

Second-Party Opinion

Majid Al Futtaim Green Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Majid Al Futtaim Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that projects in the areas of green buildings, renewable energy, sustainable water management, and energy efficiency will lead to positive environmental impacts and advance the UN Sustainable Development Goals 6,7, and 11.



PROJECT EVALUATION / SELECTION Majid Al Futtaim has established a Green Finance Steering Committee, chaired by the Treasurer. The Committee will, on an annual basis, select new projects and review existing projects for the green portfolio. This is in line with market practice.



MANAGEMENT OF PROCEEDS Majid Al Futtaim will earmark the proceeds of its green bonds and sukuk for allocation to the green portfolio, and track this process using a green bond register. Pending allocation, proceeds may be held in line with the Company's liquidity policy. This is in line with market practice.



REPORTING Majid Al Futtaim will report annually on the allocation and impact of its green finance instruments. This reporting will describe the amount allocated to each eligible project, as well as eligible quantitative impact indicators at the category level. This is in line with market practice.

Evaluation date	April 29, 2019
Issuer Location	Dubai, UAE

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For inquiries, contact the Sustainable Finance Solutions project team:

Joshua Zakkai (Amsterdam)
 Project Manager
 joshua.zakkai@sustainalytics.com
 (+31) 20 205 00 79

Zach Margolis (Toronto)
 Project Support
 zach.margolis@sustainalytics.com
 (+1) 647 695 4341

Jean-Claude Berthelot (Amsterdam)
 Client Relations
 jean-claude.berthelot@sustainalytics.com
 (+31) 20 205 00 15

Introduction

Majid Al Futtaim (the “Issuer”, the “Company”, or “MAF”) is an owner, operator, and developer of retail and commercial properties in the Middle East & North Africa (MENA) region. Founded in 1992, MAF operates 40 shopping malls, hotels, and mixed-used developments, with further projects underway, through its three operating subsidiaries: Majid Al Futtaim Properties, Majid Al Futtaim Retail, and Majid Al Futtaim Ventures.

Majid Al Futtaim has developed the Majid Al Futtaim Green Finance Framework (the “Framework”) under which it is planning to issue green bonds and/or green sukuk and use the proceeds to finance and refinance, in whole or in part, existing and future projects that will provide positive environmental impacts and support the transition to a low-carbon economy. The Framework defines eligibility criteria in four areas:

1. Green Buildings
2. Renewable Energy
3. Sustainable Water Management
4. Energy Efficiency

Majid Al Futtaim engaged Sustainalytics to review the Majid Al Futtaim Green Finance Framework, dated April 2019, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of Majid Al Futtaim’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Majid Al Futtaim’s green finance transactions. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Majid Al Futtaim Green Finance Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Majid Al Futtaim Green Finance Framework is available on Majid Al Futtaim’s website at: <https://www.majidalfuttaim.com/en/investor-relations/bond-and-credit-rating>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Majid Al Futtaim's Green Finance Framework

Summary

Sustainalytics is of the opinion that the Majid Al Futtaim Green Finance Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of Majid Al Futtaim's Framework:

