

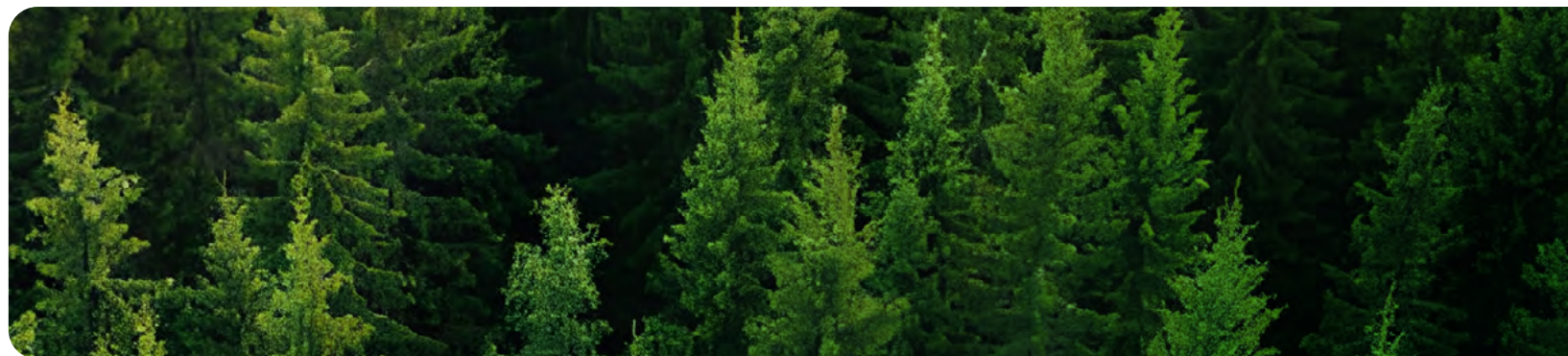


بنك صفوة الإسلامي
Safwa Islamic Bank

Climate Report 2025



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About The Report



Safwa Islamic Bank's Climate Report 2025 provides an overview of the Bank's approach to climate change and its progress in further integrating climate-related considerations into its operations, financing activities, risk management and decision-making processes. This is Safwa Islamic Bank's first standalone climate report. It presents the key initiatives and developments during the reporting year, reflecting the Bank's commitment to enhancing transparency and climate-related disclosure.

This report covers the period from 1 January 2025 to 31 December 2025 and has been prepared at Safwa Islamic Bank level to encompass the Bank's activities and operations. As measurement boundaries differ between operational emissions, financed emissions and climate-related assessments, the scope of each topic is explained in the relevant sections.

This report has been prepared with reference to the disclosure requirements of IFRS S2 Climate-related Disclosures, alongside the climate-related requirements and guidelines issued by the Central Bank of Jordan and the Amman Stock Exchange, where applicable. It also takes into account IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. The report addresses the core areas of governance, strategy, risk management, and metrics and targets, and provides an overview of Safwa Islamic Bank's approach to identifying, assessing and managing climate-related risks and opportunities.

The Bank draws on internationally recognised methodologies to support the measurement and disclosure of its climate-related performance, including the Greenhouse Gas Protocol and the Partnership for Carbon Accounting Financials (PCAF) methodology for measuring financed emissions. In 2025, Safwa Islamic Bank calculated its financed emissions for the first time, establishing a baseline for understanding the emissions associated with its financing and investment activities.

This report also forms part of the Bank's broader sustainability and climate action journey. It builds on the efforts, policies and practices developed in previous years and on disclosures published in its sustainability reports, while continuing to develop its approach to reporting and disclosing climate- and sustainability-related matters.



Message from The CEO



At Safwa Islamic Bank, we believe that climate action is no longer a complementary aspect of banking; it has become an essential part of our ability to strengthen the Bank's resilience and sustainability and support an economy capable of adapting to environmental and economic changes. With this in mind, throughout 2025 the Bank continued to embed its approach to managing climate risks and opportunities and to further integrate climate considerations into governance, strategy, risk management and financing decisions.

The year 2025 marked tangible progress in the Bank's climate journey, including the development of an integrated climate risk management system, the strengthening of relevant governance frameworks and responsibilities, and the integration of climate risks into enterprise risk management. The Bank also continued to develop its analytical capabilities to understand the potential impacts of climate change on its business and financing portfolio, supporting more informed decisions and building a stronger foundation for measuring, disclosing and managing climate-related risks and opportunities.

At the same time, we recognise that our role extends beyond risk management to capturing the opportunities offered by the transition to a more efficient, less carbon-intensive economy. The Bank therefore continues to expand its green finance portfolio and support renewable energy, energy efficiency and sectors that contribute to a sustainable transition, in line with national priorities and long-term development objectives. In 2025, the green finance portfolio reached JOD 141.2 million, while the green asset portfolio stood at JOD 37 million, alongside the USD 50 million green finance agreement with the International Finance Corporation. This reflects the Bank's direction towards using its financing capabilities to support activities and projects that contribute to a more resilient and sustainable economy.

To strengthen an integrated approach to sustainability and environmental, social and climate risk management, we developed the Environmental and Social Sustainability and Climate Risk Framework in line with the Environmental and Social Management System (ESMS), enhancing the integration of these considerations into our financing and risk management practices. This approach provides an important foundation for continuing to direct the Bank's business towards more sustainable financing and strengthening its ability to identify and manage the risks associated with the activities it finances.

Safwa Islamic Bank's first climate report presents a comprehensive picture of the Bank's approach to climate change and its progress in governance, strategy, risk management, measurement and disclosure.

We recognise that climate action is an ongoing journey that requires continuous development of data, capabilities and methodologies, as well as close collaboration with our customers, partners and stakeholders. We will therefore continue to develop our approach to strengthen the Bank's resilience, support our customers in their transition, expand our role in financing a more sustainable future, and contribute to a financial system and economy better equipped to address climate and future challenges.

Samer Tamimi
Chief Executive Officer



Safwa Islamic Bank at a Glance

Established in 2010, Safwa Islamic Bank (“Safwa”, the “Bank” or “we”) is a public shareholding company licensed by the Central Bank of Jordan to conduct and provide Islamic banking business and services in accordance with the Banking Law and the Companies Law. The Bank is a Jordanian Islamic financial institution headquartered in Amman, offering Sharia-compliant banking solutions. It combines digital innovation with personalised service to provide inclusive, ethical and high-quality financial services across the Kingdom, under a unified philosophy and slogan: Firm Principles, Innovative Solutions.

The Bank is headquartered in Amman and operates a network of 45 branches and 80 ATMs, serving customers across the main governorates, including Amman, Irbid, Zarqa, Balqa, Madaba, Aqaba, Karak, Mafrqa, Jerash and Ramtha. The Bank is also supported by its subsidiary, Misk Financial Brokerage, which extends its financial services beyond conventional banking services.

Safwa Islamic Bank’s operations adhere to the principles of Islamic Sharia, supporting ethical banking, financial inclusion and sustainable economic development in Jordan.

45 Branches

Nationwide network in 2025



867 Employees



7 Safwa Gold Branches



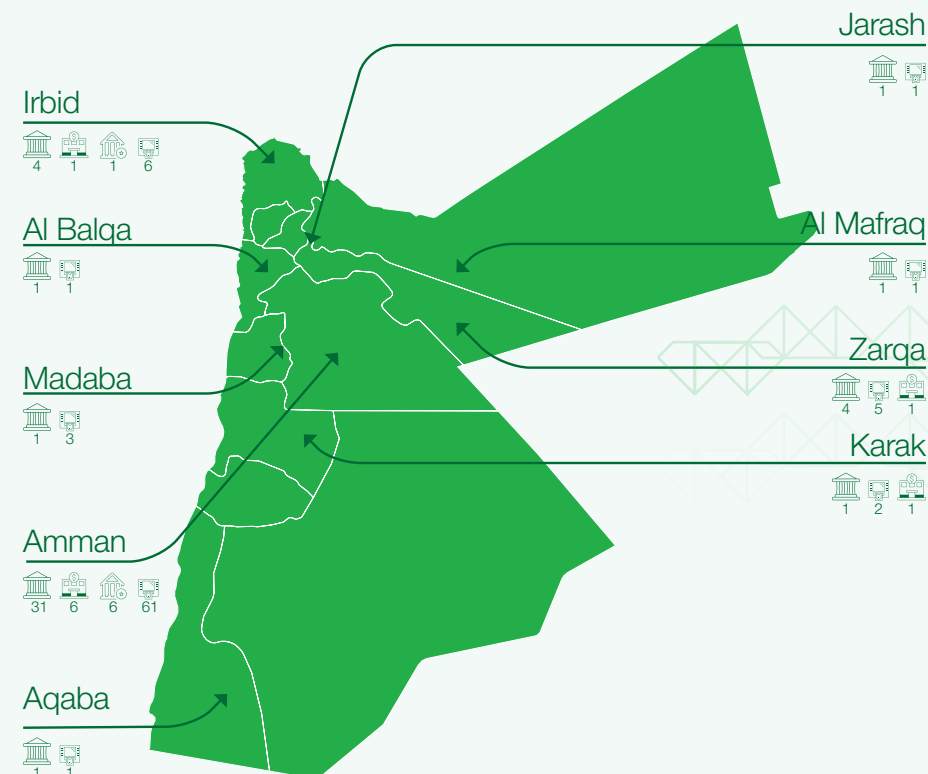
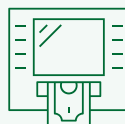
9 Small Businesses Centers

Presence Across 9 Governorates



80 ATMs

Serving customers across key governorates including Amman, Irbid, Zarqa, Balqa, Madaba, Aqaba, Karak, Mafrqa, Jerash, and Al Ramtha.





Our Charter

Our Values



Innovation

At Safwa Islamic Bank, we stand firmly by the principles of innovation and creativity, distinguishing ourselves as a leading financial institution by merging true Islamic values with the latest global technologies and innovative products and services, in order to deliver the best modern Islamic banking services.



Added Value

The concept of modern Islamic banking and the success of our clients are a reflection of our commitment to providing true and added value and generating feasible returns through the provision of the finest available banking services, which stems from Safwa Islamic Bank's absolute conviction that meeting the aspirations of our clients and granting them added value is the secret to our success.



Knowledge

At Safwa Islamic Bank, we adopt a system of banking policies and work regulations derived from Islamic Sharia teachings, and we are proud to present a new concept of modern Islamic banking services in Jordan.



Quality

At Safwa Islamic Bank, we have a wide range of solutions that were translated on the ground into products and services that were invented to be in complete harmony with our clients' financial needs, as they were designed on the principle of quality-based mastery.



Services Up to the Highest Global Standards

At Safwa Islamic Bank, we have built and designed all our modern products and services based on a deep and comprehensive understanding of our clients' needs and aspirations to ensure that they experience unique banking, that meet the highest global standards.

At Safwa Islamic Bank, our values of innovation, quality, and knowledge underpin the way we deliver Sharia-compliant financial services. These principles support the development of responsible, transparent, and customer-focused solutions, which form the foundation of the Bank's approach to sustainability and financial inclusion.

