Delivering Value Accelerating Forward

Annual Report 2021

Delivering
Sustainable Futures

15th Annual General Meeting

Live Broadcast

**Function Room,
Ground Floor,
Menara Sime Darby,
Oasis Corporate Park,
Jalan PJU 1A/2,
Ara Damansara,
47301 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia**

**Thursday,
18 November 2021
at 10.00 a.m.**

Our Vision

To be the leading Motors and Industrial player in Asia Pacific.

Our Mission

We are committed to developing a winning portfolio of sustainable businesses.

We subscribe to good corporate governance and high ethical values.

We continuously strive to deliver superior financial returns through operational excellence and high performance standards.

We provide an environment for our people to realise their full potential.

Our Core Values

Integrity
Uphold high levels of personal and professional values in all our business interactions and decisions.

Respect and Responsibility
Respect for the individuals we interact with and the environment that we operate in (internally and externally) and a commitment to being responsible in all our actions.

Excellence
Stretch the horizons of growth for ourselves and our business through our unwavering ambition to achieve outstanding personal and business results.

Enterprise
Seek and seize opportunities with speed and agility, challenging set boundaries.

Delivering Value Accelerating Forward

In a year that was plagued with uncertainty and challenges posed by the continuing COVID-19 pandemic, we achieved tremendous success and delivered on our Value Creation Plan through a diversified portfolio of sectors and geographies, unwavering focus on innovation and disciplined financial management. Buoyed by our success, we are now shifting gears to focus on the future by accelerating our growth strategies and seizing opportunities that arise.

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Surge in Demand
ManipalHospitals
LIFE'S ON
CAT

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China was the first country to recover from the initial wave of COVID-19 and as a result, was the only mainstream automotive market to enjoy growth in 2020. International travel restrictions and stimulus spending fueled a surge in demand for luxury cars in China that continued well into 2021.

Surge

Read about our Value Creation Plan on pages 40 and 41
Revenue Enhancement, Cost Optimisation, Organic Business Expansion

It was no surprise that Sime Darby Berhad's operations in China turned in a stellar performance with brands like BMW, MINI, Rolls-Royce, McLaren and Lamborghini in its portfolio. In China, the luxury car market expanded by 14.7% in 2020 and 37.0% in the first half of 2021. Our China operations sold 44,356 cars in FY2021, an increase of 31.6% from last year.

The outlook for luxury cars remains bright in the medium term and we have expanded our network in anticipation of this. In FY2021, we opened seven new facilities including one each in Tier 2 and Tier 3 cities. This brings our network in China to 35 facilities in 13 cities, situated predominantly along the Southern and Eastern seaboard.

We intend to continue expanding our addressable market by growing our retail footprint.

Luxury Car Spending in China

- Worth US$150 billion in 2020 and projected to be worth US$260 billion by 2026.
- China's luxury vehicle sales in 2020 exceeded three million units, up 14.7% from 2019.
- In 2021, BMW delivered its best ever Q1 sales results in China, selling 229,000 BMWs compared with the 222,000 sold by its closest rival in the same segment.

Our Progress in EV Adoption

FY2020

Jul 2019 — Opened BYD showroom Singapore

Sep 2019 — Opened NIO after-sales facility in Shenzhen, China

Mar 2020 — Opened Li Auto (body and paint) in Hainan, China

FY2021

May 2021 — Opened Li Auto (body and paint) in Qujing, China

May 2021 — Opened Weltmeister showroom in Changsha, China

In Demand

Our Presence in China

- **Foothold established since 1994.** Sime Darby Motors entered China through the opening of a 2S after-sale centre for BMW in the Guangdong and Hainan provinces. Today, we represent a diverse range of luxury and super luxury marques in China including BMW, Lamborghini, Rolls-Royce, Volvo and McLaren.
- **Presence in major Chinese cities.** Our retail BMW/MINI operations are spread across 11 cities across China namely Changsha, Chengdu, Chongqing, Dongguan, Guangzhou, Haikou, Kunming, Qujing, Shanghai, Shantou and Shenzhen. In Hangzhou, Nanjing and Shanghai, we represent Rolls-Royce, Lamborghini and McLaren.
- **Expanding brand portfolio.** In FY2021, we opened two Volvo dealerships in Shenzhen and Kunming (with another one under construction in Guangzhou).

