

## **Sustainable Financing Case Study: Majid Al Futtaim Green Sukuk**

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The financial sector is evolving to achieve social and environmental targets around the world. Innovation is spurring a wave of new financial services and products, from public equities, green loans, social and responsible investing to green bonds and sukuk. Through these innovations, there is hope that the world could cover its climate finance gap which is estimated at US\$ 2.5 - 4.8 trillion by 2030.

Green Sukuk is a Sharia-compliant bond, where 100% of the proceeds go to finance or refinance green projects that contribute to mitigating climate change as well as preserving biodiversity. The first green sukuk was issued in Malaysia in 2017 to finance a solar power plan (US\$ 59 million), and was followed by the first issuance of a sovereign green sukuk worth of US\$ 1.25 billion in 2018 in Indonesia.

In May 2019, Standard Chartered Bank (SCB) successfully issued the first ever green corporate sukuk in the MENA region for Majid Al Futtaim Holding LLC Company (MAF), the leading shopping mall, communities, retail and leisure pioneer across the Middle East, Africa and Asia. The US\$ 600 million green sukuk was priced at 4.638% over ten years. These Islamic bonds, which offer 220 basis points over mid-swaps, received orders in excess of US\$ 2.8 billion and were more than 4.6 times oversubscribed by a diverse investor base; a third of the investors were from Asia, a third from Europe, and a third from the MENA region. The green sukuk will be used to fund some of MAF's existing and new projects, including green buildings, renewable energy, sustainable water management, and energy efficiency. In preparation for the issuance of the MAF sukuk, the company has established a Green Finance Framework and a Green Finance Steering Committee that will oversee the selection of new and existing projects for their green portfolio.

MAF has a proven record of supporting the UAE in achieving its climate targets. They have launched a net positive strategy to reduce the company's water consumption and carbon emissions,

and to produce a positive corporate footprint by 2040. They are also the first organization in the region to achieve LEED certification for its shopping malls, hotels and offices buildings, as well as the Green Star rating by Global Real Estate Sustainability Benchmarks for five consecutive years, and a 'low risk' environmental, social and governance (ESG) rating by Sustainlytics.

## **References**

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