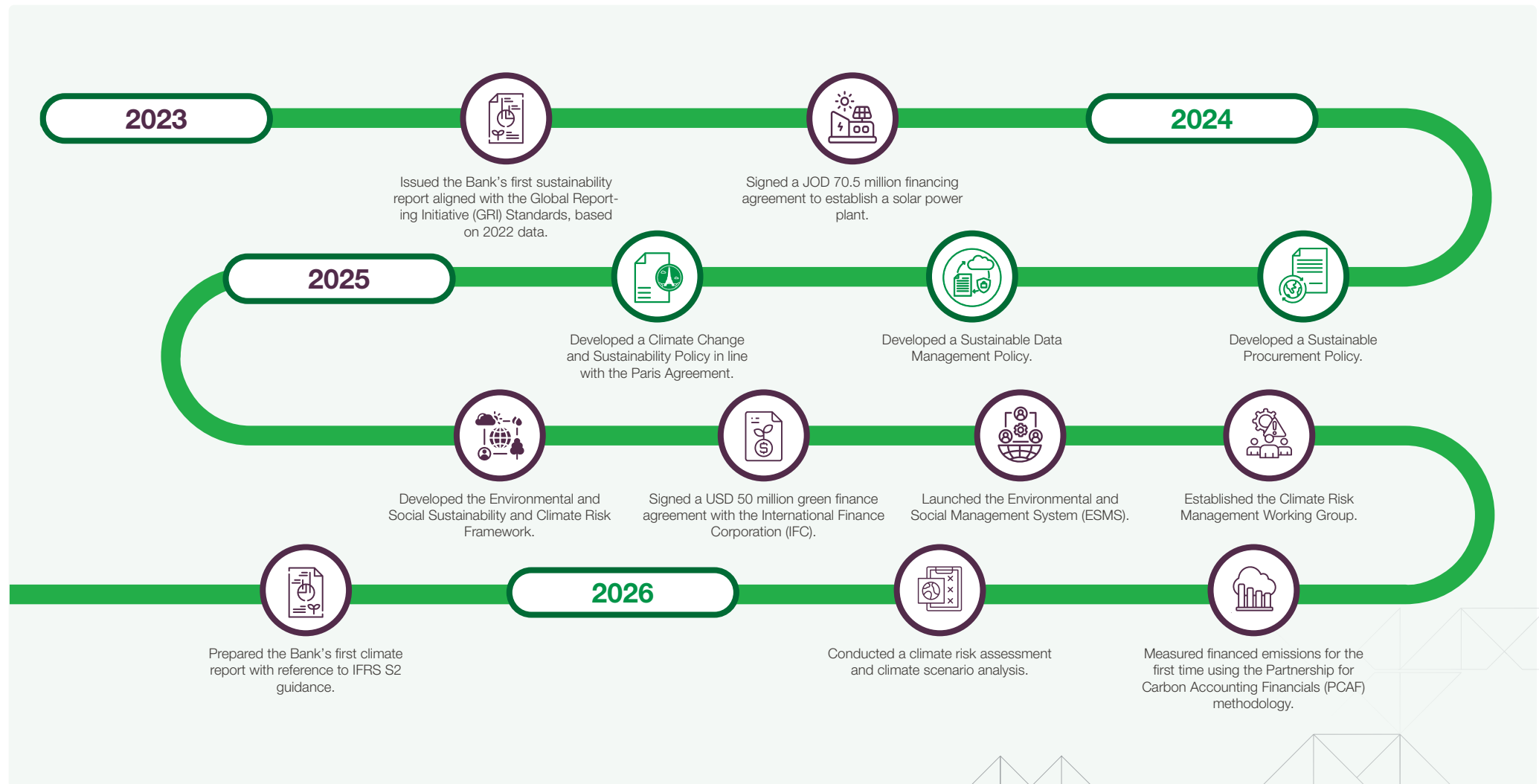
Our Vision

To become the leading community bank in Jordan by offering integrated and comprehensive services through "One-Group" that utilizes innovative methods and adheres to best practices.



Our Sustainability and Climate Journey

Safwa Islamic Bank's sustainability and climate action journey reflects the gradual evolution of its approach, from embedding sustainability practices and strengthening relevant frameworks and policies to developing an integrated climate risk management system and enhancing disclosure and preparedness to address climate risks and opportunities.





Climate in Focus

Safwa Islamic Bank's climate approach is guided by Jordan's national sustainable development agenda, including the Economic Modernisation Vision, the Central Bank of Jordan's Green Finance Strategy 2023–2028, national climate commitments, and the transition to a low-carbon, climate-resilient economy. The Bank has also developed a Climate Change and Sustainability Policy in line with the Paris Agreement. Within this context, the Bank continued to develop its institutional arrangements for addressing climate risks and opportunities and to strengthen their integration into governance, strategy, risk management and financing decisions.

In 2025, the Bank launched the Environmental and Social Management System (ESMS), developed the Environmental and Social Sustainability and Climate Risk Framework, and established a Climate Risk Management Working Group. The Bank also strengthened its risk assessment methodologies by integrating climate risks into its enterprise risk management framework, Internal Capital Adequacy Assessment Process and quantitative climate stress testing, alongside a qualitative climate risk appetite. This supports an understanding of the potential impacts of climate risks and strengthens preparedness to address them.

In parallel, these priorities were reflected in the Bank's financing activities through the expansion of financing for renewable energy, energy efficiency, sustainable transport and green buildings, and greater consideration of environmental and social factors in financing decisions. The Bank also measured the financed emissions associated with its financing and investment portfolio for the first time using the Partnership for Carbon Accounting Financials (PCAF) methodology, representing an important step towards strengthening measurement and disclosure of the climate footprint of its financing activities.

Safwa Islamic Bank continues to build on these foundations by developing its capabilities in governance, climate risk management, climate risk and opportunity assessment, and disclosure. This supports the gradual integration of climate considerations into decision-making and the Bank's ability to respond to climate-related changes over the short, medium and long term.





Sustainable Finance

- JOD 141.2 million green finance portfolio.
- JOD 37 million green asset portfolio.



Climate Impact

- 2.6 GWh of solar energy generated.
- 242 kg CO₂e / USD million financed emissions intensity.



Environmental and Social Risk Management

- Launched the Environmental and Social Management System (ESMS). Excluded coal-related activities from financing under the Environmental and Social Management System.

Key Climate Action Milestones in 2025

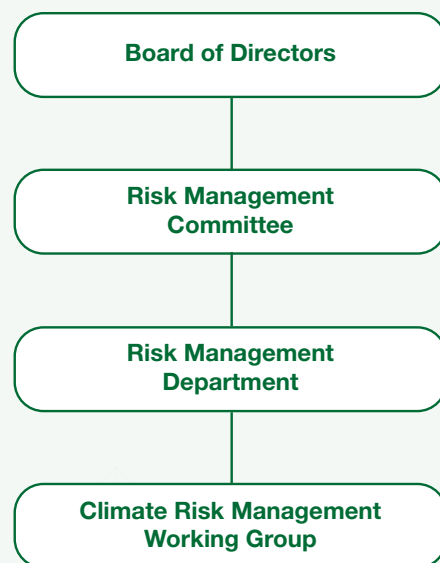


Governance



Sustainability Governance and Climate

Strengthening sustainability governance and climate is a key pillar of Safwa Islamic Bank's approach to risk management and business resilience. This is achieved through clearly defined roles and responsibilities across governance, executive management and operational levels, strengthening accountability and coordination in identifying and managing climate, environmental and social risks. This approach aims to embed climate considerations within enterprise risk management, support decision-making and financing processes, and strengthen compliance with relevant disclosure requirements.





The following table sets out the allocation of roles and responsibilities within the sustainability governance and climate structure, supporting clear accountability and coordinated responsibilities across governance and risk management.

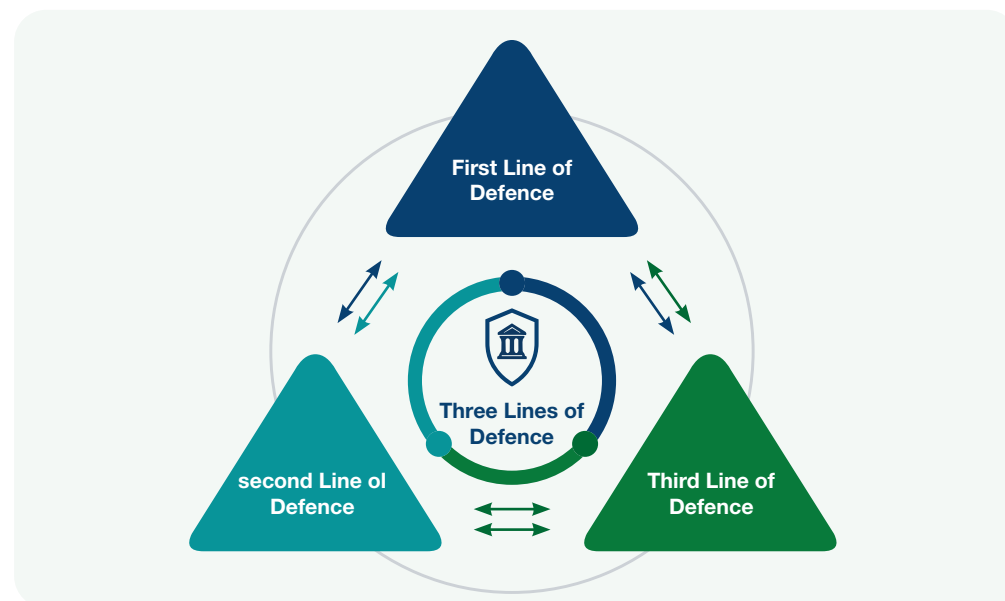
Governance Body	Sustainability and Climate Roles and Responsibilities
Board of Directors 	Ensure the Bank's compliance with sustainability- and climate-related disclosure requirements; oversee progress toward its sustainability objectives; identify and understand climate-related financial risks that may affect the Bank and ensure that such risks are appropriately considered and integrated into the Bank's business strategy and risk management framework; approve policies and procedures within the Bank's Risk Management Strategy for identifying, assessing, and managing climate-related financial risks, and review and update them annually, or as necessary; and periodically review and assess climate-related risks, as well as any material developments, through the Risk Management Committee.
Risk Management Committee 	Submit recommendations to the Board of Directors on the environmental and social sustainability and climate risk framework and acceptable levels of environmental, social and climate risks; provide guidance on mitigating these risks.
Senior Executive Management 	Implement the Board of Directors' strategies and policies for climate risk management. Responsibilities include developing and maintaining a robust climate risk management framework; clearly and explicitly defining roles and responsibilities for identifying and managing climate-related financial risks within the Bank's organisational structure; and ensuring that relevant personnel have sufficient resources and expertise to fulfil their climate-related financial risk management responsibilities effectively.
Risk Management Department 	Responsible for defining acceptable levels of environmental, social, and climate-related risks; incorporating sustainability and climate risks into the Risk Management Strategy; integrating climate-related risks into the overall Risk Management Framework; conducting annual quantitative climate stress testing; and assessing climate-related risks as part of the annual Internal Capital Adequacy Assessment Process (ICAAP). It is also responsible for maintaining the Environmental and Social Management System (ESMS) framework and risk classification methodology, as well as monitoring environmental and social risk exposure at the portfolio level.
Climate Risk Management Working Group 	Coordinate the efforts of departments involved in climate risk management; identify and assess climate change risks and their impacts on financing, investments and operations; integrate these risks into the risk management framework and decision-making processes; monitor compliance with regulatory requirements; review climate-related policies and procedures; and promote awareness of climate risks.



