MAJID AL FUTTAIM

GREAT MOMENTS
FOR **EVERYONE,**
EVERYDAY

ADDRESSING CLIMATE-RELATED RISKS

HOW MAJID AL FUTTAIM IS ASSESSING AND MANAGING CLIMATE RISK

LEADING BY EXAMPLE: SUSTAINABILITY THOUGHT LEADERSHIP SERIES

IN THIS REPORT

I, like many, feel deeply concerned about what the future may hold for the generations coming after my own. We are seeing devastating climate news too often and each climate event feels more frightening than the one before. In the Middle East, we are particularly exposed to climate risks like heat stress and coastal flooding, and I am personally passionate and driven to make sure that we, at Majid Al Futtaim, are leading the charge to enhance our resilience and protect our communities.

I am encouraged by the growing momentum among communities, businesses and governments who are beginning to achieve tangible progress and demand that more needs to be done. In the wake of the Intergovernmental Panel on Climate Change's (IPCC) most recent report, the warning of the severe climate risks to come has instilled collective urgency that these risks must be managed and mitigated against. The climate crisis will affect us all and powerful action is needed. The path ahead may be uncertain but to do nothing is to accept an unimaginable fate. As we look ahead and imagine a brighter future, I hope you join me in daring to fight for the opportunity of a world that is greener, cleaner, and safer for us all.

Ibrahim Al-Zu'bi
Chief Sustainability Officer
Majid Al Futtaim

RETHINKING
RESOURCES

We **DARE TO** rethink our use of resources to make a Net Positive Impact

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: Transforming Lives, Rethinking Resources and Empowering Our People. Within this white paper, we discuss the topic of climate risk and our approach to ensure our business and supply chains are resilient to a changing climate.

OUR CLIMATE RISK COMMITMENT

As one of the largest corporates in the Middle East, Africa, and Asia, we operate across 17 countries. Each has their own unique climate, customer base, communities, supply chain, and operations. This requires a customised approach to manage the climate-related risks and opportunities most material to our business. We are committed to proactively manage our climate-related risks and report transparently on how we are doing so on an annual basis. By putting in place the appropriate risk management and governance procedures, we can continue to ensure our business, communities and supply chain remain resilient to a rapidly changing climate. In alignment with our overarching Rethinking Resources focus area, our targets to be Net Positive in carbon and water by 2040 and to embed circular economy principles will contribute substantially to future-proofing our assets against our top climate risks.

