Jordan

State Ownership and Governance Policy

March-2026

Contents

Contents

1 Introduction 2
1.1 Background and Context 2
1.2 Key Terms 2
2 Definition of SOE in Jordan's Context 3
3 Rationale for State Ownership 3
3.1 Commercial Viability 4
3.2 Public Policy Objectives 4
3.3 Creation of New SOEs 5
4 Scope and Application of the Policy 6
5 Institutional Framework for SOE Ownership 6
5.1 Central Ownership Entity 6
5.2 Role of GIMC 7
5.3 Roles of Line Ministries and Regulators 8
5.4 Fiscal Risk Oversight and Coordination with Ministry of Finance 9
5.5 External Oversight Mechanisms 10
6 Roles and Responsibilities of Boards of Directors and Management 11
7 Guiding Principles for State Ownership and Governance 12
8 Performance Monitoring and Accountability 14
8.1 Strategic Plans and Target-Setting 14
8.2 Consequences for Under-Performance and Over-Performance 14
9 Transparent Reporting 15
10 Implementation, Revision, and Communication of the Policy 16

1 Introduction

1.1 Background and Context

State-owned enterprises (SOEs) are key instruments of Jordan's economic and social development. The Government of Jordan relies on SOEs to deliver public services, support strategic sectors and achieve policy objectives. It is therefore essential that SOEs are managed with professionalism, efficiency and accountability, in order to create long-term commercial value and public trust. The State Ownership and Governance Policy (hereinafter, the Policy) establish a clear governance framework and ownership mandate for SOEs in Jordan, helping to ensure they are run on a sound commercial basis and are aligned with national development goals.

The Government of Jordan is committed to strengthening SOE performance and oversight in line with international best practices. Consistent with the Organisation for Economic Co-operation and Development (OECD) (2024) Guidelines on SOE governance, this Policy promotes active, transparent ownership and a results-oriented culture in SOEs. It clarifies the State's rationale for each ownership interest and sets out the roles of the Government ministries, regulators and boards of directors. In doing so, it seeks to modernize oversight arrangements, improve accountability for SOE results, and contribute to a competitive and efficient business environment. The ultimate aim is for SOEs to operate profitably while fulfilling their public mandates, thereby creating sustainable value for Jordan and its citizens. The Policy shall be formally adopted by the Minister of Finance in the year 2026 and become binding on all SOEs in the scope of this Policy.

Where this Policy contains requirements that are more specific or more stringent than existing rules and regulations, the Policy provisions shall prevail; otherwise, all SOEs must comply with Jordanian laws, including but not limited to, the Companies Law (Law 22 of 1997), Public Procurement Law (By-law 28, 2022), Anti-Corruption Law (Law no. 13, 2016), Competition Law (Law no. 33, 2004), and Audit Bureau regulations where applicable. In addition, the Ministry of Industry, Trade, and Supply and its Companies Control Department have issued the Jordanian Corporate Governance Code for private and public companies. All SOEs operating as companies fall under these existing rules.

1.2 Key Terms

The following words and expressions, wherever used in this Policy, shall have the meanings hereunder assigned to them, unless the context otherwise provides:

a) **OECD Guidelines**: OECD Guidelines on Corporate Governance of State-Owned Enterprises (2024)

b) **"State" or "Government"**: The Hashemite Kingdom of Jordan, represented by the Council of Ministers and relevant ministries and agencies.

c) **State-owned Enterprise (SOE)**: A corporate entity (shareholding company, LLC, or equivalent) with separate legal personality in which the State has equity equal to or greater than 50% or otherwise effectively controls it and has decisive board rights. In Jordan this includes public and private shareholding companies, limited liability companies, and other corporatized public bodies with government ownership.

d) **Public Interest Objectives (PIOs)**: Specific, limited purposes that deliver essential public services or address market failures where private sector participation is not viable or sufficient

e) **Public Service Obligations (PSOs)**: Non-commercial mandates imposed on an SOE (by law or contract) to provide public services. PSOs are to be clearly identified, costed and transparently funded.

f) **The Policy**: This State Ownership and Governance Policy, which sets out the Government's principles and rules for exercising its ownership role.

g) **The Companies Law**: The Companies Law No. 22 of 1997 and its amendments as of Official Gazette No. 57 dated 1/11/2006

h) **Controller**: Companies Control Department (CCD) within the Ministry of Industry, Trade and Supply. The Controller is responsible for enforcing provisions under the Companies Law No. 22 of 1997

i) **Control:** means the ability of the State, whether directly or indirectly, to exercise decisive influence over the strategic and financial policies of an enterprise.

2 Definition of SOE in Jordan's Context

The Policy shall also define SOEs for Jordan:

Consistent with the International Monetary Fund (IMF) and Organization for Economic Co-operation and Development (OECD) definitions, a State-Owned Enterprise is an entity with separate legal personality and at least partially controlled by the government. For practical purposes, Jordan shall consider an enterprise an SOE if the Government owns a majority of equity equal to or greater than 50% of state ownership or otherwise effectively controls it and has decisive board rights. Where the State has ownership below 50%, those shall generally not be considered as SOEs unless the State can demonstrate significant control rights. The Policy also covers subsidiaries of SOEs and public enterprises corporatized by law.

