ماجد الفطيم
MAJID AL FUTTAIM

GREAT MOMENTS
FOR **EVERYONE,**
EVERYDAY

DRIVING MAJID AL FUTTAIM'S CLIMATE TRANSITION WITH SCIENCE-BASED TARGETS

LEADING BY EXAMPLE: SUSTAINABILITY THOUGHT LEADERSHIP SERIES

IN THIS REPORT

INTRODUCTION

The Paris Agreement marked the first time countries across the globe united in support of a legally binding treaty aimed at curbing global warming. Nearly six years on, there is still much more that needs to be done by governments and businesses to align with the agreement.

Through setting ambitious science-based targets (SBTs) at Majid Al Futtaim, we can ensure that our greenhouse gas emissions reductions are ambitious enough to align with the goals of the Paris Agreement. In addition, setting SBTs supports us to benchmark our progress across the board, validate our targets externally and report our performance consistently, based on a globally recognised best practice framework. They also support our internal target of becoming Net Positive in carbon by 2040 and provide confidence to our stakeholders regarding the credibility of our approach.

With COP27 and COP28 both taking place in the MENA region, we are looking forward to seeing the ambitions of regional companies turn into action. For those looking to firm up their action plans for the net zero transition, setting SBTs is a vital tool to ensure alignment with best practice standards, and the goals of the Paris Agreement.

OUR ALIGNMENT TO THE SDGS

DARE TODAY, CHANGE TOMORROW

In 2018, we launched our company-wide sustainability strategy, *Dare Today, Change Tomorrow*. Our five-year strategy aims to reflect the world we live in and defines our commitment to transform the way we do business and embed sustainability thinking in everything we do.

The strategy sets out 21 material issues and 11 Sustainable Business Commitments (SBCs) across three strategic focus areas: Rethinking Resources, Transforming Lives and Empowering our People. Within this thought leadership paper, we discuss the value of SBTs in providing a credible and consistent approach to reducing greenhouse gas emissions.

OUR CARBON COMMITMENT

In 2017, we set ourselves the ambitious target to become Net Positive in carbon by 2040. Since then, the global focus on decarbonisation has been continuously evolving with new emissions targets, standards and requirements developing at pace. In response, we have strengthened our carbon commitments, becoming one of the first three signatories to the World Green Building Council's (WorldGBC) Net Zero Carbon Buildings Commitment and subsequently setting SBTs for each of our Operating Companies.

We are also developing a Climate Transition Action Plan, an overarching roadmap that outlines our approach towards climate mitigation across company-wide greenhouse gas emissions (Scopes 1-3) through projects that reduce our emissions, alongside climate adaptation, by managing the risks we face from the changing climate. In bringing these areas together, we are better aligned with global standards and can foster the co-benefits of our climate activities across the business.

What are science-based targets (SBTs)?

Science-based targets show companies and financial institutions how much and how quickly they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change.

THE GLOBAL CHALLENGE AND THE ROLE OF BUSINESSES

The science is clear: human influence on the climate is severe and devastating impacts are being felt. Our current trajectory has the potential to be catastrophic and some of these changes are irreversible. We must take immediate action to manage the consequences and prevent humanity from reaching the tipping point of a climate disaster.

To limit future heating to 1.5°C above pre-industrial levels, GHG emissions must peak by 2025. According to the Intergovernmental Panel on Climate Change (IPCC)[1], emissions have the potential to, and must, be nearly halved by the end of this decade. Businesses have an important role to play in reaching this potential given their combined contribution to global GHG emissions. Carbon reduction targets are being widely adopted by organisations as an effective response, however the criteria on the required scope and ambition, as well as the target setting methodologies, can vary greatly across sectors.

For instance, the WorldGBC's Net Zero Carbon Buildings Commitment framework focuses on real estate related emissions and how to reduce them. However, a company's total carbon footprint must account for company-wide GHG emissions i.e., emissions across the organisation's entire value chain.

WHY IS 1.5°C IMPORTANT?

Already, the world has heated to around 1.1°C above pre-industrial levels and scientists have said that crossing the 1.5°C threshold risks unleashing far more severe climate change effects on people, wildlife and ecosystems.