Gearing Up for the Electric Vehicle Revolution

China is currently the world's largest market for electric vehicles (EVs) and is set for further growth with the Chinese government setting a target of 40% of all motor vehicle sales to be EV by 2030.

This shift to EV aligns with the aspirations of car makers and Sime Darby's commitment towards "Delivering Sustainable Futures".

In the last two years, we have opened four EV facilities in China and one in Singapore. We plan to leverage on these new partnerships to expand our network and explore synergistic opportunities within the EV ecosystem.

Growing our Healthcare Business

Read about our Value Creation Plan on pages 40 and 41
Revenue Enhancement, Expand Healthcare

"Healthcare presents tremendous growth opportunities for Sime Darby Berhad. Operating in the premium healthcare space in South-east Asia, our joint venture company Ramsay Sime Darby Health Care, is well positioned to ride several structural megatrends in the region. These trends include the region's aging demographics, the prevalence of chronic diseases, increasing healthcare penetration, growing affluence of Asian society and medical tourism."

For Sime Darby, the Healthcare portfolio balances the cyclicality of the Group's core businesses and provides a recurring income profile.

For these reasons, we have been actively seeking opportunities to grow Healthcare as our third business pillar since the demerger exercise in 2017. Our hospitals in Malaysia and Indonesia are already leading brands in the region. Our flagship hospital, Subang Jaya Medical Centre (SJMC), was named "Malaysia's Hospital Company of the Year" at the 2021 Frost & Sullivan Asia Pacific Best Practices Awards.

In FY2021, we strengthened our Healthcare business with the acquisition of Manipal Hospitals Klang, a high-end tertiary care hospital in Klang, Malaysia. The acquisition extends the reach of our distinctive brand of award-winning healthcare and furthers our ambition in the healthcare sector.

Q&A

Why is Manipal Hospitals Klang an important step forward for Sime Darby Berhad?

> The acquisition of Manipal Hospitals Klang extends the reach of our distinctive brand of award-winning healthcare and furthers our ambition in the healthcare sector.

> With Manipal Hospitals Klang, our healthcare portfolio now consists of seven strategically located hospitals in Malaysia and Indonesia. These assets serve as a bedrock for future market expansion in South-east Asia and fit in with our carefully plotted growth trajectory for the Healthcare division.

What are the mega health trends supporting the growth of healthcare in the South-east Asian region?

> **Shifting focus.** Consumers are shifting their focus from reactive healthcare to preventive health and wellness.

> **Rise in telehealth.** The use of telehealth has intensified from pre-COVID-19 baselines and will continue to flourish post-COVID-19. Telehealth Plus, Ramsay Sime Darby Health Care's digital health application featuring virtual access, capitalises on this trend.

> **Ageing population.** Some of the most rapidly ageing countries in the world are in South-east Asia. This will generate new opportunities in healthcare areas such as geriatric care and medical tourism.

> **Fast-growing middle class populations.** By 2022, there will be a middle class population of approximately 350 million in South-east Asia, which will spur demand for higher quality healthcare.

> **Underserved in quality healthcare.** Many South-east Asian markets are underpenetrated in the healthcare space. In Malaysia and Indonesia, the healthcare infrastructure base offers less than 2.0 beds per 1,000 people. In comparison, Germany has 8.0 beds per 1,000 people and Japan has 13.05 beds per 1,000 people.

Acquisition of Manipal Hospitals Klang

Purpose-built
facility established in 2016

30+
speciality services

220 beds

Only state-of-the art
trauma centre
in Klang Valley

A strategic location
Klang Valley has a population of over 8 million people which represents about 24% of Malaysia's population

A synergistic
hub-and-spoke model
Serving as a feeder, Manipal Hospitals Klang will refer patients requiring specialty treatments unavailable at its facility to Subang Jaya Medical Centre, Ramsay Sime Darby Health Care's flagship hospital in Klang Valley

Read about our Value Creation Plan on pages 40 and 41
Revenue Enhancement, Cost Optimisation, Synergistic Mergers & Acquisitions, Organic Business Expansion

Extending our Capabilities Beyond our Core

To deliver greater value to our customers, we vigorously pursue businesses that border our core and extend our competencies along the value chain. Our strategy is to leverage on our expertise to provide additional services and solutions to our customers, to better support their needs and growth aspirations.

How do we extract more value?

