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European Bank
for Reconstruction and Development

Corporate Governance in Transition Economies

Jordan Country Report

December 2017

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The report is based on information available at the end of April 2015.

If you believe that the information has changed or is incorrect, please contact Gian Piero Cigna at cignag@ebrd.com

The team is grateful for the assistance provided by all parties involved in this exercise.

In particular, the team would like to acknowledge the precious assistance offered by the law firms Ali Sharif Zubi Advocates & Legal Consultants, International Business Legal Associate and audit firms KPMG, and Grant Thornton.

Finally, the Legal Transition Team would like to express its thanks and appreciation to Gabrielle Cordeiro and David Risser from Nestor Advisors Ltd for the assistance provided in relation to the analysis of countries and the drafting of the reports

This Report – along with all other country reports prepared within this initiative – is available at: <http://www.ebrd.com/what-we-do/sectors/legal-reform/corporate-governance/sector-assessment.html>

Foreword

As part of its Legal Transition Programme, the European Bank for Reconstruction and Development (“EBRD”) has been assessing the state of legal transition in its countries of operations. These assessments provide an analysis of the progress of reform and identify gaps and future reform needs, as well as strengths and opportunities.

In 2012, the Legal Transition team within the EBRD Office of the General Counsel (LTT) developed with the assistance of Nestor Advisors a methodology for assessing corporate governance frameworks and the governance practices in the EBRD countries of operations. This assessment was implemented in 2014-2015 (the “Assessment”).

The Assessment aims at measuring the state of play (status, gaps between local laws/regulations and international standards, effectiveness of implementation) in the area of corporate governance

The Assessment is meant to provide for (i) a comparative analysis of both the quality and effectiveness of national corporate governance legislation (including voluntary codes); (ii) a basis to assess key corporate governance practices of companies against the national legislation; (iii) an understanding whether the legal framework is coupled with proper enforcement mechanisms (e.g., sanctions) and/or with authorities able to ensure proper implementation; (iv) a support to highlight which are the major weaknesses that should be tackled by companies and legislators for improving the national corporate governance framework; and (v) a tool which will enable the EBRD to establish “reference points” enabling comparison across countries.

This country report is part of a series of 34 country reports. A general report synthesising all countries will close the Assessment.

Methodology

This Assessment is based on a methodology designed to measure the quality of legislation in relation to best practices requirements and the effectiveness of its implementation as evidenced by companies' disclosure, also taking into consideration the capacity of the institutional framework (e.g., courts, regulators) to sustain quality governance. The analytical grid developed for assessing the governance framework is based on international recognised best-practice benchmarks (e.g., OECD Corporate Governance Principles, Development Financial Institutions, EBRD, IFC and World Bank ROSC governance methodologies). The methodology is applied identically across all the countries reviewed. The process for gathering, analysing and reporting information is applied identically for each of the countries assessed, which allows comparing countries to each other across a long a set of benchmarking points.

For the purpose of the Assessment, the corporate governance framework and the practices were divided in five key areas: (i) Structure and Functioning of the Board; (ii) Transparency and Disclosure of company information; (iii) Internal Control; (iv) Rights of Shareholders; and (v) Stakeholders and Institutions. Each of these key areas is further divided in sections (for instance, the area "Structure and Functioning of the Board" is divided in five sections: Board composition; Gender diversity at the board; Independent directors; Board effectiveness; and Responsibilities of the board). Each section is further divided in subsections (for instance, the section "Independent Directors" is divided in three subsections: "Requirement to have independent directors"; "Definition of Independence"; and "Disclosed practices").

The assessment started by sending a questionnaire to law firms, audit firms, national regulator(s), ten largest (listed) companies, and stock exchange(s) in each country. Questions were different according to the respondents, which were asked to provide information on the legislation and on how they believe the legislation is implemented.

Responses were assigned to the corresponding subsection(s) and validated by the EBRD corporate governance specialists by looking at the applicable framework and at the disclosure offered by the ten largest (listed) companies in each country. In this respect, the working hypothesis was that the ten largest listed companies are those offering the best disclosure in each country. As such, we presumed that when certain practices were not disclosed by them, they were unlikely to be disclosed by smaller or unlisted companies. The ten largest companies were identified according to their market capitalisation. When a country did not have a stock exchange, there were less than ten listed issuers or there were no data on capitalisation of issuers, the ten largest companies were identified according to their revenues and size of the labour force. In case the largest companies were mostly of one sector (e.g., financial institutions), then the sample of ten companies was corrected to reflect other sectors of the economy.

The validation of responses was undertaken by the corporate governance specialists within the Legal Transition Team through desktop research. This research was conducted both on legislation and on the practices disclosed by the largest (listed) companies (e.g., companies' websites, annual reports, stock exchanges database etc.). In addition, the relevant reports by international financial institutions (e.g., IMF, World Bank, IFC, Transparency International, etc.) were analysed and taken into consideration. Answers received by respondents that were not grounded by specific references to legislation or consistent with the disclosed practices were not taken into consideration.

Following the validation process, each subsection was compiled by adding specific references to legislation and practices. Conclusions were then formulated for each subsection, each rated as per their adherence to international governance standards. The score ranges from 1 (very weak) to 5 (strong). The rating for each section was then calculated by averaging the ratings of the subsections.

Because understanding corporate governance requires a "holistic perspective", where each component needs to have a place in the overall picture – pretty much like a puzzle - in case one of the subsection was rated "weak" or "very weak", the resulting average was decreased by 0.2; in case

more than one subsection was rated “weak” or “very weak”, the resulting average was decreased by 0.5. This is because if just one component is not fitting well with the others, then all others are weakened. Similarly, the overall strength diminishes if there are more weak components.

Conversely, in order for the framework to be strong, all components need to be well fitting with each other. Hence, in case all subsections were scored “moderately strong” or “strong”, then the resulting average was increased by 0.5. However, this “positive” adjustment was used with some care as the assessment looked at the top ten largest companies in the country, hence findings tended to be often overly optimistic.

