

# Sustainability Rating

## Summary

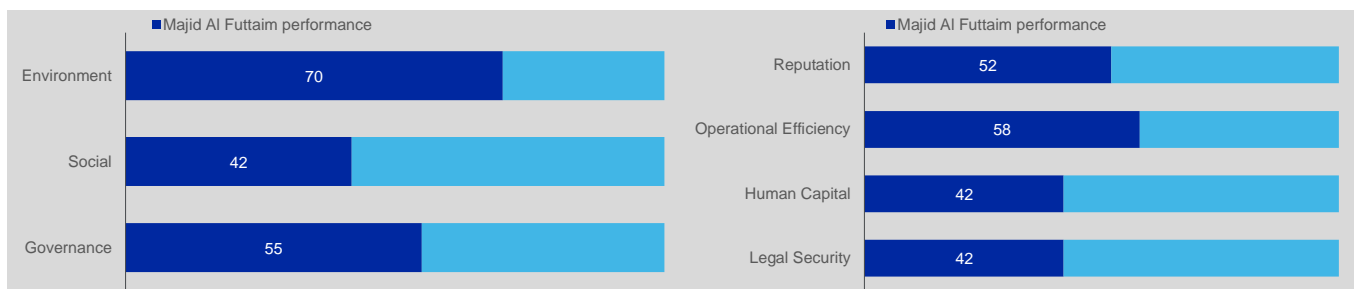


*Preliminary note:* Moody's ESG Solutions (MESG) assessed Majid Al Futtaim Holding LLC (Majid Al Futtaim) at its request in line with our relevant methodology through an interactive process. This assessment results in an absolute score of 53/100. Since Majid Al Futtaim is not part of our listed issuers universe, this assessment does not result in a precise ranking against other listed companies, as those may not have benefited from such active interactions. The relative A2 Rating serves an indicative purpose only.

As of July 2022, Majid Al Futtaim Holding LLC (Majid Al Futtaim) obtains a Sustainability Rating of A2, based on an overall ESG score of 53/100. Majid Al Futtaim displays a strong capacity and willingness to integrate ESG factors into its strategy, operations, and risk management, with Robust results achieved on managing risks related to operational efficiency, and reputation, and Limited results on legal security risks and human capital.

Majid Al Futtaim, based in Dubai, is a real estate, retail and leisure company which owns and operates 29 shopping malls and owns 13 hotels. Besides, the company operates a portfolio of more than 375 Carrefour retail outlets and over 600 cinema screens. Majid Al Futtaim is a family-owned company, held through the Majid Al Futtaim Capital LLC (MAFC) parent holding.

### ESG AND RISKS MANAGEMENT PERFORMANCE (./100)



#### STRENGTHS

- ▶ Comprehensive commitments on environmental front
- ▶ Outstanding efforts toward achieving its carbon reduction targets and buildings' energy efficiency
- ▶ Advanced measures on promoting the involvement of local communities and local economy

#### WEAKNESSES

- ▶ Lack of formalised or granular commitments for several material issues on the social front
- ▶ Mixed trends in KPIs addressing key environmental and social topics across the holding company and its operating subsidiaries

#### KEY TAKEAWAYS

**Impacts:** Majid Al Futtaim's core property businesses include a rising proportion of buildings which are certified LEED Gold, BREEAM Very Good or equivalent, in turn contributing to a range of UN Sustainable Development Goals (SDGs). MESG expects these contributions to continue to increase over the next few years, driven by the company's efforts in expanding the environmental credentials of its whole property portfolio, through new developments as well as enhancements of existing assets. Furthermore, Majid Al Futtaim displays an advanced energy transition score compared to peers.

**Risks:** Majid Al Futtaim's risk management system and internal controls appear comprehensive, in MESG's view, covering its most material ESG risks. Majid Al Futtaim also displays Robust capacity to safeguard and enhance its reputation and operational efficiency. Nevertheless, MESG observed Limited performance on factors that could affect its legal security and human capital cohesion.

**Management:** Majid Al Futtaim appears to pro-actively integrate ESG factors into its strategy and operations. Majid Al Futtaim's CSR approach is supported by wide-covering commitments with some quantitative targets, particularly on environmental front. Its net-positive commitments are especially impressive, beyond most local or sector peers. Availability of some of KPIs at group level is uneven (some being only available at opco level), which constrains monitoring. MESG believes Majid Al Futtaim's relevant means and processes could address the most material challenges, and that the absence of controversies strengthens the group's ability to manage stakeholders' relationships.