Enterprises in which the Government holds a minority shareholding without control, including listed public shareholding companies where the Government does not possess controlling rights as defined under this Policy, shall not be subject to this SOE Policy.

3 Rationale for State Ownership

The Government of Jordan shall retain ownership of an SOE only if it demonstrates sustained commercial viability. The primary criterion for retaining SOEs for the State shall be their demonstrated commercial viability. SOEs must operate sustainably with robust financial health with an aim to contribute positively to the national economy. The overarching priority is to reduce the fiscal burden on the government, minimize financial risk and ensure efficient resource allocation.

3.1 Commercial Viability

Commercial viability shall remain a key objective guiding the retention of SOEs under government ownership. This policy reflects prudent fiscal management, efficient resource allocation and minimizing financial burden on the public sector, while recognizing that certain sectors require long-term investment horizons.

An SOE shall be assessed for commercial viability based on its nature, sector characteristics, and stage of development. An operating SOE shall be deemed commercially non-viable, where without any approved restructuring or turnaround plan:

- It incurs net losses for three consecutive fiscal years; or
- It exhibits persistent negative equity that cannot be credibly addressed through operational or financial restructuring.

Greenfield or long-gestation SOEs including infrastructure, mining, energy, and manufacturing projects shall not be assessed solely on short-term profitability or accounting equity positions during their establishment or construction phases. For such entities, commercial viability shall be assessed primarily against approved feasibility studies and medium-term business plans including projected timelines to break-even and financial sustainability. A greenfield or long-gestation SOE may be deemed commercially non-viable where it demonstrates a material and persistent deviation from its approved five-year business plan or financial projections, without credible justification or corrective action.

All greenfield SOEs and major new government investments shall be subject to a comprehensive feasibility study prior to approval. Such studies shall assess commercial, financial, technical, and fiscal viability and demonstrate a credible pathway to financial sustainability. The Government shall avoid establishing or investing in SOEs that lack an approved feasibility study consistent with this Policy.

SOEs that fail to meet the commercial viability test shall be subject to close monitoring, restructuring by its board, divestment, or liquidation, unless a clear and time-bound recovery plan is approved by the Government.

3.2 Public Policy Objectives

The SOEs, as required by the Government from time to time, could also work towards Public Interest Objectives (PIO). The PIO shall refer to specific, limited purposes that deliver essential public services or address market failures where private sector participation is not viable or sufficient. These may include, but are not limited to:

- Ensuring access to essential services such as water, energy, or public transport in underserved areas;
- Maintaining supply of goods or services critical to national security, strategic interest or public health;
- Promoting socioeconomic equity through targeted interventions where commercial provision is not feasible;

- Responding to emergencies or natural disasters requiring state-coordinated response.

Where the Government intends to pursue PIO through an SOE, such mandates shall be defined and funded through transparent and agreed upon Public Service Obligation (PSO) contracts. The PSO contracts must be:

- Clearly articulated and **time-bound**;
- Costed transparently and approved through **the budgetary process**;
- Contractually agreed upon between the sponsoring ministry and the SOE; and
- Implemented without compromising the SOE's financial viability.

The Government shall not rely on implicit cross-subsidization or recurring losses to deliver public interest services. Instead, PSOs shall be the formal mechanism for compensating SOEs for non-commercial activities.

3.3 Creation of New SOEs

The establishment of a new SOE shall be an exceptional measure. It shall only be permitted where the Government demonstrates, based on evidence, that the required good or service cannot be effectively provided through:

a) regulation of existing private providers,
b) competitive licensing or concessions,
c) contractual arrangements, or
d) partnerships with private entities, and that these options have been formally assessed and found insufficient.

Further, every establishment of the SOE shall also be supported by an approved feasibility study and business plan that:

- defines a clear public policy objective,
- demonstrates financial and fiscal sustainability, and
- specifies whether state ownership is intended to be permanent or time-bound, subject to periodic review.

Also, provided that such SOE shall under no circumstances be given exclusivity in provision of services or goods and shall strictly adhere to the principle of competitive neutrality as required under this Policy.

Further, any participation by an SOE in a PPP or project finance structure that may create direct or contingent fiscal exposure shall be subject to prior review and approval by the Ministry of Finance. As a general rule, SOE equity participation in PPPs or joint ventures shall be limited to a minority share and shall not be more than 25% of the consortium equity share. Any participation exceeding this threshold shall require explicit justification and approval by the Ministry of Finance. In the event of financial distress or insolvency of an SOE participating in a PPP, the Ministry of Finance shall not be obligated to assume liabilities unless such obligations were explicitly approved and budgeted in advance.

4 Scope and Application of the Policy

This Policy applies to all State-Owned Enterprises in Jordan. The Policy explicitly applies to the following entities:

a) **Wholly-owned SOEs:** Defined as Enterprises with 100% State ownership.

b) **Majority-owned SOEs:** Defined as Enterprises with 50% or greater State ownership.

c) **Select Minority-owned Entities with Significant Control:** Partially-owned entities, including joint ventures, where the State's share gives it de facto control or special responsibilities. In such cases, the State's engagement shall follow this Policy.

d) **Public Corporatizations:** Any public agencies, authorities or utilities converted into companies under Articles of the Companies Law No.22 of 1997. After conversion, these entities shall be governed under this Policy.

