

Creating Sustainable Value

Overview



We are committed to champion sustainability through a conscientious approach to business and a culture of transparency in reporting our sustainability performance.

Sime Darby's Commitment

Sime Darby's commitment towards sustainable operations is demonstrated by balancing economic aspirations with having genuine care and respect for our people and the communities the Group operates in, and in our programmes to reduce the impact of our operations on the environment.

Sime Darby believes that a focus on sustainability not only strengthens our social licence to operate, but also enhances our ability to run our businesses efficiently, competitively and generatively into the future.

With sustainability inherent in the Group's organisational strategy

and business model, sustainability-related information is integrated throughout this report, reflecting how the Group's sustainability mindset guides operations and its ability to create value over time. The following table outlines the main topics in relation to the sustainability statement within this report.

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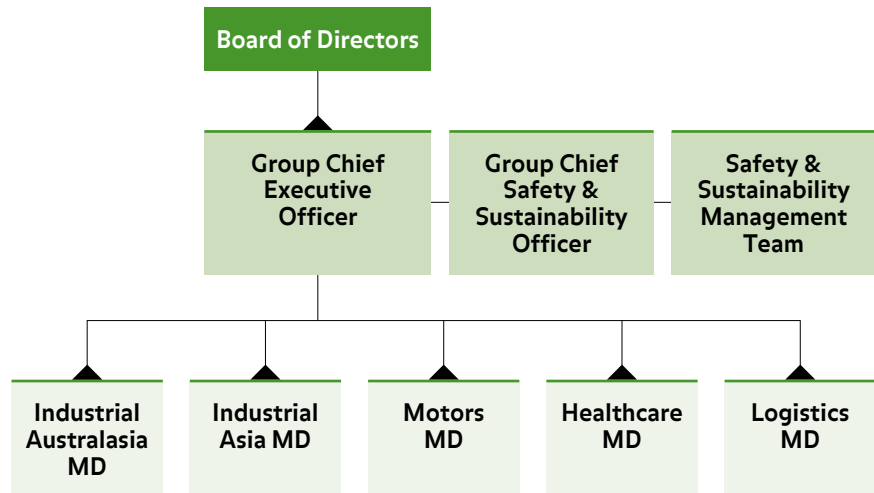
Sustainability Governance

Sime Darby’s commitment to sustainability begins with an established governance model. The Board of Directors ultimately governs the Group’s sustainability strategy, with support from the GCEO, who reports to the Board on safety and sustainability matters.

Sime Darby acknowledges the significance of safety and sustainability in its long-term business strategy, and in October 2019, appointed a Group Chief Safety & Sustainability Officer (GCSO), who reports directly to the GCEO.

The GCSO is accountable for setting the strategic direction for safety and sustainability across the Group. Since the appointment of the GCSO, the Group has:

- Implemented a structure to support all Divisions;



- Established a strategic direction to identify and address risks, standardise reporting and improve workplace safety culture and capabilities; and
- Formulated a Safety and Sustainability Strategic Plan to

position Sime Darby as a global leader in safety and sustainability, to realise its goal of “No Harm” and embed sustainability across all aspects of operations.

Sustainability Framework

Our Purpose: Delivering Sustainable Futures

Our Enabler of Value Creation: Sustainability Strategy

| Sustainability Pillars | Safety | People and Community | Environmental Sustainability | Governance | Economic |
|---------------------------------------|--------------------------------|---|--------------------------------|--------------------------------|-----------------------------------|
| Addressing Our Material Issues | Occupational Health and Safety | Community Contributions and Development | Waste and Effluents Management | Business Ethics and Compliance | Quality and Customer Satisfaction |
| | | Employee Training and Development | Energy and Carbon Management | Data Privacy and Security | Business Growth and Performance |
| | | Fair Employment Practices | Water Management | | Technology and Innovation |
| | Read more on Page 89 | Read more on Page 94 to 99 | Read more on Page 100 | Read more on Page 116 | Read more on Page 60 |

Supporting the United Nations Sustainable Development Goals (UN SDGs)

Creating Sustainable Value Overview

Sustainability is a key enabler of the Group's VCP, which in turn helps Sime Darby fulfil its purpose of Delivering Sustainable Futures. As a responsible business entity, Sime Darby aims to promote a safety culture, nurture its people, community and

environment, and generate a business environment that is guided by transparent and accountable governance.

The Group's Sustainability Framework supports and contributes towards achieving the UN SDGs.

To ensure that it is on track to deliver on the VCP, the Group has developed Key Performance Indicators (KPIs) related to each material issue to track its performance in an open, transparent manner.

Sustainability Accolades



FTSE4Good

Constituent of the FTSE4Good Index Series

Sime Darby remains a constituent of the FTSE4Good Index Series for the third consecutive year. The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices, and is used by a wide variety of market participants to create and assess responsible investment funds and other products.



2nd Place, Building Trust Awards 2019 by PwC Malaysia

PwC's Building Trust Awards is the first in Malaysia to measure trust among the top 50 companies in Malaysia by market capitalisation. The awards assess companies from two perspectives: the company's communication of value creation, and their trust perception among their internal and external stakeholders.

Creating Sustainable Value

Safety



Our safety initiatives aim to realise the goal of “No Harm” while creating value in all aspects of the Group’s operations.

The health and safety of our employees, partners and local communities is the top priority for the Group. Our goal is to position Sime Darby as a globally recognised leader in safety and sustainability, realising the goal of “No Harm” with sustainability creating value in all aspects of the Group’s operations. In collaboration with all partners and stakeholders, the Group will continue to develop its people, systems and processes to manage risks, build resilience and achieve continuous improvement in safety and sustainability performance.

Stakeholder Health and Safety

In an unfortunate incident in July 2019, a fatality occurred involving a contracted stevedore at Weifang Port in China. Any fatality is unacceptable and deeply regrettable. The Group is determined to further enhance safety culture and systems across all operations and influence cultural change with its contractors to prevent a recurrence of such an incident. We have introduced a next-generation safety culture programme called “SELF”, which stands for Safe Engage Lead and Focus, which will be rolled out to all operations in stages.

The unprecedented COVID-19 pandemic has impacted the health and wellbeing of millions of people globally, bringing social and economic disruption. COVID-19 has threatened the health and safety of the Group’s stakeholders, primarily our employees and customers. The Group has responded swiftly to the pandemic, with the implementation of a business continuity management plan across all operations.

In managing safety and health, the Group has focused its efforts on prompt and clear communication to employees, while the necessary personal protective equipment was procured, and travel was restricted in line with guidance from the relevant health authorities. Workplace exposure was also limited, with the institution of work-from-home arrangements, split teams and increased frequency of cleaning and sanitisation of premises.

The Group’s focus on a transparent reporting culture, in addition to standardised reporting and classification procedure, has improved the consistency of injury reporting across geographical boundaries.

Creating Sustainable Value Safety

We firmly believe that consistent injury reporting, the timely sharing of preventive actions and the roll out of a safety culture programme to all operations will provide the support required to reduce injury rates in the future.

Health and Safety Strategy

The Group’s health and safety strategy is guided by the Safety and Sustainability Strategic Blueprint which identifies the critical success factors for delivery in FY2021. This includes the delivery and a roll out plan for the Group’s safety culture programme, “SELF”.

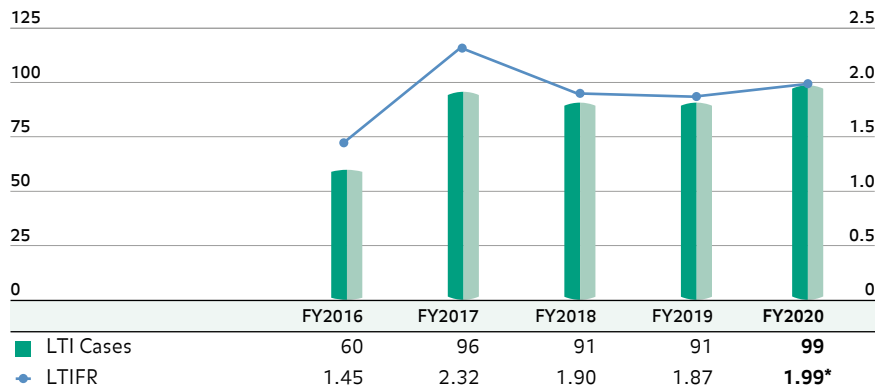
The Blueprint focuses on four critical success factors: improving health and safety, building value through sustainability, managing risk and quality assurance, and enhancing business resilience. These four success factors are instrumental to achieving the Group’s “No Harm” goal, which is supported by the following initiatives:

- Promoting a generative safety culture;
- Building capability through Felt leadership;
- Group-wide safety culture programmes;
- Enhancing lead indicator reporting;
- Customising training programmes and audits that target high risk activities;
- Delivering systems and processes to support assurance through organisational governance activities; and
- Embedding a continuous improvement culture.

Standardisation

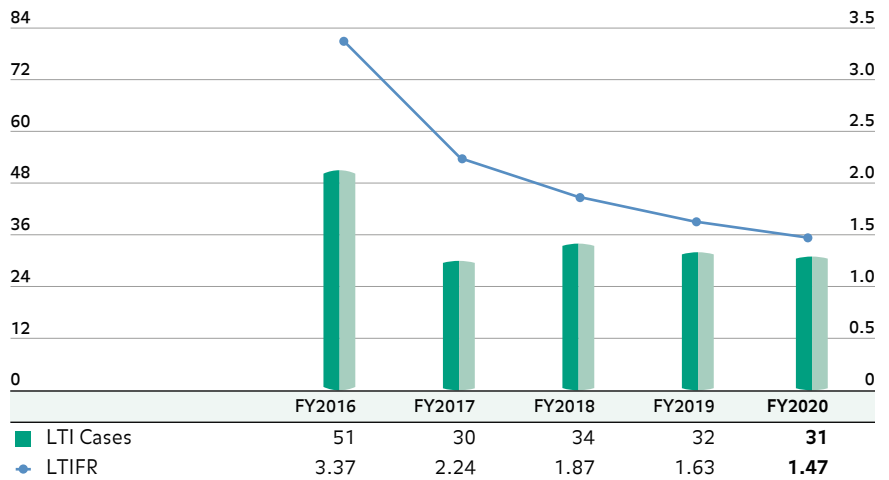
With the Group focused upon improving the culture of reporting all safety and sustainability events, a standardised incident reporting, investigation and classification process has been rolled out

Sime Darby's Lost Time Injury (LTI) and Lost Time Injury Frequency Rate (LTIFR)



* Sime Darby LTIFR data has been assured by a third party.
LTIFR = The total number of lost time injuries per 1,000,000 hours worked.

Sime Darby Industrial's Lost Time Injury and Lost Time Injury Frequency Rate



LTIFR = The total number of lost time injuries per 1,000,000 hours worked.

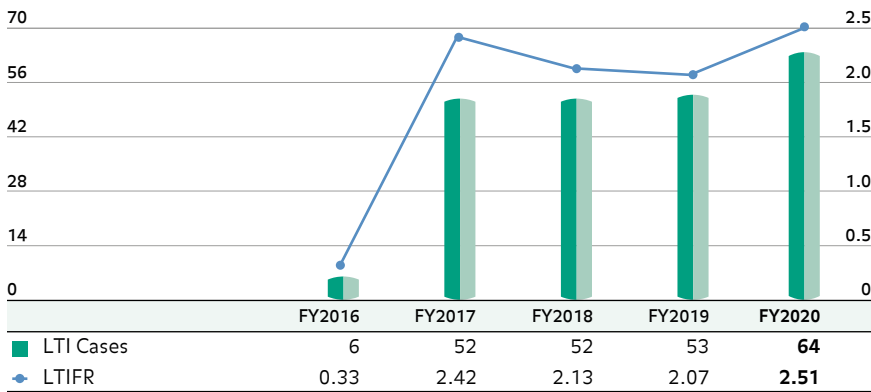
Group-wide. Standardised safety and sustainability KPI’s aligned to the Safety and Sustainability Strategic Blueprint have been implemented across all Divisions and operating units.

In the second half of FY2020, an internal health, safety, environment and quality (HSEQ) self-assessment programme was conducted across the Group. The outcome of the assessment will help determine the framework

and schedule for the independent Sime Darby safety and sustainability audit team for the coming year.

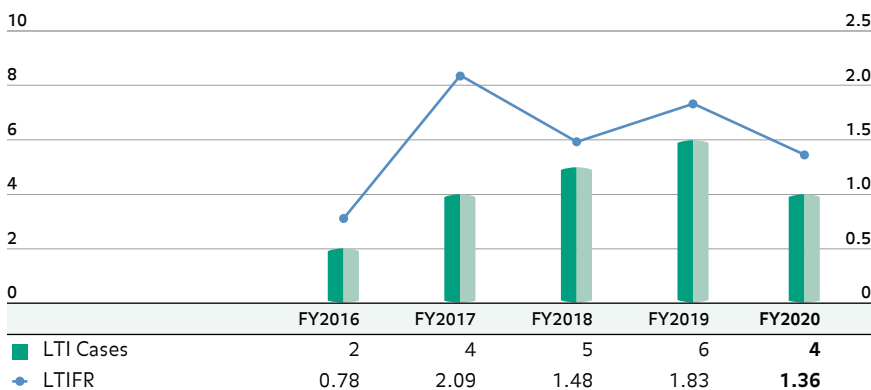
Additionally, Sime Darby Logistics had in FY2020 introduced formatted daily pre-operational safety meetings designed to enable every employee to be switched on and focused on safety for their upcoming work shift. Along with its partner at the Weifang Liquid Terminal, Sime Darby Logistics engaged an external party to undertake a full compliance review of joint

Sime Darby Motors' Lost Time Injury and Lost Time Injury Frequency Rate



LTIFR = The total number of lost time injuries per 1,000,000 hours worked.

Sime Darby Logistics' Lost Time Injury and Lost Time Injury Frequency Rate



LTIFR = The total number of lost time injuries per 1,000,000 hours worked.

operations. In addition to the outcomes of the audit, focus has been upon ensuring critical hazards are minimised and hazardous chemicals are stored in accordance with internal standards.

Life Saving Commitments

Sime Darby Industrial maintained its focus on minimising critical hazards within work processes throughout FY2020. Following the successful roll out of Life Saving Commitments in FY2018 in the Australasia operations, the programme is being deployed across Sime Darby Industrial's Asia operations and is scheduled for

completion by the end of 2020. Standardised controls developed to support the Life Saving Commitments will be incorporated into safety management systems across Sime Darby Industrial. This in turn will be supported by baseline health and safety audits and action plans to address any gaps.

Technology

In FY2020, Sime Darby Industrial's focused upon data-driven projects to digitise forms and make data-based decisions. The Sime Darby Industrial Safety and Sustainability team has leveraged digital platforms

to make safety forms and data more accessible and transparent, thereby improving efficiencies. The successful deployment of digital forms has improved the user experience and delivered an immediate data source with enhanced data integrity. This has enabled greater identification of non-compliances and the development of more targeted training for quality risk assessments.

Sime Darby Logistics implemented a digital application to report incidents and hazards. Since the application went live, the target of identifying one hazard for every ten employees per month has been exceeded by over six times, attesting to the effectiveness of the application and improved user experience.

The use of advanced materials technologies has also become a feature of safety initiatives for some operating units. The safety of night workers has been further improved, using more reflective coatings and lighting modifications, while higher resolution cameras have enabled wider coverage of operational areas to more effectively monitor safety and environmental hazards. Particulate filters for non-road mobile machinery, online particulate detectors, fog gun trucks, and sweeping vehicles have helped control exposures to airborne hazards at several operations.

Recognition

Hastings Deering has introduced an Excellence Awards programme for "No Harm" achievements. As part of an enterprise-wide Employee Excellence Reward and Recognition strategy, employees can be nominated by their leaders, peers or other colleagues for recognition of any innovation or improvement they have made to a system or process that contributes to the business' "No Harm" goal. Award winners receive company-wide recognition and cash prizes which reward and incentivise continuous improvement and innovation in workplace safety.

Creating Sustainable Value Safety

Sime Darby's demonstration of operational efficiency during the pandemic

Terra Cat

The Terra Cat dealership in New Zealand implemented a full shutdown as part of the COVID-19 response in compliance with the New Zealand government's requirements in March 2020. The business transitioned from full operations to effective closure within two days. With approvals to reopen in June 2020, it successfully achieved a return to 80% operational efficiency within two days. Throughout the seven-week interruption to business operations due to the lockdown, employees were closely monitored and supported. All Terra Cat employees remained free of COVID-19. By managing this period strategically, Terra Cat was able to control the financial impact of the lockdown whilst maintaining positive engagement with customers and the workforce.

Sime Darby's Digital Solutions

Sime Darby Motors and Sime Darby Industrial accelerated the adoption of digital solutions to present customers with a seamless online shopping experience. Examples include the launch of Auto Bavaria's and Performance Motors' digital showrooms in Malaysia and Singapore respectively, Continental Cars' contactless engagement with customers in New Zealand, which included home test drives and China Engineers Limited's 720° online exhibition gallery.

CEL's COVID-19 Response

To minimise business disruption, CEL adopted a rapid response to the pandemic outbreak by immediately reviewing travel plans and developing an alternating team roster to ensure staff safety. PPE supplies were immediately acquired at the onset of the COVID-19 outbreak.

Sime Darby Industrial leads the way with a refreshed safety culture programme

During FY2020, Sime Darby Industrial Australasia progressively deployed its next-generation safety culture programme, "SELF", throughout its businesses. "SELF" is designed to deliver enhanced engagement of people and to train them to make safer choices by exploring and challenging their existing thoughts and behaviours in the workplace. "SELF" challenges participants to explore the reasons they are safe, the choices they make each day, the standards they set and the actions they take. It aims to reinforce the culture of safety by promoting personal ownership for safety in a mindful process while complementing safety leadership. The "SELF" programme will be delivered across the broader Group in the coming year.

Sime Darby Motors drives home safety message

Sime Darby Motors has longstanding collaborations with its Principals to promote driver safety. Not only is safety a fitting extension of customer care, it is also a valuable service to the community, both of which will strengthen brand loyalty which ultimately boosts business resilience. In December 2019, Sime Darby Motors again partnered with Ford to deliver the annual Safe Driving Skills for Life Programme workshop in Sabah, this being the first time the programme was introduced to East Malaysia.

Plans for Next Year

Our Safety and Sustainability Strategy Blueprint has identified the critical success factors for delivery next financial year. We are reviewing the delivery and a roll out plan for our safety culture programme, "SELF", across targeted areas within the Group.

Sime Darby Industrial is launching a new HSEQ management reporting system in FY2021. The new system is an enterprise-wide solution aimed at replacing existing safety reporting systems which will allow for full lifecycle recording and management of all HSEQ events. The solution

contains functionalities to support and manage lead and lag indicator reporting including incidents, hazards, audits and inspections, safety interactions, as well as preventive and corrective actions. The integrated system will also enhance user experience and increase the quality of event reporting thereby improving data analysis and review processes.

A comprehensive range of specific injury prevention strategies will continue to be deployed, ranging from working at heights programmes, chemicals surveillance, noise risk assessments and hearing

conservation programmes, through to indoor air quality monitoring. Initiatives to promote incident reporting, hazard identification and safety culture have been identified by each Division and will support Sime Darby's continuous improvement journey towards "No Harm".

To underpin these strategies and initiatives, existing internal regulatory systems and processes will be enhanced to strengthen regulatory understanding across the Divisions and to promote a culture beyond compliance underpinned by teamwork.

FY2020 Safety Achievements and Accolades

| |
|---|
| <p>Highest level of workplace safety accreditation</p> <p>Awarded to Terra Cat by the New Zealand Accident Compensation Corporation in recognition of its first-class claims management and internal processes</p> |
| <p>Gold Class 1 Award, MSOSH 2019 Awards</p> <p>Sime Darby Industrial Klang Valley (Workshop) and Sime Darby Industrial's operations in Ipoh were awarded Gold Class 1 for proven outstanding occupational safety and health (OSH) performance by the Malaysian Society for Occupational Safety & Health</p> |
| <p>Gold Class 2 Award, MSOSH 2019 Awards</p> <p>Sime Darby Industrial's operations in Kuantan were awarded Gold Class 2 for proven outstanding OSH performance by the MSOSH</p> |
| <p>Advanced Safety Company</p> <p>Sime Darby Motors' dealership in Chongqing received the 'Advanced Safety Company' award twice from the local authorities</p> |
| <p>Advanced Unit in Safety Operation 2019</p> <p>Jining's Yuejin Port was awarded Advanced Unit in Safety by the Jining People's Government Safety Committee</p> |

Creating Sustainable Value

People

Our people are at the heart of our business. We are committed to promoting fair employment practices and investing in the development of our people.



The Group's employees are the life force that sustains the business; they deliver on the Group's corporate strategies and are ambassadors of the brand. Sime Darby is committed to continuously engage in a respectful and fair manner with all its employees, honouring their potential by investing in relevant training and development opportunities to help them realise their potential and aspirations. The Group's approach is geared towards retaining the right mix of intellectual capital and cultural fit to propel the organisation forward.

Employee Engagement

A positively engaged workforce boosts productivity, reduces turnover, strengthens internal company culture and increases customer satisfaction. In short, it underpins the Group's ability to do right and to do it well. In view of this, Sime Darby conducted a Group Employee Engagement Survey in Q3 of FY2020, which saw 83% of employees taking the opportunity to have their say about what it feels like to work in the Group.