## Impacts

### VALUE CREATION AND SHARING

<p><b>Share of investments dedicated to activities likely to generate sustainable value and/or to products with measurable green, social or sustainable goals</b>                  [Major, Significant, Limited, None, Unclear]</p>	<p><b>Major</b></p>	<p>Majid Al Futtain's four-year sustainability strategy 'Dare Today, Change Tomorrow' formulated in 2018 entails commitments on material ESG issues ranging from net positive carbon, societal impacts, health and wellbeing to human capital.</p> <p>Working toward those targets, particularly achieving the carbon reduction targets, requires large investments. The core of those investments will focus on reduction of embodied carbon, enhancement of energy efficiency and use of renewable energy.</p> <p>Majid Al Futtain indicated to MESH that the company typically incurs a yearly average of \$800 million-\$1 billion on capital expenditure. About 70% would be spent on the property portfolio (malls as well as other assets) and the rest on retail (Carrefour franchise) and digitisation.</p> <p>The share of the company's capital expenditure dedicated to activities likely to generate sustainable value is high – in MESH's assessment – primarily through investments toward green buildings. These represent the near totality of property investments, as all the company's new assets have been compliant with a minimum LEED Gold, BREEAM Very Good or equivalent standard since 2014, and that MESH expects such policy will continue. The group intends to convert all its portfolio to these standards by 2026 (in line with KPIs included in its Sustainability-Linked loan issued in 2021).</p> <p>On social front, as part of its commitment in 2022, the company is investing in an enterprise hub supporting the development of skills and entrepreneurship and in an innovation centre of excellence supporting its omnichannel platform. The actual spending and quantitative investment target are unclear to MESH, nevertheless.</p> <p>Such capital expenditure is well funded by internal sources and debt funding. The company issued two green Sukuk in 2019 totalled \$1.2 billion used to finance and refinance the development of green buildings. In 2021, the company issued a \$1.5 billion sustainability-linked loan. MESH expects its healthy financial profile and strong access to debt markets can support its required investments to generate sustainable value.</p>
<p><b>Ratio of employee wages and benefits vs CEO compensation</b>                  [Increase, Stable or No Clear Trend, Decrease or Undisclosed]</p>	<p><b>Increase</b></p>	<p>Majid Al Futtain has disclosed the relevant data in confidence to MESH, showing that the ratio has increased between 2019 and 2021.</p>
<p><b>Transparency on tax payments</b>                  [Major, Significant, Limited, None]</p>	<p><b>None</b></p>	<p>Majid Al Futtain does not report any information on taxes paid.</p>
<p><b>Operations in offshore financial centres (OFC), including non-compliant OECD jurisdictions</b>                  [No Operation in OFC, Justified Operations in OFC, Unjustified Operations in OFC]</p>	<p><b>Justified Operations in OFC</b></p>	<p>Majid Al Futtain mainly operates in United Arab Emirates (contributing more than half of its EBITDA) which are considered as partially compliant. The presence is justified given its founding history and base.</p>

### SOCIAL & ENVIRONMENTAL IMPACTS

#### Environmental impacts:

MESH considers Majid Al Futtain's carbon footprint to be significant, reflected in a Grade B score (the second lowest/best notch on MESH's four level-rating scale). Majid Al Futtain obtains an energy transition score of **65/100** which is far more advanced than the average performance of the Real Estate – Emerging Markets sector (23/100). This performance results from MESH assessment of Majid Al Futtain's efforts to mitigate the carbon footprint of its assets.

<p><b>Trend of Carbon intensity of investments</b> [Decrease, Stable or No Clear Trend, Increase, Undisclosed]</p>	<p><b>Decrease</b></p>	<p>The energy intensity of the company's portfolio has decreased over the past three years to 390 (kWh/m<sup>2</sup>) in 2021 from 450 (kWh/m<sup>2</sup>) in 2019 - albeit not continuously..</p>
<p><b>CO2 emissions linked to energy consumption (Scope 1 and 2)</b> [Decrease, Stable or No Clear Trend, Increase]</p>	<p><b>Decrease</b></p>	<p>Majid Al Futtaim reported on the assets where it has operational control. The company's CO2 emissions (direct and indirect) linked to energy consumption of its property's portfolio, normalised to the floor area, have decreased by 15%, to 0.23 (tonne/m<sup>2</sup>) in 2021 from 0.27 (tonne/m<sup>2</sup>) in 2019 over the past three years, as reported in the ESG report 2021.</p>

Social impacts:

<p><b>Organic growth of employment</b> [Positive, Stable, Negative, Undisclosed]</p>	<p><b>Positive</b></p>	<p>The number of employees has increased steadily to 44,000 in 2021 over the past four years from 38,000, mainly through organic growth of its asset portfolio, representing a CAGR of 4%.</p> <p>The company went into a redundancy process for its Leisure, Entertainment and Cinemas (LEC) businesses amid pandemic-induced business closure. The introduction of the Global Solutions functions also caused some delayering of the organisation. The company has been somewhat able to limit the impacts by offering internal mobility to retail operations, however the actual number of lay-offs versus rehiring has not been disclosed.</p>
<p><b>Percentage and trends of women in management</b> [Increase, Stable or Unclear, Decrease or Undisclosed]</p>	<p><b>Increase</b></p>	<p>On gender diversity, Majid Al Futtaim has set a target to increase number of women from senior management in the top three seniority levels (board, senior executive and senior management) to 30% by 2025, from a June 2021 baseline of 14%, as part of the KPIs of its sustainability-linked loan. The percentage stood at 17.5% in 2021, which presents still a large gap to the target. The company has also set a goal to employ over 35% of women in advanced technologies and digital roles by 2023.</p> <p>The company reported on the gender split of employees who sit on governance bodies by each operating company. Notably the LEC and Lifestyle businesses saw an increase in the share of women over the last three years, whilst similar share at the properties business and holding company remain at zero.</p>
<p><b>Average number of training hours per employee</b> [Increase, Stable, Decrease or Undisclosed]</p>	<p><b>Mixed trends</b></p>	<p>In addition to training available to the staff per business, Majid Al Futtaim has a dedicated Leadership Institute which provides employees with leadership training and development programmes. The company disclosed to MESHG the average training hours by business segment as well as by seniority (non-managers and managers). Trends are mixed.</p>
<p><b>Absenteeism rate</b> [Decrease, Stable or Unclear, Increase or Undisclosed]</p>	<p><b>Unclear</b></p>	<p>Majid Al Futtaim reported in the ESG report rate of absenteeism by holding company and operating subsidiary. The company defined absenteeism as absent from work because of incapacity of any kind, including leaves resulting from work-related injury or disease. It excludes permitted leave such as holidays, study, maternity or paternity leave, and compassionate leave, and it also excludes Covid leave. The rate of absenteeism remained significantly lower than 1% across the group, which is regarded as extraordinary low by MESHG.</p>
<p><b>Employee turnover rate</b> [Decrease, Stable or Unclear, Increase or Undisclosed]</p>	<p><b>Decrease</b></p>	<p>The company disclosed the data for its operating subsidiaries and holding companies to MESHG. The trends are mixed across the different subsidiaries. The largest segment – Properties – has seen a decline of turnover rate to 10% in 2021 from 13% in 2019.</p>