Key areas were then rated according to the same criteria.

The ratings are presented through the colours detailed in the box below and they demonstrate the adequacy or need of reform in respect to each governance area and section.

Rating:

“Strong to very strong” (DARK GREEN) - The corporate governance framework / related practices of companies are fit-for-purpose and consistent with best practice.

“Moderately strong” (LIGHT GREEN) - Most of the corporate governance framework / related practices of companies are fit-for-purpose but further reform is needed on some aspects.

“Fair” (YELLOW) - The corporate governance framework / related practices of companies present some elements of good practice, but there are a few critical issues suggesting that overall the system should be assessed with a view of reform.

“Weak” (ORANGE) - The corporate governance framework / related practices of companies may present few elements of good practice, but overall the system is in need of reform.

“Very weak” (RED) - The corporate governance framework / related practices of companies present significant risks and the system is in need of significant reform.

We believe corporate governance cannot be captured and measured simply by numerical values. Hence, alongside the “quantitative” assessment obtained according to the methodology described above, a “qualitative” assessment was also undertaken, by classifying our findings for each section as “strengths” and “weaknesses”. Because understanding corporate governance requires a “holistic perspective”, when the “quantitative” assessment was finalised, the assessment team compared it with the “qualitative” assessment, and when any inconsistency (i.e. material weaknesses or strengths) was noticed, the average scores of the sections were adjusted by up to ± 0.5 .

A preliminary version of the Assessment was made public for consultation. The comments and corrections received during the process were analysed by the corporate governance specialists. When confirmed, the corrections were reflected in the final ratings and in this Assessment.

Overview

Legislative framework

The primary sources of corporate governance legislation in Jordan are the Companies Law, the Securities Law, the Banking Law and a number of Instructions and Regulations issued by the Jordanian Securities Commission and the Central Bank of Jordan. With specific reference to banks, it is worth noting the “*Bank Directors Handbook of Corporate Governance*” issued in 2004, the “*Corporate Governance Code for Banks in Jordan*”, issued in 2007 and the “*Corporate Governance Instructions for Banks*” issued in 2014. The Corporate Governance Code for Banks is meant to be a model upon which banks can draft their own corporate governance codes. There are two additional national corporate governance codes in Jordan: the “*Corporate Governance Code for Shareholding Companies Listed on the Amman Stock Exchange*” (Code for Listed Companies), which contains both mandatory provisions based on the compulsory requirements of laws, regulations and instructions, and voluntary provisions which companies can implement under a “comply or

explain” basis; and the “*Jordanian Corporate Governance for Private, Limited Liability and Non-listed Public Shareholding Companies*” (Code for Unlisted Companies), which is purely voluntary.

Structure and functioning of the board

In Jordan, companies are organised under a one-tier board system, while banks are required to be organized under a two-tier system. The average size of the board is 11 members. All board members are required to be shareholders and legal entities may serve on boards, an observed common practice. Gender diversity at the board is very low.

Banks must comply with the Central Bank’s Corporate Governance Instructions (“CG Instructions for Banks”) which require them to have independent directors, whereas non-financial companies are only recommended to have them. There are at least three definitions of independence: one in the Corporate Governance Code for Unlisted Companies, one in the Corporate Governance Code for Listed Companies and one in the CG Instructions for Banks. According to the CG Instructions for Banks, directors owning less than 5% of the company’s capital may still be considered independent; the Code for Listed Companies sets this limit to 10%. The Code for Unlisted Companies allows the board to determine this threshold.

Listed companies are required to establish an audit committee, whereas banks are additionally required to establish Nomination and Remuneration, and Risk Management committees. It does not seem that these provisions are well implemented. Disclosure on boards and committees’ meetings and activities is very limited, and reports cannot unveil whether governing bodies are playing a strategic role on a company’s performance. The law entrusts the board with the power to manage the company; however, it seems that shareholders can set limits to such powers in the Articles of Association. Board evaluation practices do not appear to be common. Only a minority of companies have established a corporate secretary position. Liability for board members and conflicts of interest are addressed by the law, but these regulations do not appear to be comprehensive. Fiduciary duties are not explicitly defined.

Transparency and Disclosure

Disclosure of listed companies is regulated by the Jordan Securities Commission. The stock exchanges’ website provides a fair amount of information. Disclosure requirement mostly focus on financial reporting and on the relationship with the external auditor. Listed companies must disclose their annual reports and prepare their financial statements in accordance with the IFRS. Companies seem to comply with these requirements. Annual reports should include a report of the board of directors describing strategy, risk exposure, important developments occurred during the year, board composition and remuneration. However, it appears that sometimes this information is not disclosed. Listed companies are, additionally, required to comply with the Code for Listed Companies, or explain the reasons for deviations. However, only one of the ten largest listed companies publishes a ‘comply or explain’ statement in English.

The ten largest listed companies disclose information on their board composition, general shareholders’ meetings’ minutes and share capital. However, disclosure on the composition of committees, board’s and committee’s activities, Articles of Association, and beneficial ownership is very limited. Company websites are not well updated. Companies are required to have external auditors and disclose their names. All the ten largest companies comply with this requirement and declare that their auditors are independent.

Internal Control

Listed companies are required to have an internal auditor. Banks must have a separate compliance function. Listed companies and banks are also required to have an audit committee composed of three non-executive board members. The CG Instruction for Banks requires that the majority of banks’ audit committee’s members is independent. The Code for Listed Companies recommends that two audit committee’s members should be independent, and that one of them should be appointed as the committee chairperson.

Companies’ disclosure on their audit committees is very limited. Only half of the ten largest listed companies disclose having such committee, and only one of them discloses the number of times the committee has met. None of these companies discloses the qualification of the audit committee members or the activities of the committee and only one company discloses having independent directors in the committee. Thus, it is not possible to assess the extent to which audit committees ensure external and internal auditors’ independence and effectiveness.