The Group Head Office, Sime Darby Industrial and Sime Darby Motors saw an increase in scores compared to the previous survey conducted in 2016. This was due in part to a planned and concerted effort to strengthen management culture, placing more emphasis on "Safety" and "Manager or Business Unit Leadership". The results of the survey were discussed and analysed at the Group, function, business and country levels with respective teams and leaders addressing areas to be improved. In the coming year, the Group will continue to develop and implement targeted action plans for improvement.

Employee Training and Development

The capability and capacity of the Group's employees is one of the key enablers of the Group's VCP. By investing in human capital, the Group is preparing for leadership succession in driving the organisation towards its goals.

In FY2020, 87% of the trainings conducted were job-specific, while 11.3% were on personal effectiveness and the remaining 1.6% comprised of leadership trainings.

Core Executive Programme (CEP)

Sime Darby has a proprietary training framework called the CEP. CEPs are designed to harness the leadership competencies of the Group's workforce and ensure that talent are kept abreast of requisite skillsets and are primed for optimum performance. At the Divisions, the Human Resources departments proactively identify skill gaps among employees based on prevailing and predictive market trends, then recommend and provide relevant training opportunities to ensure employees are prepared to respond to dynamic business landscapes.

In FY2020, a new CEP was introduced at the executive level, with enhanced content which included a platform for each Division to facilitate sharing and discussions around key focus areas. For Sime Darby Motors, this involved a focus on performance driven culture whereas for Sime Darby Industrial, the focus was on safety, innovation and customer service. A review of the CEP curriculum for other levels in the organisation will take place progressively.

Targeted Leadership Programmes

Sime Darby also runs programmes that empower leaders, expand talent capabilities and engage employees in a manner that supports the delivery of business strategies. Initiatives such as the Young Executive Incubation Programme, conducted by CEL, is targeted at grooming young executives and engineers as part of a future-focused manpower and succession planning strategy. Similar young talent development programmes are implemented in Sime Darby Motors in China. Structured programmes, such as those catered towards entry-level management trainees and Executive MBA for potential general managers, have proven successful. Some of the management trainees and potential general managers have

already assumed leadership roles in operating units. At Hastings Deering in Australia, leadership programmes such as iLead and Step Up are designed to focus on the development of core behaviours, values and delivery of results amongst their current and future leaders.

World-Class Management Training in Easily Accessible On-Demand Modules

As a global business with operations in 18 countries and territories, there is an opportunity for the Group to develop world-class content to provide its talent pool with the latest management skills, in a way that is conveniently accessible regardless of where they are based. In FY2020, Sime Darby launched an on-demand learning and performance support resource, in partnership with Harvard Business School Publishing, a wholly-owned subsidiary of Harvard University. This initiative addresses the need to upskill company leaders and is delivered in a format that is highly efficient and familiar to the tech-savvy, time-pressed learners.

Technical Training Programmes

Hastings Deering, in collaboration with industry leaders, state government and national education bodies, is developing and deploying specifically-designed technical training programmes to support workforce development. Programmes such as "Introduction to Technology" and "Advanced Technology and Diagnostics" are designed to suit the workforce of the future.

At Sime Darby Motors, in addition to providing Principal-driven product and technical trainings to its technicians, a team and individual competition was organised in China for after-sales personnel, to assess and evaluate key after-sales points including painting work and quick repair process. The aim was to improve technical skills, ensure the quality of repairs and improve work efficiency rate.

Ensuring Leadership Continuity

In building a strong leadership bench strength, the Group has adopted robust talent assessment methods to identify high potentials and external incumbents for critical and pivotal roles. Sime Darby's approach is based on a combination of scientifically-validated psychometric assessments and a comprehensive leadership framework to ensure a consistent and accurate assessment of talent fit. Over the past 12 months, the Group has embarked on a Group-wide assessment of senior leaders and will continue in FY2021 with the assessment of the next tier of leaders. This ensures that the Group will continue to have a healthy talent pipeline for continuity in leadership.

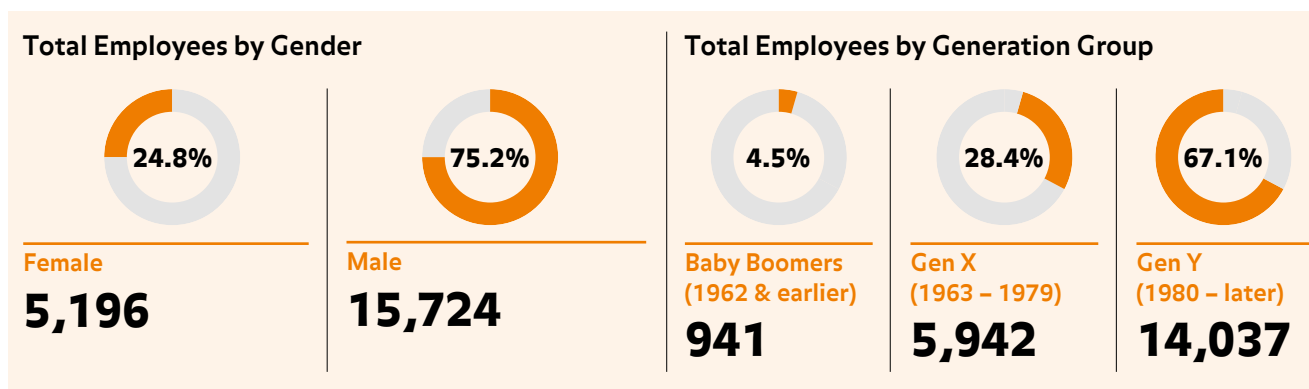
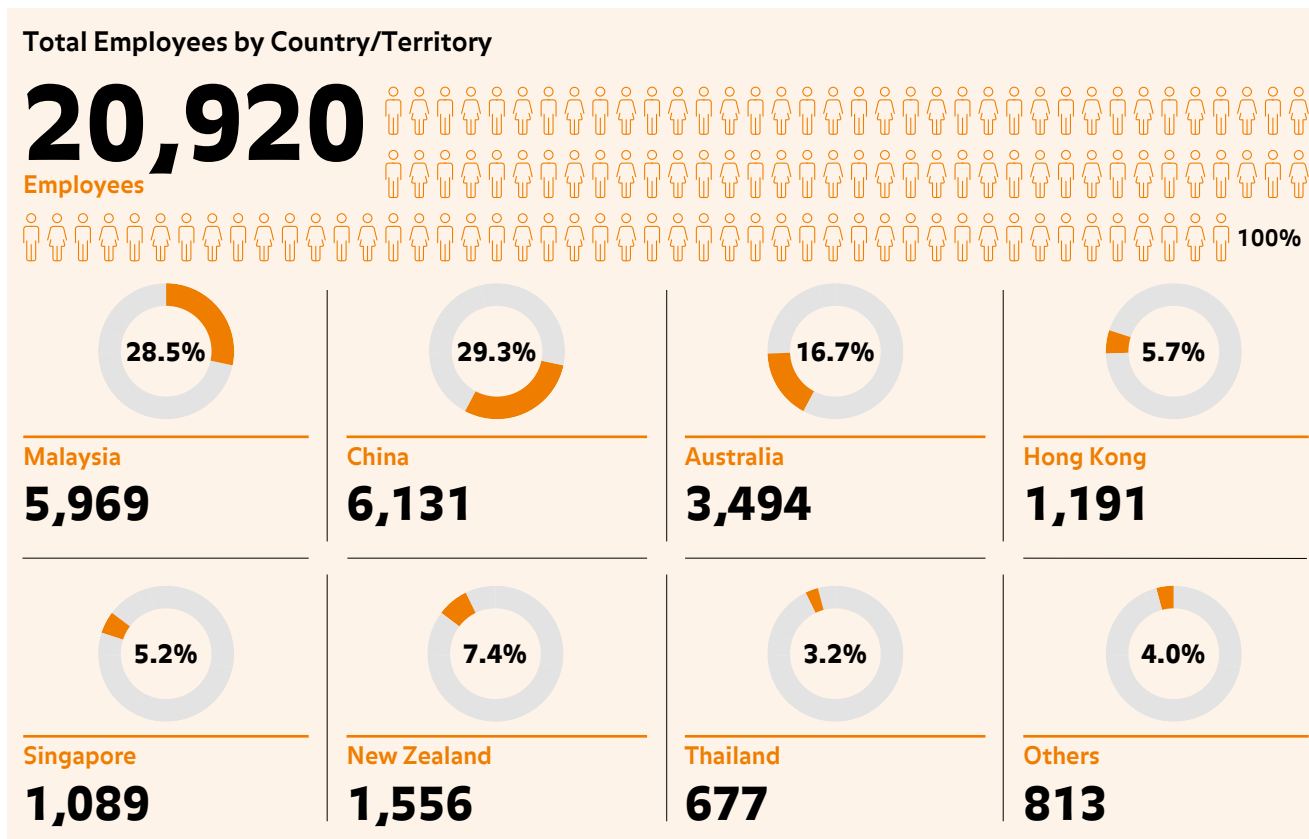
Fair Employment Practices

The Group believes in promoting and developing a diverse workforce, as it brings with it a variety of complementary skills, experiences and perspectives, which will enhance the Group's capacity to create value. To support this, equal opportunity and non-discriminatory policies for remuneration, promotion, recruitment and selection have been instituted Group-wide. These policies ensure that all qualified candidates regardless of gender, race, disability, nationality, religion and age are treated equally, providing fair opportunity for all. The Group also abides by local labour laws, regulations and cultural practices. Employment statistics are regularly reviewed, to monitor workforce diversity.

Creating Sustainable Value

People

Overview of Sime Darby's Employees



Breakdown of Employees by Position and Gender

| Management Category | Female | | Male | | Grand Total Headcount |
|---------------------|--------------|-------------|---------------|-------------|-----------------------|
| | Headcount | (%) | Headcount | (%) | |
| Top Management | 2 | 6.5 | 29 | 93.5 | 31 |
| Senior Management | 19 | 23.5 | 62 | 76.5 | 81 |
| Middle Management | 132 | 22.7 | 449 | 77.3 | 581 |
| Junior Management | 1,104 | 31.7 | 2,375 | 68.3 | 3,479 |
| Non-Executive | 3,861 | 28.2 | 9,839 | 71.8 | 13,700 |
| Workers | 78 | 2.6 | 2,970 | 97.4 | 3,048 |
| Total | 5,196 | 24.8 | 15,724 | 75.2 | 20,920 |

01



02



- 01 Joanne Best of Hastings Deering was awarded the 2020 Exceptional Woman of the Year Award from QRC/WIMARQ
- 02 CEL is the first of four dealers in China to receive the excellent capability level for Caterpillar’s Technician Career Development Process – Assessment

Plans for Next Year

Sime Darby will continue to champion excellence in human resources practices and promote initiatives to improve workforce strength, based on the principles of diversity, non-discrimination and fair opportunity.

FY2020 Human Resource Achievements and Accolades

In FY2020, the Group and its employees were recognised for excellence and performance in their respective fields of work.

Most Popular Graduate Employer in the Automotive Industry in 2019

Sime Darby was awarded the Most Popular Graduate Employer in the Automotive Sector at Malaysia’s 100 Leading Graduate Employers Award.

Technician Career Development Process – Assessment

CEL and Hastings Deering both received the excellent capability level for Caterpillar’s Technician Career Development Process – Assessment, with CEL being the first of four dealers in China to receive the award.

Caterpillar 5-Star Award

CEL Industrial Equipment Training Centre (IETC) facility was awarded 5 Stars in Contamination Control by Caterpillar.

2020 Woman of the Year

Joanne Best, General Manager of Enterprise Excellence and Employee Experience at Hastings Deering was awarded the 2020 Exceptional Woman of the Year award by the Queensland Resource Council/Women in Mining and Resources Queensland.

VISTA Award For 2019/2020

Ben Treagus, Luke Ross and Shannan Smith from Truckstops Napier won the New Zealand leg of the 2019/20 VISTA (Volvo International Service Training Award) competition.

Promoting diversity at Hastings Deering

Hastings Deering was awarded the Queensland Resource Council’s Excellence in Diversity Programmes and Performance for its ‘Together as One’ initiative, in recognition for its exceptional work in promoting diversity and inclusion within its workplace. The ‘Together as One’ initiative was first launched in January 2018 with specific action areas around culture, gender, abilities and generational inclusion. The purpose of the initiative is to ensure that every one of the 3,500 people who come to work at Hastings Deering each day, feel like they truly belong. The programme’s mission is to create a workplace that is both supportive and safe for employees of diversified backgrounds, experiences and perspectives to ensure they can deliver their best at work. It is sponsored by the company’s leadership team and guided by a council of nominee employees from all areas and levels of the business, establishing Terms of Reference for activities and ensuring that the quality and best practice initiatives are aligned to enterprise strategy. In 2019, ‘Together as One’ also won the National Association of Women in Construction’s Queensland Award for Diversity and in August this year was named a finalist in the Queensland Mining Awards.

Creating Sustainable Value

Community Contributions and Development

As a responsible corporate steward, we believe in delivering sustainable futures to our stakeholders by supporting the communities in which we operate.



The Group values and respects the communities in its areas of operations. Sime Darby believes in giving back to the communities by backing worthy social causes and contributing to their development. And in doing so, the Group fulfils its purpose to deliver sustainable futures to its stakeholders.

The Group, together with Sime Darby Plantation Berhad and Sime Darby Property Berhad, makes social investments through a philanthropic foundation, Yayasan Sime Darby. Over the years, Yayasan Sime Darby has expanded its wings from offering scholarships to outstanding and deserving individuals to funding impactful conservation, outreach and development programmes today. The GCEO of Sime Darby is on the Governing Council of Yayasan Sime Darby, ensuring that the foundation's strategies are relevant and aligned with Sime Darby's organisational objectives and strategies. Every year, the Group contributes RM20 million to the foundation, representing about 40% of the total contribution Yayasan Sime Darby receives annually.

Yayasan Sime Darby supports five pillars: education, environment, community and health, sports and arts and culture. Internal strategic reviews of these five pillars were conducted in FY2019 and FY2020 to ensure that they continue to be aligned with the ten UN SDGs which Sime Darby has pledged to support.

Yayasan Sime Darby runs a variety of community activities every year to promote its five pillars. In FY2020, its contributions have been allocated to the five pillars accordingly:

| Pillar | % Contribution |
|--------------------|----------------|
| Education | 48.0 |
| Community & Health | 30.6 |
| Environment | 12.8 |
| Arts & Culture | 5.8 |
| Sports | 2.8 |

Sparking Young Scientists: Sime Darby Young Innovators Challenge

One of Yayasan Sime Darby's flagship programmes is the annual Sime Darby Young Innovators Challenge (SDYIC), a unique platform where participating teams of secondary school students pit their coding and

software design skills in a showdown of teamwork, creative thinking, leadership and entrepreneurial skills. SDYIC is unique in the way it is designed to be highly collaborative. The programme partners undergraduate students as mentors to junior participants giving the opportunity for the seniors to hone soft skills. It also brings in leading industry expertise with the aim to reduce gaps in access to quality education between rural and urban communities and to improve access to basic education for the marginalised. SDYIC 2019 was held for the first time in a state outside the Klang Valley, in Terengganu. For 2020, the programme was organised virtually via an online platform for the first time, which meant that there were minimal disruptions despite the global pandemic. Plans are underway to bring this programme to other states in the future, and to continue to spark interest in critical science and technology skills in the younger generation to prepare them for IR4.0.

**Catalyst for Communities:
Hubs for Good**

Hubs for Good is an arts and culture programme supported by Yayasan Sime Darby in collaboration with British Council Malaysia and the University of Malaya. The programme connects Malaysian creative hubs and hub leaders with each other and to

various local stakeholders. It provides dynamic, informative, and research-based resources that can advance the professional development of creative hub leaders, which will allow them to better support hundreds of creative practitioners in Malaysia.

The programme involves projects including country-wide mapping and research, a toolkit for the use of creative hub leaders and creative practitioners, a digital networking platform, and capacity building activities to address skills and knowledge needs of local creative hub leaders. Yayasan Sime Darby plays a key role as co-funder of the three-year programme, enabling the programme to double its scope and number of activities. The foundation’s support also aided scholarships for three research assistants working on the research and development of the toolkit and the digital platform. By nurturing creative hubs, it is hoped that they become social catalysts, radiating positive social impact to communities across Malaysia.

**Sporting for Good:
Malaysia Rugby Sponsorship**

Yayasan Sime Darby has been the sponsor of Malaysia Rugby since 2019, supporting talent scouting, a series of elite training camps

and participation in tournaments. The RM1.4 million sponsorship, for a period of one and a half years, filled a critical gap in the development of the sport, where funding aids were few and far between. It aims to produce a pool of 30 male players aged between 15 and 20 years old for the U19 and U20 men’s elite team by FY2022. Additionally, in FY2020, Yayasan Sime Darby has started supporting 21 players for the U20 women’s elite team, to encourage female participation in the sport. This echoes Sime Darby’s talent management philosophy of promoting diversity and inclusivity. The foundation’s partnership creates a well-rounded rugby ecosystem that involves the government, the National Sports Council and Malaysia Rugby.

Fostering the Spirit of Volunteerism

The Group takes a holistic view to developing human capital by focusing on professional as well as personal growth. Encouraging volunteerism for causes which employees personally identify with is a meaningful way to facilitate that growth. Yayasan Sime Darby’s Hurleran Kasih is a volunteering programme spearheaded for employees of Sime Darby Plantation Berhad, Sime Darby Property Berhad and Sime Darby. With it, the foundation aims to provide a platform to nurture employees’ spirit of giving while contributing fruitfully to the causes it supports. In FY2020, 103 employees from Sime Darby contributed 817 volunteering hours through 19 initiatives.

Plans for Next Year

Sime Darby will continue to support and develop communities through its contributions to Yayasan Sime Darby. The Group will also continue to ensure that its community contributions are strategically aligned with its corporate objectives through representation at Yayasan Sime Darby’s Governing Council.



The Sime Darby Young Innovators Challenge provides an opportunity for youth to explore science and technology skills that are critical for the fourth industrial revolution.

Creating Sustainable Value

Environmental Sustainability

Our approach to environmental stewardship is a balance between the pursuit of socio-economic and environmental sustainability.



Climate change, scarcity of resources and improper management of waste and effluents are pressing environmental issues on a global scale that have the potential to pose regulatory, physical and reputational risks to Sime Darby's operations. It is therefore imperative that the Group's environmental footprint is proactively managed.

Of the 18 countries and territories in which Sime Darby operates, 15 are signatories to the Paris Agreement¹, which calls on countries to strengthen the global response to the threat of climate change. Furthermore, in the 11th Malaysia Plan, the Malaysian government has set a target for Malaysia to become an advanced economy in a resilient, low-carbon, resource-efficient, and socially-inclusive manner.

Sime Darby is committed to supporting the efforts of the governments in the areas it operates. In alignment to this, Sime Darby's mission is to develop a winning portfolio of sustainable businesses in an ethical way that balances the interests of stakeholders while

delivering superior financial returns. The pursuit of socio-economical and environmental sustainability must be in a way that creates long-term value.

The Group's policy on carbon, energy, water and effluents management and waste disposal encapsulates the following, and is applicable across the Group:

- Track carbon emissions, energy and water consumption, and waste disposal
- Set reduction targets for carbon emissions, energy and water consumption and waste disposal
- Identify and implement water, waste and energy-efficient measures
- Develop, implement and monitor progress of action plans
- Comply with all local and country-specific legislation regarding carbon, energy, water and waste management

The Group will continue to work towards reducing greenhouse gas emissions, water consumption and waste generation to limit its environmental impact.

¹ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

Carbon and energy management

Clear Group-wide carbon and energy management targets have been set, to mitigate the Group’s impact and fulfil its sustainability commitments.

| | Targets |
|------------------------------|---|
| Sime Darby Industrial | <ul style="list-style-type: none"> Reduce absolute GJ energy use/total headcount by 5% between FY2017 and FY2023 |
| Sime Darby Motors | <ul style="list-style-type: none"> Reduce Scope 1 & 2 Emission (tCO₂e) per car assembled at Inokom Corporation Sdn Bhd (Inokom) by 5% between FY2018 and FY2023 Obtain baseline energy and carbon emissions for all business units in FY2021 |
| Sime Darby Logistics | <ul style="list-style-type: none"> Reduce Scope 1 & 2 emissions per 1000 port throughput by 5% between FY2018 to FY2023 |

Electricity to power operations and fuel for vehicles and machinery form a significant component of carbon emission and energy consumption across the Group. All Divisions are making progress in energy saving initiatives. To reduce carbon footprint and energy consumption, the Group is focused on renewable power generation, installation of LED lighting, asset efficiency and behavioural change.

Renewable Power Generation

Since 2016, Sime Darby Industrial has installed over 525kW of solar photovoltaic (PV) systems across its operations in Australia, China and New Zealand, generating over 1,000MWh of electricity.

Solar lighting projects have been undertaken along the quay front at Sime Darby Logistics’ Weifang and Longgong ports. Longgong Port has also installed solar lighting on its production road while Motors’ Inokom operations has installed solar lighting along new walkways.

LED Lighting

Across the Group’s operations, existing lighting has been progressively switched to LEDs. LED lighting uses at least 65%

less energy compared to metal halide and incandescent lighting.