5 Institutional Framework for SOE Ownership

The primary role of the Government shall remain that of strategic oversight of Jordan's SOEs and whether SOEs continue to fulfil their commercial mandate. Effective oversight of SOEs requires clear roles and coordination among all government bodies, and a capable central ownership agency.

5.1 Central Ownership Entity

The Government shall assign SOE ownership responsibilities to the Government Investment Management Company (GIMC) to act as the Central Ownership Entity. GIMC is a holding company with a mandate to oversee the majority of commercially oriented SOEs in Jordan. It shall develop and implement a comprehensive performance management framework to monitor, benchmark and improve the operational and financial performance of SOEs in Jordan.

To address the diversity of SOEs in Jordan, the Government shall adopt a Tiered Ownership framework, under which all SOEs shall be classified as follows:

- **Tier I SOEs:** Commercially oriented SOEs under ownership and management oversight of GIMC.
- **Tier II SOEs:** Sectoral SOEs (e.g., water utilities, public transport) that operate under the administrative authority of sectoral ministries or regulatory agencies.

While Tier II SOEs shall remain institutionally linked to their respective line ministries, they shall be subject to the following requirements:

- Full adherence to this SOE Ownership and Management Policy;
- Annual submission of commercial viability assessments and financial statements to the Fiscal Commitments Unit (FCU), Ministry of Finance and to GIMC;
- Compliance with standardized reporting formats and performance monitoring guidelines issued by GIMC;
- Transparent budgeting and contractual arrangements for any PSO.

GIMC shall serve as the technical secretariat for SOE performance oversight and portfolio-wide reporting, consolidating both Tier I and Tier II SOE data. The Fiscal Commitments Unit at the Ministry of Finance (FCU) shall retain overarching authority for fiscal risk management and public sector performance reporting for all SOEs.

5.2 Role of GIMC

The role of GIMC as the central ownership entity shall include:

a) management of SOE portfolio. GIMC shall act as the formal shareholder for SOEs for Tier I entities and ensuring that shareholder decisions align with Policy guidelines;

b) nomination of Board members. GIMC shall maintain standardized, merit-based procedures for board appointments, working with line ministries, ensuring diversity aiming towards a minimum 30% female representation. It shall validate candidates' qualifications and ensure board diversity. It shall also collate guidelines for board tenure, responsibilities, and performance review;

c) board nomination procedures. GIMC shall develop, approve and publish a Board Nomination and Appointment guidelines applicable to all SOEs. The guidelines shall operationalize the principles set out in this Policy and shall include, at a minimum:

    a. A board skills and competency framework aligned with each SOE's mandate and reviewed periodically

    b. fit-and-proper requirements covering qualifications, integrity, conflicts of interest, and professional track record; and

    c. transparent nomination processes, which may include public calls for candidates or the use of professional search mechanisms, as appropriate.

d) issuing each SOE a clear commercial mandate, specifying its strategic objectives (financial targets, capital structure, risk tolerance, and PSOs) consistent with the rationale for state ownership. These commercial mandates shall be regularly reviewed and updated once every year;

e) monitoring performance of SOEs. GIMC shall establish digital reporting systems for SOEs to submit regular performance data, financial reports and compliance certificates. GIMC shall consolidate this data into an annual aggregate portfolio report and highlight any issues. GIMC shall also use a fiscal risk assessment tool, such as the IMF SOE Health Check Tool for reporting and assessment of SOE financial performance;

f) developing and enforcing a disclosure policy for SOEs, specifying what information must be public - inter alia, audited financial statements, board annual report, corporate governance reports - and ensuring quality of disclosed data. GIMC shall also liaise with external auditors and audit institutions as needed;

g) proposing an overarching guideline on board and Chief Executive Officer (CEO) remuneration to attract qualified professionals while aligning with commercial mandate. All SOE boards shall follow or adapt these guidelines;

h) proposing guidelines on PSO framework and how public interest objectives must be met by SOEs in transparent and objective manner in close coordination with line agencies and the Ministry of Finance; and

i) coordinating with the MOF and line ministries on SOE and provide data and guidance, as required. It shall also advise the Cabinet on SOE sector reforms and provide its input, where required.

j) Validate borrowing and debt management frameworks to ensure SOE debt remains ring-fenced and does not migrate (implicitly or explicitly) to the sovereign balance sheet (check Appendix A)

k) Report semi-annually to the Ministry of Finance on fiscal risks related to borrowings and recommended mitigation actions. These reports shall identify actual and potential fiscal exposures, including direct debt, government guarantees, on-lending arrangements, and other contingent liabilities and shall propose appropriate mitigation measures.

It shall report to the Cabinet on its duties and shall be endowed with sufficient institutional capacity and professional expertise, including financial, risk management and legal competencies to effectively assess SOE borrowing expertise to effectively assess SOE borrowing practices, evaluate fiscal risks, and provide informed advice to decision-makers. Adequate resourcing and technical capability shall be maintained to ensure that oversight is proactive, credible and commensurate with the scale and complexity of the SOE portfolio.