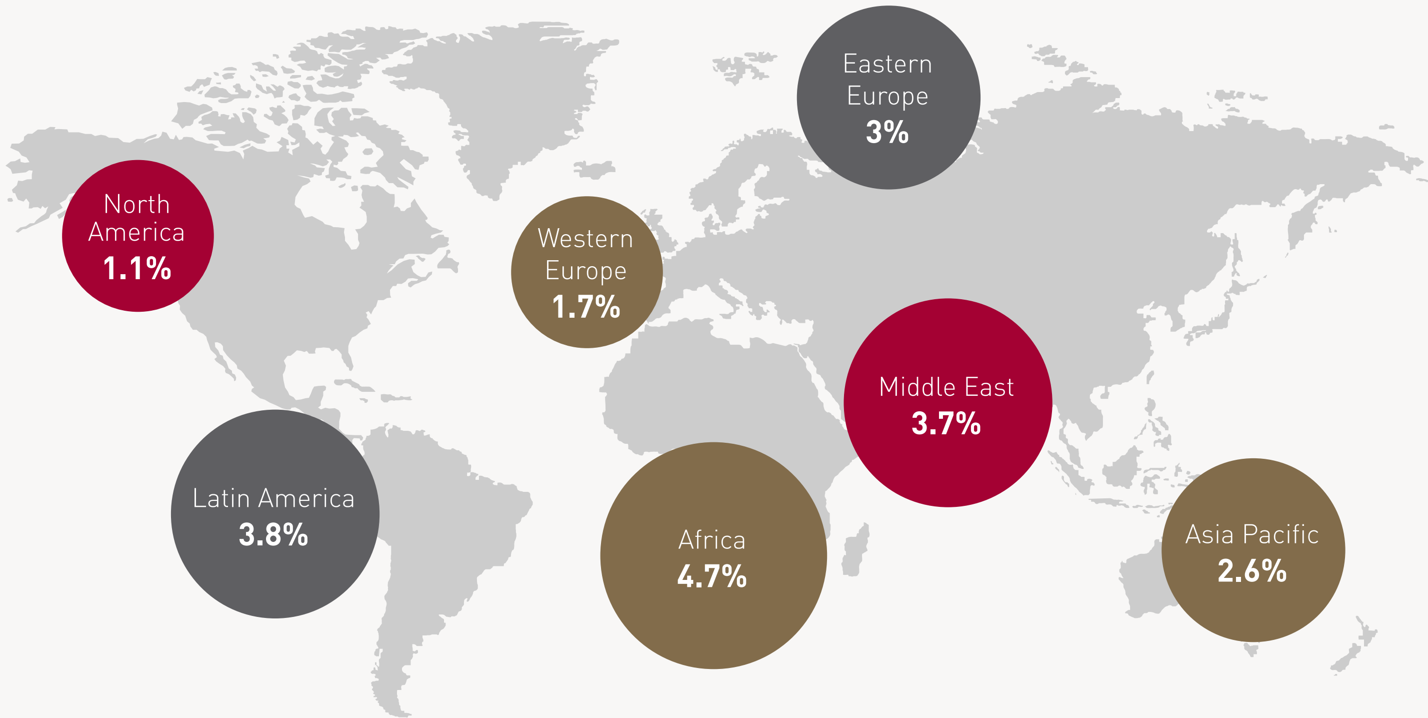
CLIMATE CHANGE: NO LONGER A FUTURE PROBLEM

For many, climate change was once viewed as a faraway, hypothetical possibility to be debated but not feared with any immediacy. It is now becoming all too clear that the climate crisis is already being experienced across the globe and that the risks are undeniable and severe. Global policy action has stalled for too long and it is becoming evident that the longer global economies continue to emit greenhouse gases on industrial scales and degrade our natural environment, the greater danger the world will face in the coming decades and beyond.

Every year, severe climate events are experienced across the globe. From the wildfires in California and Australia to the heatwaves in Kuwait and Dubai and flooding in Jeddah and India, these are known as physical climate risks. For example, Cyclone Gonu which hit the Arabian Peninsula killed at least 49 people and caused USD 4 billion in damage in the Sultanate of Oman[1]. Severe flooding in China killed at least 200 people, caused over USD 12 billion in property damage and required the evacuation of more than 800,000 people[2].