Sime Darby Industrial has replaced incandescent lighting with LED lighting across its operations in Australia, Singapore and New Zealand. Meanwhile, Sime Darby Motors has commenced installation of LED lighting solutions across all its operations in Australia, Malaysia, New Zealand and Thailand. Motors’ Gough Transport Solutions’ Victoria site completed an LED replacement project in 2018 which has saved approximately AUD14,000 in energy cost per annum.

Asset Improvements

Sime Darby Logistics’ Weifang Port has invested RMB9.2 million to install shore power facilities. The facilities include a 2000kVA high-voltage variable frequency shore power system in its West operations area and a 1000kVA high-voltage variable frequency shore power system in the container berth located in its East operations area. This project has enabled vessels to connect to the power facilities rather than utilise diesel generators, which reduces emissions and noise generated during berthing.

In the year under review, Hastings Deering’s Brisbane Business Centre replaced its aged air-conditioning system. The replacement system is at minimum 25% to 30% more efficient resulting in reduced power consumption and the elimination of R22 gas use (ozone depleting gas).

Behavioural Programmes

Across the Group, there is a focus on behavioural programmes to promote energy conservation practices, including switching off equipment and lights which are not in use and setting air conditioning temperatures appropriate to the climate. The Group and the respective Divisions track and report energy consumption and carbon emissions on a six-monthly basis.

Telematics for lower carbon emissions and better resource efficiency

In FY2020, Hastings Deering installed a telematics system across its light vehicle fleet which includes service and light vehicles. The project is estimated to deliver reductions in carbon emissions and improve efficiency in how resources are deployed, in particular:

- A reduction in CO₂ emissions of enrolled vehicles by 6% to 10%, distance driven by 19%, and fuel consumed by 8%; and
- A reduction of up to 10% in the number of pool cars required for use by employees.

The system is targeted to be rolled out to all vehicles in stages by mid-2021.

Creating Sustainable Value

Environmental Sustainability

Greening Sime Darby Motors City

Sime Darby Motors City in Malaysia has achieved the provisional Green Building Index (GBI) certification in April 2019. The index is Malaysia's industry-recognised green rating tool for buildings to promote sustainability in the built environment. As part of fulfilling GBI's full certification, Sime Darby Motors City has introduced initiatives such as:

- Implementation of a 3R (Reduce, Reuse and Recycle) initiative by providing dedicated recycling waste bins at every retailer's store
- Use of LED lighting throughout the complex
- Installation of systems for efficient management and usage of water and electricity
- Establishment of a herb garden

Sime Darby Motors aims to attain full GBI certification by fulfilling the conditions required, including maintaining the building for at least a year based on the criteria set to attain provisional certification.

Powering up renewables

Terra Cat has procured 100% renewable energy across its business centre footprint. Effectively, Terra Cat has achieved zero carbon emissions from its electricity consumption. In addition to this, the dealership has installed a 50kW solar energy system at its Component Rebuild Centre.

Terra Cat's initiatives on renewable energy contributes to the Group's and global efforts to achieve the commitments in the Paris Agreement to reduce emissions.

Improving energy efficiency at Inokom

Inokom has embarked on a company-wide initiative to improve energy efficiency through the replacement of conventional lighting systems with LED lighting. This involves:

- 3644 units of 36W fluorescent tubes replaced with 18W LED lights;
- 285 units of 400W high bay lights replaced with 55W LED lights;
- 81 units of 250W street lanterns replaced with 100W LED lights; and
- 23 units of 250W normal flood lights replaced with 100W LED lights.

In addition, Inokom's new walkway project utilises solar lighting instead of conventional lighting.

Carbon and Energy Management Plans for Next Year

In addition to the Group-wide plans, Inokom is embarking on a project to harvest solar power. Project tendering is in progress and the target completion date is February 2021. Similarly, throughout Sime Darby Motors' operations in Australia, installation of rooftop solar harvesting is planned for Porsche Centre Parramatta and Denlo Volkswagen.

The Group will continue to replace lighting with LEDs, review renewable energy solutions, undertake energy audits and improve asset efficiency across its business.

Waste and Effluent Management

The Group generates a broad range of wastes and effluents due to the diverse nature of its operations. All businesses comply with the Group-wide policy on waste and effluents management, with

hazardous and scheduled waste specifically tracked and managed across all regions in accordance with respective national and local regulations.

The Group is prioritising reduction targets for hazardous and scheduled waste. Clear waste and effluent management targets have been set, to fulfil the Group's environmental sustainability commitments.

All Divisions are making positive progress in waste and effluent management initiatives. During FY2020, some of the programmes introduced were:

Reduce, Reuse, Recycle

Performance Motors Limited (PML) in Singapore identified that a significant amount of waste was generated across the industry

| Targets | |
|------------------------------|--|
| Sime Darby Industrial | • Reduce scheduled waste by 5% between FY2019 ² and FY2023 |
| Sime Darby Motors | • Reduce scheduled waste per car assembled on the wastewater treatment sludge at the Inokom vehicle assembly plant by 5% between FY2017/2018 and FY2022/2023 |
| Sime Darby Logistics | • 100% compliance to waste and effluent regulations |

² Changed from FY2017 to FY2019, due to improved and standardised reporting capability across Division to capture waste in FY2019



Inokom has embarked on a company-wide initiative to improve energy efficiency at their assembly plant in Kulim, Kedah.

through custom car backdrops, welcome counters and furniture requirements as set by the principals. In FY2017, PML set out with an objective to minimise waste and cost by reusing and upcycling materials wherever and whenever possible. PML has successfully reused almost 80% of all set-up materials from events, resulting in reduced waste and cost savings of more than SGD150,000 per year.

In FY2020, nearly 65% of all waste generated at Hastings Deering was recycled or reused.

Gough Transport Solutions in Australia reviewed and renewed waste contracts with an increased recovery of cardboard waste which has led to an annual cost savings of AUD10,000, while Sime Darby Motors Thailand reduced paper usage by about 8% over the past year.

Sime Darby Motors City in Malaysia saved RM117,315 in FY2019 and RM21,762 as at March 2020 through a recycling initiative of used lubrication oil.

Sime Darby Motors’ New Zealand operations completed waste audits at three different premises to identify waste streams as well as waste segregation processes. This resulted in opportunities to improve waste disposal and waste minimisation. In particular, plastics was identified as a priority, and steps have been taken to increase awareness to replace plastics with more sustainable options.

Waste Supplier

Haynes Group in Australia engaged a new waste service contract with a supplier to provide improved reporting capabilities for hazardous and non-hazardous wastes, identify waste sent for landfill and to be recycled. In the coming year, Haynes Group aims to develop strategies to improve recycling and reduce waste sent to landfill by utilising the baseline data developed.

All of CEL’s branches that produce hazardous wastes have signed contracts with registered hazardous waste disposal agencies to ensure that its hazardous wastes are properly collected and treated.

Waste Management Plans for Next Year

Sime Darby Logistics has commissioned and is installing vessel waste intelligent collection bins at Taiping Port, Yuejin Port and Longgong Port. The waste bin system has intelligent positioning, overflow warning and usage frequency monitoring functions. The collection points are able to automatically identify vessel names, weigh the waste, and generate an electronic receiving receipt. The collection bins will improve waste management and tracking across the ports.

The Haynes Group will further undertake an internal audit of its waste management, in addition to energy and water consumption, to identify excess usage or problem areas. Action plans will subsequently be developed to address priority reduction opportunities in FY2021. Meanwhile, Sime Darby Motors’ New Zealand operations aims to identify additional waste material recycling opportunities through site audits.

Collaboration with clients to reduce all waste streams, particularly e-waste and hazardous waste, is a common focus across the Group.

Creating Sustainable Value Environmental Sustainability



Sime Darby Logistics' Longgong Port has introduced a domestic sewage treatment station to treat production sewage.

Water Management

The Group's policy on water management promotes conservation efforts through water-saving initiatives. These include the adoption of technologies to improve management of water as a precious resource, and to enhance the tracking of water consumption and efficiency. Clear water management targets to fulfil the Group's environmental sustainability commitments have also been set.

Monitoring

In FY2020, a water management study was undertaken at Hastings Deering's sites in Brisbane with the following scope:

- Investigate the deployment of 'Smart Meters'
- Investigate early leak detection and meter accuracy
- Reinforce water conservation across sites
- Consider the pilot installation of sub-smart water meters

| | Targets |
|------------------------------|---|
| Sime Darby Industrial | <ul style="list-style-type: none"> • Reduce water consumption by 5% between FY2017 and FY2023 |
| Sime Darby Motors | <ul style="list-style-type: none"> • Reduce water consumed per car assembled at Inokom by 5% between FY2018 and FY2023 |
| Sime Darby Logistics | <ul style="list-style-type: none"> • Reduce water used per 1,000MT port throughput by 5% between FY2018 and FY2023 |

A water monitoring dashboard has been piloted across the Brisbane sites to enable ongoing review and analysis of water consumption. Having transparent information about water usage will challenge current practices and facilitate the generation of options to reduce water usage or develop re-use strategies.

Reuse

At Sime Darby Logistics’ Longgong Port, a domestic sewage treatment station treats production sewage which is then used for greening and dust suppression. The use of recycled treated water conserves up to 70 kilolitres of surface water daily.

Similar initiatives have been rolled out at Taiping Port, where treated water from domestic and production sewage is also used for dust suppression.

At Inkom, initiatives were also introduced to reuse wastewater for the watering of local football fields.

Asset Improvement

In the rebuilding of the Jaguar Land Rover showroom in Parramatta, Australia in 2018, several water management elements were incorporated in the design. For example, on-site stormwater retention and water treatment systems make water available for in-house vehicle detailing and wash bays. Separation and filtration facilities were also installed to improve the quality of treated storm water discharge.

A project to harvest rainwater for internal use was also completed at Castle Hill BMW, Australia.

Sime Darby Logistics has installed dust suppression systems at material ports. Additionally, the use of fog machines and fog sprays have reduced the volume of water consumption. Innovations such as solar reflectors have increased illumination of premises and saved electricity, while engineered grates and roller brush systems have reduced dust and improved cleaning processes.

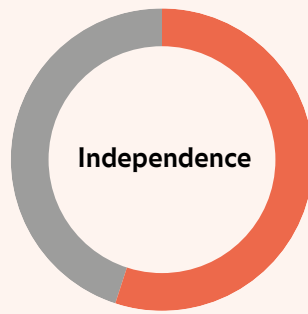
FY2020 Environmental Achievements and Accolades

| |
|--|
| Industry Environmental Excellence (Heavy Industry Category) |
| Inkom was recognised for its compliance and performance from 2018-2019 by the Malaysian Department of Environment |
| Advanced Unit in Port Spring Greening 2020 |
| All three Sime Darby Logistics’ Jining ports, namely Longgong, Taiping and Yuejin, were recognised for their greening efforts to reduce dust generation by Jining Port and Waterway Development Centre |

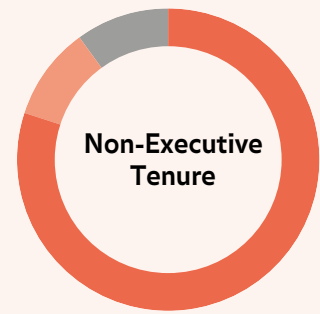
Board of Directors

A Balanced Board

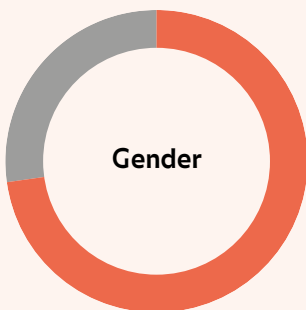
Our Board of Directors comprises strategic thinkers with relevant operational experience, industry success and professional expertise. The balanced leadership team reflects Sime Darby's corporate governance framework that embraces workplace diversity and independent thinking as tools that drive excellence and enterprise.



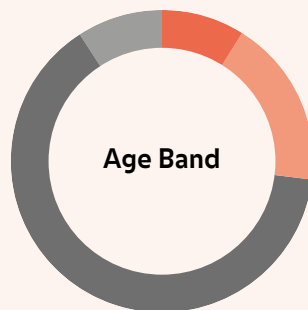
● Independent Directors **55%**
● Non-Independent Directors **45%**



● 0-3 Years **80%**
● 3-6 Years **10%**
● More than 9 Years **10%**



● Male **73%**
● Female **27%**



● 40-49 Years Old **9%**
● 50-59 Years Old **18%**
● 60-69 Years Old **64%**
● 70-79 Years Old **9%**



● Malay **64%**
● Chinese **9%**
● Indian **18%**
● Others **9%**

Committee Membership

(NRC) Nomination & Remuneration Committee

(GAC) Governance & Audit Committee

(RMC) Risk Management Committee

● Chairman ● Member



Tan Sri Samsudin Osman
Non-Independent Non-Executive
Chairman



| | | |
|-----------|--------|------|
| Malaysian | Age 73 | Male |
|-----------|--------|------|

Date of Appointment
19 December 2008

Length of Service
(as at 30 September 2020)
11 years 9 months

**Academic/Professional Qualification/
Membership(s)**

- Bachelor of Arts (Hons) and Diploma in Public Administration, University of Malaya
- Master in Public Administration, Pennsylvania State University

Present Directorship(s)

Listed Entity
Nil

Other Public Companies

Nil

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Public Administration and Fund Management

Relevant Experience
Held various senior positions in the Malaysian Government including as the Secretary-General, in the Ministry of Home Affairs and Ministry of Domestic Trade and Consumer Affairs, and as the Chief Secretary to the Government of Malaysia. Former President of Perbadanan Putrajaya and former Chairman of the Employees Provident Fund (EPF) Board and EPF Investment Panel.



Tan Sri Ahmad Badri Mohd Zahir
Non-Independent Non-Executive
Director

| | | |
|-----------|--------|------|
| Malaysian | Age 60 | Male |
|-----------|--------|------|

Date of Appointment
1 September 2020

Length of Service
(as at 30 September 2020)
1 month

**Academic/Professional Qualification/
Membership(s)**

- Master in Business Administration, University of Hull
- Degree in Land and Property Management, Universiti Teknologi MARA

Present Directorship(s)

Listed Entity
Nil

Other Public Companies

Nil

Attendance at Board Meeting in FY2020*
Not applicable*

Areas of Expertise
Public Administration, Strategic Investment, Loan Management and Financial Market

Relevant Experience
Currently the Chairman of the Employees Provident Fund. Has held various senior positions in the Ministry of Finance, including as the Secretary General of Treasury. Vastly experienced in the fields of strategic investment, loan management, financial markets and actuarial science.

* Not applicable as appointment was after FY2020.

Board of Directors



Datuk Wan Selamah Wan Sulaiman
Independent Non-Executive Director



| | | |
|-----------|--------|--------|
| Malaysian | Age 65 | Female |
|-----------|--------|--------|

Date of Appointment
15 January 2016

Length of Service
(as at 30 September 2020)
4 years 8 months

Academic/Professional Qualification/ Membership(s)

- Master in Business Administration (Finance), Universiti Kebangsaan Malaysia
- Fellow, Association of Chartered Certified Accountants
- Member, Public Sector Accounting Committee
- Member, Malaysian Institute of Accountants

Present Directorship(s)
Listed Entity
Nil

Other Public Companies
Nil

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Accounting and Finance

Relevant Experience
Served in the ministries of Education and Defence. Held various positions in the Accountant-General's Department of the Ministry of Finance, including as the Director of the Central Operations and Agency Services Division, Director of the Information Technology Services Division and Deputy Director of the Government Pensions Trust Fund. Former Accountant-General of Malaysia.



Dato' Sri Abdul Hamidy Abdul Hafiz
Independent Non-Executive Director



| | | |
|-----------|--------|------|
| Malaysian | Age 63 | Male |
|-----------|--------|------|

Date of Appointment
1 December 2017

Length of Service
(as at 30 September 2020)
2 years 10 months

Academic/Professional Qualification/ Membership(s)

- Bachelor in Business Administration and Master in Business Administration, Ohio University

Present Directorship(s)
Listed Entity
Nil

Other Public Companies

- AmBank (M) Berhad
- AmBank Islamic Berhad
- Chubb Insurance Malaysia Berhad

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Banking, Finance and Fund Management

Relevant Experience
Has over 30 years of banking experience in the fields of finance, commercial, investment and Islamic banking. Former Chief Executive Officer/Managing Director of Pengurusan Danaharta Nasional Berhad, Affin Bank Berhad and Kuwait Finance House (Malaysia) Berhad.



Dato' Ahmad Pardas Senin
Senior Independent Non-Executive Director



| | | |
|-----------|--------|------|
| Malaysian | Age 67 | Male |
|-----------|--------|------|

Date of Appointment
1 December 2017

Length of Service
(as at 30 September 2020)
2 years 10 months

Academic/Professional Qualification/ Membership(s)

- Fellow, Chartered Institute of Management Accountants
- Member, Malaysian Institute of Accountants
- Member, Institute of Internal Auditors, Inc
- Member, Institute of Corporate Directors Malaysia

Present Directorship(s)

Listed Entity

- S P Setia Berhad

Other Public Companies

Nil

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise

Business Administration, Accounting and Management

Relevant Experience

Has more than 41 years' experience in the corporate sector, including 23 years at board level. Former Managing Director and Chief Executive Officer of UEM Group Berhad. Held various key positions within the UEM Group, including as Managing Director of UEM World Berhad, Renong Berhad, TIME Engineering Berhad, TIME dotCom Berhad and EPE Power Corporation Berhad.



Thayaparan Sangarapillai
Independent Non-Executive Director



| | | |
|-----------|--------|------|
| Malaysian | Age 65 | Male |
|-----------|--------|------|

Date of Appointment
1 December 2017

Length of Service
(as at 30 September 2020)
2 years 10 months

Academic/Professional Qualification/ Membership(s)

- Fellow, Institute of Chartered Accountants in England & Wales
- Member, Malaysian Institute of Certified Public Accountants
- Member, Malaysian Institute of Accountants

Present Directorship(s)

Listed Entity

- Axiata Group Berhad

Other Public Companies

- AIG Malaysia Insurance Berhad
- Celcom Axiata Berhad

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise

Audit, Business and Corporate Finance

Relevant Experience

Began his career with Price Waterhouse (now known as PricewaterhouseCoopers) and has over 30 years of experience in providing audit and business advisory services to clients in a wide range of industries. His portfolio of clients included major public listed companies involved in power, telecommunications, automotive, property development, plantation, manufacturing and trading sectors. Led assignments on financial due diligence, mergers & acquisitions, initial public offerings, finance function effectiveness reviews and other advisory work.



Dato' Lawrence Lee Cheow Hock
Non-Independent Non-Executive Director



| | | |
|-------------|--------|------|
| Singaporean | Age 66 | Male |
|-------------|--------|------|

Date of Appointment
1 March 2018

Length of Service
(as at 30 September 2020)
2 years 7 months

Academic/Professional Qualification/ Membership(s)

Fellow, Institute of Chartered Accountants in England and Wales

Present Directorship(s)

Listed Entity

Nil

Other Public Companies

Nil

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise

Automotive, Accounting and Management

Relevant Experience

Former Managing Director of Sime Darby Motors. Has served the Sime Darby Group in various capacities for more than 36 years during which he saw the growth of the Motors Division.

Board of Directors



Moy Pui Yee
Independent Non-Executive
Director

RMC

| | | |
|-----------|--------|--------|
| Malaysian | Age 53 | Female |
|-----------|--------|--------|

Date of Appointment
2 July 2018

Length of Service
(as at 30 September 2020)
2 years 3 months

**Academic/Professional Qualification/
Membership(s)**

- Graduated in Economics and in Law, Monash University of Australia
- Admitted to the Malaysian Bar in 1992

Present Directorship(s)

Listed Entity
Nil

Other Public Companies

Nil

Attendance at Board Meeting in FY2020

10/10

Areas of Expertise

Legal and Corporate Finance

Relevant Experience

Currently a partner and the Head of the Mergers & Acquisition department of Rahmat Lim & Partners. Former partner in the Corporate & Financial Services practice at Chooi & Company for 13 years.



Mohamad Idros Mosin
Non-Independent Non-Executive
Director

NRC

| | | |
|-----------|--------|------|
| Malaysian | Age 48 | Male |
|-----------|--------|------|

Date of Appointment
15 November 2018

Length of Service
(as at 30 September 2020)
1 year 10 months

**Academic/Professional Qualification/
Membership(s)**

- Bachelor's degree in Business Administration (Hons), International Islamic University Malaysia
- Executive Diploma in Investment Analysis, Universiti Teknologi MARA
- Graduate Diploma in Applied Finance and Investment, Securities Institute Australasia
- Advanced Management Programme, Harvard Business School

Present Directorship(s)

Listed Entity
Nil

Other Public Companies

Nil

Attendance at Board Meeting in FY2020

9/10

Areas of Expertise

Finance and Business Administration

Relevant Experience

Currently the Group Head, Strategic Investments of Permodalan Nasional Berhad (PNB) with key role focusing on the formulation and implementation of initiatives on value creation plan involving public listed strategic and core investee companies of PNB. Has been involved in various assignments including development/evaluation of value enhancement strategies for strategic investment in automotive, chemical, infrastructure, logistics, oil & gas, plantation, property, and pharmaceutical sectors.