Listed companies are required to have their financial statements examined by an independent auditor, appointed by the general shareholders' meeting. Auditor's independence must be evaluated by the audit committee. The Code for Listed Companies recommends companies to disclose fees paid to auditors in their annual reports, as well as take measures to ensure their external auditors do not perform non-auditing services. Disclosure on this point appears limited. External auditors are subject to rotation obligations. Whistleblowing protection is granted by law. Companies are not required to have a code of ethics in place; a minority of the ten largest listed companies discloses having one in place. Related party transactions are regulated by law, but it is not clear if the regulation is implemented in practice.

Rights of Shareholders

Shareholders have inspection rights and are entitled to both add items to the general shareholders' meeting's agenda and ask questions during the general shareholders' meeting. However, important rights, such as preemptive rights and cumulative voting rights, are not granted by law. Additionally, the right to call a general shareholders' meeting can only be exercised by shareholders representing 25% of the share capital, which seems excessively high.

The Companies Control Department (CCD), an autonomous body operating under the supervision of the Ministry of Industry, appears to be empowered of enforcing corporate governance provisions.

Supermajority is required to approve major corporate changes, but this does not apply to significant asset sales. Derivative suit is not a developed concept under Jordanian law. Related party transactions and conflicts of interests are regulated by law. Regulation on insider trading and self-dealing exists and it seems to be well implemented. Shareholding of listed company must be registered, and the Securities Depository Centre must keep these listed shares within their records.

There is no clear legislation on shareholder agreements. Shareholding increases must be disclosed when they affect the company's ownership control, and trades of listed shares are publicly available on the stock exchange's website.

Stakeholders and Institutions

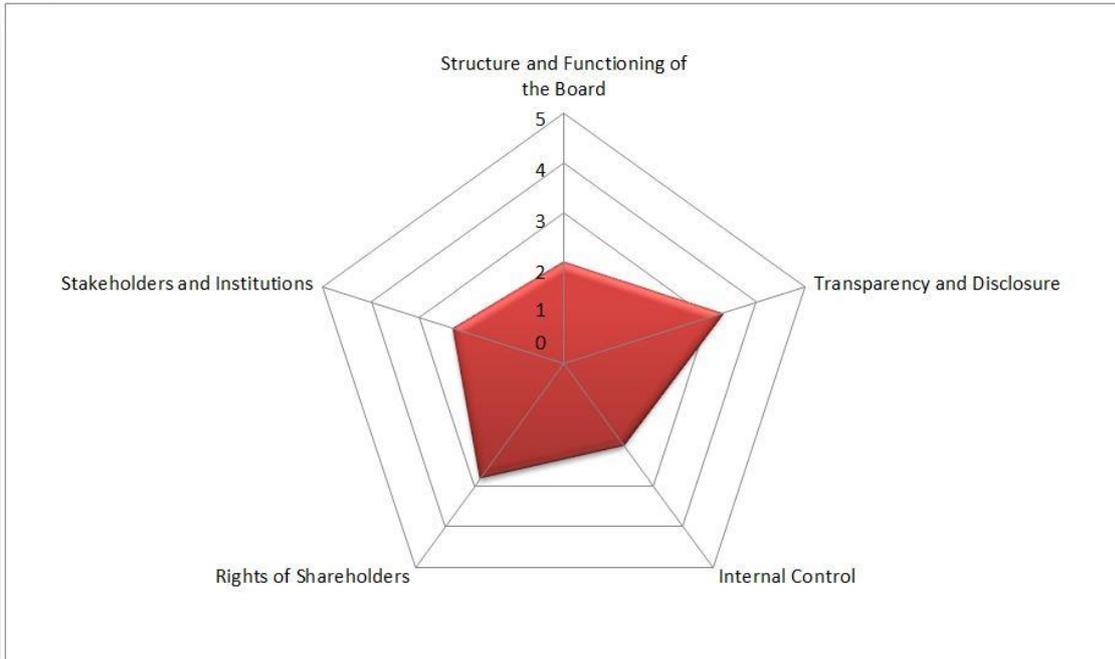
The institutional environment promoting corporate governance in Jordan seems to be fairly developed, but key reforms would benefit the advancement of current efforts. The Amman Stock Exchange is the main stock exchange in Jordan. Its market capitalisation is around 75.8% of the GDP, however the volume of trades is relatively low. Its website provides a comprehensive database of financial and general information.

Jordan has three national corporate governance codes: the Corporate Governance Code for Banks in Jordan; the Jordanian Corporate Governance for Private, Limited Liability and Non-listed Public Shareholding Companies; and the Corporate Governance Code for Shareholding Companies Listed on the Amman Stock Exchange. The Corporate Governance Code for Banks is meant to be a model upon which banks can draft their own corporate governance codes. In 2014, the Central Bank of Jordan issued the Corporate Governance Instructions for Banks, which has made some of the Code's recommendations mandatory. The Code for Listed Companies contains both mandatory provisions based on the compulsory requirements of laws, regulations and instructions, and voluntary provisions which companies can implement under a "comply or explain" basis. The Code for Listed Companies was drafted and issued by the Jordanian Securities Commission in collaboration with the stock exchange, but it remains unclear which one of these two entities (if any) is responsible for monitoring the implementation of its recommendations. Only one of the ten largest listed companies presented a "comply or explain" section in English, which does not allow an accurate assessment of the extent to which companies comply with obligations and of appropriateness of the explanations. Compliance with the Code for Unlisted Companies is voluntary and the extent of its application is not clear.

International audit firms and ratings agencies are present and active in the country. Case law and Securities Commission's rulings are not easily accessible for the public, including lawyers. There are inconsistencies within existent legislation. Some key corporate governance issues are not regulated and international organisations indicators show a framework where investor protection is still perceived as a critical problem.

