

Majid Al-Futtaim ESG Sukuk Report

MAF Green Sukuk 4.638 2029

Final Score & Rating



“ NET POSITIVE 2040 ”
MAF Sustainability Report 2018



A. Issuer Level

Majid AL Futtaim was founded in 1992, MAF is the leading shopping mall, communities, retail and leisure pioneer across the Middle East, Africa and Asia. Majid Al Futtaim owns and operates 25 shopping malls, 13 hotels and 4 mixed-use communities, with further developments underway. MAF has three operating subsidiaries: Majid Al Futtaim Properties, Majid Al Futtaim Retail, and Majid Al Futtaim Ventures.



B. Sukuk Level

MAF has issued its first green sukuk in May 2019. The sukuk are aligned with MAF green sukuk framework. The Sukuk will finance or refinance green eligible projects in areas of renewable energy, energy efficiency, green buildings and sustainable water management.



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1. ESG Issuer Score

Majid Al Futtaim has received ESG score of 67.8%. In 2018, Majid AL Futtaim adopted new sustainability strategy “Dare Today, Change Tomorrow”. The objective of the strategy is to integrate the sustainability in the company business to make sure that the company is aligned with its ambitions in 2022 and its long terms objective to reach NET POSITIVE in 2040. The strategy focuses on three main dimensions;

Score

67.8%

- ✓ Transforming lives in the communities to provide a healthy, fulfilling and sustainable way of life;
- ✓ Rethinking resources to make a Net Positive impact, and;
- ✓ Empowering people to unlock their full potential.

A. Social

The company scored the highest in the social pillar 80/100. Through its focus on transforming people lives and empowering its people. A major contributor to social score is Human Capital where the company worked on promoting the international human rights by ensuring accommodation and employment conditions for all employees, integrating sustainability with its business, supports the development of its employees through training and education programs. By 2018 the company provided its employees 911,000 total training hours. The company conducts regular surveys as a mean of engagement with its employees and to ensure their satisfaction. Moreover, the company provides medical insurance for its employees and has policy to eliminate discrimination.

Being a UNGC Signatory, the company ensures abidance by international norms related to human rights and monitors its implementation. It abides by International Labor Organization (ILO) core labor standards and supports the Universal Declaration of Human Rights (UDHR).



Another contributor in social score is consumer protection; where the company always measures customer satisfaction. In addition, the company is not involved in any customer related legal proceeds. The company supports the community by providing health access programs, education programs, moreover, the company has appointed a senior manager for the community development programs.

B. Environment

The company scored average score in the environmental pillar of 58/100. Although the environmental score is average, in 2017, the company took the serious step to become the 1st company in the MENA region to adopt NET POSITIVE Strategy. “Our strategy commits us to cut our water consumption and carbon emissions so that by 2040 we will become net positive.” Sustainability Report 2018.

The company integrated sustainability plans in their business activity through its comprehensive environmental policy. Regarding the air emissions and water, the company has target to reach 37%

reduction in operational carbon and water footprint by 2022 and to be become NET POSITIVE in 2040. The company was transparent in reporting its water use and carbon emissions in general and GHG specifically. The company has achieved 4% reduction in carbon emissions and 7% reduction in water use since 2017.

C. Governance

The company scored 65/100 in the governance pillar. Business Ethics and Anti-competition are major contributors to the governance score, where the company has anti-competition policy. Corporate governance policy is outlined on the website covering main aspect, employees are encouraged to report any suspected unethical behavior through its whistle blowing procedures. Moreover, political contributions and insider trading policies are clearly stated. The company has set an anti-corruption policy which aims at safeguarding its integrity, increasing transparency, and facilitating the detection, investigation and prosecution of corruption cases. Additional considerations that helped the company achieve its current score for the governance is disclosing its sustainability report annually, complying with IFRS in its financial reporting, having audit and risk committee to monitor internal/external auditors.

2. ESG Issuer Risk Assessment

Despite the challenges the company is facing in the country risk and industry risk in general and in the social pillar specifically, Majid AL Futtaim has succeeded to achieve Low Risk through its policies in the three pillars “E”, “S”, and “G”. The company’s risk exposure was assessed on industry and country level.

Majid AL Futtaim is UAE based company that operates in 15 different countries mainly in the MENA region. The company scored 54.5% in the ESG risk exposure. As per IdealRatings methodology, country risk assessment includes industry risk and country risk.

UAE ESG risk exposure score is 48.4/100 with highest risk in the social pillar, Real Estate industry risk exposure scored 43/100 with highest risk in the social pillar as well.

The Company managed to balance the risk exposure effectively and received a risk management Score of 85.9/100.

On the industry risk level, the company managed those risks through its anti-competition and anti-corruption policies, human capital development, enhancing working conditions, empowering employees’ human rights and finally working on increasing customers satisfactions.