- Use of Proceeds:
 - The four eligible project categories – green buildings, renewable energy, sustainable water management, and energy efficiency – are aligned with those recognized as impactful by the Green Bond Principles 2018 and Sustainalytics is of the opinion that investments under Majid Al Futtaim's Framework will deliver positive environmental outcomes.
 - Majid Al Futtaim uses credible third-party certifications for its green building eligibility criteria, namely BREEAM (Very Good and above) and LEED (Gold and above). Sustainalytics considers the selected certification schemes to be robust and credible and the selected minimum certification levels to deliver positive impacts. Sustainalytics further encourages MAF to certify to the level of BREEAM Excellent where possible. (See Appendix 1 for additional details on the certification schemes).
 - Eligible technologies for renewable energy are defined as wind and solar power; Sustainalytics considers these energy sources to have positive overall environmental impacts. Sustainalytics notes that these investments include both capital expenditures, as well as the procurement of renewable energy from other producers. To ensure additionality and strong impact, Sustainalytics encourages MAF to ensure that its renewable energy procurement is, where possible, subject to long-term power purchase agreements (PPAs) that support the construction of energy projects.
 - Sustainalytics views positively that, within the categories of sustainable water management and energy efficiency, MAF has established quantitative thresholds for eligibility. Limiting eligible projects to those that lead to 30% improvements in water use and 20% improvements in energy use will ensure that the projects financed by the Framework provide high levels of impact.
- Project Evaluation and Selection:
 - The Project Evaluation and Selection Process will be managed by Majid Al Futtaim's Green Finance Steering Committee, consisting of members of the company's Sustainability Committee and a member of the Treasury team. The committee will be chaired by the Treasurer and will, on an annual basis, select new eligible projects for inclusion in the Portfolio, replace any projects in the portfolio that are no longer eligible, and implement any necessary Framework updates.
 - Based on the establishment of a formal Steering Committee chaired by the Treasurer, and the commitment to annual review of project eligibility, Sustainalytics considers this to be in line with market practice.
- Management of Proceeds:
 - Majid Al Futtaim will deposit the net proceeds of each green bond in the company's general funding accounts, where they will be earmarked for allocation using a Green Finance Register, containing information regarding each green bond and sukuk. Unallocated proceeds will be invested in accordance with the Company's liquidity policy.
 - Sustainalytics notes that MAF will value assets in its portfolio at book value in line with accounting standards. This approach will ensure that assets are appropriately represented in the portfolio despite the lack of a formal lookback period.
 - Based on the use of a green finance register, and the disclosure of temporary assets, Sustainalytics considers MAF's management of proceeds to be in line with market practice.
- Reporting:
 - Majid Al Futtaim commits to publishing an annual allocation report and impact report regarding its Green Eligible Project Portfolio. The allocation report will contain a list of Eligible Projects, the total amount allocated to each Eligible Project, the amount by Project Category and the balance of unallocated proceeds. This process is in line with market practice, and Sustainalytics highlights in particular the highly granular level of reporting.

- Majid Al Futtaim's impact report will be provided at the level of each Project Category and may include relevant metrics such as: level of certification by property, estimated GHG emissions avoided, amount of water recycled and expected energy saved. This process is in line with market standards.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Majid Al Futtaim's Green Finance Framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Majid Al Futtaim

Contribution of framework to issuer's sustainability strategy

Sustainability at Majid Al Futtaim has been embedded into the overall corporate governance process, and top accountability for sustainability rests with the Sustainability Steering Committee, which is composed of leaders from across the business and chaired by the CEO. Each operating division's sustainability department reports sustainability progress directly to the group's central Sustainability Office, a structure which promotes knowledge sharing as well as fostering responsibility to meeting commitments.³ To further demonstrate its commitment to incorporating sustainability concerns into its decision-making process, Majid Al Futtaim has been a signatory to the UN Global Compact since 2013.⁴

Within its Sustainability Policy, Majid Al Futtaim commits to implementing and developing a sustainability strategy that manages the socio-economic and environmental issues that are most material to its business.⁵ Moreover, the company has made Sustainable Business Commitments regarding its fundamental business priorities ("Transforming lives", "Rethinking resources" and "Empowering our people"). Through its Sustainability Missions, Majid Al Futtaim committed in 2014 to a five-year strategy to meet certain environmental targets, such as reducing water and energy usage and improving waste recycling rates; by 2018 most goals were either achieved or partially achieved. The company also set up some long-term goals, such as producing more energy than it consumes and being a net-positive water user by 2040. These commitments are further elaborated in the Company's "Our Net Positive Commitment White Paper",⁶ which formally recognizes the depth of transition that MAF will need to undergo over the next several decades, and lays out concrete pathways to meet these goals. The White Paper further states that one of the goals of the net zero carbon strategy is to further progress towards the ambitions of the Paris Agreement. MAF recognizes that contributing to the advancement of the Paris Agreement is of particular import due to the regions in which it operates, as the MENA region is uniquely vulnerable to the physical impacts of climate change. Sustainalytics views the net positive goals as indicative of best practice in property development.⁷