Dato' Dr Nirmala Menon
Independent Non-Executive
Director



| | | |
|-----------|--------|--------|
| Malaysian | Age 60 | Female |
|-----------|--------|--------|

Date of Appointment
15 November 2019

Length of Service
(as at 30 September 2020)
10 months

**Academic/Professional Qualification/
Membership(s)**

- Degree in Medicine, University of Mysore

Present Directorship(s)

Listed Entity

- Nestle (Malaysia) Berhad

Other Public Companies

Nil

Attendance at Board Meeting in FY2020
5/6*

Areas of Expertise

Insurance, Medical and Healthcare

Relevant Experience

Has vast experience in the insurance and health sectors. Held various leadership positions within the Asian life and health insurance industry and had served as a Medical Officer at Hospital Kuala Lumpur for 7 years before commencing her career in the insurance industry. She was the first female Chief Executive Officer in the life insurance industry in Malaysia when she was appointed the President and Chief Executive Officer of ING Malaysia Berhad, and thereafter as the Head of South Asia at ING Asia Pacific Ltd. Had served as the Executive Vice President and Head of Designated Markets & Health Asia at Metlife Asia Pacific Ltd.



Dato' Jeffri Salim Davidson
Executive Director/Group Chief
Executive Officer

| | | |
|-----------|--------|------|
| Malaysian | Age 56 | Male |
|-----------|--------|------|

Date of Appointment
1 December 2017

Length of Service
(as at 30 September 2020)
2 years and 10 months

**Academic/Professional Qualification/
Membership(s)**

- Bachelor of Science in Geology, University College London
- Member, Institute of Chartered Accountants in England & Wales
- Advanced Management Programme, Harvard Business School

Present Directorship(s)

Listed Entity

Nil

Other Public Companies

- Sime Darby Holdings Berhad
- Sime Darby Malaysia Berhad
- Kumpulan Sime Darby Berhad

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise

Accounting, Finance and Management

Relevant Experience

Began his career with Coopers & Lybrand, London, United Kingdom in 1986 before joining the Sime Darby Group in 1992. Has held various senior finance positions in the Industrial Division in China and Singapore before being appointed as the Deputy Group Chief Financial Officer of Sime Darby. Has also served in senior finance roles in NS Water Konsortium Sdn Bhd, Cahya Mata Sarawak Berhad and Putrajaya Holdings Sdn Bhd.

Additional Information

1. Save as disclosed below, none of the Directors have any family relationship with and are not related to any Director and/or major shareholder of Sime Darby:
 - (i) The Nominee Directors of Permodalan Nasional Berhad are:
 - Tan Sri Samsudin Osman;
 - Dato' Lawrence Lee Cheow Hock; and
 - Mohamad Idros Mosin
 - (ii) Tan Sri Ahmad Badri Mohd Zahir is the Nominee Director of the Employees Provident Fund
2. None of the Directors have any conflict of interest with Sime Darby.
3. Other than traffic offences, none of the Directors have any conviction for offences within the past five years nor public sanctions or penalties imposed by the relevant regulatory authorities during the financial year.
4. Directorships held by the Directors in other companies, if any, are disclosed in the Board of Directors section at <http://www.simedarby.com/company/board-of-directors>.
5. The full profiles of Directors are available on the Sime Darby website at <http://www.simedarby.com/company/board-of-directors>.

* Reflect the number of meetings held during the period of office held.

Executive Leadership



Dato' Jeffri Salim Davidson
Group Chief Executive Officer

| | | |
|-----------|--------|------|
| Malaysian | Age 56 | Male |
|-----------|--------|------|

Date of Appointment
21 November 2017

Relevant Experience

He began his career with Coopers & Lybrand, London, United Kingdom in 1986 before joining the Sime Darby Group in 1992. He has held various senior finance positions in the Industrial Division in China and Singapore before he was appointed as the Deputy Group Chief Financial Officer of Sime Darby. He has also served in senior finance roles in NS Water Konsortium Sdn Bhd, Cahya Mata Sarawak Berhad and Putrajaya Holdings Sdn Bhd.

Academic/Professional Qualification/Membership(s)

- Bachelor of Science in Geology, University College London
- Member, Institute of Chartered Accountants in England & Wales
- Advanced Management Program, Harvard Business School



Mustamir Mohamad
Group Chief Financial Officer

| | | |
|-----------|--------|------|
| Malaysian | Age 48 | Male |
|-----------|--------|------|

Date of Appointment
21 November 2017

Relevant Experience

He began his career with PricewaterhouseCoopers, London in 1995 followed by a seven-year stint at Bank Negara Malaysia where he was the Manager of Investment Operations and Financial Markets. He joined the Sime Darby Group in September 2005 as Manager, Value Management in Group Strategy. In September 2007 he moved to Sime Darby Plantation to lead the EVP Office prior to the completion of the merger of Sime Darby, Golden Hope Plantations and Kumpulan Guthrie. Before assuming the GCFO role, he was the Head of Group Finance.

Academic/Professional Qualification/Membership(s)

- Bachelor of Science in Accounting and Finance, London School of Economics and Political Science
- Fellow, Institute of Chartered Accountants in England and Wales
- Member, Malaysian Institute of Accountants
- Advanced Management Program, Harvard Business School



Datuk Thomas Leong Yew Hong
Group Chief Strategy Officer

| | | |
|-----------|--------|------|
| Malaysian | Age 48 | Male |
|-----------|--------|------|

Date of Appointment
1 December 2017

Relevant Experience

He joined the Sime Darby Group as the Head of Group Strategy and Corporate Finance in 2016. Prior to that, he was the Executive Vice President and the Head of Maybank Group's Strategy and Business Development. He has also held various senior positions in Accenture and Deloitte Consulting, based in Australia, Hong Kong and Malaysia.

Academic/Professional Qualification/Membership(s)

- Bachelor of Software Engineering, Australian National University
- Master of Business Administration (MBA), University of Sydney



Roselaini Faiz
Group Chief Human
Resources Officer

| | | |
|-----------|--------|--------|
| Malaysian | Age 55 | Female |
|-----------|--------|--------|

Date of Appointment
1 August 2018

Relevant Experience

She was formerly the Director, Human Capital & Communications at Danajamin Nasional Berhad. Before that, she headed Human Resources at Hong Leong Bank Berhad. Her previous roles included Director of Human Resources at CIMB Aviva Assurance Berhad, Chief Human Resources Officer at Kuwait Finance House (Malaysia) Berhad, Head of Rewards & Benefits Administration at Standard Chartered Bank Berhad and Vice President of Compensation and Benefits at Citibank Berhad.

**Academic/Professional
Qualification/Membership(s)**

- Bachelor of Economics (majoring in Analytical Economics), University of Malaya



Dean Mehmet
Managing Director,
Industrial Division – Australasia

| | | |
|------------|--------|------|
| Australian | Age 56 | Male |
|------------|--------|------|

Date of Appointment
1 January 2020

Relevant Experience

He has more than 35 years of industry experience including Chief Executive leadership roles for the past 17 years at multinational corporations such as BlueScope Steel and Royal Dutch Shell. He joined the Sime Darby Group in 2012 as the Chief Operating Officer at Hastings Deering (Australia) Limited. He was later promoted to the position of Chief Executive Officer and Managing Director of the Hastings Deering Group where he led the entire Industrial business portfolio across Australia, Papua New Guinea, Solomon Islands and New Caledonia.

**Academic/Professional
Qualification/Membership(s)**

- Bachelor of Mechanical Engineering (Hons), Queensland University of Technology
- Stanford Executive Program in Organisational Leadership
- Member, Australian Institute of Company Directors



Shiu Chi Yan
Managing Director,
Industrial Division – Asia

| | | |
|-----------------|--------|------|
| Chinese (HKSAR) | Age 56 | Male |
|-----------------|--------|------|

Date of Appointment
1 January 2020

Relevant Experience

He joined CEL in 1986 and spent 23 years in various positions in the Power Systems Division, from being a technical assistant, sales engineer, and project manager to general manager before assuming the role of Managing Director of CEL. He has extensive experience in project management, and in the sales and marketing of Caterpillar engine products in Hong Kong and China.

**Academic/Professional
Qualification/Membership(s)**

- Higher Diploma in Electrical Engineering, Hong Kong Polytechnic
- Master of Science in Engineering Business Management, Warwick University
- Global CEO Program for China, Harvard Business School

Executive Leadership



Andrew Basham
Managing Director, Motors Division

| | | |
|------------|--------|------|
| Australian | Age 54 | Male |
|------------|--------|------|

Date of Appointment
1 February 2018

Relevant Experience

He has more than 23 years of extensive experience in management, business development and operations for leading brands in the automotive industry globally. He started his career in audit and accounting with PriceWaterhouse Australia before moving to distribution and logistics, and later assumed senior management roles in various automotive companies.

Academic/Professional Qualification/Membership(s)

- Bachelor of Economics, University of Adelaide
- Member, Institute of Chartered Accountants, Australia



Timothy Lee Chi Tim
Managing Director, Logistics Division

| | | |
|------------------------------|--------|------|
| Chinese (HKSAR) and Canadian | Age 55 | Male |
|------------------------------|--------|------|

Date of Appointment
15 December 2011

Relevant Experience

He has over 20 years of operational experience in the ports and container terminal management industry in Hong Kong, one of the world's busiest ports. Prior to joining the Sime Darby Group, he held the position of Operations Manager for the Hong Kong Business Unit for Modern Terminals Limited, the second largest port operator in Hong Kong. He was formerly the Chairman of the Sea Cargo Customer Liaison Group in 2010, a committee organised by the Hong Kong Customs & Excise Department to gather industry expertise to improve port competitiveness.

Academic/Professional Qualification/Membership(s)

- Bachelor of Science, Simon Fraser University of British Columbia



Peter Hong Kah Peng
Managing Director, Healthcare Division

| | | |
|-----------|--------|------|
| Malaysian | Age 48 | Male |
|-----------|--------|------|

Date of Appointment
2 January 2019

Relevant Experience

He has close to 25 years of working experience with large multinationals in the healthcare, pharmaceutical, medical devices, hospital & FMCG industries. Prior to joining the Sime Darby Group, he was the Group Operations Director of Siloam International Hospital Group (part of Lippo Group), the largest private hospital group in Indonesia. He was previously the Finance and Operations Head at Fresenius Medical Care in Malaysia.

Academic/Professional Qualification/Membership(s)

- Bachelor of Economics (Accounting), Monash University
- Member, CPA Australia
- Member, Malaysian Institute of Accountants



Goh Hai Peow
Group Chief Information
& Digital Officer

| | | |
|------------|--------|------|
| Australian | Age 62 | Male |
|------------|--------|------|

Date of Appointment
1 November 2019

Relevant Experience

He has more than 37 years of experience in the information technology sector including in senior global leadership roles with major resource, logistics, oil and gas, IT and services companies. Prior to joining the Sime Darby Group, he was the Chief Information Officer with Aurizon, Australia's largest rail freight operator. He also had an extensive career with Rio Tinto as its Chief Operating Officer responsible for business information systems and technology, strategy, global IT infrastructure and the delivery of major enterprise applications.

Academic/Professional Qualification/Membership(s)

- Bachelor of Science in Computer Science, University of Manchester
- Master of Business Administration, Murdoch University



Glenn Sheahan
Group Chief Safety
& Sustainability Officer

| | | |
|------------|--------|------|
| Australian | Age 51 | Male |
|------------|--------|------|

Date of Appointment
1 October 2019

Relevant Experience

He has more than 25 years of industry experience and has held senior safety management roles at Halliburton, Rio Tinto, Comalco, Downer EDI Mining, the John Holland Group and Thies Process. He has international experience working in Bahrain, Qatar, Indonesia and Thailand in oil and gas, metallurgical refining and construction industries and has held safety and security positions in Dubai and auditing and compliance positions in Qatar. He is also a qualified nurse.

Academic/Professional Qualification/Membership(s)

- Post Graduate Certificate in Managing Occupational Health and Safety, University of Southern Queensland



Noor Zita Hassan
Group Secretary

| | | |
|-----------|--------|--------|
| Malaysian | Age 54 | Female |
|-----------|--------|--------|

Date of Appointment
21 November 2017

Relevant Experience

She began her career as a management trainee in the accounting, internal audit, tax and corporate planning functions with Kumpulan Sime Darby Berhad (KSDB) in 1989 and subsequently transferred to the Group Secretarial department of KSDB in 1993. She was the Company Secretary of Hyundai-Sime Darby Berhad, a subsidiary of KSDB listed on the Main Board of Bursa Malaysia Securities Berhad from December 2004 until its delisting from the Official List of Bursa Securities in July 2006. She is also currently the Company Secretary of Sime Darby Motors.

Academic/Professional Qualification/Membership(s)

- Bachelor of Economics with Accountancy, Loughborough University of Technology
- Master in Accountancy, Charles Sturt University
- Member, CPA Australia
- Member, Malaysian Institute of Accountants

Additional Information

1. None of the Executive Leadership has any family relationship with and is not related to any Director and/or major shareholder of Sime Darby.
2. None of the Executive Leadership has any conflict of interest with Sime Darby.
3. Other than traffic offences, none of the Executive Leadership has any conviction for offences within the past five years nor public sanctions or penalties imposed by the relevant regulatory authorities during the financial year.
4. Directorships held by the Executive Leadership in public companies and listed issuers, other than companies within the Group, if any, are disclosed in the Executive Leadership section at <http://www.simedarby.com/company/executive-leadership>
5. The full profile of the Executive Leadership is available on the Sime Darby website at <http://www.simedarby.com/company/executive-leadership>.

Chairman's Statement on Corporate Governance



“Sime Darby’s rigorous governance framework has kept the Group agile and effective in uncertain times, sustaining our growth and steering us to new strengths. The Board will continue to refine the Group’s governance structure, sustain our ethical corporate culture and guide the Management on the furtherance of the Group’s Value Creation Plan.”

Tan Sri Samsudin Osman
Chairman

Dear Shareholders,

I am pleased to present the Group’s report on corporate governance for FY2020.

In presenting this report, we have implemented, where applicable, the principles of the Malaysian Code on Corporate Governance 2017.

However, our approach to corporate governance has always been more than just meeting regulatory requirements. My Board colleagues and I strive to discharge our duties to the highest ethical standards and see to it that the principles of transparency, integrity and accountability are instilled in our corporate culture. We have also taken it upon ourselves to provide a robust governance regime that evaluates and enhances the management structure, policies and systems, in order to safeguard our shareholders’ long-term interests while driving growth.

Our reporting is premised upon the three principles of the MMLR – Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

Leadership and Effectiveness

Good corporate governance underpins a well-run business. The distinct roles played by the Board and the Management create a healthy ecosystem of checks and balances, in the Group’s pursuit of its interests. Supported by the Governance & Audit, Risk Management and Nomination & Remuneration committees, the Board deliberates on the strategies proposed by the Management in a supportive and collaborative

manner in order to stimulate careful consideration of issues and to minimise undue risks. This sets the tone for a culture of openness and collaboration.

Over the year, we focused on ensuring that the Board’s collection of professional skills remain relevant to our businesses, and that we continue to be informed of the latest developments in our sectors and are balanced in our decision-making. The Nomination & Remuneration Committee (NRC) continually reviews the composition of the Board to ensure that it comprises a diverse team with complementary expertise and experience relevant to the Group’s needs.

The Board Effectiveness Assessment (BEA) is conducted annually to evaluate the Board’s performance and to identify opportunities to increase its effectiveness. This year, the BEA was conducted internally through questionnaires based on the Corporate Governance Guide (3rd Edition) on the Guidance on Board Leadership and Effectiveness issued by Bursa Malaysia Berhad and the Board was satisfied with the overall results of the BEA 2020. The Board will focus its efforts on addressing the areas which were identified for improvement and ensure that Board members are equipped with the latest skills and industry knowledge to enhance their performance.

Effective Audit and Risk Management

The Group’s ethical business framework includes a Code of Business Conduct (COBC) and an Anti-Bribery and Anti-Corruption Policy. This year, in alignment with the Guidelines

Guidelines Followed

This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report, which is published online at <http://www.simedarby.com/investor/annual-reports>



Bursa
Malaysia Berhad
Corporate
Governance
Guide

MCCG 2017
ASEAN CG

MMLR
IIRC
CA 2016

on Adequate Procedures pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018), the Governance & Audit Committee (GAC) has made concerted efforts to enhance these policies, which constitutes the Group's Anti Bribery Management System. Through these efforts, we aim to maintain a healthy business environment for all our stakeholders.

The Group also upholds a healthy risk culture by encouraging all employees to respond to opportunities, threats and stresses with sound judgement while upholding high ethical values. In FY2020, one of the key initiatives undertaken by the RMC was the formalisation of the Group's Risk Appetite Statement, which communicates the Group's risk management strategy and serves as a guide on the level of risk the Group is willing to take in pursuit of our objectives.

Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The Board advocates meaningful engagement with the Group's key stakeholders by communicating openly, clearly, effectively and in a timely manner through authorised channels and personnel to disclose information. Two-way communication is vital, and we ensure that we remain attuned to stakeholders' concerns through regular engagements, while keeping them apprised of our financial and operational performance, as well as the future direction of the company.

In responding to stakeholders' concerns, we adopt a holistic approach, considering both

financial and non-financial aspects in our decision-making process. This integrated approach is comprehensive, authentic and breaks down organisational silos thus encouraging different conversations to take place. We warmly welcome feedback and look forward to continue engaging with our investors, shareholders, employees and other stakeholders in the coming year. Further information can be found in the Engaging Stakeholders section on page 38 and in the Integrity in Corporate Reporting and Meaningful Relationships with Stakeholders on page 134.

Looking Ahead

With global market conditions expected to remain challenging and the world still in the grips of the pandemic, active corporate governance and robust systems of oversight are critical. Sime Darby's rigorous governance framework has kept the Group agile and effective in uncertain times, sustaining our growth and steering us to new strengths. The Board will continue to refine the Group's governance structure, sustain our ethical corporate culture and guide the Management on the furtherance of the Group's Value Creation Plan. We will maintain a close watch on the rapidly evolving market conditions, but I am confident we have the right governance structure and team in place to maintain the momentum of our high-performance business units in leading the Group towards greater resilience and recovery.

Tan Sri Samsudin Osman
Chairman

Leadership & Effectiveness

Creating the Right Culture Through a Strong Governance Framework

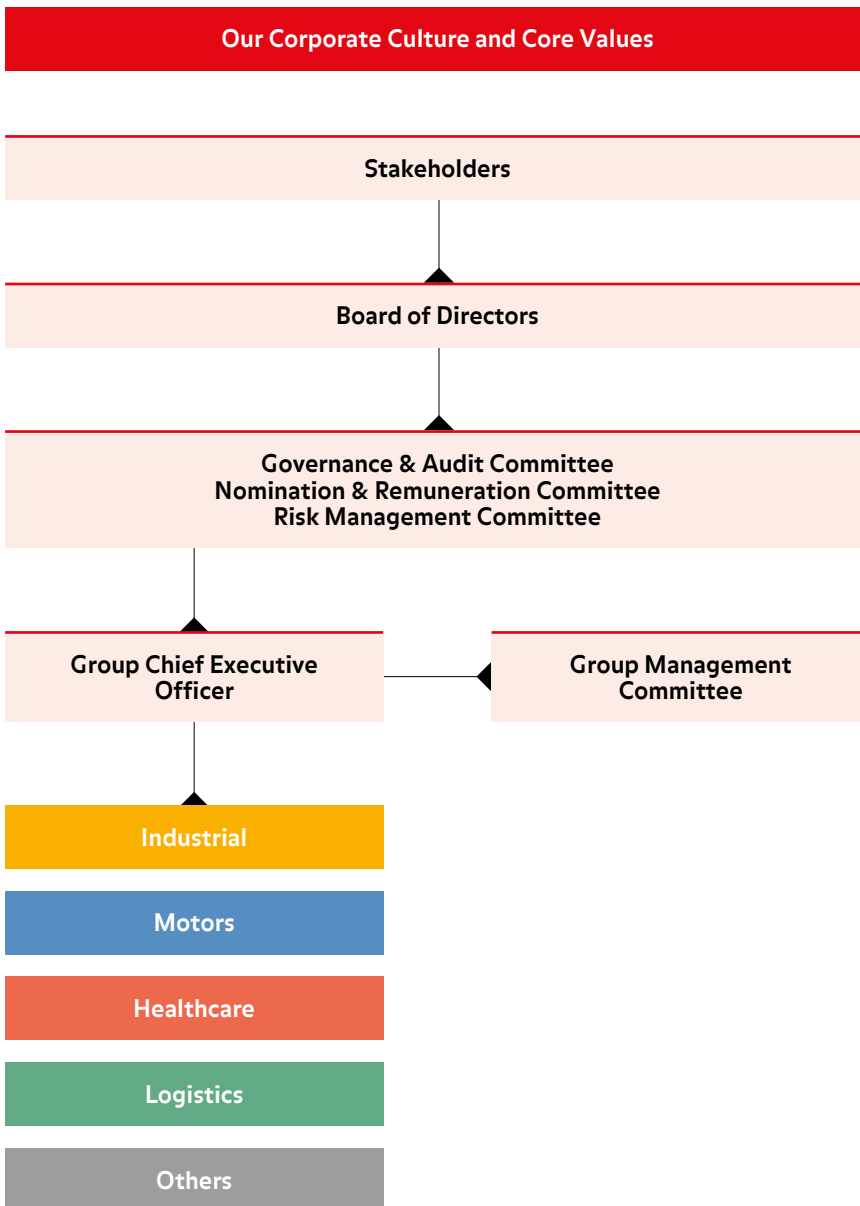
A healthy corporate culture and a robust governance framework ensures that the organisation continues to run smoothly and efficiently. It sets the tone for how the employees within the Group engage with one another

and with other stakeholders, creating an environment of trust and respect that leads to better teamwork, improved decision-making and increased efficiency.