In exercising its ownership role, GIMC shall focus on strategic oversight and shareholder-level decisions and shall not interfere in day-to-day operational management of SOEs. Approval by GIMC shall be limited to matters reserved to the shareholder under applicable law and this Policy, including:

i. approval of strategic mandates and commercial objectives;
ii. endorsement of multi-year business plans at a high-level alignment stage;
iii. validation of borrowing frameworks and transactions that create fiscal exposure; and
iv. board nominations and governance oversight.

Operational decisions, implementation of approved budgets, procurement, staffing, pricing (where regulated), and commercial transactions shall remain the responsibility of the respective SOE's Board of Directors and executive management.

5.3 Roles of Line Ministries and Regulators

a) Each SOE shall report their financial performance and strategic plans to GIMC and the relevant line ministry. Line ministries shall be responsible for setting sectoral objectives and service delivery priorities applicable to SOEs operating within their respective sectors.

b) They shall be responsible for setting sectoral strategies, public policy objectives, and service delivery priorities applicable to SOEs operating within their respective sectors. This includes defining the policy rationale for state involvement, articulating clear and measurable mandates for SOEs and ensuring that such mandates are aligned with national development plans, fiscal frameworks and relevant sector policies.

c) In exercising this role, line ministries shall focus on policy formulation and oversight rather than operational management. They shall monitor SOE performance against approved mandates and

service delivery obligations, including compliance with PSOs, while respecting the autonomy of SOE boards and management in day-to-day operations. Line ministries must avoid micromanagement: once a mandate is set, day-to-day management is the board's responsibility. Ministries shall coordinate with regulators to ensure that any non-ownership functions are handled in a non-conflicting manner. The roles and responsibilities of the line ministries, GIMC, and executive management and boards of SOEs is presented in **Appendix B**.

d) Line ministries shall also coordinate with GIMC and the FCU to ensure that sectoral objectives and SOE mandates are financially sustainable and do not create unbudgeted fiscal risks. Any proposed changes to SOE mandates, expansion of activities, or introduction of new PSO shall be assessed for fiscal, operational and market impacts and approved in accordance with this Policy.

e) Organize timely meetings of the board nomination committees to discuss key updates on the business and sectoral strategy. This includes convening meetings of the relevant board nomination committees at appropriate intervals to consider key developments in the SOE's business environment and sectoral strategy and to ensure that board composition and succession planning remain aligned with the SOE's mandate and strategic direction.

f) In consultation with GIMC, establish a rigorous performance monitoring mechanism to evaluate the performance of Board members. Such performance monitoring mechanisms shall assess board effectiveness against agreed objectives and governance standards and shall inform decisions related to reappointment, training, or renewal of board mandates.

g) Where possible, separate sector regulators oversee SOE compliance with technical, environmental and market rules. These regulatory bodies must maintain clear organizational and functional separation from GIMC's ownership role – regulators shall set tariffs, service standards and competition rules that apply equally to SOEs and private firms.

5.4 Fiscal Risk Oversight and Coordination with Ministry of Finance

The FCU will be central in monitoring the financial implications of state ownership, with assistance from GIMC. In exercising its responsibilities under this Policy, the FCU shall focus on fiscal risk assessment, budgetary coordination, debt sustainability, and monitoring of contingent liabilities. The MOF shall not engage in operational supervision, day-to-day management, or board-level decision-making of SOEs. The MoF - through its Fiscal Commitments Unit– shall:

a) systematically identify, quantify and monitor fiscal risks arising from strategic and critical SOEs;

b) use a fiscal risk assessment tool, such as the IMF SOE Health Check Tool and associated stress tests, to ensure fiscal risks are identified early for fiscal risk mitigation;

c) incorporate the results from the fiscal risk assessment tool to identify SOE fiscal risk and publish key risks in the annual Fiscal Risk Statement for SOEs, detailing contingent liabilities, SOE borrowing, key risks and their mitigating measures;

d) oversee any direct State funding or subsidies to SOEs, ensuring consistency with budget law; and

e) work closely with line ministries in fiscal and commercial planning, so that SOE performance and risk are reflected accurately. Line ministries shall be responsible for providing timely and complete information on SOE mandates, business plans, investment proposals, and operational performance.

f) To safeguard fiscal sustainability, all SOEs seeking to undertake borrowing or enter into long-term contractual obligations without government guarantees shall demonstrate a minimum of 50% cost recovery from commercial revenues. Where this threshold is not met, the SOE's debt and obligations shall be treated as consolidated into public debt, and shall be subject to fiscal risk assessment, reporting, and prior approval by the Ministry of Finance. This safeguard is intended to enable non-recourse financing structures for commercially viable SOEs only.

g) Any SOE seeking to undertake non-recourse financing shall submit its financial projections, business plan and proposed financing structure to GIMC for review. GIMC shall assess whether the proposed borrowing is commercially and financially sustainable including the SOE's ability to service its obligations without reliance on government support. Based on this assessment, GIMC shall make a recommendation to the FCU on whether the proposed financing is appropriate and whether any form of government support or guarantee is justified.

h) All government guarantees issued in support of SOEs shall be recorded in a centralized guarantee registry maintained by the Ministry of Finance. The registry shall disclose, at a minimum, the beneficiary, amount, tenor, key terms, and applicable fees of each guarantee (if any), and shall support fiscal risk monitoring and reporting.

i) Where an SOE does not demonstrate commercial viability, any borrowing or long-term contractual obligation shall require prior approval by the Ministry of Finance and shall be treated as posing potential fiscal risk, subject to enhanced fiscal assessment, reporting and approval procedures. Detailed evaluation framework is enclosed in Appendix C.