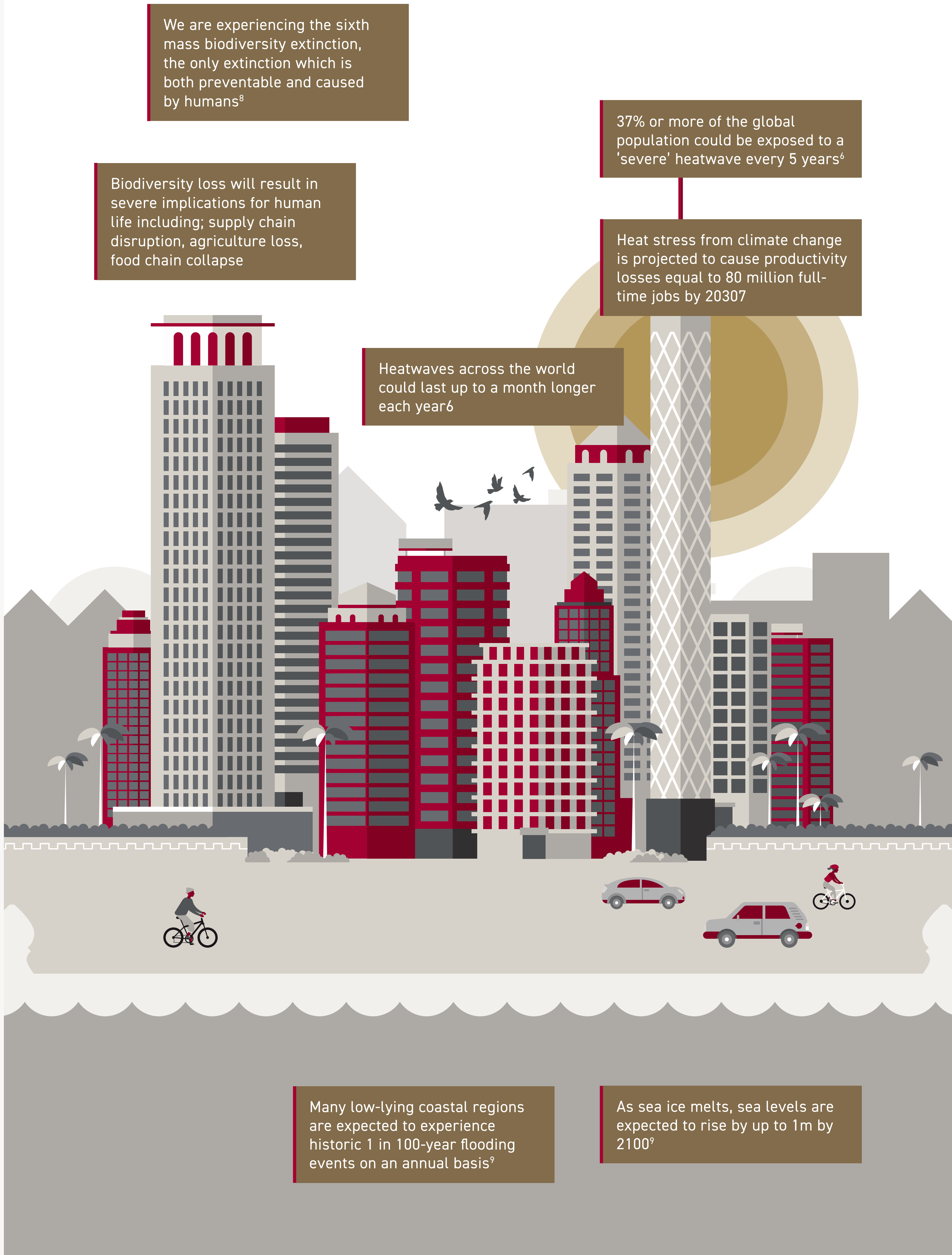
MOUNTING PRESSURE TO ACT

ECONOMIC IMPACTS OF CLIMATE CHANGE: AVERAGE REAL GDP LOSS BY 2050[3]



Leading scientists have made it abundantly clear that the climate crisis is substantially driven by human activity and that we must radically and urgently alter our polluting behaviour to prevent catastrophic levels of climate change[4]. The Intergovernmental Panel on Climate Change (IPCC), the body of the United Nations that brings together international scientific consensus on human-caused climate change, released its most recent climate assessment report in August 2021[5]. Its sixth report on the potential future impacts of climate change was a stark warning of the severe risks posed to the world if carbon emissions continue to rise unchecked, stating the bleak fact that many serious climate risks are now inevitable and unavoidable.

World leaders are beginning to respond to the IPCC's warning and momentum is building to decarbonise our economies and build climate resilience into our built environment. Governments are increasingly mandating a response from the private sector to ensure climate action is taken. The 26th United Nations Climate Change Conference of Parties (COP26) will be hosted in Glasgow, UK, in November 2021 and is being touted globally as the most pivotal COP event in history, where ambitious climate pledges must be made if we are to avoid catastrophic climate impacts. Additionally, the expectations of investors and consumers are shifting as their awareness grows, with an increasing expectation for transparent reporting growing alongside.



RISK ASSOCIATED WITH CLIMATE CHANGE

Physical Risks

The physical impacts as climate change causes more extreme weather events

Transition Risks

The risks that arise as global economies aim to rapidly decarbonise

Climate action introduces a new set of risks: the transition risks associated with transitioning to lower-carbon economies. For example, an estimated USD 4 trillion per year is needed to be invested into clean energy by 2030 to avoid the worst consequences of climate change[10]. These transition risks include shifts in consumer demand towards low-carbon economies and the associated shifts in markets to reflect this; increased energy demand and costs; carbon taxation; the risk of climate-related litigation cases being raised against companies involved in heavy-polluting industries; and the risk of failing to harness the opportunity to invest into innovative low-carbon solutions.