Risk Management	67-100	Negligible Risk	Low Risk	Medium Risk
	34-66	Low Risk	Medium Risk	High Risk
	0-33	Medium Risk	High Risk	Severe Risk
		0-33	34-66	67-100
		Risk Exposure		

On the country risk level, the company manages risks by setting targets to reduce emissions, water usage, enhancing employee's well-being through medical insurance and providing community development programs that include education and health.

3. Sukuk ESG Score

As part of Majid AL Futtaim commitment to integrate sustainability in its business and in order to reach its long-term goal to reach NET POSITIVE environment, MAF has created a green bond and sukuk framework to finance its long-term sustainable projects. The Sukuk are aligned with green bonds principals (GBPs).

A. Use of Proceeds

The net proceeds of the Sukuk will be used to finance or re-finance eligible green projects that are aligned with GBPs use of proceeds. The use of proceeds is also aligned with the SDGs. Below are the project categories as per the green bond Framework:

Score

100%

Project Category	Eligibility Criteria
 Green Buildings	Acquisition, construction or refurbishment of buildings which meet recognized standards, such as: BREEAM (very good and above)
 Renewable Energy	Generation or procurement of energy from the following renewable energy sources to power the company's operations: <ul style="list-style-type: none"> Solar Wind
 Sustainable Water management	<ul style="list-style-type: none"> Water recycling projects Investment in technology, product or system(s) which will lead to a reduction in water usage / demand of a minimum of 30%
 Energy Efficiency	<ul style="list-style-type: none"> Investment in technology, product or system(s) which will result in at least a 20% improvement in energy efficiency

B. Process of Evaluation and Selection

Al Futtaim has documented and detailed the process of evaluation and selection. The process of evaluation and selection will be managed by Majid Al Futtaim's green finance steering committee, which comprises members of Majid Al Futtaim's sustainability committee and a member of Majid Al Futtaim Holding's treasury team. The green finance steering committee will be chaired by the MAF treasurer. On annual basis, the committee will review the eligible projects and include any new project or replace any existing one, update green bond framework if needed and monitor the eligible projects.

Score

92%

C. Management of proceeds

The proceeds will be segregated and tracked in appropriate manner where the proceeds will be deposited in MAF funding accounts and will be earmarked toward the green projects using the green financier register. MAF did not disclose the areas of investments until the proceeds are allocated to the green projects, the company only stated that it will use it according to MAF liquidity policy.

Score

86%

D. Reporting and Transparency

The Sukuk achieved high level of reporting and transparency. The company committed to publish on annual basis two main reports;

Score

93%

- The Allocation Report: this report will include all information about the green eligible projects including list of eligible projects, proceeds allocated for these projects and the balance of unallocated proceeds.
- The Impact Report: which will include the expected impact of every project category.

In addition, the company appointed 2nd opinion company for the green framework in addition to the post issuance verifier.

E. SDG Alignment

The Sukuk has additional extra score of 10% as the use of proceeds are aligned with SGDs

- Goal 6: Sustainable Water Management
- Goal 7: Affordable and Clean Energy



4. Methodology in Brief

A. IdealRatings ESG Model

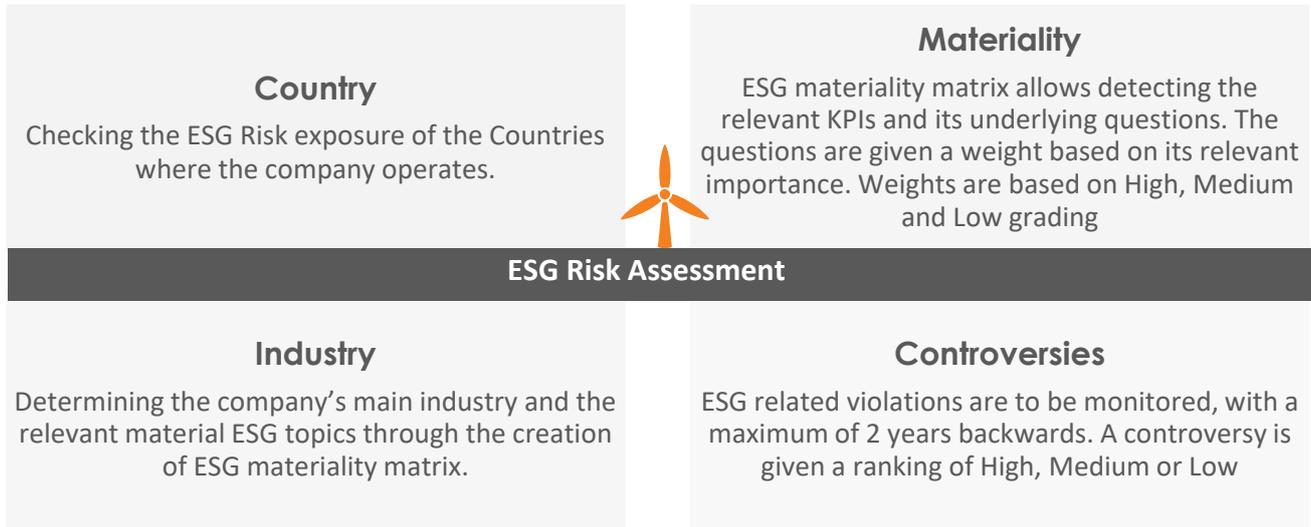
IdealRatings ESG model comprises three main pillars; Environment, Social and Governance. Each pillar is divided into subcategories called Key Performance Indicators (KPIs), and each KPI contains a series of inputs (detailed in the IdealRatings Responsible Investing and ESG Research Product Guide).