**IMPACTS OF PRODUCTS & SERVICES**

MESG considers Majid Al Futtaim to have a minor share of products and services contributing to sustainable development. The activities appear to contribute to UN Sustainable Development Goals as follows – SDG7: Affordable and Clean Energy; SDG8: Decent Work and Economic Growth; SDG9: Industry, Innovation and Infrastructure; SDG11: Sustainable Cities and Communities; SDG12: Responsible Consumption and Production; SDG13: Climate Action

<p><b>Share of services contributing to sustainable development</b></p> <p>[Major, Significant, Minor, Inexistent or Undisclosed]</p>	<p><b>Minor</b></p>	<p>Efforts to develop services contributing to the UN Sustainable Development Goals is reflected in Green Buildings which are observed under the properties segment, accounting for 67% of the group's EBITDA in 2021.</p> <p>The company has 29 malls, of which 18 are minimum LEED-Gold. 11 built before 2014 remain non-certified to date and these include some of the company's largest and super regional malls such as Mall of the Emirates and City Centre Bahrain, which are estimated to represent nearly 70% and 50% of the companies' mall portfolio by valuation as of 2021 and by gross leasable area (GLA), respectively. While the representation of LEED-certified mall is minor by valuation and by GLA to date, MESG believes the company will continue its efforts to certify remaining malls, in line with the aforementioned KPI of the sustainability-linked loan. Also given the requirement of all new development being at least LEED gold or equivalent, MESG expects the share of activities will continue to increase year by year.</p> <p>The company has 13 hotels and 100% are LEED platinum certified, which accounted for around 5% of EBITDA in the properties segment and 3% of the group's EBITDA in 2021. Besides, 100% of communities and residential buildings business unit is either BREEAM certified apart from Water Front city in Lebanon, which is partly LEED Certified partly BREEAM, which accounted for around 3% of EBITDA in the properties segment and 2% of the group's EBITDA in 2021</p> <p>While the current assessment is minor, MESG expects the share can potentially reach 100% of the property segment by 2026 – should the KPI be met – in turn representing the majority of the group.</p>
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## Risks

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### RISK FACTORS

Majid Al Futtaim's most material risk and opportunity factors relate to:

- Energy efficiency of buildings
- Responsible property investment and management and tenants' cooperation
- Impact on local communities
- Integration of social factors in the supply chain
- Board of Directors
- Business ethics

Our analysis reveals that Majid Al Futtaim has addressed most of these challenges.

#### Energy efficiency of buildings

*Majid Al Futtaim's property portfolio is exposed to some high carbon-emitting activities both during the construction and the use of building, imposing impacts onto the environment. Climate change is in turn a threat to the firm's profitability, through its effect on the profitability of its tenants and by increasing the operating costs. It is therefore important and relevant for the company to set Science-based targets and hence integrate technologies and measures to reduce the environmental impacts of its buildings. Such implementation, as part reflected in the coverage of green building certifications, is key to preserve the company's reputation and operational efficiency.*

MESG views Majid Al Futtaim's performance in energy efficiency of buildings as Advanced supported by clearly defined commitments to be net positive in carbon by 2040, as per its Sustainable Building Policy. The company has set the following carbon Intensity targets (tCO<sub>2</sub>e/managed sqm) for properties operations to reduce carbon emissions including scope 3. Majid Al Futtaim reported that these targets were validated by the Science-based Targets initiatives (SBTi) in 2022:

- 87.8 % per sqm reduction in Scope 1 and 2 emissions by 2035 from a 2019 base year
- 57.3% per sqm reduction in Scope 3 emissions by 2035 from a 2019 base-year
- Annual Scope 3 carbon emissions (tCO<sub>2</sub>e) will be reduced by 3.6% by 2035 from a 2019 base year.

The remaining operation companies, Retail, LEC and Lifestyle, has an absolute target to reduce scope-1 & scope 2 carbon emissions on an annual basis by 2.5%.