To the Board of Directors, embedding the right culture starts with a clear definition of the standards expected in the day-to-day conduct of

every individual in Sime Darby, in accordance with the Group's core values.

These values are reflected in the Group's governance framework which defines the way in which strategic and operational activities are managed. The framework is based on the following principal aims:



- 1 Promote transparency, accountability and a responsive attitude;
- 2 Provide operating autonomy to the Divisions and the Group's companies in achieving business objectives while maintaining adequate checks and balances; and
- 3 Cultivate ethical business conduct and desired behaviours, based on the Group's core values and business principles.

The powers of the Chairman, Senior Independent Director, Non-Executive Directors and the GCEO are set out in the Board Charter.

The Board may exercise all powers conferred on it by the Board Charter, in accordance with the Companies Act 2016 and other applicable legislations.



The Board Charter is available at www.simedarby.com/operating-responsibly/governance

The Board is satisfied that each Director has devoted sufficient time to effectively discharge their responsibilities. The current composition of Directors on the Board has a blend of skills, experience and knowledge suited to the Group’s needs.

Board and Committee Meeting Attendance

In FY2020, the Board held ten meetings. All Directors exceeded the requirements set out in the Board Charter in terms of attendance, demonstrating their commitment and dedication in fulfilling their duties and responsibilities. In addition to Board meetings, the Chairman and the Non-Executive Directors have maintained regular contact and held ad-hoc meetings without the GCEO or other members of the Management present to discuss matters relating to the Group. Discussions and deliberations during Board meetings and otherwise were always open and challenging yet cordial and constructive. The Board received regular reports and Management presentations to ensure that the Directors were suitably briefed to fulfil their roles.

Information and Support for the Board

The Chairman, assisted by the Group Secretary, ensures that the Board and its Committees receive pertinent information on a timely basis to enable all Directors to discharge their duties competently. They are provided with copies of the minutes of meetings from the Group Management Committee and Board Committees, the Group’s operational and financial reports, reports on the Group’s Health, Safety and Environment matters as well as reports on the Group’s compliance with the relevant ethical and security standards. The Group Secretary attends all Board meetings and provides support to the Directors, in addition to the documents they receive. The Board also has access to independent professional advice at the Group’s expense to facilitate informed decision-making.

Board Matters and Delegation

The Board has established a formal schedule of matters specifically reserved for its approval. Other specific responsibilities have been delegated to its Committees, which are clearly defined within their Terms of Reference.

The Board Committees’ Terms of Reference and other delegated authorities are formalised and reviewed from time to time, as and when required.



The Terms of Reference are available at www.simedarby.com/operating-responsibly/governance

Summary of Key Board Reserved Matters

- | | | | | | | | |
|---|-----------------------------------|---|---|---|--|---|---|
| 1 | Group strategy, plans and budgets | 2 | Acquisitions, disposals and transactions exceeding the authority limits of the GCEO | 3 | Changes to the Board and executive leadership of the Group | 4 | Changes in key policies, procedures and delegated authority limits of the Group |
|---|-----------------------------------|---|---|---|--|---|---|

Leadership & Effectiveness

Key Areas of Focus During the Year

- 1 Reviewing and adopting the strategy blueprint for the Group, which includes setting the Group's budget as well as reviewing the challenges to the Group's business strategy and plan.
- 2 Improving diversity in terms of gender, age, experience and expertise across the Group. Presently, the Group has achieved female representation of 27% for the Board, 18% for the senior management team and 25% in the Group's general workforce.
- 3 Ensuring an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks to the Group, including setting the Group's Risk Appetite Statement.
- 4 Ensuring a ready pipeline of talent with the right combination of technical competencies and leadership potential, which is key to smooth leadership transition and the Group's future growth.
- 5 Ensuring the integrity of the Group's financial and non-financial reporting.

Board Effectiveness

A BEA was conducted to provide opportunities to increase efficiency, maximise strengths and to highlight areas for improvement. Where applicable, professional consultants are engaged to conduct the assessment in alternate years. The BEA 2020 was conducted internally through questionnaires. The questionnaires were based on the Corporate Governance Guide (3rd Edition) on the Guidance on Board Leadership and Effectiveness

issued by Bursa Malaysia Berhad. The results of the BEA 2020 were presented to the Board at its meeting held on 28 September 2020 and the Board was satisfied with the results. The Board as a whole had discharged its functions, duties and responsibilities effectively in accordance with its Board Charter and there was a positive Boardroom environment and healthy Boardroom dynamic. Arising from the BEA 2020 were areas of focus for FY2021 as identified by the Board:

1. To review the Terms of Reference and the structure of Board Committees; and
2. To ensure continued focus and deliberation by the Board on strategy, succession planning, the digitalisation of the Group's business and environmental, social and governance matters.

The Board had taken the following actions to address the areas highlighted for improvement in the BEA 2019:

| Areas for Improvements Identified in FY2019 | Actions Taken to Address in FY2020 |
|--|---|
| <ol style="list-style-type: none"> 1. Improve oversight on the Group's investment in JVs, particularly in Australia and China. 2. Ensure proper governance structures are in place for JVs and improve the reporting of information and issues to the Board. | <p>The Board discussed key highlights, material risks and issues from JV and associate companies in the quarterly Board meetings during which, GCEO presented key information from significant JVs and associates in his report to the Board.</p> |

Board Effectiveness (Continued)

| Areas for Improvements Identified in FY2019 | Actions Taken to Address in FY2020 |
|---|--|
| 3. Review the composition of the Board from time to time; enhance the diversity of the Board by appointing Directors with relevant international, digital/ technology or healthcare experience. | The NRC carried out a recruitment exercise for the Board and was mindful of the need to achieve diversity in ethnicity, age and gender, when shortlisting potential candidates from internal as well as external independent sources. To that end, the Board appointed Dato' Dr Nirmala Menon to the Board on 15 November 2019. With this, the Board's gender composition is closer to its target of having 30% female Directors. Dato' Dr Nirmala holds a degree in medicine from the University of Mysore in India, which will be a valuable skillset for the Group's healthcare business. |
| 4. Ensure sufficient focus and deliberation by the Board on strategy, risk, digital economy and on environmental, social and governance matters. | The Board was apprised of the latest social, environmental, innovation and technology updates by qualified speakers at the annual Board retreat. Site visits to operations were also arranged to provide Directors with an in-situ, visual perspective of the Group's operations, deepening their understanding and appreciation of the key drivers behind the Group's diverse operations. Key matters requiring the attention of the Board were brought up and deliberated at Board meetings. |

Governance & Audit Committee Performance Review

Pursuant to Paragraph 15.20 of the Listing Requirements, the NRC also reviewed the terms of office and performance of the GAC and is satisfied that the GAC as a whole and its members individually have discharged their functions, duties and responsibilities in accordance with the Committee's Terms of Reference.

Nomination & Remuneration and Risk Management Committee Performance Review

During the financial year under review, the Board is satisfied with the performance and effectiveness of the NRC and RMC respectively, in providing sound advice and recommendations to the Board.

Board Induction and Development

The Group has a multi-faceted Board induction and development programme. The Group Secretary facilitates the orientation of newly appointed Directors, which consists of comprehensive trainings through tailored induction programmes to familiarise themselves with

the Group's businesses.

They receive briefings covering a range of topics, including:

- (a) The Group's corporate governance framework;
- (b) The Group's financial position;
- (c) The Group's risk management processes;
- (d) The internal audit function;
- (e) Policies and procedures;
- (f) Key areas of business and operations by Divisional Managing Directors; and
- (g) Innovation and technological advancements in the sectors relevant to the Group.

On-boarding sessions help new Directors become acquainted with the various aspects of their new roles smoothly and quickly. Such sessions are reviewed regularly to ensure that they remain relevant and effective. The Group Secretary also coordinates a range of training programmes for all Directors, contributing to the continued development of the Board. For an immersive learning experience, annual Board retreats and technical visits are designed to

enhance Directors' understanding and knowledge of the Group's operations and keep them informed of the latest industry-specific or technological developments.

In FY2020, the Board met with the Management team on a regular basis to better understand their respective areas of responsibility. In addition to that, the Board visited the Group's assembly operations in Kedah to better understand the growth opportunities in the industry, as well as the Group's businesses in China, to acquire a deeper appreciation of the Group's operations in the region.

During the year under review, Directors participated in a range of conferences, seminars and training programmes covering relevant industry updates and a diverse range of topics, such as:

- (a) Leadership;
- (b) Governance;
- (c) Finance;
- (d) Risk management;
- (e) Legal;
- (f) Information technology; and
- (g) Social security.

Leadership & Effectiveness

A summary of training courses attended by the Directors and the Group Secretary during the year is listed below:

List of Training Attended

| Board Members |
|--|
| External Opportunities and Threats |
| Marketing & Innovations |
| Khazanah Megatrend 2019 – Building Our Collective Brain |
| PNB Corporate Summit 2019 – Rebooting Corporate Malaysia |
| The Diverse Facets of Leadership |
| International Social Well-Being Conference |
| China & The World |
| Disruption Meets Tradition |
| Leadership in Digital World |
| Prolonged Lockdowns and Post-MCO Obligations – Are You Ready For The Perfect Storm |
| The Role of the Board in Talent Management and Succession Planning |
| COVID-19 and Current Economic Reality |
| The Digital Boardroom (Shaping Policy, Business and Finance in a Time of Crisis) |
| Navigating in Turbulent Times |
| Anti-Money Laundering Training |
| Workshop on Corporate Governance |
| Boards and Post COVID-19 Governance |
| Business Valuation |
| How to Develop Integrated Reports |
| Thematic Sustainability Workshop – Recommendations of the Task Force on Climate related Financial Disclosure |
| Role of Board in Strategy and Risk Management Oversight |
| Risk Management – Why Are We Embarking Internal Rating Based Journey and Accreditation Expectations |
| Damages in Mergers & Acquisitions Disputes |
| Introduction to Section 17A MACC (Amendment) Act 2018 – Corporate Liability |
| ISO 37001: 2016 & MACC Act Section 17A Foundation Course |
| Raising Defences Section 17A MACC Guidelines |
| Cybersecurity Awareness |
| Cybersecurity Risk |
| Data Analytics for Business |
| Group Secretary |
| The Diverse Facets of Leadership |
| China & The World |
| Related Party Transactions and Provision of Financial Assistance |

Nomination & Remuneration Committee Report



Dato' Sri Abdul Hamidy Abdul Hafiz
Chairman of the Nomination & Remuneration Committee

Composition

The NRC, chaired by Dato' Sri Abdul Hamidy Abdul Hafiz, comprises three Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

Roles and Responsibilities

The NRC manages the nomination and remuneration process for the Board and the various Board Committees, as well as for other critical management positions within the Group. The NRC

also assists the Board in reviewing the mix of skills, experience, core competencies and other qualities required for an effective Board for Sime Darby. The NRC recommends candidates for appointments to the Board and Board Committees, and ensures appropriate assessment of Directors occurs on an ongoing basis.



Detailed Terms of Reference of the NRC is available at www.simedarby.com/operating-responsibly/governance

Meetings and Attendance

| Members | Membership | Appointment | Attendance |
|---|--|------------------|------------|
| Dato' Sri Abdul Hamidy Abdul Hafiz [^] | Chairman/Independent Non-Executive Director | 4 September 2019 | 6/6 100% |
| Dato' Ahmad Pardas Senin | Member/Senior Independent Non-Executive Director | 1 December 2017 | 7/7 100% |
| Encik Mohamad Idros Mosin | Member/Non-Independent Non-Executive Director | 21 November 2018 | 7/7 100% |
| Datuk Wan Selamah Wan Sulaiman | Member/Independent Non-Executive Director | 9 June 2020 | - - |
| Former Members | Membership | Appointment | Attendance |
| Dato Sri Lim Haw Kuang [*] | Member/Senior Independent Non-Executive Director | 23 November 2015 | 2/2 100% |

* Resigned as Chairman of NRC on 14 November 2019

[^] Appointed as Chairman of NRC on 26 November 2019

Key Activities of FY2020

Nomination Function

- Reviewed the composition of the Board and Board Committees;
- Evaluated and recommended suitable candidates for appointments to the Board, Board Committees and senior management of the Group;
- Evaluated the contributions of Directors seeking election and re-election at the AGM and made recommendations on the suitability of Directors for election and re-election to the Board; and
- Oversaw the succession planning and performance evaluation of the Board, Board Committees and the senior management team.

Remuneration Function

- Reviewed and recommended the remuneration framework for Non-Executive Directors;
- Reviewed and recommended the Group's rewards philosophy and remuneration structure;
- Recommended the bonus pay out and salary increment for employees of the Group;
- Appraised the performance and recommended the bonus pay-out and salary increment for the GCEO and his direct reports.
- Reviewed and recommended the renewal of fixed-term contracts of senior management;
- Reviewed the parameters and eligibility criteria for the Long-Term Incentive Plan; and
- Recommended the allotment and issuance of new Sime Darby shares to eligible grantees pursuant to the Long-Term Incentive Plan.

Leadership & Effectiveness

Key Activities of FY2020 (Continued)

Governance Function

- Reviewed the Terms of Reference of the Board Committees;
- Reviewed the terms of office and the performance of the GAC;
- Reviewed the Board composition policy;
- Reviewed the GCEO's key performance indicators and scorecard for the new financial year; and
- Reviewed the results of the Global Employee Engagement Survey.

Election and Re-Election of Directors

The NRC ensures that the Directors retire and are re-elected in accordance with the relevant laws and regulations, and the Constitution of the Company. The performance of each retiring Director at the next AGM is considered by the NRC before making recommendation to the Board for election or re-election of the relevant Directors.

Board Independence and Diversity

The Board, under the advice of the NRC, has adopted the policy that the tenure of an Independent Non-Executive Director should not exceed a cumulative term limit of nine years.

The NRC has determined that the criteria for appointment of Board members are as follows:

- Required skills, knowledge, expertise and experience;
- Time commitment, character, professionalism and integrity;
- Ability to work cohesively with other members of the Board;
- Specialist knowledge or technical skills in line with the Group's strategy and businesses;
- Diversity in age, gender and experience/background;
- Number of directorships in companies outside the Group; and
- Appropriateness and fit in terms of the person's probity, soundness of judgement and competency.

Remuneration Approach

The approach to the Non-Executive Directors' remuneration is aligned to the Group's strategic objectives and allows the Group to attract, motivate and retain talent and leaders of high calibre. Periodic reviews are performed by the NRC on the remuneration structure to ensure that the compensation of the Non-Executive Directors is competitive, appropriate and aligned with prevalent market practices and trends. The review takes into account the level of responsibilities undertaken by the Non-Executive Directors concerned and the complexity of the Group's operations. The Group also reimburses all expenses incurred by the Non-Executive Directors, where relevant, in the course of carrying out their duties as Directors.

The components of the remuneration for the GCEO are structured to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other customary benefits as accorded by comparable companies. Performance is measured against individual KPIs in a scorecard aligned with corporate objectives as approved by the Board, as well as profits and other targets set in accordance with the Group's annual budget and plans. The NRC reviews the performance of the GCEO annually and submits their views and recommendations to the Board on adjustments in remuneration and/or rewards to reflect the GCEO's contribution towards the Group's achievements for the year. The GCEO recuses himself from deliberation and voting on his remuneration and/or rewards at Board meetings.

The remuneration philosophy reflects the Group's commitment to comply with best practices in the areas of remuneration, retention and rewards, to ensure that the Group continues to attract and retain the best talent. The remuneration packages and incentives are regularly evaluated against market-related surveys.

Effectiveness Review and Performance

From the BEA 2020 exercise, the Board reviewed the performance of the NRC and based on the results, is satisfied with the performance and effectiveness of the NRC in discharging its duties and responsibilities as stated in its Terms of Reference.

Employee Engagement

The alignment between employees and the organisation relies upon the workforce's engagement level. An engaged workforce would display more productive and demonstrate discretionary efforts to achieve the desired level of performance. In FY2020, Sime Darby partnered with Kincentric conducted the Global Employee Engagement Survey (GEES) 2020. The objective of this exercise is to gauge the level of engagement of Sime Darby's employees across the Group. It received an encouraging response rate which demonstrated the employees' commitment towards making Sime Darby an engaged workplace. The GEES 2020 results were presented to the NRC and the NRC's views and recommendations were taken and formulated into action plans to drive further employee engagement at Sime Darby.

| | Salary & Other Remuneration (RM'000) | Directors' Fees | | Benefits-in-kind (RM'000) | PBESS® (RM'000) | Total (RM'000) |
|---|--------------------------------------|------------------|---------------------|---------------------------|------------------|----------------|
| | | Company (RM'000) | Subsidiary (RM'000) | | | |
| Present Directors | | | | | | |
| Executive Director* | | | | | | |
| Dato' Jeffri Salim Davidson | 4,437 | - | - | 87 | 657 | 5,181 |
| Non-Executive Directors | | | | | | |
| Dato' Lawrence Lee Cheow Hock | | 415 | 58 | 14 | | 487 |
| Mr Thayaparan Sangarapillai | | 349 | - | 10 | | 359 |
| Dato' Sri Abdul Hamidy Abdul Hafiz | | 334 | - | 11 | | 345 |
| Dato' Ahmad Pardas Senin | | 325 | - | 12 | | 337 |
| Tan Sri Samsudin Osman | N/A ¹ | 318 | - | 6 | N/A ¹ | 324 |
| Datuk Wan Selamah Wan Sulaiman | | 292 | - | 6 | | 298 |
| Ms Moy Pui Yee | | 275 | - | 2 | | 277 |
| Encik Mohamad Idros Mosin | | 275 [^] | - | 1 | | 276 |
| Dato' Dr Nirmala Menon ² | | 259 | - | - | | 259 |
| Total for Non-Executive Directors | | 2,842 | 58 | 62 | | 2,962 |
| Former Directors | | | | | | |
| Non-Executive Directors | | | | | | |
| Dato' Abdul Rahman Ahmad ³ | | 408 [#] | - | 22 | | 430 |
| Dato Sri Lim Haw Kuang ⁴ | | 177 | 56 | 25 | | 258 |
| Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah ⁵ | N/A ¹ | 187 | - | 30 | N/A ¹ | 217 |
| Total for Non-Executive Directors | | 772 | 56 | 77 | | 905 |
| Grand Total for Non-Executive Directors | | 3,614 | 114 | 139 | | 3,867 |

¹ N/A - Not Applicable

² Appointed on 15 November 2019

³ Appointed on 1 September 2019 and resigned on 10 June 2020

⁴ Retired on 14 November 2019

⁵ Retired on 31 October 2019

[@] Long-Term Performance-Based Employee Share Scheme

⁺ Paid by Sime Darby Holdings Berhad

[^] Fees paid to PNB

[#] Fees for the period from 1 September 2019 to 30 September 2019 were paid to PNB

Focus Areas for FY2021

Promote Diversity

- Strive to create a diverse, non-discriminatory and inclusive environment across the Group's operations.
- Actively promote diversity from a broad range of perspective including mix of skills, background, ability, professional and industry experience, age, independence and ethnicity across all levels to help the Group to remain competitive and to ensure sustainable business growth.

Succession Planning

- Maintain a steady supply of suitable talent to meet future leadership and business growth demands, ensuring the long-term sustainability of the Group.
- Identify and develop a pipeline of talent for succession planning at various levels of the organisation.

Directors' Training

- Equip Directors with up-to-date knowledge and skills to strengthen their ability to discharge their fiduciary duties.
- Identify the training needs of the Board of Directors and develop the appropriate training solutions for them.

Compensation and Reward Framework

- Shape the remuneration framework to ensure that the Group continues to attract and retain talent.
- Review the compensation and rewards framework to ensure that it remains competitive, appropriate and in alignment with prevalent market practices.

Effective Audit & Risk Management

Governance & Audit Committee Report



Thayaparan Sangarapillai
Chairman of the Governance & Audit Committee

Composition

The GAC, chaired by Mr Thayaparan Sangarapillai, comprises four members, all of whom are Independent Non-Executive Directors, in compliance with the listing requirements of Bursa Malaysia Securities and the Malaysian Code on Corporate Governance.

Roles and Responsibilities

The GAC is a committee of the Sime Darby Board tasked with the following primary objectives:

- (a) To assist the Board in fulfilling its statutory and fiduciary responsibilities of monitoring the Group's management of its financial risk processes, and

accounting and financial reporting practices;

- (b) To review the Group's business processes, quality of accounting function, financial reporting and internal controls;
- (c) To enhance the independence of both the external and internal audit functions by providing direction and oversight on behalf of the Board; and
- (d) To assist the Board in monitoring the implementation of an effective ethics programme and compliance with established policies and procedures.