On the other hand, those businesses that are proactively taking steps to understand and manage climate-related risks will be the ones best positioned to future-proof their business to a changing world. For those operating in the real estate sector, there are opportunities to be found in delivering first-class, energy and water efficient buildings with climate resilience measures built into the earliest stages of design. By understanding which locations may experience particular sets of climate risks, proactive businesses can take early steps to mitigate these risks and protect asset value where competitors may see significant losses.

Al Zahia, UAE

Mall of the Emirates, UAE

CLIMATE RISK IN THE MIDDLE EAST AND NORTH AFRICA REGION

It is widely recognised that the Middle East and North Africa (MENA) region is extremely susceptible to climate-related risks. In 2016, the World Bank declared the MENA region as one of the world's most vulnerable areas to sea level rise and with regional temperatures regularly exceeding 50°C, it is expected to experience over 200 days of exceptional heat every year by 2100. The World Bank estimates that 80-100 million people may be exposed to water stress by 2025[11] and as temperatures rise, a 44% increase in water demand is expected by 2025 in the UAE[12], placing a strain on resources in a region that is already water scarce. We will also see a significant increase in the demand for energy for cooling the buildings that we occupy, with estimations of a 10% increase in energy demand each year[13]. And as sea levels rise, our critical infrastructure, which is only designed to withstand minimal coastal flooding, could be critically damaged[14] and halt our way of life.

Meanwhile, regional income and tourism is heavily reliant on our natural environment, including mangroves and coral reefs. These are both at serious risk of loss as human activity pollutes ecosystems and causes irrevocable damage. Biodiversity protection has become a focus area for many governments across the region to ensure that our natural environment can be protected for the years to come and eco-tourism sustained.

Governments in our region are beginning to pledge climate action. For example, the UAE and US governments have pledged a partnership of combined efforts to drive financial investment into decarbonisation efforts[15], and the Abu Dhabi government recently committed to increase its climate action ambitions[16]. Decarbonisation targets have been stated and enhanced. This increasing level of regional climate action presents transition risks alongside the physical risks of climate change, and it is therefore vital that businesses in the region are aware of both. Gaining a robust understanding of climate-related risks and opportunities, and being able to communicate them, is growing in importance.

THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

In response to growing investor demand for transparent, comparable, decision-useful disclosures of the potential financial implications posed by climate change to businesses, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 and published the TCFD recommendations in 2017. The TCFD recommendations are structured around four key pillars that ask a business to disclose:

GOVERNANCE	How the business governs and monitors climate-related risks and opportunities at the highest levels, including how the board and senior management use climate-related issues to guide the business strategy and financial planning.
STRATEGY	The actual and potential impacts of climate-related risks and opportunities on the business, including any climate scenarios that were analysed to understand these risks and opportunities.
RISK MANAGEMENT	The processes taken by the business to identify, assess and manage climate-related risks and opportunities, including how these processes are integrated into overall risk management.
METRICS AND TARGETS	Any climate-related metrics that are tracked by the business to understand the changes in risks over time and/or to track improvements in its performance with regards to climate-related risks. Additionally, any climate-relate goals and targets, including decarbonisation targets and the disclosure of Scope 1, 2 and, where possible, Scope 3 carbon emissions.

The recommendations are detailed and robust, providing investors with a comparable set of disclosures around climate risk management and enabling them to understand their exposure to climate-related risks. Further, in order for a company to present a comprehensive response to TCFD, it must undertake a robust climate risk assessment process. Through this process, the business gains crucial understanding of its climate-related risks and can begin developing risk mitigation plans.


Majid Al Futtaim Tower 2, UAE

The momentum behind organisations reporting against the recommendations of the TCFD has significantly grown since they were first published in 2017. As of early 2021, the TCFD has over 2,300 supporters across 88 countries[17], representing over USD 12 trillion in assets under management. Nearly 60% of the world's 100 largest public companies support the TCFD, report in line with its recommendations, or both[18].