Corporate Governance Legislation and Practices in Jordan

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Source: EBRD, Corporate Governance Assessment 2016

Note: The extremity of each axis represents an ideal score, i.e., corresponding to the standards set forth in best practices and international standards (e.g., OECD Corporate Governance Principles). The fuller the 'web', the closer the corporate governance legislation and practices of the country approximates best practices.

Key: Very weak: 1 / Weak: 2 / Fair: 3 / Moderately Strong: 4 / Strong to very strong: 5

Key Areas and Rating	Strengths and Weaknesses
<p>1. Structure and Functioning of the Board</p> <p>Weak</p>	<p><i>In Jordan, companies are organised under a one-tier board system, while banks are required to be organized under a two-tier system. The average size of the board is 11 members. All board members are required to be shareholders and legal entities may serve on boards, an observed common practice. Gender diversity at the board is very low.</i></p> <p><i>Banks must comply with the Central Bank’s Corporate Governance Instructions (“CG Instructions for Banks”) which require them to have independent directors, whereas non-financial companies are only recommended to have them. There are at least three definitions of independence: one in the Corporate Governance Code for Unlisted Companies, one in the Corporate Governance Code for Listed Companies and one in the CG Instructions for Banks. According to the CG Instructions for Banks, directors owning less than 5% of the company’s capital may still be considered independent; the Code for Listed Companies sets this limit to 10%. The Code for Unlisted Companies allows the board to determine this threshold.</i></p> <p><i>Listed companies are required to establish an audit committee, whereas banks are additionally required to establish Nomination and Remuneration, and Risk Management committees. It does not seem that these provisions are well implemented. Disclosure on boards and committees’ meetings and activities is very limited, and reports cannot unveil whether governing bodies are playing a strategic role on a company’s performance.</i></p> <p><i>The law entrusts the board with the power to manage the company; however, it seems that shareholders can set limits to such powers in the Articles of Association.</i></p> <p><i>Board evaluation practices do not appear to be common. Only a minority of companies have established a corporate secretary position.</i></p> <p><i>Liability for board members and conflicts of interest are addressed by the law, but these regulations do not appear to be comprehensive. Fiduciary duties are not explicitly defined.</i></p>
<p>1.1. Board Composition</p> <p>Fair/Weak</p>	<p>Strengths:</p> <ul style="list-style-type: none"> • <i>Boards are well-sized, with an average of 11 board members.</i> • <i>In banks, the roles of Chairman and CEO are split. In non-banking companies, the law does not forbid the combination of such roles, but the Code for Listed Companies states that this practice is not allowed. Only two out of the ten largest listed companies (one is a bank) have the same person performing both roles.</i> • <i>The Codes for Listed and for Unlisted Companies recommend that board members should have adequate knowledge and experience. Board members in banking institutions are required to hold expertise in the banking sector, or any other related areas of expertise.</i> • <i>In banks, at least 4 members must be independent. It is also recommended for at least 1/3 of the members in listed companies’ boards to be independent; whereas unlisted companies are suggested to have at least 2 independent directors (see more details on independence below). These provisions do not seem to be well implemented, as only two companies in our sample disclose having independent directors.</i> • <i>Listed companies and banks are required to set up an audit committee composed of non-executive members with knowledge and experience in finance and accounting. In the case of banks, the majority of these members must be independent; for other companies, this is only recommended. Banks are further required to establish nomination and compensation committees, composed in their majority by independent directors. Listed and unlisted companies are also suggested to set up these committees. Only five among the ten largest listed companies disclose having an audit committee in place.</i> • <i>Banks are additionally required to set up governance and risk committees, which should be at least partially comprised of independent directors.</i> <p>Weaknesses:</p> <ul style="list-style-type: none"> • <i>Legal entities may serve as board members and six out of the ten largest listed companies have corporations, represented by individuals, sitting on their boards.</i> • <i>Board members are required to be shareholders and the companies’ Articles of Association may specify their minimum share requirement. This is not in line with best practices, since it reduces the pool of potential board candidates and may prompt fictitious transfers of shares to fulfil this condition. Additionally, it weakens the framework of fiduciary duties.</i> • <i>Listed companies must disclose the names and qualifications of their board members. Nevertheless, only six out of the ten largest listed companies disclose their members’ qualifications.</i> • <i>Only two among the ten largest listed companies (both banks) disclose having independent directors in their boards.</i>