Establishment of the Climate Risk Management Working Group

As part of Safwa Islamic Bank's efforts to strengthen its preparedness for climate change risks, and in response to the Central Bank of Jordan's climate risk management requirements, the Bank established a dedicated Climate Risk Management Working Group in 2025 under the supervision of the Head of the Risk Management Department. The group supports the examination and monitoring of climate risk matters and operates within the Bank's existing governance structure. It coordinates across the Bank's departments, including Finance & Corporate Strategies, Risk Management, Credit, Business, Compliance and Sharia Compliance, contributing to the gradual development of a climate risk management framework and stronger institutional preparedness in line with the nature of the Bank's business and relevant regulatory requirements.

The Three Lines of Defence



The Bank integrates climate-related financial risks into its internal control and oversight systems through the three lines of defence, ensuring that material climate-related financial risks are identified, measured, managed and mitigated appropriately, comprehensively and effectively.

First Line of Defence:

The first line of defence has primary responsibility for identifying and managing climate-related financial risks. Its responsibilities include conducting climate-related risk assessments when reviewing credit applications, including requesting environmental and social impact assessments and/or environmental approvals and permits for projects that require them, and integrating climate risk considerations into credit reviews, ongoing monitoring, customer engagement and approval of new products or business activities. First-line personnel must also have sufficient awareness and understanding to identify, assess and address potential climate-related financial risks within their responsibilities.

Second Line of Defence:

The second line of defence is responsible for assessing and monitoring climate-related financial risks independently of the first line, including reviewing and testing the first line's initial assessments. Its responsibilities also include establishing relevant frameworks, methodologies and policies; integrating climate risks into the Bank's risk management system; monitoring exposure levels and mitigation measures; and ensuring compliance with applicable rules, instructions and supervisory requirements.

Third Line of Defence:

The third line of defence provides independent review and objective assurance on the adequacy and effectiveness of internal control and oversight systems, including assessing the effectiveness of the roles and responsibilities of the first and second lines and the climate-related governance and risk management framework. This includes evaluating the appropriateness and effectiveness of controls and procedures in light of changes to working methods and the business model arising from climate-related risks, as well as assessing the quality of relevant data.

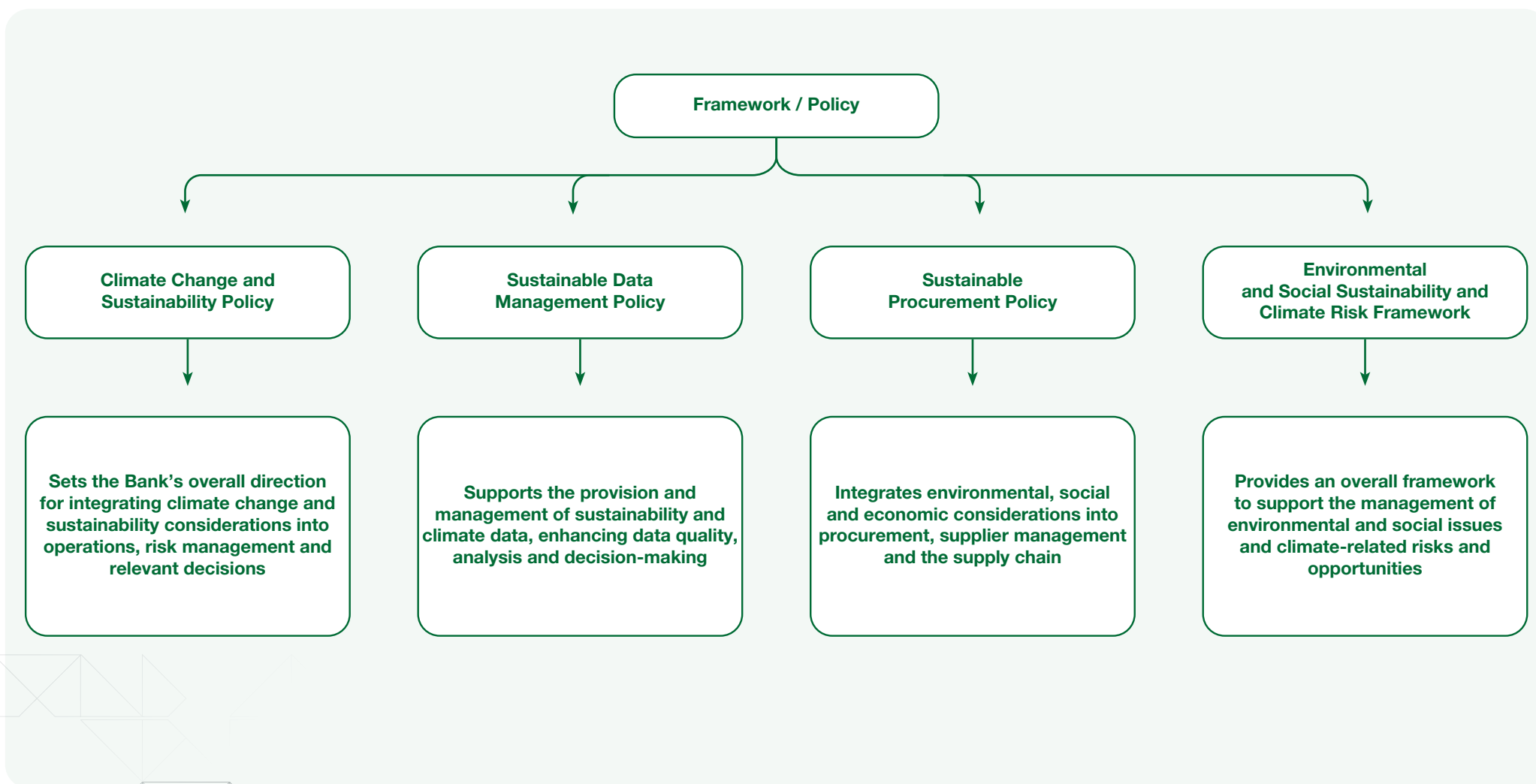
Building Climate Capabilities

The Bank continues to strengthen its institutional capabilities in climate-related risks by developing relevant knowledge and skills among the Board of Directors, its committees, executive management and relevant employees, in proportion to their roles and responsibilities. The Bank also works to raise climate risk awareness, develop the expertise needed to identify, assess and manage these risks, and draw on specialist expertise when needed.



Sustainability and Climate Policies and Frameworks

Safwa Islamic Bank supports the integration of sustainability and climate considerations into its business through a set of relevant institutional policies and frameworks. These policies provide a basis for organising climate and sustainability practices, strengthening the management of environmental and social risks and impacts, and supporting responsible decision-making across the Bank.





Strategy



The Climate Context in Which We Operate

Jordan is highly exposed to the impacts of climate change, with water scarcity, rising temperatures, persistent drought conditions and extreme weather events placing growing pressure on communities, infrastructure and economic activity. These pressures are particularly significant given the country's limited water resources. Climate projections indicate that temperatures could rise by approximately 1.2–2.2°C by 2050, while water availability could fall below 100 cubic metres per person per year.

For Safwa Islamic Bank, these conditions are directly relevant to its operations, customers and the sectors it finances. Extreme heat and flooding may affect buildings, infrastructure and business continuity, while long-term water scarcity may increase operating and production costs and place greater pressure on household affordability, business operating costs, public finances and the value of financed assets. Accordingly, the Bank's country-level climate assessment indicates rising exposure in Jordan to risks including water scarcity, extreme heat and river flooding, reinforcing the importance of considering physical climate risks alongside traditional financial risks. At the same time, Jordan is moving towards a low-carbon, more climate-resilient economy. Jordan's Third Nationally Determined Contribution (NDC 3.0) reinforces this direction by integrating mitigation, adaptation and resilience across economic sectors. It identifies 2035 as the principal target year and includes a longer-term pathway towards net zero emissions by 2050. Priority areas include renewable energy and energy storage, sustainable transport, energy-efficient buildings, climate-resilient agriculture, water efficiency and industrial decarbonisation.

The financial sector plays an important role in supporting this transition. The Central Bank of Jordan's Green Finance Strategy 2023–2028 seeks to strengthen the resilience of Jordan's financial system to climate-related risks while directing capital towards environmentally sustainable activities. The strategy also encourages financial institutions to integrate climate considerations into governance, risk management, internal controls, disclosure and financing decisions.

Within this context, Safwa Islamic Bank takes the Central Bank of Jordan's Green Finance Strategy and the Economic Modernisation Vision into account in shaping its approach to sustainability. Its broader sustainability framework also supports contributions to the United Nations Sustainable Development Goals and connects the Bank's financing, environmental management and social priorities with national and international sustainable development objectives.



These developments are relevant to Safwa Islamic Bank's business model. The transition to a low-carbon economy may create potential adjustment costs for customers in sectors affected by changes in regulations, technologies, energy systems and market preferences, alongside financing needs for renewable energy, more efficient buildings, sustainable transport and climate resilience. The Bank therefore views climate change as both a source of risk and an opportunity to strengthen its role in financing the transition and supporting a more resilient and sustainable economy.

The Bank explicitly considers material climate-related financial risks in its overall business strategy and risk management strategy. This includes understanding and assessing how these risks affect the robustness of the Bank's business model over the short, medium and long term, and considering their effects on the Bank's ability to achieve its objectives. It also includes understanding and assessing the Bank's exposure to structural changes in the economy, financial system and competitive environment arising from climate-related risk factors.

The Bank's internal strategies and risk tolerance are also aligned with its publicly announced climate-related strategies and commitments.



Climate-Related Risks and Opportunities

Climate-related risks and opportunities can affect financial institutions directly and indirectly through their effects on customers, sectors and assets financed by the Bank, with potential implications for financing portfolio quality, financial performance, business continuity and growth capacity. The transition to a low-carbon economy is also accompanied by changes in policies, regulations, technologies, markets and stakeholder expectations, creating new challenges and opportunities for the banking sector.

Safwa Islamic Bank considers climate-related risks under two main categories: physical risks arising from the direct impacts of climate change, such as rising temperatures, water scarcity, floods and extreme weather events; and transition risks associated with the shift towards a low-carbon economy and accompanying changes in policies, regulations, technologies, markets and customer behaviour. These considerations have become an increasingly important part of the Bank's approach to risk management and financing, as it develops the Environmental and Social Sustainability and Climate Risk Framework and the Environmental and Social Management System (ESMS), and strengthens dedicated climate risk governance.

To deepen our understanding of climate exposures, the Bank assessed physical and transition risks across relevant sectors and geographical areas to identify sources of exposure and understand their potential effects on the Bank's business and financing portfolio. The Bank also considers the time horizons of these risks within its strategic and risk management processes: short term (0–3 years), medium term (3–10 years) and long term (more than 10 years). This supports a comprehensive view of potential climate risk impacts and is complemented by qualitative and quantitative risk assessments and the gradual integration of climate considerations into risk management, decision-making and disclosure.

Climate change also presents opportunities that can support the development of banking activities and direct financing towards more sustainable activities that are more resilient to climate change impacts. The Bank evaluates these opportunities in light of customer needs, sectoral and market changes, and regulatory and climate developments, strengthening its ability to benefit from the transition to a low-carbon economy.