Majid Al Futtaim demonstrates good efforts in implementing systems and measures to continue its improvement in properties' energy efficiency, aligned with its targets. The company achieved LEED-gold certification in approximately half of its mall property portfolio by gross leaseable area while LEED platinum certifications were obtained for the Mall of Oman, along with three other malls, and all of its hotel portfolio. For example, the company adopts lighting retrofits, energy efficient heating and air condition system. The company has also been expanding its use of renewable energy and generate around 21 million kWh of renewable energy across assets in 2021, representing an increase of 26% from a year prior, supported by onsite photovoltaic power system, although this remains overly insufficient in serving the overall energy consumption. The company is also implementing power purchase agreements with public-private partnerships. All major shopping malls, hotels, offices are equipped with building management systems and submeters for continuous monitoring and control of energy consumption. Carrefours hypermarkets and supermarkets are under the implementation of smart metering and digitalisation of their operations. Its efforts have been constrained recently (and may be constrained in the future) by regulatory evolution, though.

Although the carbon reduction targets are set for 2035, the company shows some long-term vision beyond 2035 to adopt/invest innovation technologies in light of its 2040 net positive target.

#### Responsible property investment and management and tenants' cooperation

*The environmental impacts imposed by Majid Al Futtaim's portfolio carry potential reputational risks. It is therefore important for the company to integrate comprehensive environmental considerations in its property investment and management strategies. The tenants' use of buildings may cause negative environmental impacts and is exposed to profitability pressure resulting from environmental issues. It is therefore important for the company to engage with tenants to reduce such impacts and implement relevant initiatives.*

Majid Al Futtaim's performance has been Advanced in responsible property investment and management on environmental front, in MESG's view, supported with its minimum standards and commitment of a feasibility study in each of the project aligned with its quantitative targets. In order to enable integration of environmental

considerations, the company has an environmental management system with regular internal audits and senior management review. The company has also set annual Sustainable Business Commitments (SBCs) where performance, progress and KPIs are monitored and reported regularly to the senior management. The measures are incentivised by the fact that all the chief levels across the company have sustainability KPI included in their annual sustainability objectives, including environmental performance, and that as part of the reporting of the annual sustainability report, environmental data is assured externally by a third party. For all new investments since 2014, the company has been committed to achieving a minimum of LEED Gold, BREEAM Very Good or equivalent.

The company shows some robust initiatives to cooperate with tenants on the reduction of environmental impacts from the use of buildings. Majid Al Futtaim has developed its proprietary Green Star Rating System v2.0, a tool to evaluate how sustainable the fit-out and operation management and maintenance are for tenants. The rating system is included in all the leasing contracts and 100% of the tenants are Green Star certified, while M ESG positively notes that the requirements for tenants will get more stringent over time. The company provides training to tenants in need to achieve the required Green Star standards.

#### **Impacts on local communities (promotion of social and economic development)**

*Majid Al Futtaim is developing mixed-use real estate projects with long term impacts on local communities. The company's portfolio spans from prime to non-prime locations across 17 countries. As such, the respect for human rights of communities surrounding projects and contribution to local social and economic development may impact its reputation.*

Majid Al Futtaim achieves a Robust performance with regards to socio-economic development in M ESG's view. In the pillar 'Transforming live' of the company's sustainability strategy, the company has set its 2022 Sustainable Business Commitments: (1) supporting communities by increasing its contribution to local economies to help reach prosperity and promote economic development, and (2) developing skills and entrepreneurship in line with local needs through enterprise hubs. M ESG notes that the company has been making good progress in achieving the commitments, followed by setting new commitments, despite the trends of KPIs in measuring the local social and economic development outcomes not being disclosed.

The company has implemented extensive measures to promote the socio-economic development of local communities, including social needs impact assessments and monitoring for development projects. For example, the company conducted a construction plan survey and local need assessment for Tilal Al Ghaf (TAG), Majid Al Futtaim's large scale mixed-use community in Dubai. In TAG, approved projects such as improving the landscaping around TAG, providing cycling and jogging track outside TAG precinct for public to use, and providing three times more area than required for retail purposes are implemented. The company also offers initiatives to train and hire local workers, through various internship or placement programmes. Besides, Majid Al Futtaim joined the Scale Up accelerator programme which aims to support tech start-ups to access the UAE market.

#### **Integration of social factors in the supply chain**

*Given Majid Al Futtaim's large geographic footprint across 17 countries, the company is exposed to the management of risks of unfair and unsafe working conditions among contractors and sub-contractors, which is relevant for its competitiveness, human capital cohesion, and reputation.*

The performance of Majid Al Futtaim to integrate social factors in its supply chain is Limited, in M ESG view, despite the formalised Sustainable Procurement Policy stating that preference shall be placed towards companies that implement/obtain certain external human rights, quality management, environmental and health and safety certifications. The commitment has not addressed all social issues such as freedom of association or employees' decent wages and working hours.

According to the policy, Majid Al Futtaim's tier 1, 2 and 3 suppliers are expected to meet the minimum sustainability standards – albeit covering limited social topics – with indications to show adherence by 2022 for tier 1 suppliers and 2025 for tier 2 and tier 3 suppliers. M ESG recognises that by the respective dates the standards will be included in contractual terms, while the company is conducting surveys to understand suppliers' performance and identify areas for improvement along with training to educate suppliers on Majid Al Futtaim's policy and resources. Also, Majid Al Futtaim delivered training to all tier 1 suppliers over 2020-2021 and the company plans on further training in 2022 to capture any new suppliers to ensure all suppliers are upskilled before the policy is in force.

While the company indicates that the company conducts due diligence during the supplier onboarding process and internal audit twice a year governed by the company's Suppliers Code of Conduct, it was unclear to M ESG whether it had covered the main social issues for most suppliers. Also, the performance is limited by the lack of data on any social incidents discovered.