Key Areas and Rating	Strengths and Weaknesses
<p>1.2. Gender Diversity at the Board (6.46%) Very Weak</p>	<ul style="list-style-type: none"> Nine among the ten largest listed companies disclose the board composition. Four companies of our sample count women among their board members: two women in the boards of two companies; and one woman in the boards of other two companies. For these four companies, the female representation averages 14.55%. In total, there are 6 women out of 112 board members. For the ten largest listed companies, the female board representation averages 6.46%.
<p>1.3. Independent Directors Weak</p>	<p>Strengths:</p> <ul style="list-style-type: none"> Listed companies' boards are recommended to be composed of least 1/3 of independent members. Unlisted companies are suggested to have at least 2 independent directors. In banks, at least 4 members must be independent. The majority of members in bank's audit committees must be independent directors. In the case of listed companies, members are required to be non-executive directors. Additionally, the Codes for Listed and Unlisted Companies recommend that boards should be composed in their majority by independent directors. The majority or part of the members in the other committees should be independent. <p>Weaknesses:</p> <ul style="list-style-type: none"> There are three different definitions of independence (one in the CG Instructions for Banks, one in the Code for Listed Companies and one in the Code for Unlisted Companies). As companies do not clearly disclose which definition applies, disclosure appears confuse. Further, all three definitions concentrate on negative criteria only, without stating what it is expected in practice from independent directors (i.e., objective character and mind). It should be pointed out that the concepts of "non-affiliation" and "independence" are different. While non-affiliation can be established by negative criteria, independence necessarily needs objectivity of mind and character, which is a positive character that should be demonstrated, disclosed and explained in practice. The requirement for all directors to be shareholders seems to conflict with the independence of directors. It might be difficult for a shareholder sitting in the board to take aside its particular interests and have an objective mind. This coupled with the weak definition of independence and the absence of fiduciary duties, raise some concerns. Only two of the ten largest listed companies —both banks— disclose the identity of their independent board members. Only one company —a bank— discloses the identity of the independent directors forming part of its audit committee.
<p>1.4. Board Effectiveness Weak</p>	<p>Weaknesses:</p> <ul style="list-style-type: none"> The law generally entrusts the board with the power to manage the company; however, it seems that shareholders may set limits to such powers in the Articles of Association. This approach is not fully convincing. Shareholders should not be allowed to retain those functions which should typically be performed by the board (such as the authority to approve the company's strategy, budget and risk profile and provide management oversight). If shareholders have the possibility to interfere directly in the company's direction and control, then the system of check and balances between the various corporate bodies is undermined (the board is significantly undermined for instance). This can cause the creation of unclear accountability lines within the company and weaken the whole governance system. The law requires the board to appoint a company secretary. The Code for Unlisted Companies describes the position in a rather comprehensive way, including her/his role with respect to compliance. Only four of the ten largest listed companies disclose having a company secretary. The CG Instruction for Banks requires boards to undertake annual evaluation. This practice is also recommended by the Code for Unlisted Companies; conversely, the Code for Listed Companies is silent on this matter. In practice, none of the companies in our sample discloses performing board evaluation. The law does not specify a minimum number of board and committees' meetings. The Code for Listed Companies recommends that the board should meet at least once every two months and not less than six times per year, while the audit committee should meet regularly, not less than four times a year. The Code for Unlisted Companies recommends the board to meet at least quarterly. None of the companies in our sample discloses the number of times its board and committees meet. Notwithstanding the law requirement, only five of the ten largest listed companies disclose having an audit committee. The same companies also have a remuneration and a nomination committee (in one case, the latter two committees are combined).
<p>1.5. Responsibilities of the Board Fair</p>	<p>Strengths:</p> <ul style="list-style-type: none"> The law designates the board as the body responsible for appointing and dismissing the CEO. The Code for Listed Companies recommends that the board should be responsible for evaluating executive management, ensuring compliance, and setting strategies and risk management policies. Conflicts of interest are regulated by law – a member of the board who has a conflict of interest with regard to any issue under discussion must inform the board about his interests and abstain from voting. Board members are prohibited from receiving advanced cash loans. The Company Law describes directors' liability in case of violation of the Articles, company default, negligence, insider information disclosure, position abuse, and fraud.

Key Areas and Rating	Strengths and Weaknesses
	<p>Weaknesses:</p> <ul style="list-style-type: none">• <i>Fiduciary duties are not explicitly defined by law. The Civil Code, however, establishes directors' general duty to act in the best interest of the company. Nevertheless, there is no strong jurisprudence on this subject. The lack of well detailed fiduciary duties coupled with the requirement for directors to be shareholders raises some concern as it might be difficult for a shareholder to take aside its particular interests and defend only the company's one, especially if there are no legislative requirement in this respect.</i>• <i>As mentioned above, the law does not clearly assign to the board the authority to approve the company's strategy, budget and risk profile and provide management oversight.</i>

Key Areas and Rating	Strengths and Weaknesses
<p>2. Transparency and Disclosure Fair</p>	<p>Disclosure of listed companies is regulated by the Jordan Securities Commission. The stock exchanges' website provides a fair amount of information. Disclosure requirement mostly focus on financial reporting and on the relationship with the external auditor. Listed companies must disclose their annual reports and prepare their financial statements in accordance with the IFRS. Companies seem to comply with these requirements.</p> <p>Annual reports should include a report of the board of directors describing strategy, risk exposure, important developments occurred during the year, board composition and remuneration. However, it appears that sometimes this information is not disclosed.</p> <p>Listed companies are, additionally, required to comply with the Code for Listed Companies, or explain the reasons for deviations. However, only one of the ten largest listed companies publishes a 'comply or explain' statement in English.</p> <p>The ten largest listed companies disclose information on their board composition, general shareholders' meetings' minutes and share capital. However, disclosure on the composition of committees, board's and committee's activities, Articles of Association, and beneficial ownership is very limited. Company websites are not well updated.</p> <p>Companies are required to have external auditors and disclose their names. All the ten largest companies comply with this requirement and declare that their auditors are independent.</p>
<p>2.1. Non-Financial Information Disclosure Fair/Weak</p>	<p>Strengths:</p> <ul style="list-style-type: none"> All listed companies are required to prepare annual reports, which should include a statement from the chairman, descriptions of risks, financial statements, personnel qualifying programmes, organisational charts, the current number of employees and the auditors' report. Listed companies are required to submit a report documenting the election of board members and any changes to their composition. Nine among the ten largest listed companies disclose the names of their board members. The website of the stock exchange displays a set of non-financial information for each company, including number of shares and capital, the general shareholders' meetings' decisions, significant shareholdings transactions and transactions executed by directors. <p>Weaknesses:</p> <ul style="list-style-type: none"> There is no requirement to publish information on the company's website; this is only recommended. The ten largest listed companies disclose non-financial information to different extents. Beyond the information presented in annual reports, the non-financial details disclosed by banks in our sample are poor. Disclosure on committees' composition, board's and committee's meetings, beneficial ownership and Articles of Association is limited or non-existent. Listed companies are required to comply with the Code for Listed Companies or explain the reasons for deviations; however, only one of the ten largest listed companies publishes a corporate governance statement in English as part of its annual report.
<p>2.2. Financial Information Disclosure Strong</p>	<p>Strengths:</p> <ul style="list-style-type: none"> All companies are required to disclose their audited financial statements. Listed companies are further required to prepare their statements according to the IFRS and to publish them with the auditor's opinion. All ten largest listed companies comply with these requirements.
<p>2.3. Reporting to the Market and to Shareholders Fair</p>	<p>Strengths:</p> <ul style="list-style-type: none"> All ten largest companies publish their annual reports on the stock exchange's and/or on their website. Listed companies are required to make timely disclosures when material facts occur. Companies failing to publish their annual reports are subject to fines. Companies seem to adequately disclose their general shareholders' meeting's minutes, board composition and share capital information. <p>Weaknesses:</p> <ul style="list-style-type: none"> The websites of the ten largest listed companies do not disclose updated financial information. Disclosure on committee composition, board and committee meetings, Articles of Association and beneficial ownership is limited or non-existent. Only one of the ten largest listed companies publishes a corporate governance statement in English as part of its annual report.