THE CLIMATE CRISIS AND THE MENA REGION

The increasing levels of GHGs being released into the atmosphere, in particular CO_2, have led to many climate-related changes in the MENA region. These include increases in air and sea temperatures, rising sea levels, less precipitation, more frequent and intense droughts, and extreme weather events[2]. Despite slowing growth rates, MENA's population is still expected to double in size during the first half of the 21st century[3]. This has placed even more strain on energy, water and other natural resources. The UAE, for example, has one of the highest carbon dioxide emissions per capita levels globally[4]. If GHG emissions are not curbed, these climate-related changes will worsen, leading to unprecedented impacts on infrastructure, human health and natural habitats.

Recognition of the severity climate-related risks pose to the region is reflected in the increasing number of governments setting climate targets and committing to reduce their negative impacts on the environment. For example, the UAE government launched its Net Zero 2050 Strategic Initiative in 2021, committing to achieve net zero emissions by 2050. This was accompanied by the announcement of a $163 billion investment in clean energy, equivalent to more than a third (45%) of the UAE's GDP in 2020[7]. Similarly, Saudi Arabia and Bahrain have committed to reduce their emissions to net zero by 2060[8] and Egypt issued a first-ever green sovereign bond, valued at $750 million, to finance renewable energy projects[9].

Figure 1. Future climate risks by the 2050s in the MENA region[5/6] ›

SCIENCE-BASED TARGETS FOR REDUCING EMISSIONS

To limit global warming to 1.5°C – as called for in the Paris Agreement – emissions need to be reduced by 45% by 2030 and reach net zero by 2050[10]. There are many standards, resources and benchmarks in place, both at the global and regional levels, to provide guidance and educational resources on how to reduce GHG emissions in line with the science. These include, but are not limited to, the World GBC's Net Zero Carbon Buildings Commitment, the United Nations Framework Convention on Climate Change's (UNFCCC) Race to Zero campaign and the UK's Better Buildings Partnership's (BBP) Climate Commitment, as well as specific sustainable building certifications such as BREEAM and LEED.

One framework that is regarded to offer the most comprehensive guidance on setting company-wide GHG emissions reductions is the Science Based Targets initiative (SBTi), a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). This is one of the most ambitious frameworks that supports businesses to use measurable, actionable and time-bound objectives based on rigorous science.

SBTi-aligned companies now represent $38 trillion of global market capitalisation (about 32% of the total global economy). A recent report found that companies who have either committed to set science-based targets (SBTs) or had targets approved reduced their annual emissions by 29% between 2015 and 2020 and 1.5°C aligned companies are cutting emissions twice as fast than is required[11]. The aim of the SBTi's standard is to show companies how much and how quickly they need to reduce their GHG emissions in line with the latest climate science, as well as set clear guidance on scope and boundaries for setting these targets. The SBTi provides technical assistance and resources to companies who set SBTs and undertake an independent assessment and validation of the targets.

Companies report that adopting SBTs can boost profitability, improve investor confidence, drive innovation, reduce regulatory uncertainty and strengthen brand reputation. For Majid Al Futtaim specifically, adopting SBTs sets clear milestones on our road to Net Positive carbon by 2040 and demonstrates robust commitments to increasingly conscious consumers. The targets will provide our long-term commitment with credibility and scientific rigour and provide confidence to our stakeholders due to the targets' verification by a third-party organisation.

According to the SBTi's 2021 Progress Report[11]:

2,253
companies have committed to or set targets through the SBTi

1,082
companies have approved targets by SBTi

68%
are 1.5°C aligned targets

96%
of validated targets include Scope 3

Increasing momentum for 1.5°C

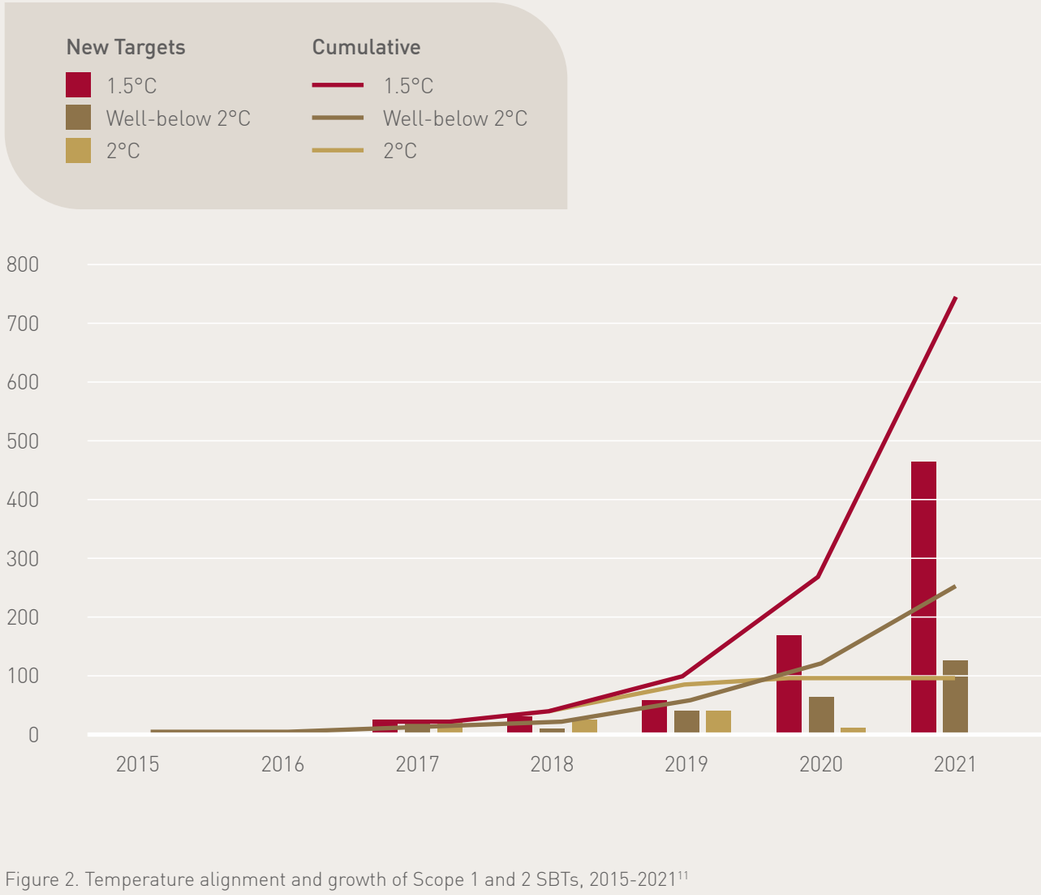


Figure 2. Temperature alignment and growth of Scope 1 and 2 SBTs, 2015-2021[11]

LEARNING FROM OTHER COMPANIES

There are a limited number of companies who have set SBTs across the Middle East region when compared to others such as Europe, which is currently leading in this space. There are currently only four companies in the UAE, including Majid Al Futtaim, that have committed to or set SBTs. However, with COP27 and COP28 taking place in Egypt and Dubai respectively, there is significant anticipation of the region upping its emissions and sustainability ambition in the near future.

In this section, we share some examples of companies around the world who have set SBTs and the strategies they have in place to meet their carbon reduction ambitions.

MOODY'S

Net zero target year: **2040**

Sector: **Professional Services**

Country: **USA**

Moody's, a financial services company, initially committed to reach net zero by 2050 through the SBTi. However, it has now accelerated its ambition to reach net zero by 2040, a decade earlier than its initial commitment given the urgency of the climate crisis. The company has a validated SBT of 90% emissions reductions in Scope 1, 2 and 3. It was among the first companies to have its near and long-term net zero targets validated by the SBTi.

To achieve its commitment, Moody's is actively engaging with its value chain to address and reduce its Scope 3 emissions. It encourages its suppliers to disclose their own carbon footprints and set their own SBTs. In 2021, the company engaged nearly 500 suppliers with the CDP supply chain program and conducted targeted engagement with approximately 75 key suppliers. In 2021, 28% of suppliers by spend, covering purchased goods and services and capital goods, had set SBTs; almost halfway to the company's target of 60% by 2025.

WIPRO

Net zero target year: **2040**

Sector: **Software and Services**

Country: **India**

Wipro is an Indian multinational corporation that provides information technology, consulting and business process services. It was one of the first seven companies with a validated net zero target. Similar to Moody's, it has an ambitious target of achieving net zero emissions by 2040 and a near-term target of achieving a 55% absolute reduction in GHG emissions by 2030.