Detailed Terms of Reference of the GAC is available at www.simedarby.com/operating-responsibly/governance

Meetings and Attendance

| Members | Membership | Appointment | Attendance |
|------------------------------------|--|-----------------|------------|
| Mr Thayaparan Sangarapillai | Chairman/Independent Non- Executive Director | 1 December 2017 | 6/6 100% |
| Datuk Wan Selamah Wan Sulaiman | Member/Independent Non-Executive Director | 1 March 2016 | 6/6 100% |
| Dato' Sri Abdul Hamidy Abdul Hafiz | Member/Independent Non-Executive Director | 1 December 2017 | 6/6 100% |
| Dato' Ahmad Pardas Senin | Member/Independent Non-Executive Director | 1 December 2017 | 5/6 83% |

Key Activities of FY2020

Financial Reporting

- All quarterly financial results and the annual audited financial statements for FY2020 were reviewed and recommended to the Board for approval; and
- The GAC's review focused on changes to accounting policies, areas of significant judgement, corrected and uncorrected misstatements.

External Audit

- Reviewed and approved the Group Audit Plan, which outlines the audit strategy and approach for FY2020;
- Affirmed that Messrs. PricewaterhouseCoopers PLT and all members of its engagement team maintained their independence in accordance with the provisions of the By-Laws on Professional Ethics, Conduct and Practice of the Malaysian Institute of Accountants;
- Noted the internal control memorandum for FY2019;
- Considered in consultation with the Management, the audit fees of the external auditors for FY2020 for recommendation to the Board for approval; and
- Completed the annual external auditor assessment prior to the recommendation for re-appointment to the Board for approval. The assessment covered, amongst others:
 - Governance and independence;
 - Communication and interaction; and
 - Quality of resources and services.

Internal Audit

- Reviewed and approved the Group Corporate Assurance Department's (GCAD) Audit Plan and operating budget for FY2021;
- Reviewed internal audit reports at each GAC meeting;
- Considered the following:
 - Results of planned, follow-up and special audits including whistleblowing investigations and data analytics initiatives;
 - Adequacy of the Management's responses to the audit findings and recommendations;
 - Status of audits as compared with the approved Corporate Assurance Plan; and
 - Adequacy of audit resources.
- Approved the KPIs for FY2020 and at the end of the financial year, conducted the performance appraisal for the Group Head – GCAD.

Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs)

- Reviewed RPTs and RRPTs of the Group to ensure compliance with the Companies Act 2016, the Main Market Listing Requirements and the Malaysian Financial Reporting Standards. The objective is to ensure that RPTs and RRPTs are not accorded conditions more favourable than that generally available to the public, and that they are not detrimental to minority shareholders.

Governance and Regulatory Compliance

- Conducted annual review of the Group Policies & Authorities (GPA). Changes to the GPA which were reviewed include:
 - Amendments emphasising the impact of the new Section 17A of the Malaysian Anti-Corruption Act 2009 (Amendment 2018) and the implementation of the Group's Anti-Bribery Management System (ABMS); and
 - Amendments to the existing policy on Board Appointments and Corporate Representatives.
- Approved the Vendor Due Diligence Guidelines to identify potential bribery related "red flags";
- Continuously reviewed the results of risk-based vendor due diligence for the Group, including remediation plans to be undertaken by Management to address issues identified;
- Reviewed the Bribery Risk Assessment which identified low, medium and high-risk operating environments. The results of further analysis of bribery risks within each high risk operating environment were also considered;
- Reviewed the revised Gifts, Hospitality and Donation procedures;
- Reviewed the Regulatory Compliance Monitoring Report which was carried out through self-assessment and self-attestation;
- Approved the Interactions with Regulators and Authorities Framework, which is a high-level guidance framework that sets out the broad approach for routine interactions with regulators and/or authorities and during Dawn Raid protocols;
- Reviewed the Statement of Risk Management and Internal Control attestations by the Management; and
- Approved the KPIs for FY2020 and at the end of the financial year, conducted the performance appraisal for the Head - Group Compliance & Integrity.

Annual Report

Reviewed and endorsed the following:

- Annual Audited Financial Statements for FY2020;
- Statement on Risk Management and Internal Control;
- The GAC report for inclusion in the FY2020 Annual Report; and
- The Corporate Governance Overview Statement.

Other Activities

- Noted on a quarterly basis:
 - The Group's cash and borrowings position and cash flow projections; and
 - The status of key investments, material litigations and major operational issues.
- Noted the Group's sponsorships and donations approved by the GCEO for FY2020;
- Noted the initiatives by Group IT on cybersecurity, including the development of the cybersecurity framework and risk reduction measures; and
- Noted the shares granted under the Long-term Incentive Plan.

Effective Audit & Risk Management

Key Matters Considered

The GAC receives updates on key governance matters, audit initiatives and observations across the Group at each Committee meeting. The Committee reviews and reports to the Board on significant matters including financial reporting, significant judgments made by the Management, significant and unusual events or transactions, and how these matters were addressed.

Some of the key matters considered by the Committee during the financial year include:

| Significant Initiatives/Issues | Matters Considered | Outcomes |
|--|--|--|
| Recoverability of the Group's investments in the Logistics Division | <p>Focus was given on the Group's investments in Logistics Division as a number of its operating entities were performing below expectation. In view of uncertainty on the recoverability of the Group's investment in Weifang Port Services Co., Ltd (WPS), the Management fully impaired the Group's investment in it along with receivables from WPS amounting to RM98 million.</p> <p>Impairment assessments were also performed on the Group's investment in Weifang Sime Darby Liquid Terminal Co., Ltd (WSDLT) and Jining Sime Darby Longgong Port. Co., Ltd (JSDLP). The Management concluded that the Group's share of the recoverable amount from WSDLT and JSDLT had dropped and an impairment of RM22 million and RM7 million respectively were recorded as at 30 June 2020.</p> | The GAC considered and concurred with the Management's assessment and decision on the impairment charge. |
| Recoverability of the carrying amount of intangible assets in Industrial Australasia | <p>The Management performed an impairment assessment on the Cash Generating Units (CGU) in the Group's Industrial operations in Australasia based on the Value-in-Use (VIU) methodology using the five-year discounted cash flows.</p> <p>As a result of the exercise, the Management reversed the RM28 million impairment made for the distribution rights in Papua New Guinea, given the improved positive results and outlook.</p> | The GAC considered and concurred with the Management's assessment on the recoverability of the carrying amount of the intangible assets in the Group's Industrial operations in Australasia. |
| Recoverability of the Group's investment in Mines Energy Solution Pty Ltd (MES) | The Management performed an assessment of the shareholder's loan extended to MES, a 50% joint venture company in Australia. MES is conducting a pilot project for its truck engine technology at a customer's site in the United States. The pilot has been delayed from June 2019 to June 2021 due to technical issues and travel restrictions caused by the COVID-19 pandemic. In view of heightened risks and uncertainties around the commencement of the pilot project and its success, the Management recognised a fair value loss of RM72 million, being the entire carrying value of the shareholder's loan. | The GAC considered and concurred with the Management's assessment and decision on the impairment charge. |

| Significant Initiatives/Issues | Matters Considered | Outcomes |
|---|--|--|
| Acquisition of Gough Group Limited and three automotive dealerships in Sydney, Australia (Sydney dealerships) | The acquisitions of Gough Group Limited and the Sydney dealerships were completed during the year. Purchase Price Allocation exercises were performed to determine the fair value of the net identifiable assets, franchise rights and goodwill. | The GAC considered and concurred with the Management's decision. |
| Adoption of the Malaysian Financial Reporting Standard (MFRS) 16 | The Group adopted MFRS 16 with effect from FY2020, which led to the recognition of previously off-balance sheet operating leases. This resulted in the recognition of right-of-use assets and lease liabilities of RM1,773 million. In addition, leasehold land and prepaid lease rentals were also reclassified as right-of-use assets. | The GAC considered and concurred with the Management's decision. |
| Cybersecurity practices and posture of the Group | The Management completed a review of its readiness against cybersecurity risk. Arising from the review, actions are being taken to enhance the Group's defences against this threat. These included the setting up of a dedicated cybersecurity team, a Security Operations Centre and the implementation of a Group-wide cybersecurity awareness and improvement programme. | The GAC considered the Management's actions and requested for status updates periodically. |
| ABMS | Focus was given to ensure that the Group has adequate procedures in place across all its operations in preparation for S17A of the MACC Act. The Management had implemented the ABMS, which is benchmarked against the ISO 37001 standard. The implementation of ABMS will continue to be reviewed and enhanced, where necessary, to improve its effectiveness. | The GAC considered the Management's actions and requested for quarterly status updates. |

Effective Audit & Risk Management

Corporate Assurance Department

The Group has an internal audit function which is carried out by GCAD, headed by Mr Ramesh Ramanathan. Mr Ramesh is a Chartered Accountant (ACCA) with more than 20 years of experience with two prominent "Big 4" accounting firms. He is a member of the Malaysian Institute of Accountants.

GCAD is a centralised function with regional corporate assurance teams having direct control and supervision over audit services across the Group. There is a total of 35 internal auditors across the Group led by regional heads in Malaysia, Australia and China.

GCAD is guided by its Charter which specifies functional reporting to the GAC and administrative reporting to the GCEO, to allow an appropriate degree of independence from the operations of the Group. GCAD's principal responsibilities are to undertake regular and systematic reviews of internal controls systems, and to provide reasonable assurance that the systems in place continue to operate satisfactorily and effectively throughout the Group.

The GAC reviews, challenges and approves the annual GCAD audit plan with periodic reviews to ensure business alignment, appropriate risk assessment and audit methodology, and to ensure robustness in the audit planning process. The GAC also approves the appointment and termination of the Group Head – GCAD and GCAD regional heads. There were no outsourced audit assignments during the year under review.

The Quality Assurance & Improvement Programme (QAIP), which focuses on the efficiency and effectiveness of audit processes, continues to be applied to assess the quality of audit

processes adopted. It is an ongoing internal assessment to identify and make appropriate recommendations for improvement of key activities within GCAD. These are carried out in the form of annual internal team validations.

The Quality Assurance Review (QAR) is an external assessment conducted at least once every five years by a qualified, independent assessor from an external organisation. It is expected to be conducted in FY2021.

In FY2020, the total cost incurred for the internal audit function was RM13.1 million (FY2019: RM13.1 million).

Group Compliance & Integrity

The Group's independent in-house compliance function is carried out by Group Compliance & Integrity (GCI). Ms Chuah Yean Ping is the Head – GCI. Ms Chuah is a member of The Honourable Society of Lincoln's Inn and was admitted to the Malaysian Bar in 1996. With over 20 years of work experience, beginning as a legal practitioner, she now heads compliance activities across the Group.

GCI monitors regulatory compliance and administers the Group's ABMS, which provides reasonable assurance that the Group's operations and activities are conducted in line with key regulatory requirements, internal policies and the COBC. Guided by its Compliance Charter and Compliance Management Framework, GCI reports functionally to the GAC and administratively to the GCFO. The dual reporting line ensures a level of independence and objectivity in discharging of responsibilities. The GAC reviews and approves GCI's work plan annually. It also approves the appointment of Head – GCI.

Risk Management Committee Report



Tan Sri Samsudin Osman
Chairman of the
Risk Management Committee

Composition

The Risk Management Committee led by Tan Sri Samsudin Osman, consists of three Independent Non-Executive Directors and a Non-Independent Non-Executive Director. Members of the RMC bring with them a diverse set of expertise and experience and have a solid understanding of the sectors in which the Group operates. This enables them to execute their role of anticipating, assessing and mitigating potential risks, by challenging and facilitating robust discussions on the management of the Group's key risk areas.

Roles & Responsibilities

The RMC is primarily responsible for risk monitoring and oversight across the Group. The Committee assists the Board in discharging its main responsibilities of identifying principal risks and key trends, and deliberating strategic action plans to mitigate the impact of such risks. Specific duties of the RMC are as follows:

(a) Reviewing the adequacy of the scope, function, authority, competence and resources of the GRM department;

(b) Providing direction, counsel and oversight over risk management processes, specifically to:

- ensure that appropriate risk management policies, framework and processes are implemented;
- review the Group's risk profile and ensure that potential significant risks beyond tolerable ranges are responded to with appropriate and effective mitigation actions; and
- monitor and evaluate the risk profile and appetite of the Group.

(c) Reviewing significant investment proposals and monitoring the execution of risk mitigation strategies for such proposals; and

(d) Following up on post-investment risk mitigation strategies to ensure that they are implemented as prescribed by the Board.

In discharging its responsibilities, the RMC is assisted by the GRM department.



Detailed Terms of Reference of the RMC is available at www.simedarby.com/operating-responsibly/governance

Meetings and Attendance

| Members | Membership | Appointment | Attendance |
|-------------------------------|--|------------------|------------|
| Tan Sri Samsudin Osman | Chairman/Non-Independent Non-Executive Chairman | 1 December 2017 | 6/6 |
| Dato' Lawrence Lee Cheow Hock | Member/Non-Independent Non-Executive Director | 20 July 2018 | 6/6 |
| Ms Moy Pui Yee | Member/Independent Non-Executive Director | 20 July 2018 | 6/6 |
| Mr Thayaparan Sangarapillai | Member/Independent Non-Executive Director | 4 September 2019 | 3/4 |
| Dato' Dr Nirmala Menon | Member/Independent Non-Executive Director | 26 November 2019 | 2/2 |
| Former Members | Membership | Appointment | Attendance |
| Dato Sri Lim Haw Kuang* | Member/Senior Independent Non-Executive Director | 23 November 2015 | 3/3 |

* Resigned on 14 November 2019

Effective Audit & Risk Management

Group Risk Management

GRM's primary role is to assist the RMC and the Board in discharging their risk management responsibilities. GRM is structured to ensure that adequate support is provided at both the GHO and Divisional levels, with responsibilities mainly, but not limited to, the following:

- Outline a strategic plan to guide the priorities and direction of the Group's risk management activities;
- Develop appropriate risk management policies and guidelines;
- Conduct annual or periodical review of the Group Risk Management Policy and

Framework, as well as continuously monitor risk exposure across the Group;

- Develop and articulate the Group's risk appetite, and periodically assess the level of risk exposure via continuous monitoring of risk tolerance and limits;
- Facilitate risk management structure, processes, tools and systems to support risk assessment activities at the GHO and Divisional levels;
- Conduct risk assessments on all major investments and tenders in accordance with the Group's Limits of Authority; and

- Continuous effort to inculcate and raise risk awareness across the Group.

GRM is currently headed by Mr Richard Ong Aik Jin. Richard is a Fellow Member of the Association of Chartered Certified Accountants with 15 years of experience in governance, risk and control. He joined the Group in October 2018 as the Head of Group Risk Management and is responsible for implementing appropriate systems, programmes and initiatives to manage the Group's overall risk exposure. Richard also leads and manages the Group's insurance and business continuity management programme.

Key Activities of FY2020

| |
|--|
| Group Risk Management Framework |
| Reviewed and advised the Board on amendments to the Group Risk Management Framework to reflect the latest risk management standards and changes to the Group's business environment. |
| New Risk Management Guidelines |
| Reviewed and approved the implementation of an Investment and Project Risk Assessment Guideline to facilitate the identification, evaluation and management of risks for major projects and investments. |
| Bribery Risk Assessment |
| Reviewed and advised the Board on bribery risks for key business units in key markets in-line with Transparency International guidelines. |
| Risk Appetite Statements |
| Developed the Risk Appetite Statement which articulates the level of risk that the Group is prepared to take in pursuing its strategic objectives. Please see pages 50 and 51 for more details. |
| Appraise New Investments |
| Evaluated risks pertaining to new major investment proposals in accordance with the Group's Limits of Authority. |
| Review of Group and Divisional Risks |
| Reviewed and assessed the Group's and Divisional risk profiles, and managed the significant financial and non-financial risks identified. |
| Enhance Organisational Resiliency |
| Developed a road map to enhance the Group's overall BCM programme, which included the set-up of a BCM Steering Committee and the formalisation of governance, policies and procedures across the Group. |

Key focus areas for FY2020 as highlighted in the Annual Report 2019 were successfully implemented.

Focus Areas for FY2021

The RMC will continue to assist the Board to oversee the implementation of the Group's risk management framework, which includes recommending the appropriate risk appetite, policies and risk management methodologies throughout the Group. The RMC's key priorities and initiatives for FY2021 include:

Risk Management Awareness

Implement activities to enhance knowledge and understanding of risk management across the business.

Risk Management Blueprint

Provide guidance, governance and oversight over the implementation of strategic priorities and initiatives outlined in the Risk Management Blueprint.



Read pages 43 to 49 for more information.

GRM-Developed Initiatives and Programmes

Assess how effective these initiatives are in instilling risk awareness across the Group, including integrating risk management into the day-to-day decision-making process across all operations.

Strategic and Emerging Risks

Review and monitor strategic and emerging risks based on approved risk appetite thresholds. Evaluate the effectiveness of internal controls and mitigative actions in ensuring that risks taken are within the Group's risk appetite and in the event of a breach, within the Group's risk appetite threshold.

Business Continuity Management

Evaluate effectiveness of the Group's BCM programme with an eye towards how it can strengthen the Group's preparedness and resilience during crisis or disasters.

Integrity in Corporate Reporting and Meaningful Relationships with Stakeholders

The Board maintains an open and constructive relationships with all its stakeholders – large and small, institutional and private. The Chairman, supported by the Management, has the overall responsibility of ensuring that the Group listens to and effectively communicates with its stakeholders.

The Group's Investor Relations unit, headed by the Group Chief Strategy Officer, facilitates communication between the Group and the investment community. Pertinent matters that may concern stakeholders include strategic developments, financial results and material business matters affecting the Group. A comprehensive investor relations programme, designed for institutional investors and private shareholders, addresses these matters on a regular basis.

How the Group Communicates

Meetings, Conference Calls and Site Visits

The Investor Relations unit holds regular meetings, conference calls and site visits with investors, intended to keep the investment community abreast of the Group's operations, strategic developments and financial performance. In addition, investment roadshows are held to engage with shareholders and potential investors across the globe.

| Engagements in FY2020 | |
|-----------------------|--|
| 1. | FY2019 Results Announcement – 27 August 2019 |
| 2. | Citi Malaysia Investor Symposium 2019 – 4 September 2019 |
| 3. | UOB Kay Hian: Healthcare Day – 19 September 2019 |
| 4. | BMW 3 Series Test Drive Event for Research Analysts – 4 October 2019 |
| 5. | Investor Relations Visit to Inokom with Affin & CIMB – 15 October 2019 |
| 6. | 13 th Annual General Meeting – 14 November 2019 |
| 7. | Q12020 Analyst Briefing – 26 November 2019 |
| 8. | CGS-CIMB 12 th Annual Malaysia Corporate Day – 6 & 7 January 2020 |
| 9. | UBS Malaysia Corporate Day 2020 (Singapore) – 21 January 2020 |
| 10. | Citibank Pan Asia Regional Investor Conference (Virtual) – 19 & 20 May 2020 |
| 11. | UBS Virtual Malaysia Corporate Day 2020 (Virtual) – 11 June 2020 |
| 12. | Daiwa Auto and Industrials Leaders Conference (Virtual) – 29 June 2020 |
| 13. | UBS Virtual Asia Industrials Day 2020 (Virtual) – 8 July 2020 |

Quarterly Financial Results Briefings and Announcements

Every quarter, the Investor Relations and Group Communications units provide the investment and media community with an up-to-date view of the Group's financial performance and operations via analyst briefing and media briefing sessions, which coincide with the release of the Group's quarterly financial results on Bursa Malaysia Securities.

These sessions are also broadcasted live via webcast to members of the investment community who are overseas or unable to participate in person.

Corporate Website

The Group maintains a comprehensive website which includes an up-to-date investor centre to communicate with stakeholders. Regular news, announcements, share price updates, investor presentations, events and other relevant information are posted on the website.

Shareholders are also welcomed to raise queries by contacting the Group at any time throughout the year. Contact details are available at the Contact Us section of the Group's website at <http://www.simedarby.com/contact-us>.

Annual General Meeting (AGM)

The AGM provides a platform for the Chairman and GCEO to share how the Group has performed during the year with shareholders.

It also provides all shareholders with the opportunity to put forward questions to the Chairman of the Board, the chairmen of the Governance & Audit, Nomination & Remuneration and Risk Management committees, and to the Senior Independent Director.

At these meetings, e-polling is conducted on each resolution. Shareholders also have the opportunity to cast their votes by proxy in advance of the meeting. Following the AGM, results of the polls are published on the Group's website and released to Bursa Malaysia Securities.

The FY2020 AGM will be held virtually at 10.00 a.m. on 12 November 2020. The notice of the AGM is issued at least 28 days prior to the date of the meeting in accordance with the Malaysian Code on Corporate Governance 2017. The notice and agenda will also be published in the local Bahasa Melayu and English newspapers and made available on the Group's website at www.simedarby.com.

Financial Calendar for the Financial Year Ended 30 June 2020

Announcement of Unaudited Consolidated Results

| 1 st Quarter ended 30 September 2019 | 2 nd Quarter ended 31 December 2019 | 3 rd Quarter ended 31 March 2020 | 4 th Quarter ended 30 June 2020 |
|--|---|--|---|
| 26 November 2019 | 26 February 2020 | 21 May 2020 | 27 August 2020 |

Dividends

| 1 st Interim Dividend of 2.0 sen Per Ordinary Share | |
|--|------------------|
| Announcement of the Notice of Entitlement and Payment: | 26 February 2020 |
| Date of Entitlement: | 27 April 2020 |
| Date of Payment: | 12 May 2020 |
| 2 nd Interim Dividend of 7.0 sen and Special Dividend of 1.0 sen Per Ordinary Share | |
| Announcement of the Notice of Entitlement and Payment: | 27 August 2020 |
| Date of Entitlement: | 5 October 2020 |
| Date of Payment: | 30 October 2020 |



Statement on Risk Management and Internal Control

Introduction

The Board is pleased to provide this statement on Risk Management and Internal Control which outlines the nature of risk management and internal controls within Sime Darby for the year under review.