Providing New Solutions to Existing Customers

Our expertise in supporting the mining and construction industries has equipped us with a keen appreciation of our customers' needs. Capitalising on this insight, we developed new value-adding solutions to provide further support for our customers.

- **Chrome plating.** Through AustChrome, our cylinder refurbishment and chroming business in Australia, we offer chrome plating, particularly to those in the mining sector, for the repair and maintenance of their machinery. AustChrome works closely with Hastings Deering to deliver outstanding customer service and after-sales support to our customers across Central Queensland. Our acquisition of HMG Hardchrome – another leading chroming service provider in Australia – has further consolidated our position in this market.
- **Lifting systems.** We provide our mining customers in Australia and North America with access to the Pakka Jacks range of lifting systems through our wholly-owned subsidiary TFP Engineering Pty Ltd. The Pakka Jacks line is used for the maintenance of large mining excavators. Its proprietary lifting systems offer a huge range

of capabilities across a broad spectrum of applications for the mining business.

- **Efficient diesel alternatives.** Through Mine Energy Solutions – a joint venture between Sime Darby Berhad and IntelliGas – our mining customers can use cutting-edge engine and fuel management technology that converts their diesel-powered engines into dual and tri-fuel systems that can run on High Density Compressed Natural Gas (HDCNG). Hydrogen trials are starting in late 2021 which will allow our customers to significantly reduce their fuel costs and, more importantly, greenhouse gas emissions, so that they may achieve their decarbonisation commitments as soon as possible.
- **Rental.** Our acquisition of Salmon Earthmoving Holdings (Salmon Australia) solidifies our presence in the Australian construction sector and extends our industrial footprint in Australia. Salmon Australia is a leading provider of rental services in Australia, servicing the civil construction and mining sectors. In addition, we gain a footing in New South Wales, where we did not have a presence previously. The acquisition almost doubles our market share in the heavy equipment rental market.

Through Partnerships in the Mobility and Electric Vehicle Space

The Motors Division is embarking on a variety of adjacent businesses, to future-proof itself against emerging automotive trends. Initiatives in this direction include:

- **Investing in mobility.** In the second half of 2021, we made strategic capital investments in SOCAR, illustrating our commitment to grow in the mobility space. We are collaborating on several initiatives in the ecosystem such as after-sales and used cars. In addition, our rental cars, via Sime Darby Rent A Car, are offered for hire on SOCAR's platform to increase utilisation by reaching a broader market.
- **Digitalising our used car business.** Sime Darby Auto Selection (SDAS), our certified pre-owned car retailer in Malaysia, has partnered with MyTukar, an online used car marketplace, to revolutionise the pre-owned car buying journey for customers. The collaboration has enhanced SDAS' ability to price its inventories competitively and speed up the transaction process by providing trade-in valuations for customers online.
- **Pioneering the transition to Electric Vehicles (EV).** Sime Darby Motors is retooling its operations to be future-ready as the automotive industry progresses towards EV. We have progressively began equipping our dealerships with superchargers, designated EV service bays and certified technicians for EV readiness. Through Sime Darby Industrial, we are also a distributor of ABB chargers. This positions us to become a leading EV charging solution provider in Malaysia. Finally, we are actively seeking out partnerships with New Energy Vehicle (NEV) manufacturers to complement the EV models offered by our existing partners.

As part of our Value Creation Plan, we actively reallocate capital from non-core assets into our core businesses. This strategy has been key to unlocking value and accelerating growth for Sime Darby in FY2021.

Read about our Value Creation Plan on pages 40 and 41
Revenue Enhancement, Cost Optimisation, Monetisation of Non-Core Assets

Sharpen Focus

In FY2021, we divested our 30% stake in Tesco Stores (Malaysia) Sdn Bhd (Tesco Malaysia) and our investment in three river ports in Jining, China. We also sold our remaining stake in Malaysian property developer Eastern & Oriental Berhad (E&O). Our streamlined portfolio following these divestments puts a sharper focus on our core businesses.

This sharpened focus enabled us to pay special dividends and led us to redeploy our capital to fund strategic expansion activities in our core businesses, both organically and through mergers and acquisitions.