With approximately 90% of Wipro's electricity footprint concentrated in India, it faces a unique challenge. The company's operations span various states in India, which results in an uneven landscape when sourcing renewable energy. In India, electricity is a state subject and there is no regulatory consistency across states. Challenges vary from tariff barriers, bureaucratic approvals and supply capacity. Meeting its target of 100% renewable energy by 2030 and the associated reduction of its Scope 2 emissions, will require Wipro to nearly double its renewable energy consumption over the next eight years.

To reduce energy consumption and increase the share of renewable energy supply, the company uses green building design principles for its sites and engages in constructive, industry-led advocacy with different state governments, to help improve clean electricity supply and remove tariff barriers.

SETTING SCIENCE-BASED TARGETS AT MAJID AL FUTTAIM

There are five main steps to setting SBTs:

COMMIT

Submit a letter establishing your intent to set a SBT

DEVELOP

Work on an emissions reduction target in line with the SBTi's criteria

SUBMIT

Present your target to the SBTi for official validation

COMMUNICATE

Announce your target and inform your stakeholders

DISCLOSE

Report company-wide emissions and progress against targets on an annual basis

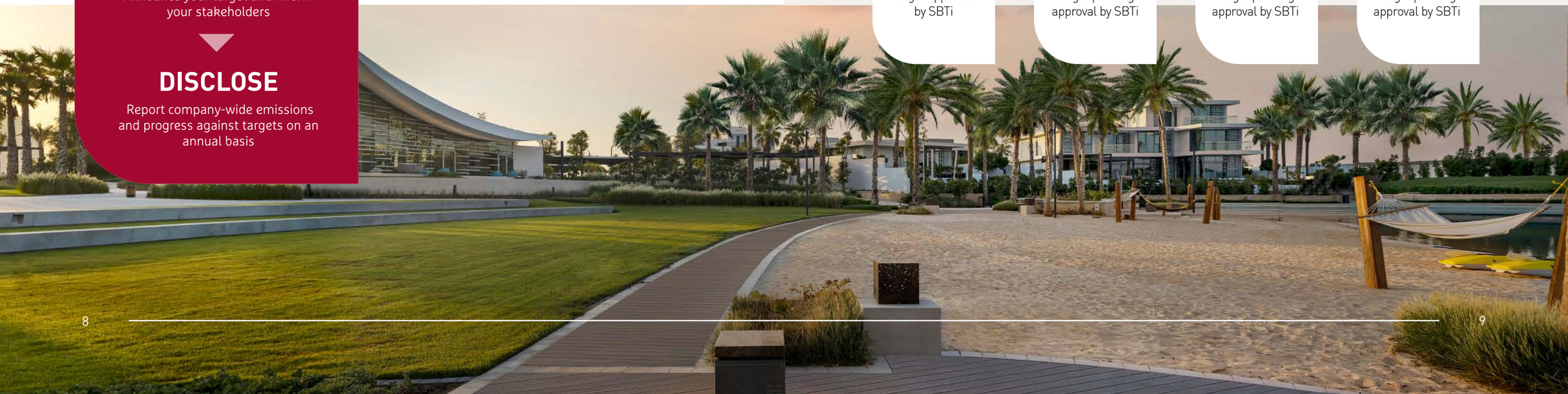
In 2017, we committed to become Net Positive in carbon by 2040. That means we will take more carbon out of the atmosphere than we emit. Since then, the science regarding climate risks and the emissions reductions required to avert the worst impacts has evolved significantly and the sophistication of frameworks to set robust targets has substantially improved.

As we launch new company-wide sustainability commitments in 2023, we will be moving into the next phase of our Net Positive journey. SBTs are a proven best practice approach and the framework that we have chosen to guide our carbon commitments. As a globally recognised process, it will be a vital tool on our road to Net Positive, providing confidence to our stakeholders of the rigour of our approach, backed by science and comparable to those of our peers.

Majid Al Futtaim - Properties has successfully had its targets validated by the SBTi, while Majid Al Futtaim – Retail, Lifestyle and Leisure, Entertainment and Cinemas (LEC) Operating Companies are still awaiting validation after submitting proposals to the SBTi in early 2022.