The model includes Qualitative and Metric Sections, both covering the three pillars E, S and G. The Qualitative segment highlights the company’s pertinent policies, audit processes, and reporting phases. Whereas the Metric section focuses on quantitative data, complementing the previous section. IdealRatings believes that covering both aspects provides a full picture of companies and enables analysts to easily compare between companies in various countries.



B. IdealRatings ESG Risk Assessment

IdealRatings ESG risk assessment model considers both risk exposure and risk management to create a full picture of a company's ESG risk profile. Both categories; risk exposure and risk management have equal shares. The company's total final ESG risk score equals the summation of total score of risk exposure and its total score of risk management, as highlighted in the figure below:



C. Green Sukuk Screening

Green Sukuk screening focuses on screening the alignment of the Sukuk with the green bonds principles "GBPs" shown below:



Proceeds must be assigned to green/ social projects with positive impact on the environment and/ or society.



Ensuring that the Process of Evaluation and Selection is documented, the Eligibility criteria for the nominated projects is specified and documenting the decision making process for the selected nominated project.



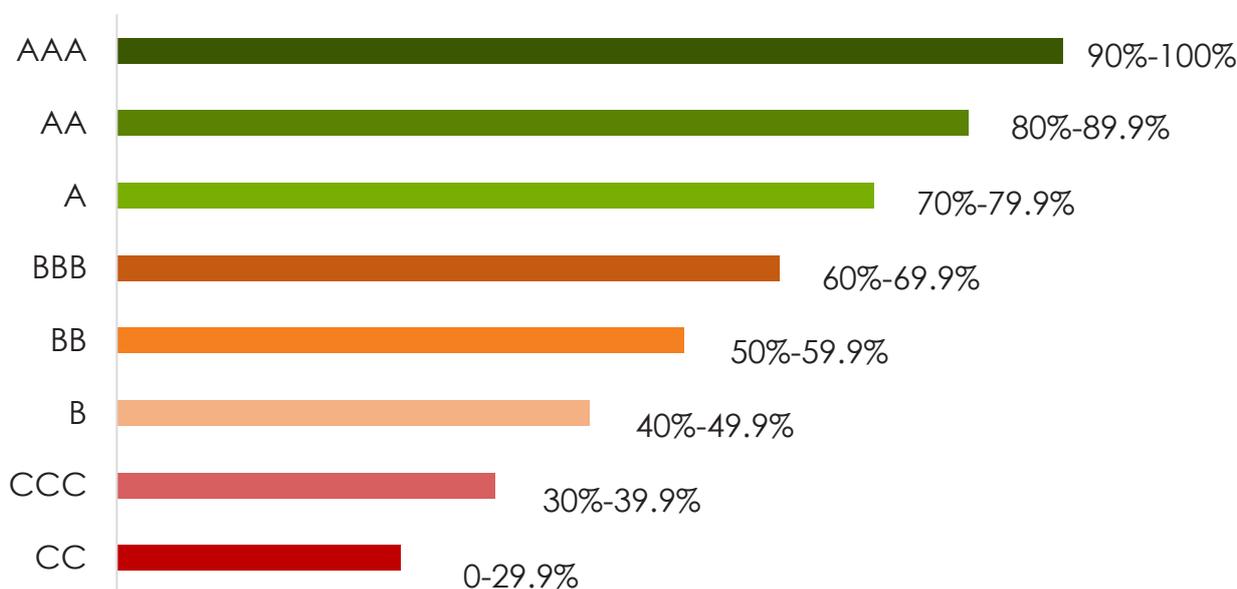
How effectively the issuer is managing the proceeds, including allocating proceeds to the nominated project, tracking the unallocated proceeds and ensuring that they are invested in projects that have low carbon print.



Evaluating the degree of Transparency and Reporting of the Issuer pre and post Sukuk issuance.

D. Score Computation

Score is calculated by combining all mentioned above methodologies.



5. Data Sources

The IdealRatings research team collects comprehensive information from a variety of sources, including but not limited to:

- Sustainability or CSR reports
- Green Bond/Sukuk Framework
- Sukuk Prospectus and Final Terms
- World Bank indicators
- Financial/Annual reports such 10-K filings, 10-Q filings, proxy statements, etc.
- Chairman/CEO letters
- Credible news sources such as Bloomberg and Reuters
- Carbon Disclosure Project (CDP) reports
- Law docket
- United Nations Global Compact Principles signatory lists
- ISO certification reports
- Carbon Tracker
- Company surveys and direct contact with the companies where appropriate

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