5.5 External Oversight Mechanisms

Through this Policy, MOF reaffirms Cabinet oversight role over SOEs as an essential component of transparent and accountable governance. Accordingly, the following actions shall be subject to Council of Minister's approval.

a. Any change in state ownership that results in the Government's shareholding exceeding or falling below 50 percent, or otherwise alters the classification of the entity as an SOE;
b. Any restructuring, merger, liquidation, or disposal of strategic assets that materially affects the Government's ownership rationale or fiscal position.

The Audit Bureau shall also exercise independent external oversight over SOEs in accordance with the Audit Bureau Law No. 28 of 1952 and its amendments. The Audit Bureau's mandate shall include:

i. financial audit of SOE financial statements;
ii. compliance audit assessing adherence to applicable laws, regulations, and Cabinet decisions; and
iii. performance audit evaluating efficiency, effectiveness, and economy in the use of public resources.

Such oversight shall be conducted independently and in accordance with internationally recognized public sector auditing standards, including those issued by INTOSAI, where applicable. The Audit Bureau's role shall remain ex-post in nature and shall not substitute for ownership oversight, fiscal risk assessment, or board-level governance functions defined under this Policy.

6 Roles and Responsibilities of Boards of Directors and Management

Each SOE board and management team must work under high standards of corporate governance, as reinforced by this Policy.

a) **Board Composition and Independence:** Boards of SOEs should collectively possess the skills and diversity needed for their mandates. Board size should be optimal for effective deliberation. At least one-third (1/3rd) of the directors on the board must be independent. An independent director is one who has no material ties to the SOE, management or major shareholder. The board chair should be (or come from) the independent directors. Under no circumstances shall the CEO simultaneously serve as Chair of the Board. Any temporary exception due to vacancy or transition shall be time-bound and approved by GIMC, with full disclosure in the SOE's annual report. Directors shall collectively possess the skills, experience, and professional judgement necessary to oversee the SOE's mandate and strategy, including expertise relevant to the enterprise. SOE boards shall also reflect diversity - gender, age, - and include any required stakeholder representation, provided that all directors meet minimum competency and fiduciary standards.

b) **Nomination, Appointment, and Removal Processes:** Directors shall be selected through a transparent, merit-based process. GIMC shall perform fit-and-proper checks for integrity and competence, and forward approved names for formal appointment by Cabinet decree or shareholder vote. Line ministries may propose nominees to GIMC based on sectoral needs and the required board competency profile.

c) For SOEs not classified as strategic nature enterprises, directors shall be appointed or elected in accordance with the procedures set out in the GIMC bylaws, including election by the Board of Directors of GIMC or through shareholder voting, as applicable. For SOEs classified as strategic nature, directors shall be nominated and appointed through the designated Ministerial Committee, chaired by the Minister of Finance and composed in accordance with the GIMC bylaws, with the CEO of GIMC serving as rapporteur.

d) This Policy mandates institutions to ensure that no nominee has conflicts of interest or legal disqualifications. Directors serve fixed terms and may be removed for just cause – including breach of duty, misconduct, legal violation - as specified in the Companies Law 1997 (Article 168). A clear succession plan should exist to replace directors in case of vacancy.

e) **Board Committees:** To strengthen oversight, SOE boards shall establish committees with defined mandates. At a minimum, each board shall have an Audit Committee and a Nomination & Remuneration Committee, in accordance with the Jordanian Corporate Governance Code. The Audit Committee - comprising mostly independent directors – shall oversee the integrity of financial reporting, internal controls and risk management systems. It must review the SOE's

annual audited financial statements and discuss accounting choices with management and external auditors.

The Nomination & Remuneration Committee shall advise on board composition, identify new director candidates, and set - and periodically review - compensation policies for senior management. Where appropriate, boards may also have a Risk & Compliance Committee to monitor enterprise risks, and an ESG or Sustainability Committee to oversee environmental and social performance. The structure, functions and charters of all committees should be documented and publicly disclosed.

f) **CEO Selection, Succession, and Executive Remuneration:** The Board is responsible for hiring and, if necessary, dismissing the CEO and other senior executives. CEO selection should be competitive and based on the enterprise's needs, often via a search process. According to the corporate code, the board should identify and appoint the most appropriate CEO and support the CEO in achieving objectives of the SOE. Boards should ensure that there is a written contract for the CEO that sets clear performance targets. Likewise, the board should develop a succession plan for the CEO and top management to ensure continuity.