Table 1. Majid Al Futtaim's Scope 1, 2 and 3 SBTs (Target approval as at 14 December 2022)

Majid Al Futtaim - **Properties**	Majid Al Futtaim - **Retail**	Majid Al Futtaim - **Lifestyle**	Majid Al Futtaim - **Leisure, Entertainment and Cinemas**
87.7% per sqm Scope 1 & 2 reduction by 2035	**40%** in absolute terms Scope 1 & 2 reduction by 2035	**40%** in absolute terms Scope 1 & 2 reduction by 2035	**40%** in absolute terms Scope 1 & 2 reduction by 2035
57.3% per sqm **Scope 3 reduction by 2035**	**78.3%** per sqm **Scope 3 reduction by 2035**	**81.5%** per sqm **Scope 3 reduction by 2035**	**84.8%** per sqm **Scope 3 reduction by 2035**
Target approved by SBTi	Target pending approval by SBTi	Target pending approval by SBTi	Target pending approval by SBTi



Our process of setting science-based targets

Establishing the organisational boundary

STEP 1

We first set targets for Majid Al Futtaim - Properties before rolling out the process to the remaining Operating Companies. Our Properties' business is where our sustainability strategy originally began and it benefits from the least complex supply chain as well as the highest levels of data availability. Also, by starting with one Operating Company, we have been able to apply the lessons learnt across the business. Each Operating Company: Properties, Retail, Lifestyle and LEC, has its own SBTs in line with their business operations and growth plans. This means the targets are customised to the unique activities and performance of each Operating Company, while also benefiting from the shared SBTi approach.

Setting the base and target years

STEP 2

The first step in setting our SBTs was to establish the target(s) timeframe. We followed the common approach of setting near-term SBTs first, with a 2035 target. The SBTi requires that companies review their targets every five years to ensure they are aligned with the latest criteria. We expect that in 2026/27, we will need to update our current targets to align with the SBTi's latest standard, the Net-Zero Corporate Standard, which will require us to also set a long-term target on company-wide emissions.

A baseline year of 2019 was chosen, as this was determined as the most representative of the Operating Companies' typical GHG profile. More recent years, such as 2020 and 2021, were deemed unsuitable as our business activities were heavily impacted by COVID-19 and the resulting effects this has had on emissions and occupancy levels.

For clarity, our Scope 1 and 2 emission reduction targets have been created separately from our Scope 3 emission targets. This is because Scope 1 covers direct emissions from owned or controlled sources; Scope 2 covers indirect emissions from the generation of consumed purchased energy; and Scope 3 emissions are the result of activities from assets not owned or controlled by us, but that indirectly impact our value chain. This can be seen in figure 3 on page 12.

Setting Scope 1 and 2 targets

STEP 3

We started with setting our Scope 1 and 2 targets first as these emission sources are the most readily available. We have included 100% of our emissions in the target boundary, exceeding the minimum SBTi requirement of 95%, and will track our emissions reductions using a market-based approach[1]. This which means we can benefit from increasing our renewable energy procurement.

After testing the available target setting methods, we chose to apply the Sectoral Decarbonisation Approach[2] (SDA) for Majid Al Futtaim – Properties. This allows us to align with the required decarbonisation pathway for our sector (buildings) as set out by the International Energy Agency (IEA) and consider our future growth. At the time, the highest level of ambition meant aligning with the well-below 2 degrees temperature scenario.

For the remaining three Operating Companies, relevant sector decarbonisation pathways were not available and therefore, it was not possible to use the SDA method. As a result, our Scope 1 and 2 targets for Retail, Lifestyle and LEC were set using the Absolute Contraction Approach, an SBTi developed method for setting SBTs in absolute terms. Our final Scope 1 and 2 emissions targets can be seen in Table 1 on page 9.

Setting Scope 3 targets

STEP 4

Firstly, we established a Scope 3 emissions footprint covering our entire value chain. According to the SBTi criteria, a Scope 3 target is only needed if these emissions account for more than 40% of an organisation's total emissions, as is the case for Majid Al Futtaim.

We followed three stages to calculate our Scope 3 emissions and set our Scope 3 targets:

1. Conducting a GHG inventory

A GHG inventory was developed for each Operating Company, which involved screening all business activities and operations to determine the relevant emissions sources in our value chain. To do this, we used the Greenhouse Gas Protocol's standard and guidance, where Scope 3 emissions are categorised into upstream and downstream emissions and broken down into 15 different categories and emissions sources (as shown in Table 2).