Moreover, major global economies are beginning to introduce legal mandates for companies to report on climate risks in alignment with the TCFD recommendations. The United Kingdom and New Zealand have introduced legal requirements for TCFD-aligned disclosures, while Singapore, Switzerland and Hong Kong are following closely behind. The G7 Nations (Canada, France, Italy, Japan, Germany, United Kingdom and United States) also made a public commitment in June 2021 that they would introduce mandatory corporate TCFD reporting requirements. With the IPCC report released in August 2021 and COP26 fast approaching in November 2021, we can expect more countries to follow suit.

While there are no legal requirements for countries in the MENA region to report on climate-related risk in alignment with the TCFD recommendations, there is a growing expectation from a global audience, including investors, that leading businesses should take proactive steps to understand the potential implications of climate change, manage them within the organisation, and report on them to enhance market transparency. We also recognise the importance of responding to industry-leading reporting frameworks. Reporting frameworks that support TCFD and have aligned their questionnaires to the TCFD recommendations include the Global Real Estate Sustainability Benchmark (GRESB), United Nations Principles for Responsible Investment (UN PRI), Carbon Disclosure Project (CDP), and Global Reporting Initiative (GRI).

At Majid Al Futtaim, we recognise the imperative to manage climate-related risks and are keen to demonstrate, with transparency to our stakeholders, the steps we are taking to ensure our resilience to our climate risks. Our 2020 sustainability report contained our first TCFD response, making us one of the first in the region to sign up as supporters and to report against TCFD. Please find our TCFD response in our 2020 sustainability report here.

CLIMATE SCENARIO ANALYSIS

A key recommendation of TCFD is to conduct scenario analysis in order to understand, comprehensively, the climate-related risks and opportunities that could be presented by distinct potential climate futures. The level of climate action that is needed to mitigate the worst impacts is incredibly substantial and has not been seen as of yet. As a result, it is necessary to consider a range of potential climate scenarios to understand the breadth of climate-related risks that could result in each. The TCFD recommends conducting scenario analysis of one scenario that is consistent with less than 2˚C of average global temperature rise by 2100, and another that is characterised by increased physical risks. In this way, a business is able to gain a comprehensive picture of both physical and transition climate risks. As we will be likely to experience risks from each scenario in reality, conducting scenario analysis allows a business to prepare for a wider subset of risks in an uncertain future.

At Majid Al Futtaim, we have taken rigorous steps over the last years to understand in depth the climate risks and opportunities posed to our business in the coming decades. This has included detailed climate scenario analysis of two climate risk scenarios, the IPCC scenarios RCP* 4.5 and RCP 8.5. These risks are described as followed:

RCP 8.5

Models global temperature increases of 3.2°C up to 5.4°C by 2100. This scenario is one in which global policy action is insufficient to meet the aims of the Paris Agreement and global temperature increases greatly exceed 2°C

RCP 4.5

Models global temperature increases of 1.7°C up to 3.2°C by 2100. This scenario represents an increase in policy action to implement the transition to a carbon-neutral economy with the aim of keeping the increase in global temperature to well below 2 C, in line with the Paris Agreement

*Representative Concentration Pathways (RCPs) describe different scenarios for carbon dioxide emissions and resulting atmospheric concentration

HOW MAJID AL FUTTAIM IS ASSESSING AND MANAGING CLIMATE RISK

Majid Al Futtaim has taken key steps to understand how these scenarios could impact our business. In 2020, we undertook rigorous, quantitative climate risk modelling of our entire property portfolio against the RCP 4.5 and RCP 8.5 scenarios. We modelled up to 2100 the potential financial value at risk of a number of physical and transition climate risks and also opportunities. Among others, the risks we modelled included coastal flooding, river flooding, temperature extremes, water stress, as well as carbon pricing and technology risks.

In 2021, we conducted a climate risk assessment of our overall business strategy, against the RCP 4.5 and RCP 8.5 scenarios. We used the results of our portfolio modelling and, further analysed a breadth of credible climate literature to understand how climate-related risks and opportunities in each scenario could affect our business as a whole.