Accordingly, Safwa Islamic Bank treats climate change as a factor affecting both risks and opportunities. It works to strengthen its ability to identify, understand and manage these effects while continuing to develop its climate response in support of the Bank's resilience, business sustainability and ability to respond to expected economic and climate changes.





Climate Risks

The principal climate-related risks that may arise from the Bank's activities and operations have been identified to enhance understanding of their nature and potential impacts on the Bank. The table below presents the principal climate risks and related matters, their potential effects on the Bank's activities, and the measures taken to address them within the risk management framework.

Risk Type	Risk Driver	Description of Climate Risk	Time Horizon	Affected Banking Risk Categories	Potential Impact Channels	Management of these risks
 Transition Risks	Policies and Legislation	Changes in climate-related policies and legislation, including requirements and measures for emissions reduction and climate change adaptation.	Short to long term	Credit risk Operational risk Compliance risk	Higher compliance and climate change adaptation costs, with potential effects on customers' financial performance and creditworthiness.	Monitor developments in relevant legislation, regulations and instructions; incorporate environmental, social and climate considerations into the Environmental and Social Management System (ESMS); and consider climate risks in climate stress testing.
	Technology	Technological changes resulting from the transition to a low-carbon economy and associated changes in the technologies used in economic activities.	Medium to long term	Credit risk Operational risk	Obsolescence of certain assets or technologies and the need for new investments, potentially affecting customers' financial capacity.	Identify and monitor sector-level transition risk exposures through the climate risk heatmap and conduct climate stress tests.
	Market	Changes in market conditions, demand, prices and operating costs resulting from the climate transition.	Medium to long term	Credit risk Market risk Liquidity risk	Potential pressure on revenues and cash flows, which may affect credit risk.	Monitor the distribution and concentration of the credit portfolio by sector using the climate risk heatmap, and identify the sectors most exposed to transition risks to support risk assessment and monitoring.
	Reputation	Risks associated with the environmental, social and climate aspects of financed activities and stakeholder expectations.	Short to medium term	Reputational risk Strategic risk	Potential impact on the Bank's reputation and stakeholder confidence.	Manage the environmental and social aspects of financed activities through the Environmental and Social Management System (ESMS).



Risk Type	Risk Driver	Description of Climate Risk	Time Horizon	Affected Banking Risk Categories	Potential Impact Channels	Management of these risks
 Physical Risks	Acute	Acute climate events such as extreme heatwaves, floods and other events that may cause physical damage or disrupt economic activities.	Short to medium term	Credit risk Operational risk Market risk	Potential damage to assets and collateral and business disruption, which may increase credit risk.	Assess sector-level exposure to physical climate risks through the climate risk heatmap and measure climate scenario impacts through climate stress testing.
	Chronic	Persistent, long-term climate changes that may gradually affect economic activities and assets.	Long term	Credit risk Operational risk Market risk Liquidity risk	Higher operating costs and lower productivity or asset values, potentially affecting customers' repayment capacity.	Assess exposure to long-term physical climate risks through the climate risk heatmap and conduct climate stress tests.

Time horizons are classified as follows: short term (0–3 years), medium term (3–10 years) and long term (more than 10 years). The time horizon specified for each risk indicates the period in which its effects are expected to emerge or become more material, although some risks may span more than one time horizon.

Potential Financial Effects of Climate Risks

The Bank considers the current and potential effects of climate-related financial risks on its financial position, financial performance and cash flows over the short, medium and long term. It also takes these factors into account in its financial planning and risk management processes, in a manner proportionate to the nature and significance of the identified climate risks.

In this context, the Bank assesses climate risks that could materially affect the amounts recognised and liabilities reported in its financial statements, including risks that may require material adjustments to the carrying amounts of assets and liabilities within the next annual financial reporting period, in a manner proportionate to the nature and significance of those risks.





Transmission of Climate Risks to Safwa Islamic Bank's Risk Profile

Safwa Islamic Bank examines how physical and transition climate risks are transmitted to its existing financial and non-financial risk categories, taking into account the nature of the potential impact and the period over which it may arise. Although the transmission channels identified are not intended to predict specific financial outcomes, they provide a structured view of how climate change may affect Safwa Islamic Bank's risk profile over the short, medium and long term.

The assessment indicates that climate-related risks have not yet had a material effect on the Bank's core business. However, we recognise that physical and transition risks in Jordan may intensify over time, increasing their relevance to customers, financed assets, operations and the wider financial environment.

Risk Category	Physical Risk Impacts	Transition Risk Impacts	Time Horizon for Materialisation
Credit Risk 	Increased defaults among weather-sensitive customers, such as customers in agriculture or properties located in areas exposed to climate risks.	Higher operating and compliance costs for carbon-intensive customers; potential impairment of asset values as a result of the transition to a low-carbon economy or certain assets becoming stranded.	Short term: Weather-related effects on customers. Medium term: Pressures associated with policy changes. Long term: Potential deterioration in credit quality due to climate risks.
Market Risk 	Volatility in commodity and food prices resulting from disruptions associated with physical climate risks, with possible changes in the valuation of securities and financial assets.	Repricing of energy and real estate assets as markets shift towards low-carbon alternatives, potentially reducing the value of certain assets.	Short term: Market volatility. Medium term: Changes in investor preferences. Long term: Repricing of capital and asset impairment.
Liquidity Risk 	Potential deposit withdrawals or drawdowns on credit facilities following climate events, which may increase liquidity pressures.	Higher funding costs or reduced access to international and development finance when the portfolio's climate performance does not meet evolving expectations.	Short term: Liquidity pressure resulting from climate events. Medium term: Changes in funding costs. Long term: Potential constraints on access to funding sources.
Operational Risk 	Disruption to branches, ATMs and other infrastructure due to floods, storms and extreme heat, alongside higher cooling, insurance and maintenance costs.	Increased climate-related compliance, reporting, data and system requirements. Higher equipment maintenance costs and third-party sourcing costs.	Short term: Business disruption. Medium term: Higher compliance and system costs. Long term: Continued investment in operational resilience.



Risk Category	Physical Risk Impacts	Transition Risk Impacts	Time Horizon for Materialisation
Business Risk 	The Bank's exposure to economic sectors highly sensitive to physical climate risks, such as agriculture, construction and tourism, may affect customers' business continuity and demand for banking products and services, potentially affecting the performance of certain sectors and demand for financing.	Misalignment with national transition pathways or failure to respond to emerging opportunities in renewable energy and energy efficiency.	Short term: Exposure to climate events. Medium term: Changes in competitiveness. Long term: Potential changes in business models and the importance of financing directed towards eligible activities.
Reputational Risk 	Effects on the Bank's reputation from financing locations or activities highly exposed to climate risks, or from the Bank's response to climate risks.	Scrutiny of financing that is inconsistent with national climate priorities or stakeholder expectations, and the potentially growing importance of reliable information on sustainable finance.	Short term: Concerns associated with the Bank's transactions. Medium term: Increased scrutiny of the Bank's climate performance. Long term: Growing importance of reliable information and sustainable finance.

The transmission channels show that climate-related risks can affect Safwa Islamic Bank through multiple pathways rather than a single standalone risk category. Credit risk is particularly important given the potential effects on customers' repayment capacity and collateral values. Market, liquidity, operational, business and reputational effects may also become more significant as physical climate conditions intensify and Jordan's transition to a low-carbon economy progresses.

Climate-Related Opportunities

Climate change and the transition to a low-carbon economy create new opportunities as well as risks for the Bank's business and financing portfolio. These opportunities can support growth, diversify the financing portfolio and strengthen the Bank's ability to meet customers' changing financing needs. Safwa Islamic Bank considers these opportunities in light of Jordan's climate and economic developments, particularly the expansion of renewable energy, sustainable transport and resource efficiency, and the growing need to finance climate adaptation investments.

The Bank has an established foundation for capturing these opportunities through its green finance portfolio, financing for solar energy projects, electric vehicles and green buildings, and its partnership with the International Finance Corporation (IFC) through the USD 50 million green finance agreement, supporting the gradual expansion of climate- and sustainability-related financing.



Climate Opportunity		Time Horizon	Context and How the Opportunity Can Be Pursued	Potential Value to the Bank
Expanding green and sustainable finance		Short to medium term	The growing need to finance activities and projects supporting the transition to a low-carbon economy enables the Bank to expand financing for green projects and activities and draw on its existing experience and partnerships in this area.	Growth of the green finance portfolio, diversification of the financing portfolio, and a stronger position in sustainable finance.
Financing renewable energy and energy efficiency		Medium to long term	Greater reliance on renewable energy sources and the growing need to reduce energy consumption and costs create scope to expand financing for solar energy projects and energy efficiency solutions for individuals and businesses.	Developing new financing areas, meeting customers' needs and increasing climate-related financing.
Financing sustainable transport		Medium to long term	The gradual shift towards electric vehicles creates scope to increase financing for these vehicles and support the transport sector's transition.	Growing sustainable finance, responding to rising financing demand and diversifying the financing portfolio.
Financing activities that support a low-carbon economy		Medium to long term	The transition to a low-carbon economy changes financing needs across a number of economic activities, enabling the Bank to direct financing towards activities benefiting from this transition while considering the associated risks and opportunities.	Creating new growth opportunities, diversifying financed sectors and activities, and strengthening the Bank's preparedness for economic changes.
Financing climate change adaptation		Medium to long term	The growing need for investments that help individuals and businesses address rising temperatures, water scarcity and extreme weather events creates scope to finance solutions that improve water and energy efficiency and strengthen the ability of assets and businesses to withstand climate conditions.	Opening new financing areas and strengthening customers' ability to withstand climate risks.
Developing climate-related banking products and services		Short to medium term	Emerging financing needs associated with renewable energy, sustainable transport and resource efficiency create scope to explore and develop products and services that meet customers' climate-related needs in line with the Bank's frameworks and policies.	Enhancing the Bank's competitiveness and responding to customers' changing needs.
Improving operational efficiency and reducing resource consumption		Short to medium term	Digital transformation and improved resource use create opportunities to reduce paper and water consumption and increase operational efficiency through continued expansion of digital services, better resource use and fewer resource-intensive processes.	Reducing operating costs, improving operational efficiency and reducing the environmental impact of the Bank's operations.

Time horizons are classified as follows: short term (0–3 years), medium term (3–10 years) and long term (more than 10 years). Some opportunities may span more than one time horizon. The time range therefore reflects the period in which the opportunity is expected to develop and its potential effects on the Bank's business and strategy to emerge.



Risk Management



Our Approach to Climate Risk Management

Safwa Islamic Bank adopts a gradual, integrated approach to climate risk management, aimed at identifying physical and transition climate risks, understanding their impact channels on the Bank's business and financing portfolio, and integrating them into enterprise risk management in proportion to the nature and scale of exposures. This approach is based on assessing climate risks across relevant sectors and exposures and using scenario analysis and climate stress testing to deepen understanding of potential effects on the portfolio and financial position. It also considers climate risks within the Internal Capital Adequacy Assessment Process and the Bank's sustainability and climate risk appetite.