#### **Board of Directors**

*The composition of the Board of Directors (including its diversity, separation of roles between the Board Chairman and the CEO, independence, and competency level of its members), as well as its functioning rules (including board members' training and performance evaluation, the frequency of their elections, etc.) could impact the company's ability to exercise control over its management and foster its long-term competitiveness and profitability, as well as other stakeholders' interests.*

Majid Al Futtaim's ability to manage risks linked to its Board of Directors appears Advanced. M ESG positively notes the clearly outlined board function both on holding company and operating subsidiary levels and an enterprise risk management (ERM) framework in place, despite absence of a family constitution outlining the shareholders' role, the shareholders' relationship with the Board and succession procedures. M ESG further positively notes that the roles of chairman and CEO (General manager) are separated, and that the majority of the Board (7 out of 9-member) are considered independent. All Board members show deep business competence and operational experience demonstrated through roles in global institutions, with presence of CSR experience in the board. Many are high-profile managers, with a strong level of recognition within their industry. Majid Al Futtaim has also exhibited a proven track record of systematically discuss a comprehensive range of relevant CSR issues at Board level, including the approvals of various policies, sustainability strategies, review of the progress against commitments set as part of the sustainability strategy. Nevertheless, M ESG views that the fact that no women sits on the Board to date may reduce the company's ability to showcase its progress to promote diversity throughout its operations.

#### **Business ethics (Corruption and Money Laundering Prevention)**

*Majid Al Futtaim's projects involve negotiations with public entities to develop land and manage its communities and must respect planning schemes controlled by various national and local legislations. The company's ability to showcase a solid business ethic culture could be a strong asset for managing its portfolio and for future development projects. Operational and legal risks linked to potential employee misconduct may also materialise in significant fines, impacting the company's reputation and market position.*

Majid Al Futtaim displays a Robust performance with regards to the prevention of corruption and money-laundering, supported by a commitment formalised in its Code of Conduct, Supplier Code of Conduct, and Gifts, Hospitality and Entertainment (GHE) Policy, although it does not comprehensively detail the company's main responsibilities. Meanwhile, M ESG observed Majid Al Futtaim's internal controls to prevent corruption, including a separate approval workflow for gifts, presence of a periodic internal audit and risk assessment governed by the company's ERM framework, as well as measures to prevent money laundering through procedures for identification and handling any suspicious activity and a third-party due diligence and screening process covering Politically exposed persons (PEP), close associates, family members, state-owned entities and state invested enterprises, global sanctions lists, negative media screening, global regulatory and law enforcement lists, etc.

Majid Al Futtaim's external control mechanism of outsourcing external investigators for cases requiring advanced skills adds to the robustness of the performance, in M ESG view. Furthermore, Majid Al Futtaim adopts a reporting system with a confidential ethics hotline (in the form of email, phone, web form and regular mail) available for both internal and external stakeholders, supported by a strict no retaliation policy to protect whistle-blowers. All cases are investigated and reviewed by the ethics panel, with outcomes typically including any corrective measure required; disciplinary actions; process and internal control improvements to prevent future incidents, however, the number of incidents has not been disclosed.



**RISK MANAGEMENT**

Majid Al Futtaim's risk management system appears comprehensive and covers the group's most material CSR risks.

- ▶ Majid Al Futtaim has disclosed company-wide risk mapping/materiality in its ESG report as part of its 'Dare Today, Change Tomorrow' sustainability strategy. In 2018, the company defined its strategic approach to 21 material issues based on their importance to stakeholders and their importance to Majid Al Futtaim. M ESG views that such risk mapping covers nearly all CSR risks relevant to the company's activity except labour relations and responsible lobbying. M ESG further views that the company's cross-functional internal assessment processes including industry peer benchmarking and analyses of macro and societal trends appears to be robust, and positively noted that the company is due to update its mapping this year. However, there are no involvements of external stakeholders in refining its key ESG topics and the internal processes or methodologies of internal audit is not formally defined in the reporting.
- ▶ The company has set 11 Sustainable Business Commitments (SBCs) seeking to address the most material factors identified in the risk management mapping. For each of the SBC, the company assigned dedicated leads from the sustainability department, who are made responsible for monitoring the progress against annual targets and reporting on related actions and achievements. The sustainability department, led by the Chief Sustainability Officer reporting to the CEO, is dedicated to present the progress or any ESG-related events regularly to the CEO and Board.
- ▶ M ESG views that the company's risk management system is robust thanks to the comprehensive ERM Framework in place, supported with ongoing enhancements made to ERM through the internally identified lens of risk strategy, risk profile, monitoring, operating model etc. M ESG notes that the company achieved ISO 45001 Health and Safety for Majid Al Futtaim Properties UAE and Oman and is working toward achieving external certificates for the rest of the company's key operating subsidiaries on environment or health & safety front.
- ▶ The company has established the Management Risk Committee comprising of CEO, CFO, Chief Compliance Officer, Chief Legal Officer, Head of Treasury and Head of Internal Audit. The committee has the purpose to provide executive support to the board in discharging its responsibilities in relation to the assessment and management of risks faced by the company.
- ▶ Furthermore, the company's Audit & Risk Committee comprises of all three independent and non-executive boards members responsible for overseeing the company's internal and external controls systems. M ESG views that the committee has a comprehensive role.
- ▶ A whistleblowing system managed by third party to report confidentially on complaints that may rise from non-compliance or misconduct has been implemented and covers both internal and external stakeholders, which may further strengthen the robustness of this system.
- ▶ The company obtains third party moderate assurance by Upstream Sustainability Services, JLL which evaluates (1) Majid Al Futtaim's adherence to the AA1000 Accountability Principles of inclusivity, materiality, responsiveness and impact; (2) the reliability of the specified sustainability performance information and associated data collection and management processes; and (3) Majid Al Futtaim's progress in meeting the requirements of three KPIs related to its sustainability-linked loan before test dates.