This two-year process has given us a clear understanding of our climate-related risks and opportunities. We have used these assessments to enhance our risk management procedures and processes and to inform detailed risk management plans and we are beginning to consider action plans for our key assets to embed resilience into our flagship locations.

Mall of Egypt, Egypt

There are many ways that we are already beginning to address our key climate-related risks:

RISK GOVERNANCE STRUCTURES

We have robust risk management processes in place, which we have integrated our climate risks into to ensure climate risks are considered alongside all other business risks. Our combined risks are reported to the Board of Directors, who has oversight of the most material risks to our business, including key climate-related risks. We have a dedicated sustainability risk register that tracks all of our top risks and the actions that we are taking to address these risks. We assign risk management responsibilities to 'Action Owners', who monitor and oversee the implementation of risk mitigation actions on an ongoing basis. These risk governance structures are described in more detail in our TCFD response in our 2020 sustainability report.

RESPONSIBLE PROCUREMENT

We have refreshed our Responsible Procurement Policy and are working with our top suppliers to train them in sustainable business practices and ensure they are operating in a sustainable way. By selecting responsible suppliers, we can reduce some supply chain risks that could be likely as climate change impacts intensify.

NET POSITIVE CARBON AND WATER

Our Net Positive commitments go a long way to mitigating a number of climate-related risks. Not only does providing energy and water efficient assets drive down our operational costs, it also protects us against the reputational damage associated with not taking action on climate change and against risks associated with carbon pricing. We can expect that the temperature rises in our region will increase demand on energy for cooling and for water, so it is vital that we make our assets as efficient as possible to be able to cost-effectively meet this demand.

CLIMATE RISK TOOL

Last year we developed a carbon risk assessment tool that allows us to identify potential climate risks over different stages of the property lifecycle. The tool then presents a range of options of risk controls that we can use to identify which are most appropriate to the level of risk and value of a project. The tool is a key mechanism we can use to mitigate climate risks at the early stages of a development or refurbishment project.

SUSTAINABILITY POLICY AND BUILDING STANDARDS

We have refreshed our Sustainability Policy and Building Standards to include minimum sustainability standards and climate resilience plans that will help to embed sustainability into our operating assets and our developments. The standards will help us support achievement of our sustainability targets, including our Net Positive carbon and water and circular economy ambitions.

DIVERSIFYING OUR BUSINESS STRATEGY

In a world where physical climate risks could have significant implications on real estate assets, we recognise that it is important to diversify our business strategy into new revenue streams. We are beginning to focus on providing leading customer experience through digital strategies. This will enable us to provide our customers with the first-class experience they are used to through an omnichannel approach.

ENGAGING FOR REGIONAL RESILIENCE

We recognise that climate action cannot be done in isolation. To achieve resilience, we must consider our wider localities and regions. We must work closely with governments, NGOs, financial institutes, and local communities to encourage and support regional resilience. Over the next year, we aim to actively engage with these parties to stimulate discourse that increases awareness and climate action and invest in our regions of operation.

RESPONDING TO TCFD

Our first response to TCFD in 2021 allows us to communicate to our stakeholders that we recognise the urgency of the climate crisis and that we have taken key steps to understand and manage our climate risks. By supporting TCFD, and as one of the first in our region, we are leading by example to support transparent climate risk reporting and helping to stimulate climate action among the private sector. We will report to TCFD annually and we plan to lead in the region with climate resilience planning and sustainability leadership.

ENSURING A CLIMATE RESILIENT FUTURE

It is clear that climate change will present monumental challenges to every government, industry and person in the coming years. Each of these must come together to drive real, significant and lasting change that creates a world where we work in harmony with our natural environment, rather than serving to destroy it.

As individuals, we must demand better from our businesses and governments. As a leading business, we must demonstrate the action we are taking to create this better world where we can thrive in the decades to come.

The world is waking up to the challenge. At Majid Al Futtaim, we hope that we present a model for sustainable business practices and can demonstrate to those around us how the business world can drive real change for a better future.

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