The Bank also uses a physical and transition climate risk heatmap to illustrate sectoral climate risk exposure levels and identify priority areas for risk management. This approach is supported by developing relevant frameworks and methodologies, improving the availability of climate data and information, and integrating environmental, social and climate considerations into financing decisions, enhancing the ability to monitor risks early and identify appropriate mitigation measures. The Bank continues to develop its approach gradually in line with evolving regulatory requirements and relevant practices, strengthening its preparedness to address climate impacts over the short, medium and long term.





Climate Risk Assessment

Safwa Islamic Bank conducted a sector-level climate risk assessment of its credit portfolio to identify the sectors most exposed and vulnerable to climate risks, improve the Bank's understanding of risk levels, and prioritise responses within the risk management framework.

The assessment was based on the Bank's sectoral exposures and the nature and sensitivity of each sector to climate risks. It considered the two principal risk types: physical risks arising from the direct and anticipated impacts of climate change, and transition risks associated with the regulatory, technological, market and economic changes accompanying the transition to a more sustainable, less carbon-intensive economy.

Accordingly, each sector's climate risk level was assigned one of three main ratings: low, medium or high. The climate risk map below presents the sector-level and exposure assessment results, providing a comprehensive view of climate risk distribution within the credit portfolio and supporting the identification of sectors requiring closer monitoring and analysis.

Climate Risk Heatmap by Sector and Exposure

Sector	Transition Risks	Physical Risks
Government or Government-Guaranteed	Medium	Low
Other Sectors	Medium	Low
Commercial Real Estate	High	Medium
Real Estate Financing	High	Medium
Industry	High	High
Healthcare	Low	Medium
Financial Sector	Medium	Low
Trade	Medium	Medium
Vehicle Financing	High	Low
Energy and Renewable Energy	Low	Medium

The assessment results show that climate risk levels vary across sectors because of differences in the nature of economic activities and their sensitivity to physical and transition risks, as well as the Bank's differing levels of exposure to these sectors.

High risk levels are concentrated in sectors with greater sensitivity to climate risks and relevant exposure levels within the portfolio, while low levels reflect limited vulnerability to climate risks and/or lower exposure.

The assessment outputs are used as an input to identify priority sectors for further analysis and monitoring and to strengthen the integration of climate risk considerations into credit risk management and decision-making.





Scenario Analysis

The Bank conducted qualitative climate scenario analysis to assess potential climate risk impacts and understand how they may evolve under different climate pathways.

The analysis drew on the portfolio climate risk assessment, considering the nature of credit exposures and relevant climate factors to provide a forward-looking view of the potential impacts of physical and transition risks.

Scenario analysis aims to enhance the Bank's understanding of the potential effects of climate change and the transition to a low-carbon economy and support the consideration of these matters in risk management practices and future planning.



Climate Scenarios Used

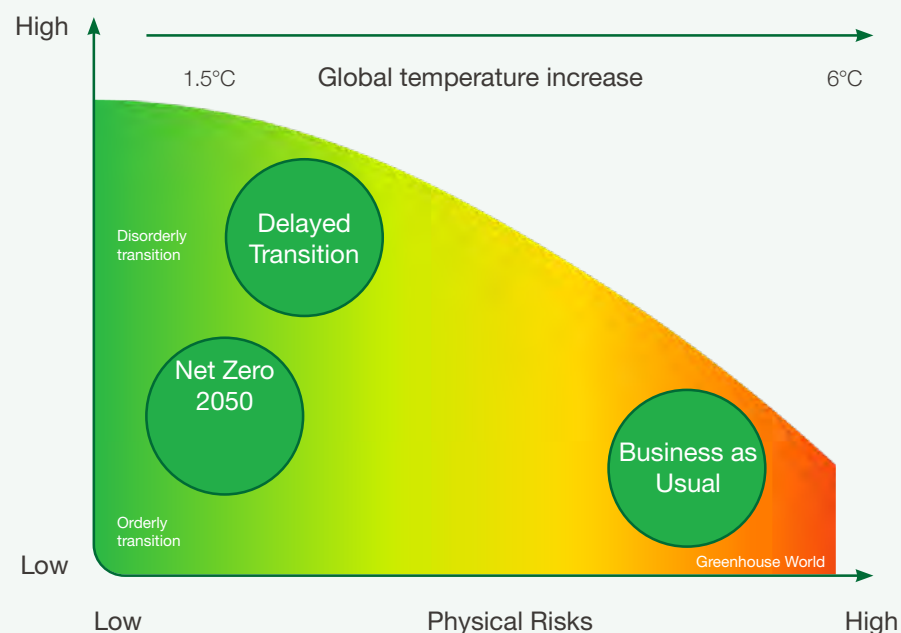
Three climate scenarios from the Network for Greening the Financial System (NGFS) were selected. They represent different pathways for climate policies, emissions and climate conditions, and the associated physical and transition risks.

Climate Scenario	Classification / Warming Level	Pathway Description
Net Zero 2050	Orderly transition – 1.5°C	This scenario represents an orderly transition to a low-carbon economy, with early and gradual climate action and policies aimed at achieving substantial emissions reductions and net zero emissions by 2050. This pathway places greater importance on transition risks, reflecting expected changes in policies, regulations and technology and the investments needed to support the transition, while physical risks remain relatively limited compared with higher-warming pathways.
Delayed Transition	Disorderly transition – Below 2°C	This scenario assumes delayed climate action followed by a faster and more abrupt transition at a later stage. This pathway may involve simultaneous physical and transition risk pressures, reflecting the accumulation of climate impacts before adaptation measures expand, alongside faster changes in policies, technology and markets during the transition.
Current Policies	Hot house world – Around 3°C	This scenario reflects the continuation of current policies without a material acceleration in emissions reduction measures. This pathway leads to higher long-term physical risks as warming and associated climate events continue, while transition pressures remain relatively lower, particularly in the near term.



The analysis shows that the nature and level of potential climate risks vary according to the climate transition pathway and the timing of climate action.

Overall, the results highlight differences between physical and transition risks: transition risks become more significant in pathways requiring a faster shift to a low-carbon economy, while physical risks increase in pathways where higher warming levels persist for longer.



Key: The scale progresses from green to red. Green indicates a low increase in global temperature and limited physical impacts, while red represents a substantial increase in global temperature leading to greater physical risk impacts.

Potential Impacts of Climate Risks on the Bank

Climate risks may be transmitted to the Bank directly or indirectly through several channels associated with credit exposures, assets and portfolio-related activities.

Physical Risks

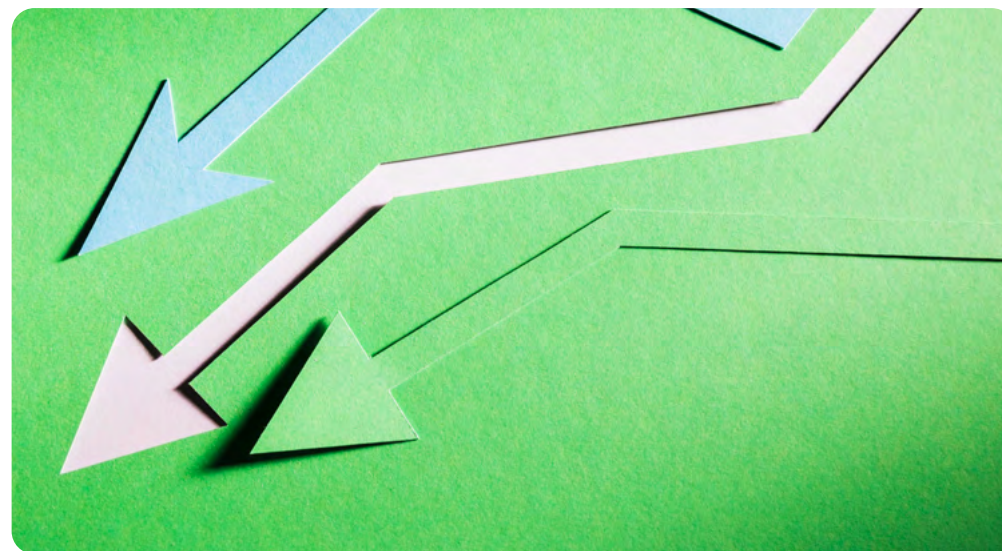
Physical risks may affect the Bank through potential damage to customers' assets or collateral, disruption to operations and supply chains, and higher operating, insurance and repair costs. These may affect cash flows, repayment capacity, credit quality and the values of certain assets and collateral.

Physical risks also include the effects of acute climate events, such as floods, extreme heat and storms, alongside chronic climate changes, such as rising temperatures and water scarcity.

Transition Risks

Transition risks may be transmitted through changes in climate-related policies and regulations, technological developments, energy prices, energy efficiency and emissions reduction requirements, and changing market and customer preferences.

Customers may also face additional investment needs to adapt to transition requirements, with potential effects on cash flows, repayment capacity and the economic value of certain assets and activities.





Time Horizons

Climate scenario analysis considers the evolution of risks and potential impacts over different time horizons, helping the Bank understand how climate impacts and transition-related changes accumulate over time.

Safwa Islamic Bank assesses climate scenario impacts over the short, medium and long term, taking into account exposure size and concentration and sectoral sensitivity to climate change.

Short term (0–3 years)	Medium term (3–10 years)	Long term (more than 10 years)
Focuses on potential impacts over the next few years, supporting understanding of risks associated with near-term climate, regulatory and technological changes.	Focuses on the evolution of risks over the medium term, considering potential changes in climate, regulatory and economic conditions.	Focuses on the cumulative effects of expected long-term changes, including climate, policy and economic changes and developments associated with the transition to a low-carbon economy.



Implications for the Bank's Resilience and Risk Management

Scenario analysis provides a forward-looking perspective that helps the Bank understand how climate risks may evolve under different pathways and supports their consideration in risk management and planning.

The results support continued monitoring of physical and transition risk exposures and greater consideration of climate factors in credit and risk management processes.

Safwa Islamic Bank benefits from scenario analysis through:

Strengthening forward-looking monitoring of climate exposures: Tracking how risks evolve in light of climate, regulatory and economic changes.

Developing early warning indicators: Supporting the monitoring of changes that may affect portfolio quality and repayment capacity.

Strengthening the link between climate and credit risks: Developing a better understanding of how climate risks are transmitted to asset quality, cash flows and collateral values.

Supporting planning and decision-making: Using scenario results as an input to understand potential medium- and long-term climate risk impacts.

As data availability, methodologies and supervisory practices evolve, the Bank will continue to develop its climate scenario analysis capabilities and strengthen the use of the results in risk management and planning.



Climate Stress Testing

Recognising the growing impact of climate change on the financial sector, the Bank is strengthening its ability to identify, measure and assess the potential financial effects of climate-related risks. These risks have become an emerging factor that may affect customers' creditworthiness, the quality of the Bank's financing portfolio, profitability and capital levels.

In this context, the Bank conducted stress tests based on 2025 data using scenarios specified by the Central Bank of Jordan. These tests aim to assess the Bank's ability to withstand potential financial shocks arising from physical and transition risks and to measure their impact.

Physical Risks: Physical risks refer to the potential financial effects of events and phenomena associated with climate change. These risks may arise from acute climate events such as floods, storms and unusual weather conditions, including heatwaves and other extreme weather events.

These risks may affect customers' assets, operations, supply chains and ability to continue their activities, potentially affecting their ability to meet financial obligations and increasing credit risk.

