.

Benefits of Sustainability Reports

In general, a sustainability report is an effective tool for communicating between companies and stakeholders to create a realistic idea of the impact of the company and thus reduce rumours and build the company's reputation through its voluntary disclose about its performance. The following are the most important benefits of issuing the companies their sustainability reports:

1. Explain to what extent the company has the ability to continue its work, especially in the long term.
2. Know to what extent the company impact on society and the local environment, whether positively or negatively.
3. Increase the knowledge regarding to the company's performance and achievements on all levels (economic, social, and environmental) besides the domestic and international level.

4. Increase the knowledge regarding the means and measures that are taken by the company to enhance sustainability and its perpetuation of the company.
5. The possibility of creating a comprehensive overview of the company, its financial level in the long term and thus making a decision that concerning whether investing in the company or not.
6. Know the speed rate of the company in development and prosperity in various areas.

The Impact of Applying Sustainability on the Relevant Parties

The importance of the applying sustainability and the preparing reports by companies through the significant change in the preparation of the parties' requirements and needs. Where from a traditional view it was looking to the shareholders as key stakeholders, therefore the business companies operate in order to increase profitability and value for shareholders only. But currently, the business companies take into account the related parties' role and needs to achieve the greatest possible benefit and usefulness to them.

The following table shows the impact of sustainability reports on potential relevant parties, and the impact of the sustainable development on them:

Relevant Parties	Impact of applying sustainability
Employers and Workers	<ul style="list-style-type: none"> ✓ Create a safe work environment. ✓ Achieve a set of attractive features for them. ✓ Assist in training and developing. ✓ Enhancing Career and profession development.
Regulators	<ul style="list-style-type: none"> ✓ Assist in Complying with all regulations. ✓ Prepare an organized periodic report.
Society	<ul style="list-style-type: none"> ✓ Enhance contribution to the society. ✓ Provide employment opportunities. ✓ Develop and improve the society.
Contractors and Suppliers	<ul style="list-style-type: none"> ✓ Strengthen their confidence in selecting the appropriate company. ✓ Strengthen their confidence in receiving payments on time.
Environment	<ul style="list-style-type: none"> ✓ Optimal use of resources. ✓ Reduce the emissions of harmful gases.
Stockholders	<ul style="list-style-type: none"> ✓ Enhance the financial return and achieve a stable growth. ✓ Their contribution to the local development at the national level.

Financial Markets and Sustainability

The United Nations issued Sustainable Stock Exchange initiative (SSE) that aims to encourage Stocks Exchanges -in cooperation with the investors and the regulators of capital markets and companies- to focus on sustainable development issues, which is based on three main axes to maintain the level of good environmental performance, unique social responsibility and commitment to the standards of company governance (ESG Factors), whereby the organization of this initiative jointly are by four key organizations: UNCTAD, the UN Global Compact, the principles of responsible investment supported by the United Nations and the financial initiative of the United Nations Environment Program. This initiative also welcomes the participation of investors and the regulators of capital markets; companies and any other relevant party to reinforce the commitment of the listed companies in the Stock Exchanges with the principles of sustainable development disclosure issues.

The initiative organizes global meetings, in which the Securities Markets and the regulators exchange the best practices they have regarding sustainable development issues, These meetings represent a high-level platform to explain how the Stock Exchanges by investors and regulators of capital markets and companies to create more sustainable capital markets, these meetings are held once every two years, it is worth mentioning that there are 62 stock exchange members in this initiative, including Egypt, Casablanca, Qatar, Bursa, Turkey, Tunisia Stock Exchanges as well as India, Spain, London, Malaysia and other Stock Exchanges, however, Amman Stock Exchange also joined this initiative in 2016.

Nevertheless, through the financial markets it is possible to achieve four goals from the United Nations' regarding sustainable development, namely:

- **Gender Equality:** It means to ensure the full and effective equality of women and to ensure equal opportunities for leadership positions at all levels of decision-making in the political, economic and public life, here comes the role of the financial markets in achieving this goal through enhancing the of gender diversity in the boards and top management of the listed companies besides ensuring the access to capital market services for businesswomen of all ages.
- **Sustainability Information:** Encourage companies, especially large and trans- boundary national companies to adopt the practices of sustainability as well as to integrate sustainability information in its reports. Many of the Stock Exchanges play a key role in achieving this goal through providing the educational programs related to sustainability issues for companies and providing them with a guidance on how to prepare the sustainability reports, strengthening the disclosure requirements to include disclosure of special practices for sustainability of the concerned companies, as well as providing indicators to measure the sustainability performance of companies.
- **Climate Changes:** Improve education and raise awareness and empower people and institutions to minimize climate change effects and adapting with it in addition to the early warning of these changes. Stock Exchanges can play a major role in the mitigation of climate change through encouraging the listing of climate-related securities and protecting environment and

encourage investment in the sectors of Green Growth Sectors, provide training programs for the companies to raise awareness regarding environment disclosure initiative, support national and international policies to maximize the benefits and minimize the risks related to investment in low emissions of harmful gases sectors.

- **Global Partnership:** Enhance global partnerships for sustainable development as well as the multi-stakeholder partnerships to encourage knowledge exchange, experiences, techniques and the required financial resources to support the achievement of the sustainable development goals in all countries, especially the developing countries. Whereby, the Stock Exchanges play a central role in this domain through a combination of stakeholders in companies. Stock Exchanges can achieve this objective by joining the initiative of the sustainable securities markets and enhancing discussion and exchanging experiences on sustainable development issues.

The importance of the participation of the Stock Exchanges in the SSE Initiative

The securities exchanges, regulators on these markets (Securities Commission) all over the world enjoy considerable authority that could be used to promote sustainability. According to the International Federation of Stock Exchanges, the market value of listed companies in the stock members of the Federation had reached in end 2016 about USD (67.2) trillion to form 90% of the GDP of the countries of the world as a whole. As the number of listed companies, the Federation states members Exchanges was more than 47 thousand companies. Through these figures, we note the significant role that Exchanges and commissions can do by encouraging companies to apply the principles of sustainability and develop a guidance to enable listed companies to prepare sustainability reports, as well as these authorities can set a requirements to enhance sustainability in the listed companies through the applicable listing and disclosure directives.

What is can be mentioned in this domain, the Stock Exchanges that have special disclosure system for sustainability reports their markets feature as more flexible and less vulnerable to price fluctuations, where the listed companies feature as strong companies can identify opportunities and risks surrounding them, and build investors base that is more familiar with sustainability factors, as it helps companies in sustainability reports assessing itself compared with the rest of the companies.



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