As part of this overall sustainability approach, and in support of its long-term targets, MAF has implemented a Sustainable Building Policy.⁸ The core commitment of this document is the establishment of minimum standards for all developments, namely that all developments should strive to achieve a green building certification of at least LEED Gold, ESTIDAMA 3 Pearl, or BREEAM Very Good, with aspirational targets of LEED Platinum or BREEAM Excellent. Sustainalytics views positively this commitment to achieving environmental targets across its building portfolio, and, due to MAF's focus on real estate, considers this to have highly material impacts with regards to the overall business.

Furthermore, Majid Al Futtaim reports on its progress, disclosing in 2018 that 1.9 Mm² (49%) of its floor area is environmentally accredited,⁹ 2.6 kWh of clean energy was produced through its 5 solar plants, a 10%

³ Majid Al Futtaim, "Sustainability Report 2017", at: <https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-impact/sustainability>.

⁴ UN Global Compact, "Majid al Futtaim", at: <https://www.unglobalcompact.org/what-is-gc/participants/19221-Majid-Al-Futtaim->

⁵ Majid Al Futtaim, "Sustainability Policy", (2018), at: <https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-impact/sustainability>.

⁶ Majid Al Futtaim, "Our Net Positive Commitment", at: <https://www.majidalfuttaim.com/-/media/feature/mafcorporate/about/sustainability-reports/netpositivewhitepaper.pdf>.

⁷ Filkin, Elisabeth, SDG Resource Centre, "Net positive thinking in property", at <https://sdgresources.relx.com/news-features/net-positive-thinking-property>.

⁸ This document has been provided to Sustainalytics for review.

⁹ Majid Al Futtaim, "Sustainability", at: <https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-impact/sustainability>.

reduction in energy intensity for its malls was achieved and 5% for offices (compared to 2014 levels).¹⁰ The company also reports on its water and waste data, reducing the water intensity for its Matajer (“Shopping”) malls by 11% and 5% for offices (compared to 2014 levels), and achieving a 60% recycling rate of waste in the offices.¹¹

Based on its sustainability commitments, targets and progress reporting, Sustainalytics views Majid Al Futtaim’s sustainability strategy positively, and is of the opinion that the eligible green projects will contribute to the company’s overall sustainability approach and that Majid Al Futtaim is well positioned to issue green bonds.

Well positioned to address common environmental and social risks associated with the projects

While the use of proceeds of Majid Al Futtaim’s green bonds or sukuks are expected to deliver overall environmental benefits, the company is exposed to environmental and social risks related to the Use of Proceeds. For the project categories described in Majid Al Futtaim’s Framework, these may include biodiversity impacts from the development of buildings and renewable energy facilities, occupational health and safety and labour/human rights risks for workers, and resource usage and waste in construction.

Sustainalytics notes that Majid Al Futtaim has various policies and measures in place aimed at mitigating the risks faced by its employees and contractors, which it identifies as a key risk mitigation theme. Within its Healthy Workplace Policy,¹² Majid Al Futtaim commits to ensuring its employees’ health and wellbeing, while also achieving certification under internationally recognized schemes such as the WELL Building Standard.¹³ In its Code of Conduct,¹⁴ the company states that employees must adhere to health and safety procedures. Moreover, the company also introduced an OHSAS 18001 aligned Health and Safety Management System for the Project Management Business Unit, which Sustainalytics regards as a robust standard.¹⁵ MAF also has commitments in place that all of its employees and direct contractors shall be treated in accordance with the eight fundamental conventions of the International Labour Organization (ILO). These conventions are designed to promote the core workplace principles and rights such as the freedom from forced labour and the freedom of association and collective bargaining. As the construction sector in some regions in which MAF operates is exposed to risks related to the treatment of employees and in particular migrant workers, Sustainalytics views favourably that MAF has taken concrete steps to further mitigate these risks. The Company is committed to operating in a manner consistent with the UN Guiding Principles on Business and Human Rights, while at the level of individual projects, MAF carries out on-site audits twice per year to ensure that labour conditions, including for contractors, are aligned with the Company’s Code of Conduct.¹⁶ MAF has disclosed that the pass level for these audits is 80%, and that cases of non-compliance are subject to immediate remediation orders as well as ongoing training.