For each Operating Company, we determined the most material sources of emissions as a proportion of the total Scope 3 footprint as well as where we can focus our efforts over the next 15 years. For Retail, Lifestyle and LEC, purchased goods and services was identified as the most sizeable emissions source, totalling more than 70% of the Operating Company's total Scope 3 emissions. This was somewhat expected as the majority of these Operating Companies' Scope 3 emissions are attributed to their supply chain. Majid Al Futtaim - Properties' primary business activity is to develop and manage real estate and therefore, its Scope 3 inventory shows a different trend to the other Operating Companies. The most material sources in Properties' Scope 3 footprint are related to its development activities.

2. Establishing a target boundary

As the SBTi states that companies must include at least two-thirds (66.6%) of the total Scope 3 footprint in the target boundary, most Operating Companies chose to include only category 1 within their boundaries. However, as Majid Al Futtaim – Properties' Scope 3 emissions were spread more evenly across the emissions categories, the Operating Company chose to include the following categories: purchased goods and services; fuel and energy related activities; waste generated in operations; use of sold products; end-of-life treatment of sold products and downstream leased assets.

3. Setting targets

Once the target boundary was established, near-term reduction targets were developed using the SBTi target setting tool. There were three target setting methodologies available for Scope 3 targets which we tested. It was decided that the Physical Intensity methodology should be used for determining our final Scope 3 targets as it allowed us to take into account business growth and set a target in intensity terms. The metric used for our intensity targets is square metres (sqm), which measures our total operational floor area in a given reporting year. The SBTi target setting tool is available through the SBTi website[13].

Our final Scope 3 targets, as well as our Scope 1 and 2 targets can be seen on page 9. We also have interim targets for each year up until 2035 so that we remain on track to achieve our targets.

[1] The difference between a location-based vs market-based emissions reporting approach: A location-based method reflects the average emissions intensity of the grid. A market-based method reflects emissions from electricity that companies have purposefully chosen (e.g., if they choose to use a renewable tariff).

[2] The SDA allocates the 2°C carbon budget to different sectors. This method takes into account inherent differences among sectors, such as mitigation potential and how fast each sector can grow relative to economic and population growth.