The Bank tested the impact of physical risks on several economic sectors most vulnerable to climate-related events, including industry, agriculture, real estate, and tourism, hotels and restaurants.

Transition Risks: Transition risks refer to financial risks arising from the transition to a low-carbon economy. They may result from changes in environmental policies and legislation, technological progress, market shifts or increased costs associated with reducing carbon emissions.

These changes may have a greater effect on companies and sectors with high carbon emissions because of higher compliance costs or the need for capital investment to transition to low-carbon technologies and activities, potentially affecting their financial performance and ability to meet their obligations.

To assess this type of risk, the Bank applied scenarios to portfolios with high carbon emissions.

Stress Test Results:

The climate-related stress tests demonstrated the Bank's ability to absorb the financial effects of climate shocks under the scenarios tested. The results also enhanced the Bank's understanding of its financing portfolio's sensitivity to physical and transition risks.

The Bank will continue to gradually integrate climate-related risks into its risk management framework, capital adequacy assessment processes and credit decisions.

Integration of Climate Risks into Enterprise Risk Management (ERM)

In 2025, the Bank integrated climate risks into its overall Enterprise Risk Management (ERM) framework as a source of risk that may affect its activities and credit portfolio. This integration aims to strengthen the identification, assessment and monitoring of climate risks within the Bank's risk management system.

Risk Appetite

In 2025, the Bank qualitatively integrated environmental and social sustainability risks and climate risks into its risk appetite for 2026 to establish its approach to accepting and managing related exposures within the risk management framework.

The risk appetite reflects the Bank's commitment to managing environmental, social and climate exposures by not financing activities and projects classified as environmentally prohibited, included on the exclusion list, or involving severe environmental impacts that cannot be remedied. The Bank also commits not to finance projects involving significant environmental pollution or potential damage to natural resources unless effective remediation plans are in place, and not to finance projects involving high social risks, including forced labour, child labour or human rights violations.





Internal Capital Adequacy Assessment Process (ICAAP)

As part of its commitment to the Central Bank of Jordan's instructions on the Internal Capital Adequacy Assessment Process, the Bank included climate risks among the risks to be measured in ICAAP based on 2025 data. An internal model was developed to measure climate risks and integrated into ICAAP, enabling assessment of the potential effects of climate change risks on the Bank's portfolio in the most affected sectors.

Internal capital for climate risks was also estimated, supporting consideration of potential climate risk impacts in the Bank's capital planning.

Environmental and Social Management System (ESMS)

In 2025, Safwa Islamic Bank launched its environmental and social risk management system to support the identification and management of environmental and social risks across its financing activities.

The Environmental and Social Management System is a core component of Safwa Islamic Bank's risk management and sustainability arrangements. It provides an institutional framework for integrating environmental and social considerations into financing and risk management processes. The system aims to identify the environmental and social risks and impacts associated with the activities financed by the Bank, assess exposure levels, and take appropriate action to manage and monitor them, strengthening the Bank's ability to make more informed financing decisions and limiting its exposure to risks associated with financed activities.

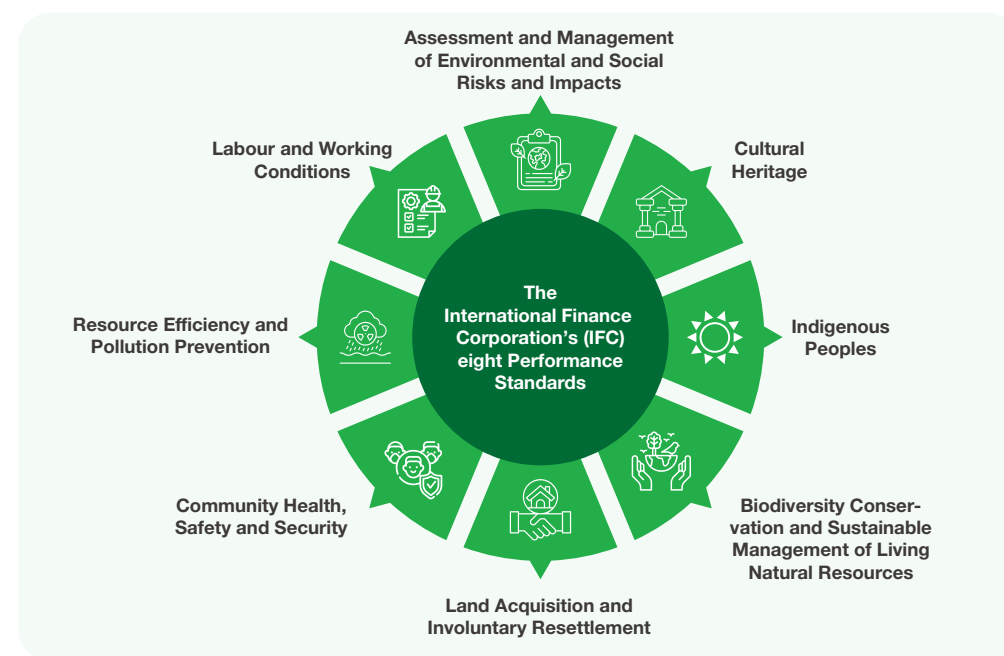
The Environmental and Social Management System is integrated into the credit cycle, from screening transactions and customer-related activities, determining environmental and social risk levels and conducting appropriate due diligence, through to decision-making and monitoring throughout the financing period. It includes an exclusion list of activities the Bank does not finance under specified criteria and classifies risks into three categories: A – high, B – medium and C – low. The level of assessment and due diligence is proportionate to the nature and level of risk associated with the transaction.

For transactions requiring a higher level of assessment, the system includes Environmental and Social Due Diligence (ESDD), allowing relevant information and documents to be reviewed, potential risks and impacts to be assessed, and matters requiring additional mitigation or monitoring to be identified. Higher-risk transactions may also require more detailed environmental and social assessments, depending on the transaction's nature and requirements.

The system is also linked to credit decision-making and monitoring. Transactions are referred to the competent authority according to their risk level, and relevant environmental and social requirements or measures may be included in financing documentation, with continued monitoring and oversight of commitments throughout the financing period. This supports progression from risk identification to risk management and monitoring of related measures.

From a climate action perspective, the Environmental and Social Management System connects environmental and social considerations with financing practices. It enables factors relating to the nature of an activity and its potential environmental and social impacts to be incorporated into transaction assessments and strengthens the Bank's ability to identify and address sources of exposure associated with financed sectors and activities in proportion to their risk levels. The system also complements the Bank's broader climate risk management approach, supporting the integration of environmental, social and climate considerations into financing and risk management.

The Environmental and Social Sustainability and Climate Risk Framework is aligned with the International Finance Corporation's (IFC) eight Performance Standards, as set out below:





(Environmental Risks): Activities that may pollute the environment or damage natural resources, including air, water, soil, natural habitats and biodiversity, whether through intentional or unintentional actions. Examples include pollution from emissions, wastewater discharge, improper waste management, unsustainable consumption of natural resources and other activities that may adversely affect the environment.

(Social Risks): Risks associated with activities that may adversely affect individuals, communities or workers, including harm to livelihoods, displacement, discrimination or failure to comply with acceptable labour standards, such as fair wages, working hours, occupational health and safety and workers' rights, as well as practices that may adversely affect communities or stakeholders.

Excluded Sectors and Activities with Environmental and Social Risks

These include activities associated with protected sites, illegal logging or trade in unsustainable timber, environmentally destructive marine fishing, hazardous chemicals and internationally prohibited substances, vessels associated with environmental or social risks, and forced or child labour. The exclusion list serves as a control for avoiding environmental and social risks associated with financing activities.

%0.0

share of coal-related financing

Exclusion of Coal-Related Activities

Coal-related activities are excluded under the Environmental and Social Management System.





Metrics and Targets



Climate Metrics and Targets

Climate metrics and targets are an essential part of Safwa Islamic Bank's approach to measuring its performance in addressing climate-related risks and opportunities and monitoring progress on relevant initiatives and measures. In 2025, the Bank strengthened the measurement of its climate performance by continuing its annual measurement of operational emissions and completing its first measurement of financed emissions, supporting climate performance monitoring, improved data quality and the gradual development of measurement methodologies. The Bank continues to develop quantitative metrics and indicators reflecting the principal climate aspects of its operations and financing portfolio, including operational and financed emissions, green finance and assets, financing for activities supporting the transition to a low-carbon economy, and climate risk management indicators.

These metrics provide a basis for understanding the Bank's climate performance, monitoring its development and identifying priority areas for improvement. The table below presents the Bank's climate metrics and targets.

Climate Metric	2025 Performance	Direction	Timeline
Scope 1 emissions	352.1 tonnes CO ₂ e	Continue measuring emissions and improving data quality.	Ongoing
Scope 2 emissions	2,225.9 tonnes CO ₂ e	Continue measuring emissions and consider reducing reliance on grid electricity through renewable energy.	Ongoing
Operational Scope 3 emissions	6,686.8 tonnes CO ₂ e	Improve data quality and expand value chain measurement coverage where appropriate.	Ongoing
Financed emissions	1,268,859 tonnes CO ₂ e	Strengthen the database and monitor emissions associated with the financing portfolio.	Ongoing
Financed emissions coverage	Coverage of 100% of portfolio exposures within the assessment using the PCAF methodology.	Maintain coverage and improve underlying data quality.	Ongoing
Weighted average PCAF data quality score	4.93	Gradually improve data quality at counterparty and activity levels.	Ongoing
Green finance portfolio	JOD 141.2 million	Continue supporting financing for low-carbon and sustainable activities.	Ongoing
Green asset portfolio	JOD 37 million	Continue developing sustainable financing activities.	Ongoing



Climate Metric	2025 Performance	Direction	Timeline
Electric and hybrid vehicle financing	JOD 36.3 million	Continue supporting low-emission transport.	Ongoing
Solar energy generation	2.6 GWh	Continue expanding renewable energy across the Bank's operations.	Ongoing
Renewable electricity	36 branches supported by solar energy.	Aim to meet the Bank's electricity needs from renewable energy sources.	Ongoing
Coal-related activities	0.0% share of coal-related financing under the Environmental and Social Management System (ESMS).	Continue the commitment to excluding coal-related activities from financing within the scope of the Environmental and Social Management System (ESMS).	Ongoing
Integration of climate risks into the Internal Capital Adequacy Assessment Process (ICAAP)	Measure climate risks and include them in the Internal Capital Adequacy Assessment Process.	Continue measuring climate risks.	Annual
Climate stress testing	Conduct climate stress tests for physical and transition risks.	Continue assessing the effects of climate risks on the Bank.	Annual
Climate scenario analysis	Conducting a qualitative analysis of three climate scenarios in accordance with the Network for Greening the Financial System (NGFS) framework.	Continue climate scenario analysis and link the results to climate risk assessment and decision-making support.	Annual
Climate risk assessment	Coverage of 100% of portfolio exposures in the physical and transition risk assessment.	Continue assessing physical and transition climate risks and gradually developing the assessment methodology.	Annual

Approach to Calculating Greenhouse Gas Emissions

Safwa Islamic Bank measures its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol Corporate Standard, covering direct Scope 1 emissions, indirect Scope 2 emissions from purchased energy consumption, and relevant Scope 3 value chain emissions. Financed emissions associated with the financing and investment portfolio are also assessed within the relevant emissions boundary using the Partnership for Carbon Accounting Financials (PCAF) methodology.