With a focus on environmental issues, MAF has made commitments to make use of audited energy water and waste data as a factor guiding its investment decisions and to ensure the sustainability of its supply chain through the enforcement of procurement procedures, on-site audits, and increased disclosures. MAF has committed to a long-term vision of its properties being net-positive with regards to both carbon emissions and water use, as well as identifying climate change adaptation and ecosystem services as key material issues. Sustainalytics views positively these strong commitments to eco-efficient operations, and notes that MAF has made implicit commitments to appropriately manage construction waste through its commitment to green building. Furthermore, MAF tracks the percentage of construction waste diverted from landfills, which for 2018 projects ranged from 50% to over 99%.¹⁷ Sustainalytics further notes that construction developments in greenfield areas pose the greatest risk to biodiversity and the local environment, to address this issue MAF has implemented a Pre-Acquisition Sustainability Policy,¹⁸ which addresses risks relating to biodiversity impact, water management, transportation, and community impacts.

¹⁰ Majid Al Futtaim, “Sustainability Report 2017”, at: <https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-impact/sustainability>.

¹¹ Majid Al Futtaim, “Sustainability Report 2017”, at: <https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-impact/sustainability>.

¹² Majid Al Futtaim, “Healthy Workplace Policy”, at: <https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-impact/sustainability>.

¹³ The WELL Building Standard is a building accreditation that focuses primarily on occupant health and wellness. In the context of MAF’s programmes, Sustainalytics considers WELL to be a robust indicator of a commitment to healthy workplaces and employee wellbeing.

¹⁴ Majid Al Futtaim, “Code of Conduct”, at: <http://www.mafethics.com/-/media/ethics/files/majid-al-futtaim-code-of-conduct.pdf>.

¹⁵ Majid Al Futtaim, “Sustainability Report 2017”, at: <https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-impact/sustainability>.

¹⁶ Majid Al Futtaim, “Employment Conditions White Paper”, at: https://www.majidalfuttaim.com/-/media/feature/mafcorporate/about/sustainability-reports/employment_conditions_final.pdf

¹⁷ This data has been provided by MAF and reviewed by Sustainalytics.

¹⁸ This document has been provided to Sustainalytics for review.

Considering the policies and commitments in place, Sustainalytics is of the opinion that Majid Al Futtaim is well-positioned to address environmental and social risks which may arise from the use of proceeds of the green bonds.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are recognized as impactful by the GBP. Sustainalytics has focused below on how the impacts are specifically relevant in local context.

Green Buildings and Energy Efficiency in the Middle East and North Africa

Due to projected growth in primary energy demand driven by population increase and economic expansion, coupled with the fossil-fuel-heavy structure of the region's existing energy sector, energy efficiency represents the most effective method, from a cost perspective, of lowering the energy intensity of the economy and supporting a transition towards a low-carbon society in the Middle East and North Africa (MENA).¹⁹ However, in 2011, the MENA region accounted for half of the world's pre-tax energy subsidies, representing around a quarter of all government expenditures in the region's states.²⁰ These subsidies discourage investments in energy efficiency or new cleaner energy technologies, resulting in decreased private actions in these areas as well as straining government resources. In response to these concerns, the Gulf Cooperation Council (GCC) countries have accelerated the liberalization of their energy markets in order to decrease governmental spending on energy subsidies, partially in response to the global drop in oil prices.²¹ In addition, the GCC States also committed to meeting certain national targets regarding energy efficiency targets, which would support the Paris Climate Agreement's goals of mitigating adverse effects of climate change.²²