Risk management and internal controls are integrated into management processes and embedded in the business activities of the Group.

Responsibilities and Accountabilities

A) The Board

The Group is led by the Board. The Board has delegated the governance and risk management responsibilities to Board Committees which ensure independent oversight of internal controls and risk management. Notwithstanding the delegated responsibilities, the Board takes overall responsibility in the establishment and oversight of the Group's risk management framework and internal controls systems. The Board is cognisant of its role in setting the tone and nurturing a culture towards managing key risks to achieve the Group's business objectives. The Board also recognises that internal controls systems are designed to manage and minimise rather than eliminate and avoid occurrence of material misstatements or unforeseeable circumstances, fraud or losses.

- **Governance & Audit Committee**

The key responsibility of the GAC is to assist the Board in fulfilling the Board's statutory and fiduciary responsibilities of monitoring the Group's management of financial risk processes, accounting and financial reporting practices. The GAC is also tasked to review the processes and quality of the Group's

accounting function, financial reporting and the internal controls system, which include ensuring that an effective ethics programme is implemented across the Group, and to monitor compliance of established policies and procedures. The GAC's Terms of Reference and activities in assessing the adequacy and effectiveness of internal controls system and their implementation within the Group are detailed on pages 126 to 130 of this annual report.

In discharging its duties, the GAC is supported and assisted by two functional units within the Group, i.e. GCI and the GCAD.

- **Risk Management Committee**

The RMC assists the Board in providing oversight, direction and counsel on the overall risk management process; establishing and reviewing the risk management framework, processes and responsibilities; as well as assessing whether they provide reasonable assurance that risks are managed within tolerable ranges. The RMC is also entrusted to set the tone and culture towards effective risk management and control within the Group.

The responsibilities of the RMC are detailed on pages 131 to 133 of this annual report. The RMC is chaired by a Non-Independent Non-Executive Director.

In discharging its responsibilities, the RMC is assisted by the Group Risk Management Department.

B) The Management

The Management is responsible for implementing Board-approved

frameworks, policies and procedures related to risk management and internal controls. The Management is also accountable for identifying, assessing and monitoring the risks that may impede the Group's goals and objectives.

The Management's responsibility includes but is not limited to:

- Implementing relevant policies and processes to identify, evaluate, monitor and report risks and internal controls.
- Ensuring appropriate and timely corrective actions are taken to strengthen internal controls and minimise occurrence of non-compliant incidents.
- Assuring the Board that adequate mitigative actions have been promptly and properly carried out to address any lapses.
- Setting the right example (in words and actions) to encourage and reinforce the importance of ethical business conduct.
- Applying all required rules and regulations.
- Seeking guidance from the Board on matters concerning risks and internal controls when required.

The Management also provides assurance to the Board that the risk management and internal controls systems are adequate and operating effectively based on the risk management framework adopted by the Group.

C) Group Compliance & Integrity

GCI's main role is to assist the Board, GAC and Management in coordinating compliance risk management activities such as programmes or activities to identify, mitigate and educate employees about the risks of non-compliance, and to provide reasonable

assurance that the Group’s operations and activities are conducted in line with key regulatory requirements. This role is executed via oversight, coordination, consultation, validation and monitoring of the Group’s state of compliance.

In recognising the diverse nature and the challenges faced by the Group, GCI’s programmes and activities are tailored to meet the specific needs and requirements of each of the Division focusing on emerging areas of compliance not addressed or covered by other assurance functions to minimise duplication of work. The GAC monitors the strategy and delivery of the compliance programmes via periodic progress reports submitted and reported by the Head of GCI. The GAC provides feedback to GCI, including through the annual GAC survey conducted by GCI as part of its continuous improvement efforts. GCI’s mandate and activities are detailed on page 130 of this annual report.

D) Group Corporate Assurance Department

GCAD which is an integral part of the Group’s internal controls system, reports directly to the GAC. GCAD’s primary role is to provide independent, reasonable and objective assurance in addition to consulting services designed to add value and improve efficiency of the Group’s operations. In assisting the Group to achieve its objectives, the GCAD employs a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes.

A risk-based annual audit plan is developed by GCAD which sets out GCAD’s audit engagements within the Group for the year, and is reviewed and approved by the GAC. GCAD’s audit practices conform to the International Professional Practices Framework (IPPF) published by the US Institute of Internal Auditors Inc.

GCAD conducts periodic assessments of emerging business risks and actively

monitors and responds to adverse indicators and key risks. Adjustments are made to the audit coverage as required, including scope extensions and/or undertaking special reviews with amendments to the audit plan. These are reported to the GAC periodically.

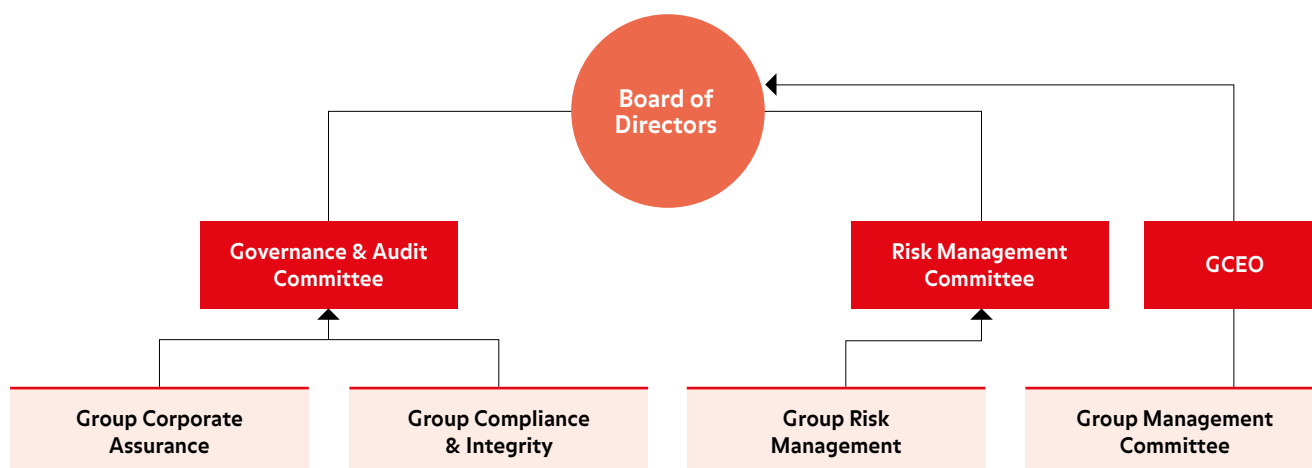
GCAD’s mandate and activities are detailed on page 130 of this annual report.

E) Group Risk Management Department

The GRM department assists the Board and RMC in discharging their risk management responsibilities. GRM is structured to provide adequate support to both the GH0 and the Divisions in regard to risk management implementation. GRM also sets the strategic plan to guide the priorities and direction of the Group’s risk management activities.

GRM’s mandate and activities are on page 132 of this annual report.

Reporting Structure – Assurance, Compliance and Risk



Statement on Risk Management and Internal Control

Risk Management and Internal Controls Framework

The Group's ERM Framework is integrated and where appropriate, embedded into the day-to-day business activities and management decision-making. Designed and adapted as reasonably practicable from the ISO 31000:2018 Risk Management Guidelines, the framework is aimed at establishing a robust risk management process across the Group and to ensure that all business risks are prudently identified, analysed and effectively managed.

Supporting this broader risk management framework is an internal

controls system that facilitates internal controls design and operating effectiveness to manage key risks.

Key aspects of the Group's overall risk management and internal controls system are selectively outlined below, where they provide assurance that the framework is adequate and effective for the purposes of this Statement.

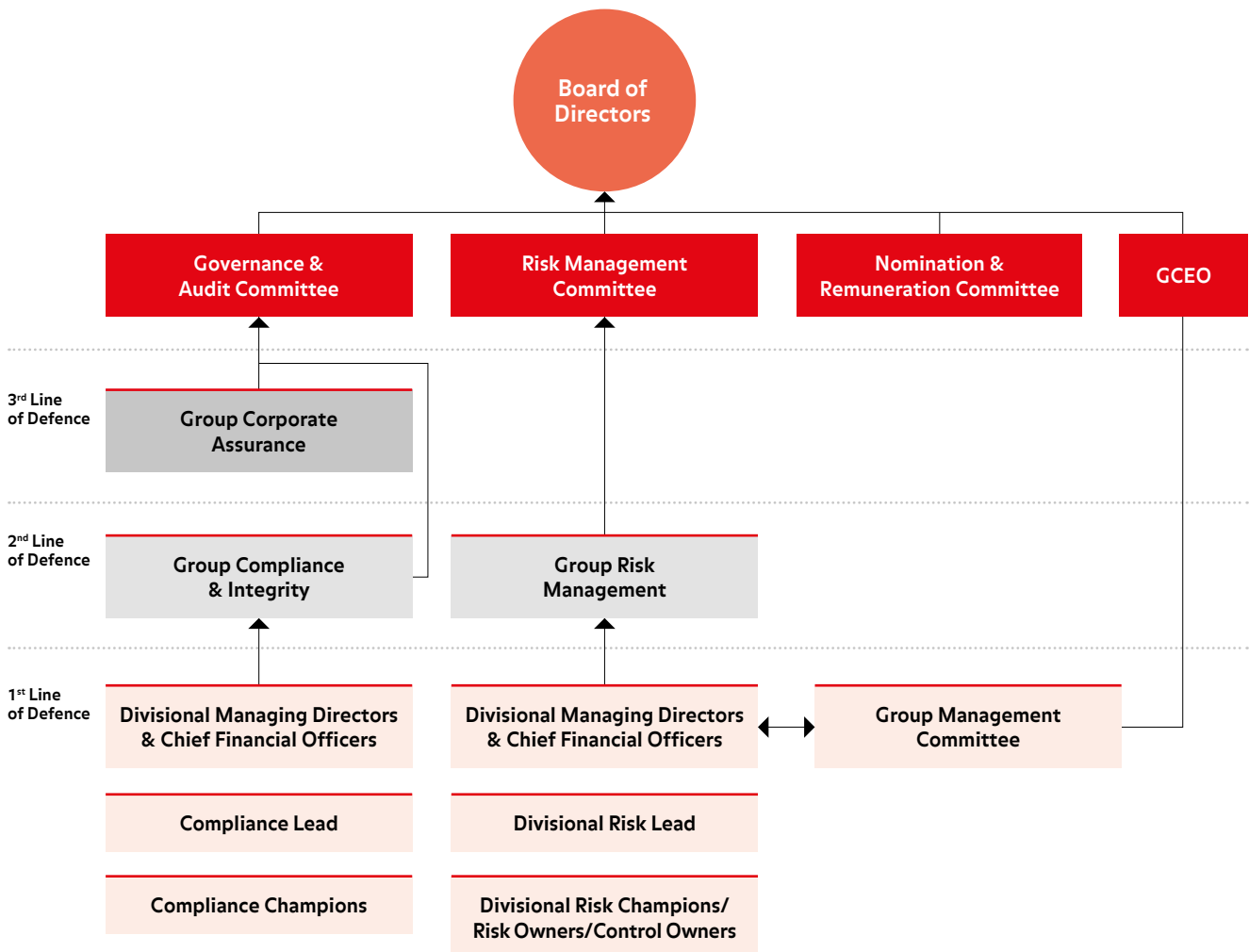
Mandate and Commitment

The Board has approved, via the RMC, the ERM Framework which encapsulates the governance arrangements as well as assigns responsibility to relevant levels of management and operations.

The implementation of the Framework is ultimately the responsibility of the GCEO and members of the Sime Darby Group Management Committee. Evidence of implementation can be seen in the appropriate risk management practices integrated into the relevant business processes. These practices which assist with decision-making aimed at achieving the Group's objectives are supplemented by a more formal and explicit risk management process.

The diagram below provides an overview of the governance structure:

Overview of the Group's Governance Structure



Integration of Risk Management and Internal Control

Integration of the formal ERM Framework into the wider management framework occurs

wherever practicable. The Group has embedded risk assessment into key operational activities and decision-making processes across the Group (refer to the tables below).

Risk assessments are performed based on a pre-defined risk management process adapted from ISO 31000 guidelines as well as globally acceptable risk management practices.

Risk Assessment Activities

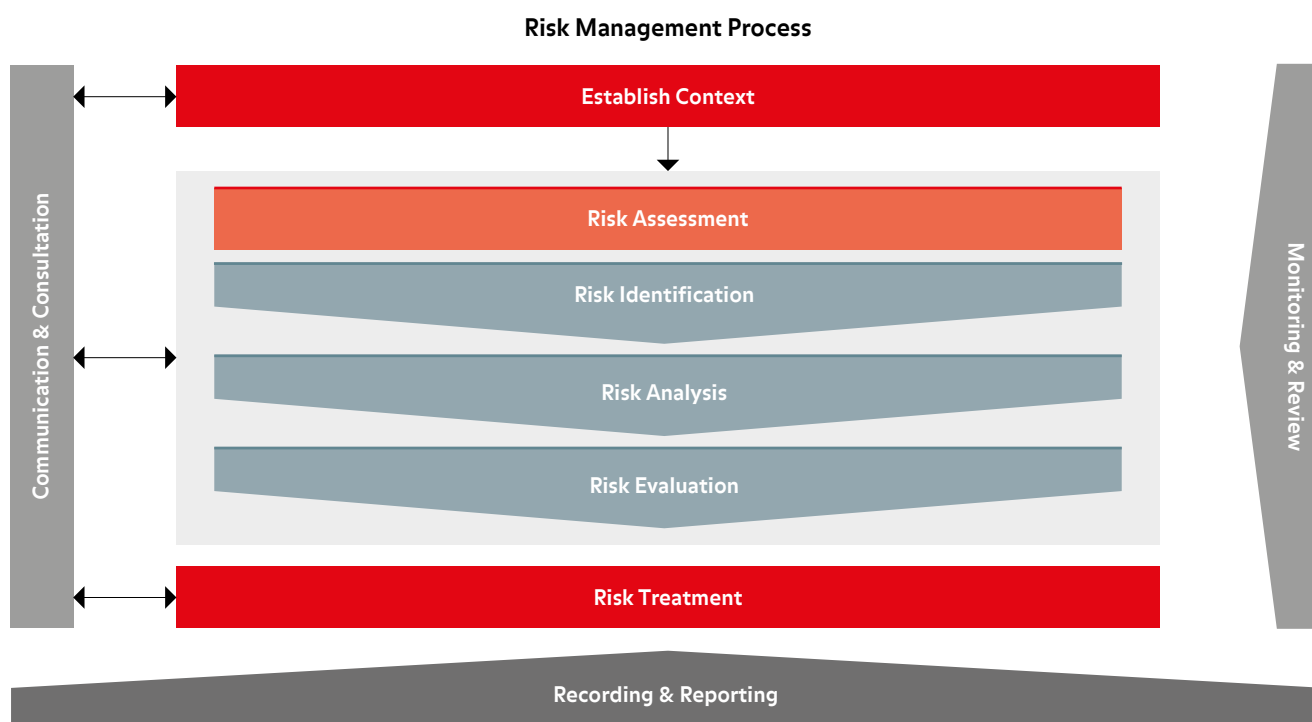
| Level/Context | Assessment | Management Involvement | Frequency |
|---|---|--|-------------|
| Strategic | Annual Strategy Planning | Set risk appetite, tolerance, limits and threshold | Annually |
| Enterprise-wide (Division/Business Units/Operating Units) | Quarterly Risk Profile Submission and Reporting | Update risks to reflect changes in rating, status of controls and action plans | Quarterly |
| Major Proposals/ Investments* | Proposal/Investment Risk Assessment | Assess key risk exposure and controls required to manage them | As required |
| Major Tenders* | Tender Risk Assessment | | |

* Selective investments/tenders based on the Group Policies and Authorities.

As illustrated, a top-down review of enterprise level risks is conducted as part of the annual strategic planning update to ensure that the risk implication of any change in strategy is identified, assessed and

documented. This is supplemented by quarterly risk updates and regular reviews of projects along with assessments of investment proposals and tenders where required. The outcome of these reviews is the identification

of new risks and the reassessment of others, and may also lead to the development of specific action plans. Where conditions significantly change during the year, changes to the strategy and risk implication may be necessary.



Statement on Risk Management and Internal Control

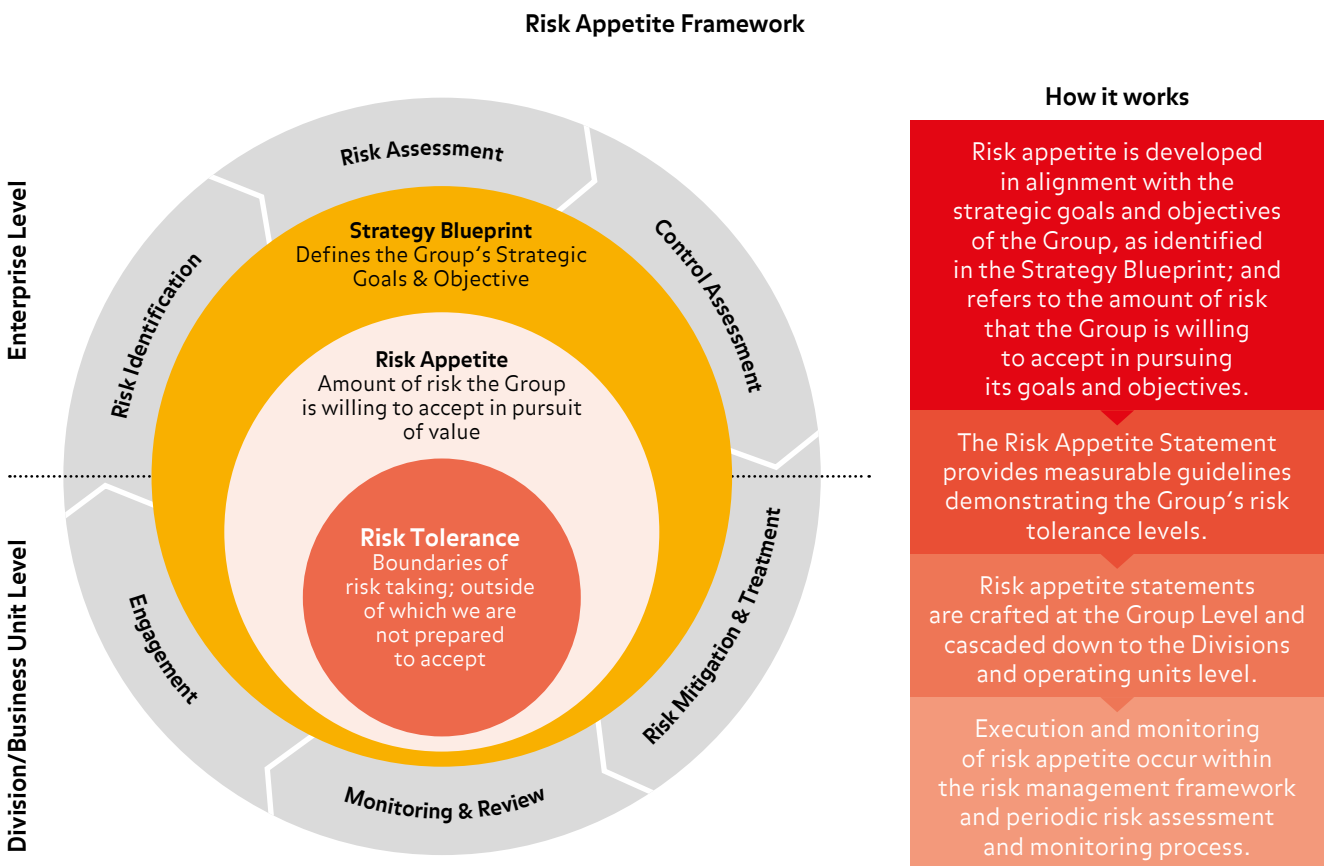
Risk Appetite

Risk appetite refers to the amount of risk an organisation is prepared to accept in pursuit of its strategic objectives. The Board, via the RMC, determines the Group’s risk appetite and tolerance, and ensures that it is communicated appropriately across

the Group. The Group’s risk appetite is documented in a formal written statement (Risk Appetite Statement) which articulates the Group’s risk strategy. The Risk Appetite Statement was developed by GRM, in consultation with the RMC and the Group Management Committee,

and was presented to the Board for approval.

GRM has also developed a Risk Appetite Framework to guide the formulation and implementation of risk appetite statements. This is shown in the following diagram:



Any critical breach of risk tolerance limits will be reported to the RMC. Any breach of appetite or limits also warrants the need to review the effectiveness of internal controls and mitigation actions; or a need to recalibrate the appetite or limits if they no longer reflect the Group’s actual risk appetite.

Please refer to pages 50 and 51 for more details on the Group’s risk appetite statements.