Our Operational Footprint (Scopes 1 and 2)

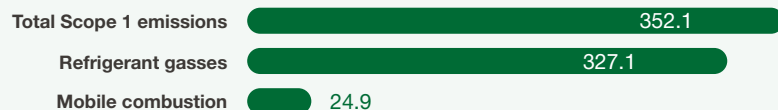
In 2025, Safwa Islamic Bank's total Scope 1 and Scope 2 GHG emissions amounted to 2,578 tonnes of CO₂ equivalent (tCO₂e), comprising 352.1 tCO₂e of direct Scope 1 emissions and 2,225.9 tCO₂e of indirect Scope 2 emissions.

Scope 1 – Direct Emission

The Bank's Scope 1 inventory covers stationary combustion, mobile combustion and refrigerants from sources under the Bank's direct operational control.

Scope 1 Source	Emissions (tonnes CO ₂ e 2025)
Stationary combustion	0.1
Mobile combustion	24.9
Refrigerant gasses	327.1
Total Scope 1	352.1

Distribution of Scope 1 Emissions (metric tonnes CO₂e)



Refrigerants were our largest source of direct emissions in 2025, accounting for approximately 93% of Scope 1 emissions. Mobile combustion was the second-largest source, while stationary fuel combustion was relatively limited.

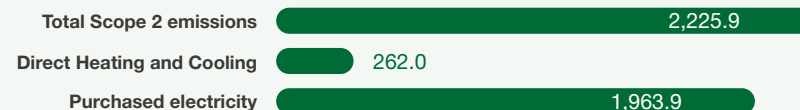
Safwa Islamic Bank's approach to direct emissions focuses on improving operational efficiency and limiting emission sources wherever possible. This includes enhancing operational efficiency, replacing high-emission technologies or practices with more efficient alternatives, and developing data and methodologies relating to direct emissions, supporting a better understanding of emission sources and monitoring performance across the Bank.

Scope 2 – Indirect Emissions

Scope 2 emissions account for a larger share of Safwa Islamic Bank's operational footprint than Scope 1 emissions, reflecting emissions associated with purchased electricity and cooling used across our branch and office network.

Scope 2 Source	2025 Emissions (tonnes CO ₂ e)
Purchased electricity	1,963.9
Direct heating and cooling	262.0
Total Scope 2	2,225.9

Distribution of Location-Based Scope 2 Emissions (metric tonnes CO₂e)



Renewable energy is an important component of Safwa Islamic Bank's approach to managing its operational footprint. In 2025, the Bank generated approximately 2.6 GWh of solar electricity, with 36 branches benefiting from solar energy. The Bank's expansion into solar energy dates back to 2017, when it established its first solar power plant in Madaba, which currently supports a network of branches in Amman. As the Bank's operations expanded, a new solar power plant in Mafraq began operating in October 2025, extending solar energy coverage across branches. The Bank also began developing a new plant in Irbid, expected to become operational in 2026, supporting wider use of renewable energy across the Bank's network.

Safwa Islamic Bank's total energy consumption in 2025 was approximately 27,276 GJ, comprising 9,733 GJ of direct energy consumption and 17,543 GJ of indirect energy consumption.

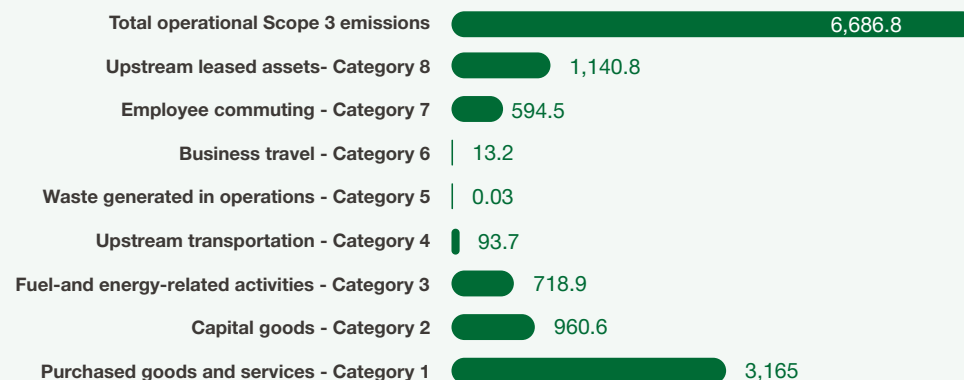


Scope 3 – Our Value Chain Footprint (Categories 1 to 14)

In addition to direct and indirect emissions associated with its operations, Safwa Islamic Bank measures Scope 3 emissions associated with its value chain and the activities and services related to its operations. In 2025, operational Scope 3 emissions amounted to 6,686.832 tonnes of carbon dioxide equivalent, based on the categories assessed within the measurement boundary.

Operational Scope 3 Category	2025 Emissions (tonnes CO ₂ e)
Purchased goods and services – Category 1	3,165
Capital goods – Category 2	960.6
Fuel- and energy-related activities – Category 3	718.9
Upstream transportation – Category 4	93.7
Waste generated in operations – Category 5	0.03
Business travel – Category 6	13.2
Employee commuting – Category 7	594.5
Upstream leased assets – Category 8	1,140.8
Total Operational Scope 3 Emissions	6,686.8

Distribution of Scope 3 Emissions (metric tonnes CO₂e)



Purchased goods and services were the largest source of value chain emissions at 3,165 tonnes of carbon dioxide equivalent, followed by upstream leased assets at 1,140.8 tonnes and capital goods at 960.6 tonnes. Together, these three categories accounted for approximately 79% of the operational Scope 3 emissions assessed.

The remaining Scope 3 emissions are distributed across fuel- and energy-related activities, upstream transportation and distribution, business travel, employee commuting and waste generated in operations. This classification helps identify value chain emission sources and understand each source's contribution to the Bank's total operational footprint.

The range of operational Scope 3 categories assessed in 2025 expanded compared with the previous year, providing broader coverage of value chain emission sources. The 2025 results should therefore be read in light of the measurement boundary applied during the year, taking any differences in assessment scope into account in future comparisons.

Safwa Islamic Bank continues to develop its methodology for measuring operational Scope 3 emissions and improve the quality of related data, supporting more accurate results and broader future coverage. The Bank also works to improve the availability of data on value chain activities and emissions, helping identify priority emission sources and develop more effective reduction measures and long-term climate performance monitoring.



Financed Emissions (Scope 3, Category 15)

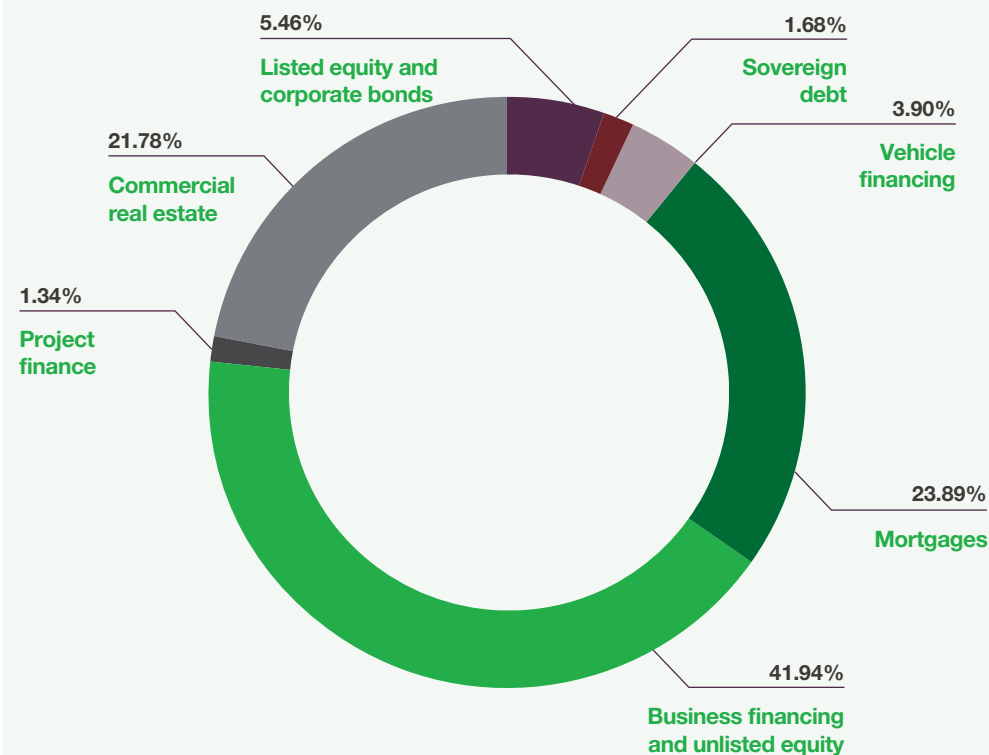
A significant part of a financial institution's climate footprint is associated with the economic activities it finances through its financing and investment portfolio, rather than its operations alone. In 2025, Safwa Islamic Bank completed its first measurement of financed emissions, establishing an initial baseline for measuring emissions associated with its financing activities and supporting portfolio monitoring and analysis.

The assessment was conducted in accordance with the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard and covers applicable on-balance-sheet financing and investment activities.

Our Financed Emissions by Asset Class

Asset Class	Financed Emissions (tonnes CO ₂ e)	Financed Emissions Intensity (kg CO ₂ e/USD)	PCAF Data Quality Score
Listed equity and corporate bonds 	69,328	0.181	5.00
Business financing and unlisted equity 	532,119	0.181	5.00
Project finance 	17,044	0.214	4.10
Commercial real estate 	276,388	0.307	5.00
Mortgages 	303,190	0.387	5.00
Vehicle financing 	49,503	0.481	4.00
Sovereign debt 	21,287	0.334	2.00
Total	1,268,859	—	-

Distribution of Financed Emissions by Asset Class under the PCAF Methodology





Financed emissions were concentrated mainly in business financing and unlisted equity, which accounted for 41.94% of total financed emissions, followed by mortgages at 23.89% and commercial real estate at 21.78%. Together, these three categories account for approximately 88% of the Bank's total financed emissions, indicating that most emissions are concentrated in these asset classes.

This methodology is an important step in establishing a baseline for measuring financed emissions, improving understanding of emission sources associated with the financing portfolio and strengthening the ability to identify priority areas for improvement.

The first measurement of financed emissions in 2025 provides an important foundation for monitoring the financing portfolio's carbon footprint and developing future comparisons. It also supports the gradual integration of climate considerations into financing decisions and risk management and the identification of priority areas for reducing financed emissions, in line with the Bank's direction towards supporting renewable energy, low-emission transport and activities contributing to the transition to a low-carbon economy.