Through the Dubai Integrated Energy Strategy 2030 (DIES),²³ the UAE aims to secure a sustainable energy supply and enhance energy demand efficiency, while also decreasing carbon dioxide emissions by 30% by 2030.²⁴ Moreover, the UAE also plans on reducing its energy consumption by 20% by 2020 and 30% by 2030. Among the key initiatives concerning energy efficiency, the UAE has implemented regulations on new green building and building retrofits, district cooling and efficiency standards for appliances and lighting systems.²⁵ These standards are of particular importance in the context of the built environment; in 2015, the residential sector made up 18% of the GCC's total energy consumption and 43% of its total electricity consumption.²⁶ To address this challenge, the MENA region has made significant progress in the area of green buildings in recent years, hosting around 1,200 green buildings, among which 65% are located in the UAE.²⁷

Egypt, MAF's second largest market, has also prioritized the improvement of energy efficiency. As part of the country's Nationally Determined Contribution to the Paris Agreement, mitigation actions will focus on the more efficient use of energy, including the promotion of improvement in the residential and commercial sectors, notably focusing on solar water heating.²⁸ These initiatives build on the National Energy Efficiency Action Plan which had set a 5% economy-wide improvement target over the period of 2012-2016 through a focus on building codes and appliance performance.²⁹

Given the context of the need for energy efficiency improvements in MENA, and the policy- and market-driven push towards cleaner, more efficient buildings and energy systems, Sustainalytics considers that Majid Al

¹⁹ EcoMENA, "Energy Efficiency in Arab World: Key Findings of Arab Future Energy Index 2017", Regional Center for Renewable Energy and Energy Efficiency (RCREEE), (2018), <https://www.ecomena.org/energy-efficiency-in-arab-world/>.

²⁰ Clean Energy Business Council. Middle East & North Africa, "Energy Efficiency in the GCC: Status and Outlook", (2018), at: <http://cebcmna.com/wp-content/uploads/2018/03/CEBC-Energy-Efficiency-in-the-GCC-January-2018-REV2.pdf>.

²¹ Clean Energy Business Council. Middle East & North Africa, "Energy Efficiency in the GCC: Status and Outlook", (2018), at: <http://cebcmna.com/wp-content/uploads/2018/03/CEBC-Energy-Efficiency-in-the-GCC-January-2018-REV2.pdf>.

²² "Prospects for climate change integration into the GCC economic diversification strategies", Al-Sarihi A. (2018), at: http://eprints.lse.ac.uk/86873/1/Al-Sarihi_Prospects%20for%20climate%20change_2018.pdf.

²³ EcoMENA, "Energy Management in the Middle East", (2017), at: <https://www.ecomena.org/energy-middle-east/>.

²⁴ Innogy, "Dubai Integrated Energy Strategy 2030", at: http://www.innogy.ae/case_studies/dubai-integrated-energy-strategy/.

²⁵ UAE Ministry of Climate Change & Environment, "National Climate Change Plan of the United Arab Emirates 2017-2050", at: <https://www.moccae.gov.ae/assets/30e58e2e/national-climate-change-plan-for-the-united-arab-emirates-2017-2050.aspx>.

²⁶ Clean Energy Business Council. Middle East & North Africa, "Energy Efficiency in the GCC: Status and Outlook", (2018), at: <http://cebcmna.com/wp-content/uploads/2018/03/CEBC-Energy-Efficiency-in-the-GCC-January-2018-REV2.pdf>.

²⁷ EcoMENA, "Green Buildings and the Middle East", (2019), at: <https://www.ecomena.org/green-buildings/>.

²⁸ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Egypt%20First/Egyptian%20INDC.pdf>

²⁹ http://www.rcreee.org/sites/default/files/egypt_ee_fact_sheet_print.pdf

Futtaim's investments in green buildings and energy efficiency to provide significant environmental benefits, and are anticipated to have positive outcomes for the MENA region as a whole, including reducing the GHG emissions and supporting meeting national climate targets.