**REPUTATION**

REPUTATION (/100)	
Cooperation with tenants	52
Biodiversity	46
Social and economic development	59
Accessibility of buildings	55
Social standards in the supply chain	48
Social standards in the supply chain	46
Executive remuneration	58

**OPERATIONAL EFFICIENCY**

OPERATIONS (/100)	
Environmental strategy	58
Energy	96
Social Dialogue	84
Responsible lobbying	7
Board of Directors	12
Board of Directors	62
Audit & internal controls	88

**HUMAN CAPITAL**

HUMAN CAPITAL (/100)	
Reorganisation	42
Career management	38
Health and safety	49
Health and safety	64
Fundamental labour rights	22
Non-discrimination and diversity	35

**LEGAL SECURITY**

LEGAL SECURITY (/100)	
Corruption and money laundering	42
Corruption and money laundering	54
Customer relations	30

Weak: from 0 to 29

Limited: from 30 to 49

Robust: from 50 to 59

Advanced: from 60 to 100

## Management

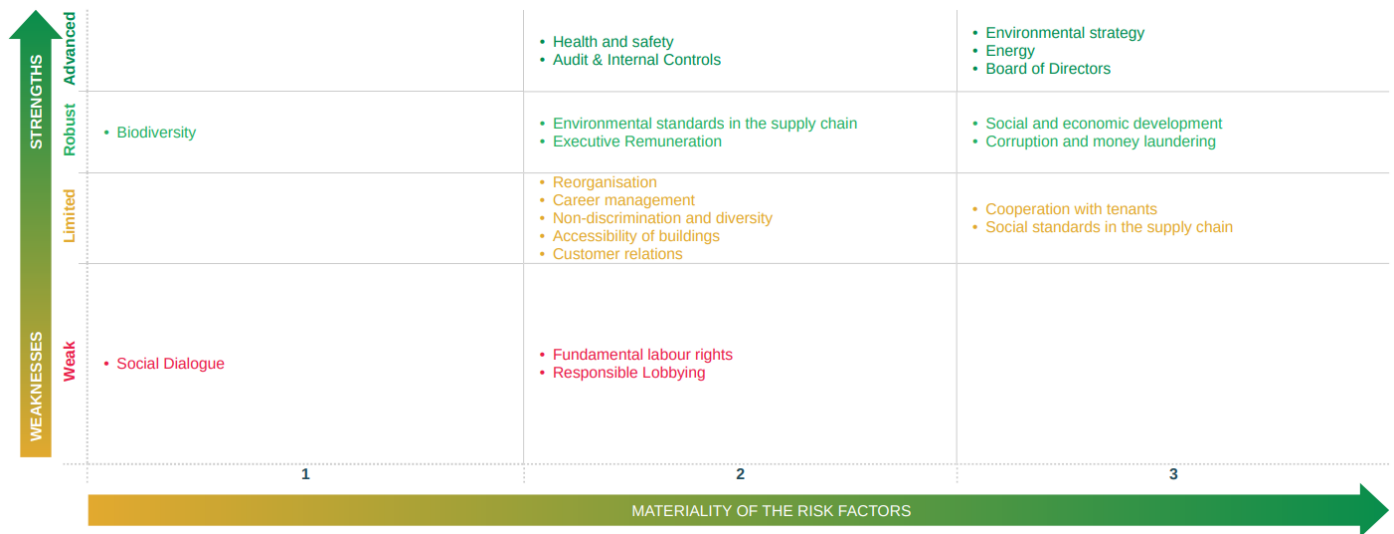
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### INTEGRATION OF ESG FACTORS INTO CORPORATE GOVERNANCE

Most factors under review demonstrate Majid Al Futtaim's advanced willingness and capacity to integrate ESG factors into its governance structure and decision-making processes.

- ▶ The **Board of Directors** is responsible for overseeing the company's ESG initiatives, policies, standard, programmes and performance.
  - CSR topics are substantially discussed at Board meetings and include most of the relevant CSR issues for the company such as energy, tenant's engagement, promotion of local development, human resources and ESG standards in supply chain. A sponsor is present in the board to facilitate the discussions and review on ESG topics.
  - Sustainability Progress Report is compiled and presented by the Chief Sustainability Officer (reporting to the CEO) on a quarterly basis for the Board's review, covering progress against both annual and mid-term quantitative targets, key initiatives implementation and next steps under the Sustainability Strategy.
  
- ▶ At **operational** level, the sustainability department at the holding company headed by the Chief Sustainability Officer is responsible to find measurements and opportunities relating to any ESG issues and align ESG strategies and initiatives through frequent liaison with corresponding department heads including the Global Solutions functions (comprising of human capital, technology, project management, procurement and finance) and dedicated sustainability managers and risk functions within operating subsidiaries, and report any findings to the CEO and the Board. The Chief Sustainability Officer is also responsible for the involvement of other stakeholders including local communities, government entities and ensures that CSR risks are integrated. As part of the external audit by JLL, each of the 'Target' and 'Action' owners are asked to provide regular updates on progress in a tracker.
  