Average **PCAF** data quality score:

4.93



Financed emissions intensity
(CO₂e / USD million):

242 kg



Total financed emissions – Category 15
(tonnes of carbon dioxide equivalent):

1,268,859



Highest financed emissions intensity
Vehicle financing:

0.481 kg



Asset class with the highest financed emissions, Business loans
and unlisted equity (tonnes CO₂e):

532,119





Appendices



Appendix A. Abbreviations

Abbreviation	Full Name
ASE	Amman Stock Exchange
ATM	Automated Teller Machine
CBJ	Central Bank of Jordan
CO ₂ e	Carbon dioxide equivalent
ERM	Enterprise Risk Management
ESDD	Environmental and Social Due Diligence
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
GHG	Greenhouse Gas
GJ	Gigajoule
GRI	Global Reporting Initiative
GWh	Gigawatt-hour
ICAAP	Internal Capital Adequacy Assessment Process
IEA	International Energy Agency
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IFRS S1	IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	IFRS S2: Climate-related Disclosures
IPCC	Intergovernmental Panel on Climate Change
JOD	Jordanian Dinar
kg	Kilogram
NAICS	North American Industry Classification System



Abbreviation	Full Name
NDC	Nationally Determined Contribution
NGFS	Network for Greening the Financial System
PCAF	Partnership for Carbon Accounting Financials
QA	Quality Assurance
QC	Quality Control
TCFD	Task Force on Climate-related Financial Disclosures
UK	United Kingdom
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
USD	United States Dollar



Appendix B. Glossary

Climate Metric	2025 Performance
Attribution factor	The share of the borrower's or investee's emissions attributed to the Bank, calculated by dividing the Bank's outstanding amount by the total value of the financed entity or asset, in accordance with the PCAF methodology.
Baseline year	The reference year against which emissions performance and progress towards targets are measured.
Carbon dioxide equivalent (CO₂e)	A common unit used to express the combined warming effect of different greenhouse gases, converted into the equivalent amount of carbon dioxide using global warming potentials.
Climate-related financial risks	Potential financial losses arising from climate change and its associated impacts, which may occur through two main channels: physical risks and transition risks.
Climate stress testing	The application of climate-related stress scenarios to the Bank's portfolio to assess its resilience to physical and transition risk shocks and their potential effects on profitability, capital adequacy, non-performing financing and provisions.
Data quality score	A score applied under the PCAF methodology to indicate the quality and specificity of the data used to calculate financed emissions. Scores range from 1, representing the highest-quality data, such as reported and verified emissions, to 5, representing estimates based on less detailed financial or sectoral information.
Emission factor	A coefficient used to convert activity data, such as fuel consumed or electricity used, into greenhouse gas emissions.
Financed emissions	Emissions associated with the Bank's financing and investment activities. They form part of Scope 3 emissions and represent the emissions of companies or assets financed by the Bank. Financed emissions are calculated based on the Bank's attributed share of the emissions of the financed entity or asset.
Greenhouse Gas Protocol	The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and Corporate Value Chain (Scope 3) Standard, two internationally recognised frameworks for measuring and reporting greenhouse gas emissions.



Climate Metric	2025 Performance
Green finance	Financing directed towards activities that deliver environmental benefits, including renewable energy, energy efficiency, sustainable water management and low-carbon transport.
Nationally Determined Contribution (NDC)	A country's announced climate action plan under the Paris Agreement, setting out its emissions reduction commitments and adaptation measures.
Scenario analysis	A process for identifying and assessing the potential implications of a range of future events or conditions under different scenarios and conditions of uncertainty.
Scope 1 emissions (direct emissions)	Greenhouse gas emissions from sources owned or controlled by the Bank, including stationary and mobile fuel combustion and fugitive emissions such as refrigerants.
Scope 2 emissions (indirect energy emissions)	Indirect greenhouse gas emissions associated with the generation of purchased energy consumed by the Bank, such as purchased electricity, heating, cooling or steam.
Scope 3 emissions (other indirect emissions)	All other indirect greenhouse gas emissions occurring across the Bank's value chain that are not included in Scope 1 or Scope 2, including purchased goods and services, capital goods, business travel, employee commuting and other relevant upstream and downstream activities. For financial institutions, Scope 3 also includes emissions associated with financing and investment activities under Category 15.



Appendix C. Sources and Additional Data Links

Standards and Reporting Frameworks

- ✿ IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2: Climate-related Disclosures, IFRS Foundation — <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/>
- ✿ Corporate Accounting and Reporting Standard and Corporate Value Chain (Scope 3) Accounting and Reporting Standard, World Resources Institute and World Business Council for Sustainable Development — <https://ghgprotocol.org/standards>
- ✿ Global GHG Accounting and Reporting Standard for the Financial Industry, Partnership for Carbon Accounting Financials (PCAF) — <https://carbonaccountingfinancials.com>
- ✿ Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) — <https://www.fsb-tcfd.org>
- ✿ Climate Scenarios for Central Banks and Supervisors, Network for Greening the Financial System (NGFS) — <https://www.ngfs.net/ngfs-scenarios-portal/>
- ✿ Principles for the Effective Management and Supervision of Climate-related Financial Risks, Basel Committee on Banking Supervision — <https://www.bis.org/bcbs/publ/d532.htm>
- ✿ Financial Institutions Net-Zero Standard and Sector Guidance, Science Based Targets initiative — <https://sciencebasedtargets.org>

Regulatory and National Policies

- ✿ Central Bank of Jordan — Climate risk instructions and related circulars — <https://www.cbj.gov.jo>
- ✿ Amman Stock Exchange — Environmental, social, governance and climate disclosure guidelines for listed companies — <https://www.ase.com.jo>
- ✿ Jordan's Updated Nationally Determined Contribution and National Climate Change Policy, United Nations Framework Convention on Climate Change NDC Registry — <https://unfccc.int/NDCREG>

Climate and Emissions Data Sources

- ✿ International Energy Agency Emission Factors 2025 – Licensed dataset
- ✿ Intergovernmental Panel on Climate Change Sixth Assessment Report — <https://www.ipcc.ch/assessment-report/ar6/>
- ✿ World Bank Climate Change Knowledge Portal — Country- and sector-level climate projections — <https://climateknowledgeportal.worldbank.org>
- ✿ International Energy Agency (IEA) — Energy and emissions data and statistics — <https://www.iea.org/data-and-statistics>
- ✿ UK Government Greenhouse Gas Conversion Factors for Company Reporting — <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>
- ✿ US Environmental Protection Agency Supply Chain Greenhouse Gas Emission Factors — <https://catalog.data.gov/dataset/supply-chain-greenhouse-gas-emission-factors-v1-3-by-naics-6>

Safwa Bank Publications

- ✿ Safwa Bank Environmental, Social and Governance Report 2025 — <https://www.safwabank.com/wp-content/uploads/2026/06/Safwa-Bank-Designed-English.pdf>
<https://www.safwabank.com/wp-content/uploads/2026/06/Safwa-Bank-Designed-English.pdf>
- ✿ Safwa Bank Annual Report 2025 — <https://www.safwabank.com/wp-content/uploads/2026/06/144706-Safwa-Annual-Report-2025-English24-10MB.pdf>
<https://www.safwabank.com/wp-content/uploads/2026/06/144706-Safwa-Annual-Report-2025-English24-10MB.pdf>



Appendix D. Alignment with Amman Stock Exchange Guidelines

This appendix provides a reference content index showing how Safwa Islamic Bank climate-related disclosures are organised in alignment with Amman Stock Exchange guidelines.

Content	Heading	Location
1. Introduction	Overview of climate-related disclosures	Page 7
	Key highlights and findings	Page 8-9
	Company-specific climate context	Page 8-9
2. Materiality Assessment	Approach to identifying material climate-related information	Page 13-14
	Disclosure of material risks and opportunities	Page 17-22
3. Governance	Board and executive management oversight of climate-related matters	Page 12-13
	Governance structure and responsibilities	Page 12
	Integration of climate risks into governance	Page 20
4. Strategy	Climate-related risks and opportunities	Page 17-22
	Impact on business strategy and financial planning	Page 17-22
	Scenario analysis and strategic resilience	Page 26-31
5. Risk Management	Processes for identifying and assessing climate risks	Page 25
	Climate risk management framework	Page 14-16
	Integration with enterprise risk management	Page 20-21
6. Metrics and Targets	Key climate-related metrics	Page 33-34
	Emissions reduction targets and progress	Page 35-38
	Performance against climate objectives	Page 33-34
7. Basis of Preparation	Alignment with Amman Stock Exchange guidelines	Page 45-46
	Compliance with IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) and any other protocols and/or standards	Page 47
	Transition reliefs used and reporting timeline	N/A
	Plans to enhance climate-related disclosures	Page 16
	Continuous improvement and future commitments	Page 16



Content	Heading	Location
8. Appendices	Glossary	Page 42-43
	Additional data links and supplementary information	Page 44
	References and supporting information	Page 44

Appendix E. Alignment with Central Bank of Jordan Guidelines

This table has been prepared in alignment with the Central Bank of Jordan's Climate Risk Disclosure and Reporting Instructions No. (1) of 2026, based on the Central Bank of Jordan's Climate Risk Management Instructions No. (2) of 2025.

Pillar	Heading	Location
Governance	Board oversight	Page 11-12
	Senior management	Page 11-12
	Capacity building	Page 13-14
Strategy	Climate-related risks and opportunities affecting the Bank's business model, value chain, financial position, financial performance and cash flows	Page 18-22
	Physical risks and opportunities, Transition risks and related opportunities	Page 18-19
	Strategy for addressing climate risks and opportunities	Page 16
	Scenario analysis and climate resilience	Page 26-27
Risk Management	Processes for identifying, assessing and managing climate-related risks	Page 25
	Integration of climate risks into credit risk management	Page 20-28
	Climate concentration risks	Page 18-19
	Climate risks within the macroeconomic environment	Page 18-19
	Climate-related due diligence	Page 19-21
	Identification of climate-related opportunities	Page 21-22
	Changes in risk management processes	Page 24
	Integration with overall risk management	Page 29-30
Metrics and Targets	Climate-related metrics	Page 33-34
	Financed emissions	Page 37-38
	Climate-related targets	N/A
	Additional disclosures for greenhouse gas reduction targets	N/A



Appendix F. Alignment with IFRS S2

The table below presents Safwa Islamic Bank alignment with the four core content areas of IFRS S2 Climate-related Disclosures: governance, strategy, risk management, and metrics and targets.

IFRS S2 Category	Reference	Disclosure Content	Location
Governance	S2.6	Governance	Page 11-12
	S2.6	Role of the Board of Directors	Page 12
	S2.6	Role of Management	Page 12
Strategy	S2.9	Strategy	Page 16
	S2.10 - S2.11	Climate-related risks and opportunities	Page 17-22
	S2.12	Reference to industry-based guidance	N/A
	S2.13	Effects on the business model and value chain	Page 20-21
	S2.14	Strategy and decision-making	Page 30-31
	S2.15	Current and anticipated financial effects	Page 18-21
	S2.16	Detailed disclosures of financial effects	N/A
	S2.21	Disclosure when quantitative information is omitted	N/A
	S2.22	Climate resilience	Page 16
Risk Management	S2.25	Risk Management	Page 24-25
Metrics and Targets	S2.28	Disclosure requirements for metrics and targets	Page 33-34
	S2.29	Metrics and targets	Page 33-34
	S2.32	Disclosure of industry-based metrics	Page 35-38
	S2.33	Disclosure of climate-related targets	N/A
	S2.34	Approach to setting and monitoring targets	N/A
	S2.35	Performance against targets	N/A
	S2.36	Disclosure of greenhouse gas emissions targets	N/A
	S2.37	Reference to metrics for setting and monitoring targets	N/A



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