Key Areas and Rating	Strengths and Weaknesses
2.4. Disclosure on the External Audit Fair	Strengths: <ul style="list-style-type: none">• Companies are required to disclose the names of their external auditors. All ten largest listed companies disclose their auditors' names and opinion. Auditors declare them to be independent. Weaknesses: <ul style="list-style-type: none">• Provision of non-auditing services by the external auditor appear to be somehow restricted, however the extent of monitoring is not clear as we found very little information is disclosed on this matter.

Key Areas and Rating	Strengths and Weaknesses
<p>3. Internal Control Weak</p>	<p>Listed companies are required to have an internal auditor. Banks must have a separate compliance function. Listed companies and banks are also required to have an audit committee composed of three non-executive board members. The CG Instruction for Banks requires that the majority of banks' audit committee's members is independent. The Code for Listed Companies recommends that two audit committee's members should be independent, and that one of them should be appointed as the committee chairperson.</p> <p>Companies' disclosure on their audit committees is very limited. Only half of the ten largest listed companies disclose having such committee, and only one of them discloses the number of times the committee has met. None of these companies discloses the qualification of the audit committee members or the activities of the committee and only one company discloses having independent directors in the committee. Thus, it is not possible to assess the extent to which audit committees ensure external and internal auditors' independence and effectiveness.</p> <p>Listed companies are required to have their financial statements examined by an independent auditor, appointed by the general shareholders' meeting. Auditor's independence must be evaluated by the audit committee. The Code for Listed Companies recommends companies to disclose fees paid to auditors in their annual reports, as well as take measures to ensure their external auditors do not perform non-auditing services. Disclosure on this point appears limited.</p> <p>External auditors are subject to rotation obligations.</p> <p>Whistleblowing protection is granted by law.</p> <p>Companies are not required to have a code of ethics in place; a minority of the ten largest listed companies discloses having one in place.</p> <p>Related party transactions are regulated by law, but it is not clear if the regulation is implemented in practice.</p>
<p>3.1. Quality of the Internal Control Framework Fair</p>	<p>Strengths:</p> <ul style="list-style-type: none"> Listed companies and banks are required to set up an audit committee; unlisted companies are recommended to do so. In banks, the majority of audit committee's members must be independent. In other companies, this is recommended. Listed companies are required to have an internal auditor nominated by the audit committee. Banks must have an independent compliance function. Whistleblowing protection is granted by the Anti-Corruption Commission Law. <p>Weaknesses:</p> <ul style="list-style-type: none"> Only half of the ten largest listed companies disclose having an audit committee and only one disclose having independent members in the committee. Only four of the ten largest listed companies disclose having an internal audit function. There is no requirement for the adoption of a code of ethics. Only the Code for Unlisted Companies recommends having one, and only a small minority seems to follow this recommendation.
<p>3.2. Quality of Internal and External Audit Fair/Weak</p>	<p>Strengths:</p> <ul style="list-style-type: none"> Listed companies are required to have their financial statements examined by an independent auditor. Companies must submit their annual financial statements for his review. All ten largest listed companies comply with this requirement and disclose the auditors' name. The majority of these companies are audited by international audit firms. All of these companies have disclosed the auditors' opinion with their financial statements. Amongst others, audit committees are responsible for examining internal audit procedures and reviewing the auditor's work and independence. External auditors of listed companies are subject to rotation obligations. The Code for Listed Companies further recommends a 1-year cooling off period during which a company is not allowed to appoint any recently terminated external auditor employees to upper level management positions. The external auditor is appointed by the general shareholders meeting. All Codes recommend that the audit committee should nominate the name of the external auditor. However, it is not clear if this recommendation is well implemented in practice. <p>Weaknesses:</p> <ul style="list-style-type: none"> Only four of the ten largest listed companies (three are banks) disclose having an internal audit function, and five disclose having an audit committee, despite them being mandatory. The Code for Listed Companies recommends that companies should ensure the external auditor does not provide

Key Areas and Rating	Strengths and Weaknesses
	<p><i>non-auditing services. Listed companies are further required to disclose information on the fees paid or payable to their external auditor in their annual reports. Nevertheless, none of the then largest listed companies explicitly confirmed whether its auditor performed any type of non-auditing services.</i></p>
<p>3.3. Functioning and Independence of the Audit Committee Weak</p>	<p>Strengths:</p> <ul style="list-style-type: none"> • <i>Listed companies and banks are required to set up an audit committee composed of three non-executive board members. The Code for Listed Companies further requires that the majority of the committee should be independent and that one of the independent directors should chair this committee. The Code for Unlisted Companies recommends all companies — even relatively small ones— to set up an audit committee composed in its majority by independent directors.</i> • <i>The Code for Listed Companies requires audit committee members to have knowledge and experience in finance and accounting, and at least one person must have an academic or professional certificate in accounting, finance or any other related fields.</i> • <i>Audit committees of listed companies are required to meet at least four times a year.</i> <p>Weaknesses:</p> <ul style="list-style-type: none"> • <i>Only five of the ten largest listed companies disclose having an audit committee in place. Among these companies, only one —a bank— discloses the identity of the independent directors composing the audit committee; in this case only half of the members are independent.</i> • <i>None of the companies in our sample discloses the qualification of the audit committee members.</i> • <i>Only one of the companies in our sample discloses the number of meetings held by the audit committee.</i>
<p>3.4. Control over Related Party Transactions and Conflict of Interest Weak</p>	<p>Strengths:</p> <ul style="list-style-type: none"> • <i>Audit committees are responsible for ensuring the absence of conflicts of interest stemming from related party transactions and the Code for Listed Companies recommends companies to disclose them.</i> • <i>All ten largest listed companies disclose their related party transactions in their annual reports.</i> <p>Weaknesses:</p> <ul style="list-style-type: none"> • <i>A member of the board who has a conflict of interest with regard to any issue under discussion must inform the board about his interests and abstain from voting. The conditions agreed for related party transactions involving board members must be similar to those prevailing in an arm’s length transaction, but the law only requires approval of the board, which is not a clearly independent body.</i> • <i>It appears that there is no extensive case law and judicial practice concerning related party transactions.</i> • <i>The limited disclosure on audit committee and independent directors raises some doubts about the objectivity of the related party transaction’s approval process.</i>