Renewable Energy and National Climate Goals

The International Renewable Energy Agency (IRENA) expects that renewables will play a major role in the MENA region's sustainable energy transition from fossil fuels to clean energy. As of 2015, renewables constituted around 6% of the total energy mix in the MENA, with renewable generation facilities concentrated in only four of the region's 22 countries. In recent years, however, development has accelerated, with capital spending on clean energy project reaching \$11 billion in 2016.³⁰ Furthermore, the Pan-Arab Clean Energy Initiative plans on increasing the region's installed renewable capacity from 12 GW in 2013 to 80 GW by 2030.³¹

At the country level, the UAE Vision 2021, National Energy Strategy 2050 and the Dubai Clean Energy Strategy 2050, the UAE government has committed to achieving a share of 27% clean energy in its national energy mix by 2021 and 50% by 2050; these overall targets include reaching a share of 7% renewable energy for Abu Dhabi by 2020 and 7% energy from renewable sources for Dubai by 2020, 25% by 2030 and 75% by 2050.³² In order to meet its targets, the UAE will focus on attracting a massive private sector participation in financing of green energy technologies and projects.³³ Nevertheless, as of 2017, renewable energy generated in the UAE represented only 0.36% of the total energy mix.³⁴ Meanwhile, in Egypt, as of 2014 5% of the country's total final energy was derived from renewable sources. The Government of Egypt has pursued an Integrated Sustainable Energy Strategy (ISES) which targets 20% renewable electricity by 2022 and 42% by 2035; according to a study from IRENA, this is well within technical capacities, as Egypt has the potential to meet 53% of its electricity needs from renewable energy by 2030.³⁵

Taking into account the context, notably the very low current share of renewable energy in the UAE's generation mix, Sustainalytics favourably views Majid Al Futtaim's investments into renewable energy generation and procurement which would not only support the push towards a low-carbon economy but would also promote national and regional clean energy objectives. Sustainalytics further notes that the purchase of renewable energy, in particular through long-term and project-linked PPAs, will help spur the development of the renewable energy sector in the countries in which MAF operates.

Water Management and Conservation in the Middle East and North Africa

The MENA region is among the most water-scarce in the world, with per-capita water resources equivalent to only one sixth of the global average. According to the FAO, every county in the region is grappling with issues of groundwater depletion.³⁶ The effects of climate change are expected to further exacerbate this situation.³⁷ In the face of these significant challenges, policy and technological innovations will be required to ensure the continued supply of water resources for this fast-growing region.³⁸

It is with this background that Sustainalytics views favourably Majid al Futaim's planned investments in sustainable water management. The use of recycled water, one of the eligible project categories specified by the Framework, has been specifically cited as part of the solution for the MENA region's water challenges.³⁹ This recapture, coupled with the efficiency investments also contemplated for financing by green bonds and sukuk, will support both regional water management and contribute to MAF's long-term goal of net-positive water use.

³⁰ IRENA, "Middle East & North Africa", at: <https://www.irena.org/mena>.

³¹ IRENA, "Pan-Arab Clean Energy Initiative", at: <https://www.irena.org/mena/Pan-Arab-Clean-Energy-Initiative>.

³² UAE Ministry of Climate Change & Environment, "National Climate Change Plan of the United Arab Emirates 2017-2050", at: <https://www.moccae.gov.ae/assets/30e58e2e/national-climate-change-plan-for-the-united-arab-emirates-2017-2050.aspx>.

³³ UAE Ministry of Climate Change & Environment, "UAE State of Green Economy Report 2017", at: http://un-page.org/files/public/uae_state_of_green_economy_report_2017_0.pdf.

³⁴ UAE Ministry of Climate Change & Environment, "UAE State of Green Economy Report 2017", at: http://un-page.org/files/public/uae_state_of_green_economy_report_2017_0.pdf.