- ▶ **Reporting to stakeholders** is made through the annual sustainability reporting in the ESG Report, which are publicly available on the company's website, which enhances its transparency. Majid Al Futtaim's Board of Directors including a shareholders' representative has reviewed and approved the reporting in accordance with the GRI Standards, and the reports are externally assured. The company has presented to investors its CSR strategy via the ESG Report, Green Sukuk Report, the Corporate Presentation and public communication platforms, namely the company's website, press releases, social media, newsletters.
  
- ▶ CSR risks are covered by **the risk management system and internal controls system**, which entails comprehensive risk mitigation processes (these are analysed in detail in the "risk management" part on p. 8 of this document).
  
- ▶ **Executive remuneration** integrates CSR components:
  - Majid Al Futtaim stated to MESH that all the chiefs across Majid Al Futtaim portfolio have ESG related KPIs in their annual objectives which are linked to their performance and bonus, however, no quantified targets are disclosed. The integration of CSR components into such objectives positively signals transparency to the firm's stakeholders.

MATERIALITY AND PERFORMANCE MATRIX



ENVIRONMENT

Strengths	Areas for improvement
<p>Majid Al Futtaim's sustainability strategy on environmental front is comprehensive. In particular, the company has set relevant and ambitious carbon reduction targets.</p> <p>The company has also engaged comprehensive resources toward environmental management and has been clearly integrating environmental considerations in its property management and investment strategies. The company has continued to expand its portfolio of properties granted green certifications and has demonstrated sustained efforts to improve the energy efficiency of building.</p> <p>The company reported in its sustainability report some favourable trends – on a group level – of carbon emissions and water consumption.</p>	<p>Majid Al Futtaim does not explicitly report all environmental data on a group level such as energy consumption and waste production, making those difficult to monitor.</p>

SOCIAL

Strengths	Areas for improvement
<p>On health and safety front, Majid Al Futtaim shows extensive measures in addressing the relevant issues including mental health, as reflected in the certification obtained by its properties segment – the largest segment of Majid Al Futtaim.</p> <p>The company set a quantitative target in increasing number of women from senior management as part of the sustainability-linked loan KPI, which helps incentivise to improve gender diversity.</p> <p>In promotion of community involvement, the company has allocated extensive means to address social and economic development and to promote the safe access to buildings of tenants and visitors.</p>	<p>The company lacks a formalised commitment on some social topics such as reorganisation, labour relations, and responsible customer relations, while commitments toward some other topics such as career management appear to be relatively general.</p> <p>There is no overarching employee representation or advocacy structure and commitment applicable at the firm level to promote the freedom of association and right to collective bargaining.</p> <p>Social indicators have been less likely to be reported on a group level, which lowers the predictability of their overall trends.</p>

## GOVERNANCE

Strengths	Areas for improvement
<p>Majid Al Futtaim has a comprehensive risk management and internal control system that incorporates most material CSR topics, supported with external assurance on group level ESG performance. This may in turn mitigate legal, operational, and reputational threats to the company.</p> <p>High degree of independence of the board has been observed through the composition of the board and representation in Audit &amp; Risk and Remuneration Committee.</p>	<p>The visibility of the company's commitment and measures to ensuring transparency and integrity of lobbying practices is insufficient.</p> <p>Governance standards are somewhat limited by the lack of gender diversity at Board level, regular election of the Board and unclear family governance mechanisms.</p>

## DETAILED EXPOSURE TO CONTROVERSIES

ESG Issues	Number of companies facing associated cases within the sector	Majid Al Futtaim exposure	Majid Al Futtaim reactivity
Environmental strategy	1	No	N/A
Biodiversity	1	No	N/A
Energy	0	No	N/A
Cooperation with tenants	0	No	N/A
Social Dialogue	0	No	N/A
Reorganisation	0	No	N/A
Career management	0	No	N/A
Health and safety	1	No	N/A
Fundamental labour rights	0	No	N/A
Non-discrimination and diversity	0	No	N/A
Social and economic development	3	No	N/A
Accessibility of buildings	2	No	N/A
Customer relations	4	No	N/A
Environmental standards in the supply chain	0	No	N/A
Social standards in the supply chain	1	No	N/A
Corruption and money laundering	1	No	N/A
Responsible Lobbying	0	No	N/A
Board of Directors	0	No	N/A
Audit & internal controls	3	No	N/A
Executive remuneration	0	No	N/A

## CONTROVERSY MANAGEMENT

As of July 2022, MESG has identified no controversies in which Majid Al Futtaim is involved. Therefore, MESG's opinion on Majid Al Futtaim's ability to ensure balanced relationships with stakeholders is high.

# Methodology

## Corporate Rating Scale

Our consolidated rating scale ranges from A1+ to D3-.

The consolidated rating translates the overall and relative ESG performance of an issuer according to 2 elements:

- Quartile performance and position within this quartile;
- Position in relation to its' peers.



Positions the issuer's overall ESG performance within our research universe, on a 12-level scale:

- The **letter** (A, B, C or D) positions the issuer's ESG score within one of the four quartiles of our overall research universe
- The **number** (1, 2 or 3) positions the issuer's ESG score in relation to its' peers within the same quartile.