Key Areas and Rating	Strengths and Weaknesses
<p>4. Rights of Shareholders</p> <p>Fair</p>	<p>Shareholders have inspection rights and are entitled to both add items to the general shareholders' meeting's agenda and ask questions during the general shareholders' meeting. However, important rights, such as pre-emptive rights and cumulative voting rights, are not granted by law. Additionally, the right to call a general shareholders' meeting can only be exercised by shareholders representing 25% of the share capital, which seems excessively high.</p> <p>The Companies Control Department (CCD), an autonomous body operating under the supervision of the Ministry of Industry, appears to be empowered of enforcing corporate governance provisions.</p> <p>Supermajority is required to approve major corporate changes, but this does not apply to significant asset sales.</p> <p>Derivative suit is not a developed concept under Jordanian law.</p> <p>Related party transactions and conflicts of interests are regulated by law. Regulation on insider trading and self-dealing exists and it seems to be well implemented. Shareholding of listed company must be registered, and the Securities Depository Centre must keep these listed shares within their records.</p> <p>There is no clear legislation on shareholder agreements. Shareholding increases must be disclosed when they affect the company's ownership control, and trades of listed shares are publicly available on the stock exchange's website.</p>
<p>4.1. General Shareholders' Meeting (GSM)</p> <p>Weak</p>	<p>Strengths:</p> <ul style="list-style-type: none"> Shareholders representing 10% of the share capital may request items to be added to the GSM's agenda. The Companies Control Department (CCD), an autonomous body operating under the supervision of the Ministry of Industry, plays an essential role in enforcing shareholder rights. The company's Controller, a representative of the CCD, is present at all GSMs and ensures that questions asked by shareholders are appropriately answered by the board. The Controller has the authority to dissolve the company's board and revoke its registration. Shares carry voting rights in proportion to their value. <p>Weaknesses:</p> <ul style="list-style-type: none"> Shareholders representing 25% of the company's subscribed shares are entitled to request a GSM. This seems to be an excessive threshold. The Companies Control Department (CCD) may request a GSM on behalf of those shareholders who represent 15% of the company's shares. Voting at the GSM by proxy is allowed; however, electronic voting and voting by post are not allowed by law. Shareholders must be notified of a GSM agenda 15 days before the meeting. This time is below the 21 days recommended by the Code for Listed Companies and international best practice. There is little disclosure by companies on their website and it is not clear if the recommendation of the Code is taken into consideration. The law does not provide for cumulative voting or proportional representation mechanisms. The Code for Listed Companies refers to cumulative voting as a good practice and it seems that shareholder agreements are commonly used to allow minority shareholders to elect their board members.
<p>4.2. Protection against Insider Trading and Self-dealing</p> <p>Moderately Strong</p>	<p>Strengths:</p> <ul style="list-style-type: none"> Insider trading is prohibited and may be punished with imprisonment for up to 3 years. The Jordan Securities Commission seems to be actively monitoring insider trading. In the past, it has publicly identified and fined violators. Board members and managers are required to disclose their and their relatives' shares when first appointed, and whenever changes in their ownership levels occur. The stock exchange's website provides comprehensive information on trades with company shares, including a section dedicated to trades by board members. Conflicts of interest and related-party transactions are regulated by law. <p>Weaknesses:</p> <ul style="list-style-type: none"> The limited disclosure on audit committee and independent directors raises some doubts about the objectivity of the

Key Areas and Rating	Strengths and Weaknesses
<p>4.3. Minority Shareholders Protection and Shareholders' Access to Information Weak</p>	<p>Strengths:</p> <ul style="list-style-type: none"> • Shares carry voting rights in proportion to their value. • Shareholders have general inspection rights. <p>Weaknesses:</p> <ul style="list-style-type: none"> • By law, pre-emptive rights are only granted to limited liability companies. The Code for Listed Companies also mentions this right, but the provisions of the code are not mandatory. Rather, they are only required to be implemented under a 'comply or explain' basis. • Major corporate changes must be approved with a supermajority vote at the GSM (the blocking minority shareholding for major corporate changes is 25%+1) but this does not include the sale of a company's substantial assets. • Shareholders may only acquire the right to call a GSM if they own at least 25% of the company's share capital. This threshold seems excessively high. • Cumulative voting, proportional representation and similar devices are not provided by law. Only the Code for Listed Companies recommends the use of cumulative voting. It is not clear, if cumulative voting is used in practice. • It appears that the concept of derivative suit has not been introduced in Jordanian law. • Disclosure of non-financial information is incomplete.
<p>4.4. Registration of Shareholdings Fair</p>	<p>Strengths:</p> <ul style="list-style-type: none"> • Public shareholding company shares must be registered. The Securities Depository Centre (SDC) – which acts as a central registry and tracks beneficial ownership – is responsible for keeping a record of listed shares. • Changes in share ownership, which affect the control of the company, must be disclosed by listed companies. • All trades involving listed shares are available on the stock exchange's website. <p>Weaknesses:</p> <ul style="list-style-type: none"> • Shares can be transferred freely, and exchanges may not be restricted. There is an exception, however, that applies to founders' shares, which cannot be transferred for a period of 2 years after the company's registration. • Shareholder agreements do not need to be disclosed, and it is not clear whether they are enforceable in practice.