³⁵ https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Oct/IRENA_Outlook_Egypt_2018_En.pdf

³⁶ <http://www.fao.org/fao-stories/article/en/c/1150870/>

³⁷ https://www.ipcc.ch/site/assets/uploads/2018/02/SYR_AR5_FINAL_full.pdf

³⁸ <https://openknowledge.worldbank.org/bitstream/handle/10986/27659/9781464811449.pdf>

³⁹ <http://blogs.worldbank.org/water/game-changing-water-solutions-middle-east-and-north-africa>

Majid Al Futtaim Green Finance Framework

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Renewable energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Sustainable water management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Energy efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

Conclusion

Majid Al Futtaim has developed the Majid Al Futtaim Green Finance Framework, under which it intends to issue green bonds and/or green sukuk, and use the proceeds to finance and refinance, in whole or in part, existing and future projects in four areas that will provide environmental benefits and support the transition to a low carbon economy: green buildings, renewable energy, sustainable water management, and energy efficiency. Sustainalytics notes in particular the selection of highly impactful renewable energy technologies, the use of credible third-party green building standards, and the establishment of quantitative thresholds for energy and water savings.

The use of proceeds categories specified in the Framework are aligned with those of the Green Bond Principles 2018; Majid Al Futtaim has described a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the investments funded by the green bonds and/or sukuk will contribute to the advancement of the UN Sustainable Development Goals, in particular Goal 6 – Clean Water and Sanitation, Goal 7 – Affordable and Clean Energy, and Goal 11 – Sustainable Cities and Communities.

Based on the above, Sustainalytics is confident that Majid Al Futtaim is well-positioned to issue Green financial instruments, and that the Majid Al Futtaim Green Finance Framework is robust, transparent, and in alignment with the Green Bond Principles 2018.

Appendices

Appendix 1: Overview of Green Buildings Certifications of MAF's Framework

	BREEAM	LEED
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990.	Leadership in Energy and Environmental Design (LEED) is a US-based Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).
Certification levels	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding 	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum
Areas of Assessment	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority
Requirements	<p>Prerequisites depending on the levels of certification, and credits with associated points.</p> <p>This number of points is then weighted by item to determine an overall score, upon which the overall rating is based.</p> <p>Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p>	<p>Prerequisites independent of level of certification, and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>
Performance display		
Qualitative Considerations	Widely recognized internationally, with ability to adapt to local conditions.	Widely recognized internationally, and strong assurance of overall quality.

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Majid Al Futaim
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Majid Al Futaim Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 29, 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that projects in the areas of green buildings, renewable energy, sustainable water management, and energy efficiency will lead to positive environmental impacts and advance the UN Sustainable Development Goals.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Majid Al Futtaim has established a Green Finance Steering Committee, chaired by the Treasurer. The Committee will, on an annual basis, select new projects and review existing projects for the green portfolio. This is in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

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- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Majid Al Futtaim will earmark the proceeds of its green bonds and sukuks for allocation to the green portfolio, and track this process using a green bond register. Pending allocation, proceeds may be held in line with the Company's liquidity policy. This is in line with market practice.

Tracking of proceeds:

- | |
|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

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4. REPORTING

Overall comment on section (if applicable):

Majid Al Futtaim will report annually on the allocation and impact of its green finance instruments. This reporting will describe the amount allocated to each eligible project, as well as eligible quantitative impact indicators at the category level. This is in line with market practice.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators (please specify): |

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Online |

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- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-impact/sustainability>
<https://www.majidalfuttaim.com/en/who-we-are/sustainability-and-impact/sustainability>
<https://www.majidalfuttaim.com/-/media/feature/mafcorporate/about/sustainability-reports/netpositivewhitepaper.pdf>
https://www.majidalfuttaim.com/-/media/feature/mafcorporate/about/sustainability-reports/employment_conditions_final.pdf
<http://www.mafethics.com/-/media/ethics/files/majid-al-futtaim-code-of-conduct.pdf>
<https://www.majidalfuttaim.com/en/investor-relations/bond-and-credit-rating>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

-
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

Sustainalytics

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For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