Executive remuneration must be fair, performance-based, and aligned with the public interest. The board - through its Remuneration Committee - will establish a formal, transparent policy for compensating the CEO and executive team. No executive shall set his or her own pay. Remuneration packages should be moderate and tied to objective financial and non-financial key performance indicators (KPIs). Short-term incentives (bonuses) and long-term incentives (stock or profit-sharing) may be used if they promote long-term value and sustainability. Salary and benefits for the CEO and top officers shall be disclosed in the SOE's annual report, as shall total board remuneration. In all cases, compensation should be consistent with government guidelines and the aim of attracting qualified talent without undue public cost.

7 Guiding Principles for State Ownership and Governance

To ensure consistency and effectiveness, all state ownership activities and SOE management shall be guided by the following principles:

a) **Active and Professional Ownership:** The Government shall exercise its ownership rights actively, with a long-term orientation and professional approach. The State's central ownership entity (GIMC) shall set clear financial and strategic mandates for each SOE and monitor progress. The Government will refrain from micro-managing SOE operations, intervening in day-to-day management only when necessary. Ownership decisions (such as board nominations, capital injections) shall be based on sound economic rationale and merit, avoiding political patronage. The Policy mandates a merit-based, transparent process for appointing directors and senior executives, and setting performance targets.

b) **Competitive Neutrality and Level Playing Field:** State ownership shall not distort competition. SOEs engaged in commercial activities must compete fairly with private firms. The State shall ensure a clear separation between its ownership role and regulatory functions. SOEs and private companies shall be subject to the same laws and regulations regarding taxes, licensing and

standards. Any State support[1] shall be justified, transparent and limited to legitimate public policy needs. Where possible, the State shall avoid special legal forms or protections for SOEs that are not necessary for public policy, so as not to unduly advantage them. The Policy upholds that SOEs should operate under the same market and insolvency rules as private firms.

c) **Capital Injection:** Any capital injection into an SOE shall be supported by a clear investment case, approved in advance, setting out the purpose of the injection, expected financial or service outcomes, and consistency with the SOE's mandate and business plan. Capital injections shall, where appropriate, be subject to ex-ante performance conditions and milestones, including governance, operational, or financial benchmarks, against which progress shall be monitored. The release of capital may be phased or conditional, and failure to meet agreed milestones shall trigger review and corrective action.

d) **Sustainability and ESG Commitments:** SOEs are encouraged to adopt environmental, social and governance (ESG) standards, exemplifying best practice. State ownership should advance Jordan's sustainability goals. The Government shall integrate sustainability objectives into SOE mandates and oversight. SOEs shall be required to identify, assess, and manage sustainability and climate-related risks as part of their corporate governance and risk management frameworks. In doing so, SOEs must ensure alignment with the Climate-related Disclosures Regulatory Framework issued by the Amman Stock Exchange, and the National Climate-Related Disclosure Policy, as applicable.

e) **Transparency, Integrity, and Ethical Conduct:** High standards of transparency and integrity are non-negotiable. All SOEs must adhere to the Jordanian Corporate Governance Code and Jordan's anti-corruption and ethics laws. Matters of appointment, finance, operations and procurement in SOEs shall be governed by the Companies Law 1997 and the Jordanian Corporate Governance Code. To quote the OECD, sound governance, transparency and integrity are "essential to address potential conflicts" and ensure SOEs remain accountable to citizens. The State shall foster a culture of ethical conduct across SOEs. This includes requiring SOEs to implement internal controls, risk management (including anti-corruption controls), and training on ethics. The Policy demands that SOEs publish corporate governance codes or statements of ethics consistent with this Policy. Violations of ethics or transparency standards by SOE officials shall be subject to appropriate sanctions in accordance with the Anti-Corruption Law No. 62 of 2006, the relevant provisions of the Jordanian Penal Code No. 16 of 1960, and, where applicable, the Companies Law No. 22 of 1997.

f) **Adhering to Commercial Principles:** SOEs must operate on commercial principles and the Government shall uphold a clear separation between ownership, policy and management functions. Line ministries shall retain their role in setting sectoral strategy, but shall not intervene in day-to-day operations or board-level decisions of SOEs. The authority to nominate and appoint SOE board members shall rest with GIMC, in accordance with a transparent, merit-based selection framework. Board composition shall prioritize professional independence, commercial experience, and adherence to fit-and-proper criteria. SOE management shall be accountable to

[1] subsidies, guarantees and special regulatory privileges

their boards and operational decisions shall be free from ministerial instruction or informal interference, in line with good corporate governance practices.

8 Performance Monitoring and Accountability

SOEs must operate under a strict performance management regime, with clear targets and consequences.