## Definition of Strategic Assets

Each sustainability criterion of our rating framework affects issuers' non-material strategic assets with a different intensity. We have categorized these non-material assets into 4 classes: reputation, human capital cohesion, operational efficiency and legal security. The intensity of each sustainability driver on each asset class translates into a weight from 0 to 3.

We believe that a correlation exists between an issuer's level of commitment towards each of the sustainability criteria analysed and its ability to protect and develop these 4 classes of strategic assets.

From the ESG scores obtained by an issuer on different sustainability criteria, we infer a level of risk mitigation of these strategic assets. This level is given a score which is calculated using the following formula:

- "R": Level of risk mitigation
- "Y": Asset under review (reputation, human capital cohesion, legal security, operational efficiency)
- "S": Sustainability criteria score for which the weight of the asset X is weighted at 2 or 3
- "W": Weight allocated to the asset under review within each sustainability driver

$$R_y = \frac{\sum(S_y \times W_y)}{\sum W_y}$$

## Risk Typology – The Four Main Categories

Reputation	<ol style="list-style-type: none"> <li>1. Brand recognition, level and variation of brand image and organization, its leaders and consulting shareholders</li> <li>2. Outbreak, persistence, reduction or elimination of rumours, allegations and controversies</li> <li>3. Licence to operate, degree of social acceptability (approval of the implementation and/ or extension of the company, receipt and maintenance of operational permits and licences from public authorities or ordering parties)</li> <li>4. Talent attraction</li> <li>5. Variation of levels of shareholder support and satisfaction</li> </ol>
Human Capital Cohesion	<ol style="list-style-type: none"> <li>1. Stability of labour relations and social conflict mitigation</li> <li>2. Retention of skills and know how; skills development</li> <li>3. Attraction and mobilization of core skills</li> <li>4. Company culture and values</li> </ol>
Operational Efficiency	<ol style="list-style-type: none"> <li>1. Production cost management (work accidents, competencies, reducing energy consumption etc)</li> <li>2. Competitiveness of products and services (training, waste reduction, employee training and participation)</li> <li>3. Organizational and process effectiveness (audits and control mechanisms, environmental strategies etc)</li> <li>4. Innovation and preventing production and organizational process techniques from becoming obsolete; prevention of technological obsolescence</li> </ol>

	5. Security and quality of supplies and revenues
Legal Security	1. Recourse and complaints, litigation, legal proceedings, trials and fines

### Controversies

We continuously monitor controversies involving the social responsibility of the issuers we assess. We promptly disseminate our detailed opinion on the severity and possible consequences of the controversies in question. This service is designed to inform investors and asset managers about unexpected changes in issuers' risk profiles and enable them to make informed decisions.

We assess issuers' capacity to mitigate risks arising from allegations, media campaigns, lawsuits, or social movements related to environmental, social, ethical, supply chain, human rights and governance issues, which involve their products, services or behaviours. We provide an opinion on issuers' controversy risk mitigation based on the analysis of three systematic factors: the **severity** of the controversy regarding the social responsibility norms and standards applicable to the issuer and the rights and expectations of its stakeholders; the **frequency** of similar allegations involving the issuer; the issuer's **responsiveness** and its ability to take appropriate, corrective and preventive measures. Depending on their topic, controversies are categorized into 106 different themes.

This service provides access to our Controversy Journal, which is permanently available and categorizes entries by social responsibility theme and factor, company, sector, and country. It also offers a "Warning List", identifying companies involved in the most critical controversies which, due to the frequency of allegations to which they are subject and/or their weak level of responsiveness, require issuers to be more vigilant. The reference universe for our controversy analysis is based on our exclusive research. The Controversy Database is updated daily and involves correspondence with issuers.

### Energy Transition Strategy Score

By considering the size, sector of activity and nature of its products and services, we assess a company's willingness and capacity to adopt a Clear, documented and measurable transformation strategy regarding its behaviour, products and services; with the objective of reducing its carbon footprint and creating sustainable value based on low-carbon activities that are in line with international climate objectives such as the 2 degrees policy.

Each issuer receives an Energy Transition Strategy score resulting from the analysis of criteria defining its responsibilities regarding the fight against climate change. These criteria stem from an authoritative framework of international norms and standards and consider the best practices that make up our Equitics© framework: green products, energy, atmospheric emissions, transportation, use and disposal of products, and societal impacts of products & services. The reference universe is based on our exclusive research and is updated at the same time.

### Carbon Footprint

A company's carbon footprint is the total volume of Greenhouse Gas (GHG) emissions in tonnes of CO2 equivalent (Scope 1 + Scope 2) emitted by the issuer.

#### Emissions

- Scope 1 covers direct GHG emissions originating from sources that are owned or controlled by the issuer.
- Scope 2 covers indirect GHG emissions caused by the organization's consumption of electricity, heat, cooling or steam purchased or brought into its reporting perimeter.
- Scope 3 covers other indirect emissions (not included in Scope 2) from the entire value chain, both upstream and downstream.

#### Data

The main source of GHG emissions data is the Carbon Disclosure Project (CDP) and Vigeo Eiris' own company research. When data is not available via these two processes, we estimate the Carbon Footprint of the company based on the size and the nature of the issuer's activities, using three main modeling processes: regression analysis, sector-specific factors and average sector emission ratios. The research on non-sovereign issuers is updated twice a year.

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