Key Areas and Rating	Strengths and Weaknesses
<p>5. Stakeholders and Institutions</p> <p>Fair</p>	<p><i>The institutional environment promoting corporate governance in Jordan seems to be fairly developed, but key reforms would benefit the advancement of current efforts.</i></p> <p><i>The Amman Stock Exchange is the main stock exchange in Jordan. Its market capitalisation is around 75.8% of the GDP, however the volume of trades is relatively low. Its website provides a comprehensive database of financial and general information.</i></p> <p><i>Jordan has three national corporate governance codes: the Corporate Governance Code for Banks in Jordan; the Jordanian Corporate Governance for Private, Limited Liability and Non-listed Public Shareholding Companies; and the Corporate Governance Code for Shareholding Companies Listed on the Amman Stock Exchange. The Corporate Governance Code for Banks is meant to be a model upon which banks can draft their own corporate governance codes. In 2014, the Central Bank of Jordan issued the Corporate Governance Instructions for Banks, which has made some of the Code's recommendations mandatory. The Code for Listed Companies contains both mandatory provisions based on the compulsory requirements of laws, regulations and instructions, and voluntary provisions which companies can implement under a "comply or explain" basis. The Code for Listed Companies was drafted and issued by the Jordanian Securities Commission in collaboration with the stock exchange, but it remains unclear which one of these two entities (if any) is responsible for monitoring the implementation of its recommendations. Only one of the ten largest listed companies presented a "comply or explain" section in English, which does not allow an accurate assessment of the extent to which companies comply with obligations and of appropriateness of the explanations.</i></p> <p><i>Compliance with the Code for Unlisted Companies is voluntary and the extent of its application is not clear.</i></p> <p><i>International audit firms and ratings agencies are present and active in the country.</i></p> <p><i>Case law and Securities Commission's rulings are not easily accessible for the public, including lawyers.</i></p> <p><i>There are inconsistencies within existent legislation. Some key corporate governance issues are not regulated and international organisations indicators show a framework where investor protection is still perceived as a critical problem.</i></p>
<p>5.1. Corporate Governance Structure and Institutions</p> <p>Fair</p>	<p>Strengths:</p> <ul style="list-style-type: none"> • <i>International audit and law firms have a material presence in the country.</i> • <i>International ratings agencies are active within the country; all ten surveyed companies have been rated by international ratings agencies.</i> • <i>The Amman Stock Exchange (ASE) is the main local stock exchange in Jordan. Its market capitalisation is around 75.8% of the GDP. It seems that the volume of trades is relatively low. The Amman Stock Exchanges' website provides a comprehensive list of regulatory submissions by listed companies. Through this website, annual financial reports, capital structures, board compositions, appointments and resignations are made available to the public.</i> <p>Weaknesses:</p> <ul style="list-style-type: none"> • <i>There are three listing tiers at the ASE: the Main Market Segment, the Standard Market Segment and the Alternative Market Segment. The listing requirements vary, but they relate mainly to capital requirements, without imposing any stricter corporate governance standards.</i> • <i>It appears that the rulings of the Jordan Securities' Commission (JSC) are not publicly available.</i>
<p>5.2. Corporate Governance Code</p> <p>Weak</p>	<p>Strengths:</p> <ul style="list-style-type: none"> • <i>There are three Corporate Governance Codes in Jordan: a Corporate Governance Code for Banks, issued in 2004; a Corporate Governance Code for Shareholding Companies Listed on the Amman Stock Exchange (Code for Listed Companies), issued in 2008; and a Corporate Governance for Private, Limited Liability and Non-listed Public Shareholding Companies (Code for Unlisted Companies) released in 2011. The Corporate Governance Code for Banks is meant to be a model upon which banks can draft their own corporate governance code; the Code for Listed Companies regulates listed companies' rights, duties and responsibilities, and contains provisions which should be implemented under two different approaches: listed companies are required to comply with the Code's provisions based on the compulsory requirements of laws, regulations and instructions. In addition, the Code has voluntary provisions which companies can implement under a 'comply or explain' basis. The Code for Unlisted Companies is voluntary and the extent of its application is not clear.</i> • <i>In 2014, the Central Bank of Jordan issued the Corporate Governance Instructions for Banks, which is mandatory.</i> <p>Weaknesses:</p>

Key Areas and Rating	Strengths and Weaknesses
	<ul style="list-style-type: none"> • The distinction in the Code for Listed Companies between mandatory provisions (being based on the law) and recommendations is not clear. • The Code for Listed Companies was drafted and issued by the Securities Commission, in collaboration with the ASE. Nevertheless, it remains unclear which of these two entities (if any) is responsible for monitoring companies' disclosure over the Code's and ensuring its correct implementation. Furthermore, since its publications, it has never been reviewed. • Only one of the ten largest listed companies presented a 'comply or explain' section in English, which does not allow an accurate assessment of the extent to which companies comply with obligations and of appropriateness of the explanations. • Judicial practice on many corporate governance issues is very limited and out-dated.
<p>5.3. Institutional Environment Weak</p>	<p>Strengths:</p> <ul style="list-style-type: none"> • Indicators provided by international organisations rank Jordan positively with regard to corruption perceptions. <p>Weaknesses:</p> <ul style="list-style-type: none"> • A few significant inconsistencies were found in laws, regulations and the corporate governance codes. • It seems that there are very few stakeholders active in the promotion of good corporate governance. • According to the 2015 EBRD Assessment on Accessibility of Court Decisions, it seems that case law is not easily accessible for the public, including lawyers. • Jordan performs relatively poorly on the investor protection category of the World Bank's Doing Business index.