8.1 Strategic Plans and Target-Setting

Each SOE shall prepare a rolling five-year Strategic Business Plan and submit it to GIMC and Ministry of Finance, aligned with its mandate and ownership targets. This plan, approved by the Board, and reviewed by GIMC, shall include financial forecasts, operational goals and PSO metrics. Targets shall be specific, measurable, achievable, and time-bound, allowing benchmarking against the private sector entities. GIMC shall aggregate all SOE plans (both Tier I and Tier II) to align them with national development objectives.

a) **Key Performance Indicators:** Performance shall be tracked using a balanced set of KPIs, including *inter alia*:

   i. **Financial**: Return on equity, operating margin, debt ratios, dividend ratio and as defined by the fiscal risk assessment tool, such as the IMF's SOE Health Check Tool;

   ii. **Operational**: Output (amount of product or service delivered), efficiency (loss rates), service coverage and reliability (especially for utilities), customer satisfaction;

   iii. **Social or PSO-related**: Subsidized service volumes, tariff compliance, employment levels if mandated; and

   iv. **ESG**: Environmental indicators, carbon footprint, labor rights, human rights, workforce diversity and gender equality, and compliance with sustainability targets.

b) **Monitoring Tools and Reporting Systems:** The FCU, in coordination with GIMC shall implement a Central Performance Monitoring System. This may include a digital platform where SOEs regularly upload financial statements, KPI reports, and any incident reports. SOEs shall report quarterly on KPIs and any significant developments; the Board shall review actual performance versus plan each quarter. Internal audit units within SOEs shall provide assurance on data quality.

8.2 Consequences for Under-Performance and Over-Performance

If an SOE underperforms, the Board must explain the reasons behind its underperformance and propose corrective actions, which may include cost-cutting plans or restructuring. Continued failure to meet targets may trigger Board changes, executive reshuffle, or strategic review (potentially including partial divestment).

a) The FCU shall conduct annual fiscal risk assessments of SOEs using a fiscal risk assessment tool. These assessments shall be carried out both prior to any new investment or ownership decision and as part of the annual review of existing SOEs. Annual risk rating must be compiled for all

SOEs. For SOEs with adverse risk ratings, the Ministry of Finance must engage with the line ministry on a restructuring or a divestment plan which must also be reflected in the Business Plan of the SOE;

b) In cases where an SOE is facing financial or operational distress, the FCU at the MOF and concerned line ministry shall, in consultation with the SOE's Board, develop a comprehensive restructuring plan aimed at restoring financial viability and operational performance. The plan shall be submitted to the Council of Ministers or the designated oversight authority for review and guidance.

c) If the SOE continues to underperform despite implementation of reform measures, the Council of Ministers or the relevant authority may:

   i. Declare the enterprise financially distressed and initiate remedial actions in accordance with applicable provisions of the Companies Law and other relevant legislation, including rehabilitation, restructuring, or liquidation procedures;

   ii. Approve further measures to transform or divest the enterprise, ensuring that the State's strategic interests and public service obligations are protected during the process.

All such actions shall be undertaken with due regard to transparency, fairness, and safeguarding of stakeholder rights

Conversely, over-performance - profit far above plan - should benefit the State via dividends or by accelerating investment. GIMC shall ensure that any bonuses or share repurchases are consistent with performance and not detrimental to public interests. In all cases, deviation from targets must be reported promptly.

9 Transparent Reporting

Transparency is critical for public accountability. SOEs shall publish clear and comprehensive reports, disclosing all relevant information.

a) **Financial Disclosure and Audit Standards**: SOEs must prepare annual financial statements in accordance with International Financial Reporting Standards (IFRS) and the Company's Law No.22 of 1997. These statements - balance sheet, income statement, cash flow, notes - must be audited by a licensed external auditor and submitted to the Controller and shareholder. The audited accounts, together with the auditor's report, shall be disclosed in a timely manner as required by law. Quarterly unaudited financial reports shall also be prepared as per internal rules. All quarterly and annual financial statements of SOEs (both Tier I and Tier II) shall be shared with GIMC within two weeks of their publication.

b) **Annual Reporting:** The SOEs shall detail in their Annual Report, along with the financial information, strategy execution, risk management, and progress on PSOs and sustainability. Where relevant, the Policy encourages all listed companies to apply the International Sustainability Standards Board's (ISSB) Standards by IFRS to report their climate-related disclosures that may have a material financial impact. In accordance with the Amman Stock Exchange Climate-related Disclosures Regulatory Framework, the ASE20 Index companies shall implement the ISSB

Standards for annual reporting periods beginning on or after 1 January 2026 for disclosures published after 1 January 2027.

c) **Compensation Disclosure:** The remuneration (salaries, bonuses, benefits) of the Board of Directors and top executives must be publicly disclosed in the annual report. The process for determining pay, as per the board's Nomination & Remuneration Committee, should be explained in the annual corporate governance section. Any severance or special payments must be reported and justified.

d) **Fiscal Risk Statement**: The FCU shall continue to identify, monitor, and assess contingent liabilities arising from SOEs in Jordan, and shall integrate these findings into its annual Fiscal Risk Statement, in accordance with the Public Financial Management framework. To ensure analytical rigor and consistency, the MOF shall employ a fiscal risk assessment tool to evaluate SOE fiscal exposures to enhance transparency and fiscal oversight

e) **Aggregate Portfolio Report:** To promote oversight, the Government through GIMC shall publish an Annual State Ownership Report to Parliament and the public, consolidating key information about all SOEs. This report shall summarize the ownership portfolio, aggregate financial results, and a summary of sectoral performance. It shall also report on compliance with governance standards and any material changes[2]. This report will ensure Parliament and citizens have full visibility on how SOEs are managed.