Control Environment

Group Policies and Authorities

The Board has put in place the GPA which act as a key pillar of the Group's governance framework. It is a tool the Board uses to formally delegate functions and powers to the Management with specific oversight and supervisory functions. This enables the Board to facilitate a robust control environment encircling clear lines of responsibilities, accountability and authority limits that are aligned with the Group's business operations.

As the GPAs cover a wide range of areas, they also act as an ethical road map for the Group's diverse businesses to navigate the intricacies of global business practices and cultures. The GPAs are reviewed annually whereby any new GPAs and/or enhancement to the current GPAs shall be approved by the Board prior to implementation. The Divisions develop further delegated authorities with supporting policies and procedures based on the mandate and guidance provided by the GPAs. The key supporting policies and procedures developed are as listed below:

- **Core Values, Business Principles and the Code of Business Conduct**

The Group has clearly set out expected behaviours of Directors and employees of the Group in the Group's Core Values, Business Principles and the COBC. An attestation programme is in place with the aim to confirm that each Director and employee has read and agreed to comply with the provisions of the COBC. The COBC is available in five major

local languages in recognition of the large geographical spread that the Group operates from, ensuring that it reaches far and wide to Group personnel with minimal risk of translation error.



The COBC is available at www.simedarby.com/sites/default/files/pdf/new_cobc_english.pdf

- **Integrity, Anti-Bribery and Anti-Corruption**

The Group's COBC articulates expected behaviours of all employees in terms of dealing with internal and external stakeholders. Strict adherence is expected without compromise. It upholds the Group's core values, the first of which is Integrity. The Group has in place the Anti-Bribery and Anti-Corruption Policy to strengthen the ring-fencing of the Group's ethics parameters, particularly in the area of anti-bribery and anti-corruption.



The Anti-Bribery and Anti-Corruption Policy may be accessed from www.simedarby.com/sites/default/files/anti-bribery_anti-corruption_policy_february_2019.pdf

The Group also has in place an ABMS. In November 2019, GCI formalised the appointment of Compliance Champions throughout the Group (compliance governance structure), to increase efficiency for the ongoing implementation and monitoring of compliance obligations (in particular, ABMS) throughout the Group's operations. All Compliance Champions carry 10% compliance KPI in their respective scorecards.

As part of demonstrating top level commitment, an Anti-Bribery Management System Steering Committee (ABMS Steering Committee) has been set up, chaired by the GCFO. Members of the ABMS Steering Committee include the Group Secretary, Head – GCI, Division Managing Directors and Deputy Division Managing Directors. The role of the ABMS Steering Committee is to advise the GCEO on the progress of continuous improvement of the Group's ABMS, and escalate anti-bribery issues to the GCEO for finality on Management's position.

- **Whistleblowing Policy and Whistleblowing Mechanism/ Channels**

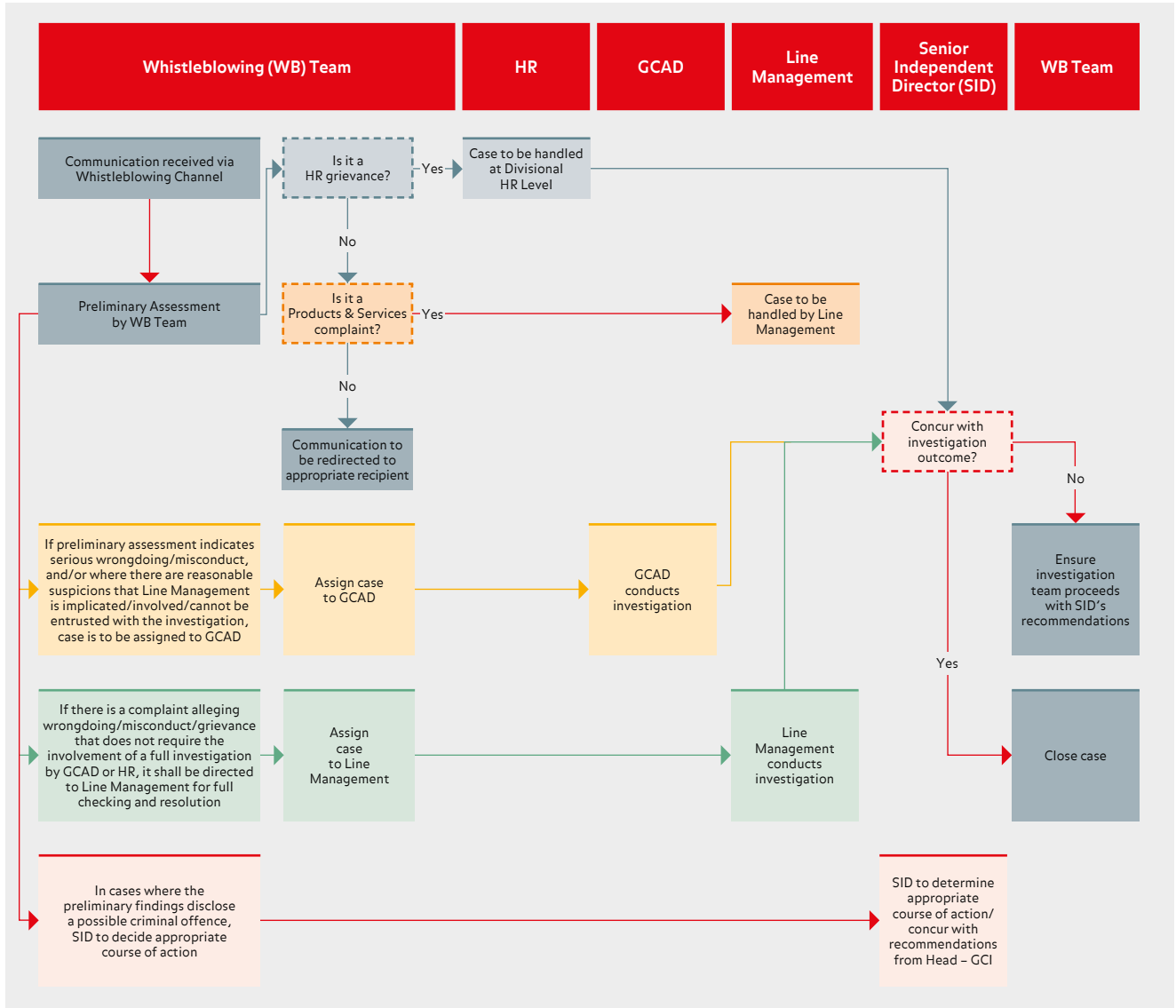
The Group has in place a Whistleblowing Policy that provides clarity on the oversight and responsibilities of the whistleblowing process, the reporting process, protection of whistleblowers and the confidentiality afforded to whistleblowers. The primary aim of the Whistleblowing Policy and its supporting mechanism is to enable individuals to raise genuine concerns without fear of reprisal. The policy on whistleblowing as set out in the GPA is available in the Group's Enterprise Portal.



An overview of the whistleblowing policy is accessible to all at www.simedarby.com/operating-responsibly/whistleblowing

Statement on Risk Management and Internal Control

A brief summary of how whistleblowing communications are escalated through the organisation is provided as follows:



The Group’s whistleblowing mechanism and channels are managed by GCI, to provide independence from Management. This is articulated in the Whistleblowing Policy (as stated in the GPA), where GCI can be contacted for reporting either through emails, letters or calls. The Senior Independent Non-Executive Director has oversight over all whistleblowing cases, from the receipt of the cases via the online system or otherwise, through to the closure of each investigation. A summary

of trends and analysis reports is presented to the Board for notation.

- **Group Procurement Policies and Authorities**

The Group Procurement Policies and Authorities (GPPA) covers all types of purchases (capital expenditure, operating expenditure, trade) made by all businesses in the countries in which the Group operates. The GPPA states the key principles and procedures required in the procurement

of goods and services within the Group. These key principles and procedures shall also serve as guidelines in establishing the detailed procurement procedures at all Divisions.

- **Vendor Code of Business Conduct**

Vendors are expected to adhere to standards of behaviour aligned to promote a fair, honest and ethical business environment. The Group’s Vendor COBC provides a guide on these standards of behaviour when dealing with or on behalf of the Group.

- **Vendor Letter of Declaration**

The Vendor Letter of Declaration (VLOD) was introduced as one of the Group's initiatives to align the Group's expectations with the behaviours of our suppliers and the principles contained in the Vendor COBC. The VLOD captures vendors' formal affirmation to comply with the principles of the Vendor COBC, to refrain from involvement with any offence of bribery, corruption or fraud; and to refrain from engaging in bribery, corruption or fraud with the Group.



The VLOD is available at www.simedarby.com/sites/default/files/vlod_eng_2018.pdf

- **Regulatory Compliance Monitoring**

The Group's state of compliance to key regulatory requirements is monitored to manage potential breaches and to detect incidents which may have a material effect on the annual Statement on Risk Management and Internal Control.

- **Risk Management Policy**

The Group has a formal risk management policy that describes the risk management framework and supporting processes that have been approved by the RMC. Supporting policies, standards and guidelines are also available to guide decision making. Wherever appropriate, risk management practices are integrated into operating policies, procedures and guidelines.

- **Business Continuity**

Management to ensure that the Group is able to respond to and recover from significant unexpected events, work on BCM is ongoing to facilitate the development of robust policy, frameworks and plans to protect the interests of all stakeholders.

- **Financial Budgets**

The Group's Divisions prepare budgets on an annual basis.

The budgets are reviewed by Management prior to submission to the Board for approval. The Group Management Committee reviews the Division's financial performance (actual against budget) and forecasts for the financial year on a regular basis. Additionally, the financial performance of the Group is reported to the Board on a quarterly basis.

Communication and Reporting

- **Reporting to Shareholders/ Stakeholders**

External stakeholder relations and communication are given high priority in view of the types of risks faced by the Group. As a large government-linked company in Malaysia, an effective external communications strategy is essential to protect the Group's reputation.

The Group has established processes and procedures to ensure that quarterly and annual audited financial statements which cover the Group's performance, are submitted to Bursa Securities for release to shareholders and stakeholders on a timely basis. All quarterly financial results are reviewed and approved by the Board prior to announcement.

The Group's Annual Reports which contain the annual audited financial statements, together with the auditors' and Directors' reports are issued to the Group's shareholders within the stipulated time prescribed under the MMLR of Bursa Securities.

Material Joint Venture and Associates

The disclosures in this Statement do not include the risk management and internal controls practices of the Group's material joint ventures and associates. The Group's interests in these entities are safeguarded through the appointment of members of the Group Management Committee

to the respective joint venture and associate boards, and in certain cases, the management or operational committees of these entities.

Review of the Statement by the External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal controls systems of the Group.

Conclusion

For the financial year under review and up to the date of approval of this Statement, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal controls to safeguard shareholders' investments and the Group's assets. The Board has received reasonable assurance from the GCEO and the GCFO that the Group's risk management and internal controls system, in all material aspects, are operating adequately and effectively.

This statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (Guidelines) issued on 31 December 2012, which is in line with the requirements of Paragraph 15.26 (b) of the MMLR of Bursa Securities and Principle B of the Malaysian Code on Corporate Governance 2017 issued by Securities Commission Malaysia.

This statement is made in accordance with a resolution of the Board dated 28 September 2020.

Additional Compliance Information

(In accordance with Appendix 9C of the Main Market Listing Requirements of Bursa Securities Malaysia Berhad)

1. Utilisation of Proceeds from Corporate Proposals

There were no proceeds raised from corporate proposals during the financial year.

2. Audit and Non-Audit Fees

The amount of audit and non-audit (inclusive of assurance related services) fees paid or payable to PricewaterhouseCoopers PLT and member firms of PricewaterhouseCoopers International Limited, the auditors of the Company and Group, for work performed during the financial year are as follows:

| RM million | Audit Work (RM million) | Non-Audit Work (RM million) |
|------------|-------------------------|-----------------------------|
| Company | 1 | – ¹ |
| Group | 17 | 3 |

Note:

1. Less than RM1 million

3. Material Contracts Involving Interests of Directors and Major Shareholders

There were no material contracts entered into by the Company and/or its subsidiaries involving interests of Directors and major shareholders during the financial year.

4. Contracts Relating to Loans

There were no contracts relating to loans by the Company and/or its subsidiaries involving interests of Directors and major shareholders during the financial year.

5. Share Buy-Back

The Company did not buy back any of its issued shares from the open market during the financial year.

6. Performance-Based Employee Share Scheme

The Performance-Based Employee Share Scheme for the eligible employees (including Executive Directors) of the Company and its subsidiaries (excluding subsidiaries which are dormant) (PBESS) was approved by the shareholders at the Extraordinary General meeting held on 8 November 2012 and effected on 15 January 2013. The PBESS is in force for a maximum period of ten (10) years from the effective date and is under the administration of the Nomination & Remuneration Committee of the Board.

The grants under the PBESS comprise the Group Performance Share (GPS), the Division Performance Share (DPS) and the General Employee Share (GES). Brief details of the grants offered since the commencement of the PBESS are set out below:

| Grant Date | Grant Type | Total | Executive Director |
|---|------------|-----------|--------------------|
| 1 st Grant – 7 October 2013 | GPS | 4,100,000 | 82,200 |
| | DPS | 5,537,700 | 65,300 |
| | GES | 5,300,500 | – |
| 2 nd Grant – 20 October 2014 | GPS | 3,899,300 | 82,200 |
| | DPS | 5,260,000 | 65,300 |
| | GES | 5,422,600 | – |

The 1st and 2nd grants were lapsed on 18 August 2016 and 23 August 2017 respectively as the vesting conditions which include performance targets were not met.

On 21 November 2018, the GPS Grant, DPS Grant and GES Grant were replaced by the Performance Share (PS) Grant, Restricted Share (RS) Grant and Group Chief Executive Special Grant.

The 3rd and 4th Grants comprising the PS Grant and RS Grant were made to the eligible employees on 15 January 2019 and 15 January 2020 respectively. The grants shall be vested upon the fulfilment of certain performance criteria by the Company and individuals as at vesting date with potential multiplier effect on the number of shares to be vested.

On 11 November 2019, the Company issued and allotted 608,400 new ordinary shares under the RS Grant of the PBESS at an issue price of RM2.293. Following the issuance and allotment, the Company's issued shares had increased from 6,800,839,377 ordinary shares to 6,801,447,777 ordinary shares.

The number of shares granted and vested under the PBESS and the number of shares outstanding at the end of the financial year are as follows

| Description | Total | | Executive Director | |
|-------------|------------|-----------|--------------------|----------|
| | PS | RS | PS | RS |
| Granted | 14,295,900 | 3,566,600 | 1,072,100 | 268,000 |
| Forfeited | (956,500) | (197,200) | - | - |
| Vested | - | (608,400) | - | (41,400) |
| Outstanding | 13,339,400 | 2,761,000 | 1,072,100 | 226,600 |

The Company did not grant any share pursuant to the PBESS to the Non-Executive Directors.

7. Recurrent Related Party Transaction of a Revenue or Trading Nature

At the Thirteenth AGM held on 14 November 2019, the Company obtained a general mandate from its shareholders for recurrent related party transactions of a revenue or trading nature, to be entered into by the Company and/or its subsidiaries set out in the Circular to Shareholders dated 16 October 2019 (RRPT Mandate). The RRPT Mandate is valid until the conclusion of the forthcoming Fourteenth AGM of the Company to be held on 12 November 2020.

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, details of the recurrent related party transactions of a revenue or trading nature entered into during the financial year ended 30 June 2020 were as follows:

| No. | Transacting companies in our Group | Transacting Related Party | Nature of Transaction | Related Party | Value of Transaction RM' million |
|--|------------------------------------|---------------------------|--|---|----------------------------------|
| Transactions with Sime Darby Plantation Berhad (SD Plantation) and its subsidiaries | | | | | |
| 1. | Kumpulan Sime Darby Berhad | SD Plantation | <ul style="list-style-type: none"> Leaseback of the Malaysia Vision Valley Land 1 from KSDB to SD Plantation for the SD Plantation Group to carry out the planting/replanting, maintenance of oil palm, and the harvesting and selling of fresh fruit bunches# | AmanahRaya Trustees Berhad – Amanah Saham Bumiputera (ASB) ¹ | 7.4 |
| 2. | Sime Darby Malaysia Berhad | SD Plantation | <ul style="list-style-type: none"> Grant of a non-exclusive, non-assignable and non-transferable licence to use the "SIME DARBY" mark, Sime Darby Shield Device Logo, Shield Device Logo, Sime Darby in Chinese Characters, the "DEVELOPING SUSTAINABLE FUTURES" tagline and the "DELIVERING SUSTAINABLE FUTURES" tagline worldwide, solely in the course of or in connection with SD Plantation's business | | 2.0 |

Additional Compliance Information

(In accordance with Appendix 9C of the Main Market Listing Requirements of Bursa Securities Malaysia Berhad)

| No. | Transacting companies in our Group | Transacting Related Party | Nature of Transaction | Related Party | Value of Transaction RM' million |
|-----|---|---|---|---------------|----------------------------------|
| 3. | Sime Darby Rent-A-Car Sdn Bhd | SD Plantation and its subsidiaries | • Car rental service income | ASB | 1.9 |
| 4. | Sime Darby Auto ConneXion Sdn Bhd | SD Plantation and its subsidiaries | • Sale of motor vehicles, parts & services | | 0.5 |
| 5. | <ul style="list-style-type: none"> • Sime Darby Industrial Sdn Bhd • Hastings Deering (PNG) Limited • Hastings Deering (Solomon Islands) Limited | SD Plantation and its subsidiaries | • Sale of heavy equipment and spare parts and provision of maintenance services | | 17.2 |
| 6. | <ul style="list-style-type: none"> • Sime Darby Energy Solutions Sdn Bhd • Mecomb Malaysia Sdn Bhd | SD Plantation and its subsidiaries | • Provision of engineering maintenance services | | – ³ |
| 7. | Hastings Deering (PNG) Limited | New Britain Palm Oil Limited, a subsidiary of SD Plantation | • Foreign currency payment arrangement | | 116.6 |
| | | | | Total | 145.6 |

| No. | Transacting companies in our Group | Transacting Related Party | Nature of Transaction | Related Party | Value of Transaction RM' million |
|---------------|-------------------------------------|---|--|--|----------------------------------|
| Others | | | | | |
| 1. | Inokom Corporation Sdn Bhd (Inokom) | Mazda Malaysia Sdn Bhd (Mazda Malaysia) | <ul style="list-style-type: none"> Rental income received from Mazda Malaysia[^] Contract manufacturing assembly fee received from Mazda Malaysia | Bermaz Auto Berhad (Bermaz) ² | 97.8 |
| | | | | Total | 97.8 |
| | | | | Grand Total | 243.4 |

Notes:

- ¹ ASB is a Major Shareholder of Sime Darby Berhad, holding 41.83% direct equity interest in Sime Darby. ASB is also a Major Shareholder of SD Plantation holding 45.22% in SD Plantation as at 30 June 2020.
- ² Bermaz is a Major Shareholder of Inokom, holding 29.00% direct interest in Inokom. Bermaz is an indirect Major Shareholder of Mazda Malaysia, holding an effective interest of 30.00% through Bermaz Motor Sdn Bhd, a direct wholly-owned subsidiary of Bermaz as at 30 June 2020.
- ³ Less than RM0.1 million.
- [^] Lands held under H.S. (D) 4103, PT No 439 and H.S. (D) 4104, PT No 440, Mukim Padang Meha, Kulim, Kedah bearing postal address at Lot 38, Mukim Padang Meha, 09400 Padang Serai, Kulim, Kedah. The duration of the rental is 10 years (on a 3-year term basis for 3 terms and 1 year extended term). The payment is made on a monthly basis.
- [#] Location : 29 plots of agricultural land with development potential with a total land area of 3,518 hectares in Labu, Negeri Sembilan.
Term : Original fixed period of 3 years from 30 June 2017 to 29 June 2020. Agreement has been extended by another 3 years from 30 June 2020 to 29 June 2023.
Rental Formula : The preceding month's average price of crude palm oil (CPO) per metric tonne for Malaysia x total planted area (in hectares)/12. Average price of CPO refers to average Malaysian Palm Oil Board delivered CPO price.
Payment Term : Monthly basis on or before the seventh (7th) day of each calendar month.

The Company proposes to seek a renewal of the existing RRPT Mandate and a new mandate for additional recurrent related party transactions of a revenue or trading nature at its forthcoming Fourteenth AGM. The renewal of the existing RRPT Mandate and the new mandate, if approved by the shareholders, will be valid until the conclusion of the Company's next AGM.

Details of the RRPT Mandate and the new mandate being sought are provided in the Circular to Shareholders dated 14 October 2020.

Statement of Responsibility by the Board of Directors

The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Sime Darby Berhad Group. As required by the Companies Act, 2016 (Act) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements for the financial year ended 30 June 2020, as presented on pages 164 to 291, have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act.

The Directors consider that in preparing the financial statements, the Group and the Company have used the appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors are satisfied that the information contained in the financial statements give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and the financial performance the Group and the Company for the financial year.

The Directors have responsibility for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group and of the Company to enable the Directors to ensure that the financial statements comply with the Act. The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 28 September 2020.

Board Approval of Financial Statements

The annual financial statements for the financial year ended 30 June 2020 are set out on pages 164 to 291. The preparation thereof was supervised by the Group Chief Financial Officer and approved by the Board of Directors on 28 September 2020.