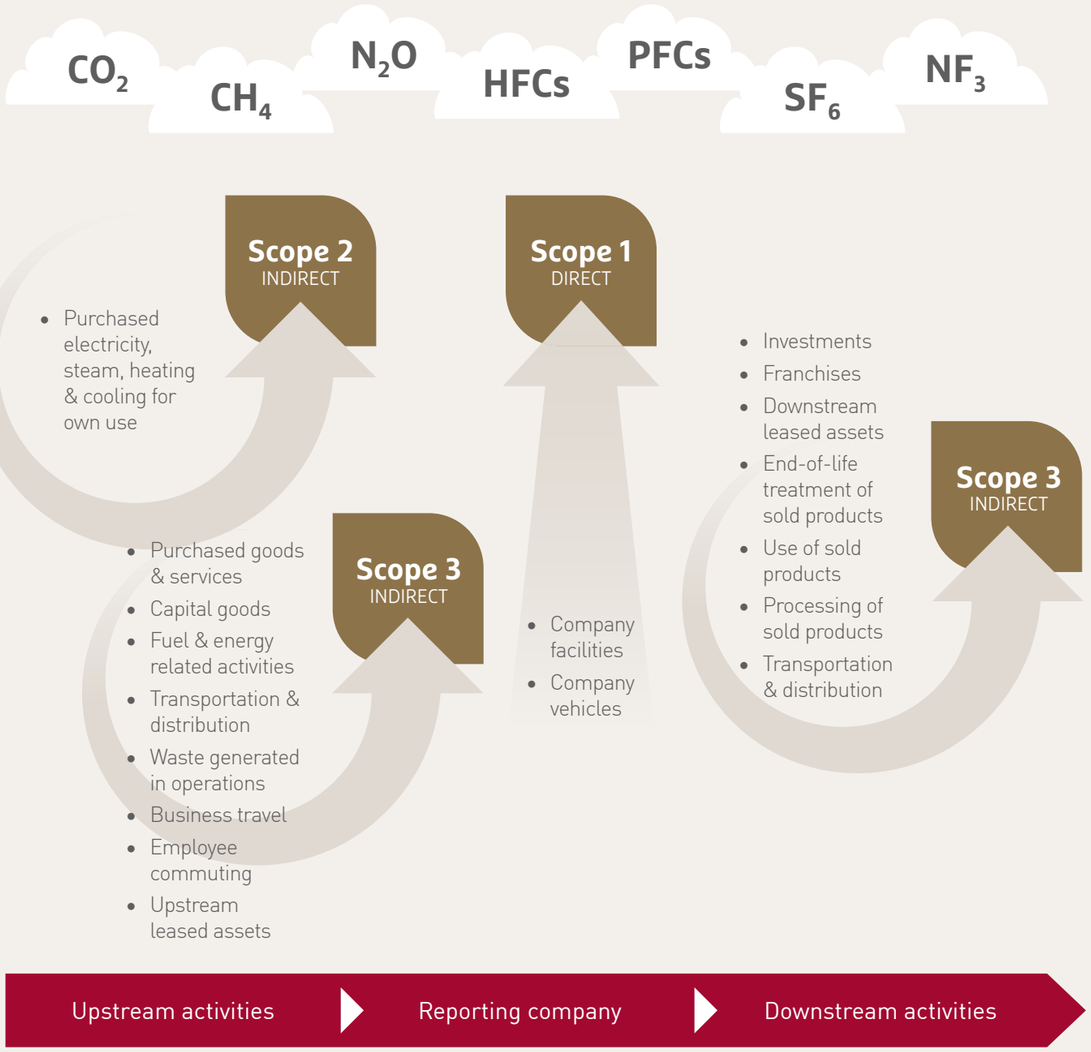


Figure 3. Overview of GHG Protocol scopes and emissions across the value chain[12]

	Percentage of Scope 3			
GHG Protocol boundary	**Properties**	**Retail**	**Lifestyle**	**LEC**
Category 1 - Purchased goods and services	28.8%	84.1%	78.1%	73.2%
Category 2 - Capital goods	N/A	0.1%	N/A	N/A
Category 3 - Fuel and energy related activities	3.7%	0.4%	0.3%	6.4%
Category 4 - Upstream transportation and distribution	0.3%	4.3%	18%	13.2%
Category 5 - Waste generated in operations	1.6%	1.6%	<0.0%	<0.0%
Category 6 - Business travel	2.3%	<0.0%	0.1%	0.6%
Category 7 - Employee commuting	0.1%	0.4%	1.6%	4.9%
Category 8 - Upstream leased assets	N/A	N/A	N/A	N/A
Category 9 - Downstream transportation and distribution	N/A	0.2%	0.9%	1.3%
Category 10 - Processing of sold products	N/A	N/A	N/A	N/A
Category 11 - Use of sold products	35.3%	3.4%	0.7%	0.2%
Category 12 - End of life treatment	7.8%	5.4%	0.3%	0.2%
Category 13 - Downstream leased assets	18.8%	N/A	N/A	N/A
Category 14 - Franchises	N/A	N/A	N/A	N/A
Category 15 - Investments	1.3%	N/A	N/A	N/A
Total Scope 3 GHG emissions	**100%**	**100%**	**100%**	**100%**

Table 2. Scope 3 boundaries across all Operating Companies

Journeying to Net Positive

Achieving our science-based targets will be a vital step on our journey to Net Positive. To do this, we are developing detailed emission reduction plans as part of our Climate Transition Action Plan for each of our Operating Companies. Key steps within the emission reduction plans are below:

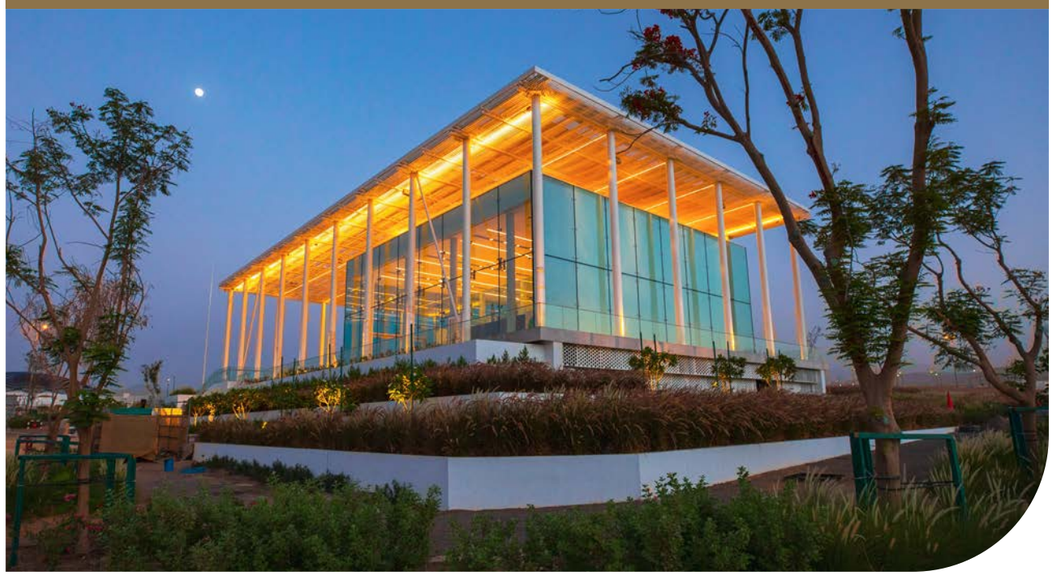
Majid Al Futtaim - Properties

We will focus our efforts on tackling the most tangible emission sources over which we have the most influence. Several of our key interventions include:

(1) Reducing embodied carbon in our developments by using less carbon intensive construction materials, for example, those with Environmental Product Declarations (EPDs), sourced locally and with a higher recycled content.

(2) Reducing 'use of sold products' emissions, which is essentially the energy demand of buildings that we develop and sell. We are continually looking into how we can improve the design of the residential houses we develop, focusing on energy efficiency and the supply of on-site renewable power, where legislation allows, supported by our Sustainable Building and Fit-Out Policies.

(3) Reducing 'downstream leased assets' emissions, which result from our tenants' energy consumption. Aside from optimising the buildings that we lease out to our tenants, we actively engage with them through our Green Star rating system to support them in running their spaces as efficiently as possible.



Majid Al Futtaim - Retail, Lifestyle and Leisure, Entertainment and Cinemas

Our strategy to reduce our Scope 1 and 2 emissions is based on the following hierarchy:

(1) Increase energy efficiency, for example, by executing Energy Performance Contracts (EPCs) for existing assets. We are also committed to owning, occupying, and developing buildings that are net zero in operation and embodied carbon by 2030.

(2) Maximise renewables on-site where regulations allow. Our Sustainable Building Policy requires all new projects to achieve a minimum on-site renewable energy generation of 25% of its total energy use.

(3) Maximise high quality renewables off-site through Power Purchase Agreements (PPAs), as well as other high-quality renewable, clean energy opportunities to ensure 100% of our energy consumption is supplied from renewable sources.

(4) Use high quality carbon offsets that align with the Oxford Offsetting Principles for any residual emissions after 2035.

As the majority of our Scope 3 emissions are generated by our purchased goods and services, to drive down these emissions, we will engage with our suppliers and support them in reducing their own emissions via our Sustainable Procurement Policy. As part of this effort, we are aiming to also improve our emissions calculation methods by increasingly using supplier-specific data. This will help us better understand, tackle and track our suppliers' emissions.

LOOKING TO THE FUTURE

At Majid Al Futtaim, we believe the case for reducing our emissions is clear and doing so makes business sense. Setting out SBTs and the actions required to achieve them is one part of our broader Climate Transition Action Plan, which will ensure that we take a holistic, best practice and global standard aligned approach to tackling the scale and impacts of the climate crisis. Achieving the ambitious mitigation and adaptation goals within the Action Plan will require a significant shift in how we do business, from the suppliers we engage with and the technologies we deploy to the materials we use in our buildings and how we insure them.

Setting our near-term SBTs has provided us with a clear and credible pathway to reducing our emissions, and the SBTi's requirement to review targets every five years, will ensure our efforts remain in line with the evolving sustainability landscape. In addition to setting these targets, we have developed a bespoke carbon projections tool. This supports us to understand the emissions impact of our growth plans and test intervention scenarios to best enable company growth while limiting our carbon footprint.

Internally, through the development of our new company-wide sustainability targets in 2022 and building on our success and learnings from *Dare Today, Change Tomorrow*, we look forward to harnessing the opportunities presented by setting SBTs. Externally, as sustainability and climate action in the MENA region grows in the coming years, we look forward to working with our peers and beyond to take tangible climate action.

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