10 Implementation, Revision, and Communication of the Policy

a) **Legal Adoption and Effective Date:** This Policy shall be adopted by Minister of Finance decision and if necessary, enacted through relevant legislation or regulatory directives. Any conflict between this Policy and SOE constitutions or statutes will be resolved in favor of the Policy, except where existing special laws require amendment.

b) **Compliance Monitoring and Enforcement:** GIMC shall monitor compliance with this Policy and relevant laws. Non-compliance - failure to publish audits, appoint minimum independent directors, or meet reporting deadlines - may result in formal sanctions. Possible measures include:

i. requiring remedial action plans;

ii. withholding dividend payments; or

iii. initiating changes in boards or management.

The MOF and Controller may also enforce compliance through the powers granted under the Companies Law No. 22 of 1997. In severe cases (such as flagrant misuse of assets), legal action may be pursued. To ensure accountability, GIMC and MOF will report periodically to the Cabinet on any issues of non-compliance and proposed corrective steps.

[2] Such as major investments, divestments and mergers

c) **Periodic Review and Stakeholder Communication:** This Policy itself shall be reviewed every 5 [five] years to incorporate lessons learned and international developments. The State Audit Bureau or an external reviewer may be engaged to assess Policy effectiveness. Updates or amendments to the Policy shall be publicly circulated and explained in a transparent manner. Finally, MOF and GIMC will proactively communicate with stakeholders[3] about this Policy and any SOE governance reforms. By engaging stakeholders, the Government shall build broader acceptance and understanding of the state ownership framework.

[3] Government bodies, SOEs, regulators and markets, private sector and investors, civil society and media

Appendix A

Borrowing Safeguards to Protect the Sovereign

Safeguard	Operational Trigger
Market-Producer Status	Entity funds ≥ 50% of operating costs from its own revenues, demonstrating financial self-sufficiency.
Autonomous Debt Service	Interest coverage ratio ≥ 4× and debt/EBITDA ratio ≤ 3× to ensure repayment capacity.
Zero Sovereign Guarantee	All loan contracts explicitly declare "no recourse to Treasury" to prevent implicit fiscal liabilities.

Appendix B

Roles and Responsibilities

Entity	Role
GIMC	• Act as the State's shareholder for Tier I SOEs and coordinate ownership oversight for Tier II SOEs. • Define and communicate SOE commercial mandates, ownership objectives, and performance expectations. • Lead board nomination processes in accordance with merit-based, fit-and-proper criteria. • Monitor SOE financial and operational performance and consolidate portfolio-wide reporting. • Assess proposed SOE borrowing, non-recourse financing, and investment transactions and make recommendations to the Ministry of Finance. • Issue ownership-level guidelines on board governance, disclosure, PSOs, dividends, and capital injections. • Report annually with the SOE report to the Ministry of Finance and Cabinet on SOE performance, risks, and reform priorities.
SOEs	• Submit accurate and timely financial statements, KPIs, and operational data. • Validate reported data with boards and executives. • Maintain robust internal control systems, risk management frameworks, and compliance mechanisms consistent with applicable laws and governance standards. • Implement board-approved strategic plans, budgets, and performance targets in alignment with their commercial mandate and any applicable PSOs. • Disclose any material risks, contingent liabilities, litigation exposures, or financial distress situations that may affect fiscal sustainability.

Line Ministries	• Set sector policies and tariffs. • Ensure strategic alignment. • Define sectoral policies, public service objectives, and SOE mandates. • Propose and negotiate PSOs, subject to MoF approval and budget funding. • Monitor SOE compliance with approved mandates and service delivery objectives. • Avoid operational interference in SOE management and board decisions. • Coordinate with GIMC and MoF to ensure mandates are financially sustainable. • Participate in board nomination committees in accordance with this Policy.
Ministry of Finance	• Coordinate fiscal policy responses when risks exceed safe thresholds. • Identify, assess, and monitor fiscal risks arising from SOEs, including contingent liabilities. • Maintain the centralized guarantee registry and oversee government guarantees and on-lending. • Approve or reject SOE borrowing, guarantees, and capital injections with fiscal implications. • Integrate SOE risks into fiscal planning, debt sustainability analysis, and the Fiscal Risk Statement. • Coordinate with GIMC and line ministries on mitigation measures for high-risk SOEs. • Advise the Council of Ministers on fiscal implications of SOE restructuring, divestment, or distress.

Appendix C

Risk Management Matrix

A. Profitability Metrics

- Return on Assets (ROA)
- Return on Equity (ROE)
- Cost Recovery Ratio

B. Liquidity Metrics

- Current Ratio
- Quick Ratio
- Debtor Turnover Days
- Creditor Turnover Days

C. Solvency Metrics

- Debt to Assets
- Debt to Equity
- Debt to EBITDA
- Interest Coverage Ratio
- Cash Interest Coverage
- Debt Coverage Ratio

D. Government Relationship Metrics

- Government Transfers to Total Revenue
- 50% Market-Producer Test (≥ 50% of operating costs funded from own revenue)

E. Composite Risk Indicator

- Z-Score to assess overall financial health and probability of distress.