Major Divestments for the Year

Sale of stake in Tesco Malaysia

- **2001** — Entered joint venture
- **2002** — Opened first store in Puchong
- **Apr 2020** — Announced intention to divest
- **Dec 2020** — Transaction approved by Malaysian Ministry of Domestic Trade and Consumer Affairs

  Total proceeds (net of expenses and tax) realised: RM272 million, which contributed strongly to FY2021 profits

ed

Sale of stake in E&O

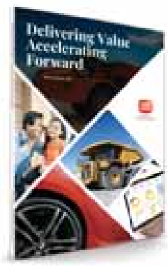
- Initial investment in E&O was made in 2011 by the property division of Sime Darby
- Earmarked for divestment since the demerger in 2017, as we are no longer in the property business
- Remaining 11% stake sold in March 2021
- Total proceeds realised: RM93 million

Divestment of Jining Ports

- With the Group's sharper focus on its core trading model, the ports business is no longer deemed a core business
- Inked agreement to divest interest in three river ports in Jining, China, in December 2020
- Exit is staggered over three years, with completion by 2023
- Total investment in the three ports: RMB291 million (RM179.8 million)
- Total contribution in dividends: RMB141 million (RM87.1 million)
- Total proceeds (to be realised over three years): RMB293.9 million (RM182.5 million)

About This Report

The Sime Darby Annual Report (SDAR) covers the financial and non-financial performance of Sime Darby Berhad for the financial year 2021 (FY2021). The SDAR informs our stakeholders regarding our key developments, challenges, solutions and strategies and is part of our commitment to open communication and full accountability.



How We Can Further Improve

Sime Darby endeavours to engage all stakeholders in a fair and transparent manner, and values all feedback that can help us do this better.

We welcome queries and comments on this Report. Please contact our Investor Relations team at:

(603) 7623 2000

investor.relations@simedarby.com

Reporting Philosophy and Principles

The SDAR details the Group's key achievements, initiatives and results in FY2021. It charts our progress in meeting our medium to long term strategic goals. It also offers insights into our strategies, operations and long term sustainability. It provides stakeholders with the most relevant information for their needs and investment decisions. Our financial statements are independently audited and prepared in compliance with the Malaysian Financial Reporting Standards (MFRS).

Reporting Frameworks

We acknowledge that the International Integrated Reporting Council (IIRC) has now merged with Sustainability Accounting Standards Board (SASB) and welcome a more coherent and streamlined corporate reporting system in due course. As much as possible, the SDAR continues to adopt the IIRC framework as part of our integrated thinking journey. This annual report marks our eighth Integrated Report (IR). It is also aligned to the United Nations Sustainable Development Goals (UN SDG), with clear identification of strategic sustainability matters that have a material impact and influence on our business and stakeholders over time. Our reporting processes and publications meet the relevant requirements of the Malaysian Code on Corporate Governance 2017 (MCCG 2017), the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad, the Companies Act 2016, the MFRS and the International Financial Reporting Standards.

Reporting Scope and Boundaries

The SDAR presents the performance of Sime Darby's value-creating activities during the period 1 July 2020 to 30 June 2021. Unless otherwise indicated, data presented encompasses all Sime Darby subsidiaries.

In setting our reporting boundaries, we considered aspects that have both internal and external impact on our business. Internal impact refers to impact from all operations and entities managed by the Group includes all subsidiaries. External impact refers to impact in situations where we do not own the assets or directly engage or employ workers, or where we operate the assets under a contractual obligation. Beyond these prescribed boundaries, we also report on developments, impacts and data deemed to have a high material impact on the business performance, based on our materiality assessment.

Total Recordable Injuries (TRI) includes Lost Time Injuries (LTI), occupational injuries, illnesses or fatalities that cause the injured worker to be unable to work for any planned full work shift, subsequent to the shift during which the injury occurred; Restricted Work Injuries (RWI), where the worker has some capacity for work; and Medical Treatment Injuries (MTI), where the worker has received medical treatment beyond first aid, and continues to work. Within the SDAR, TRI is a safety metric used to track workplace safety and has replaced LTI used in previous years as it provides a more complete view of the injury risk profile, recording more than those injuries resulting in lost days.

A TRI is registered as a safety statistic when the injury is confirmed as a work-related compensable case and/or is confirmed by a medical practitioner, as deemed appropriate by the jurisdictional regulatory authority, as a work-related injury.

For a LTI this includes any full scheduled work day a worker was unable to work, excluding the day of injury; for an RWI the restriction must affect a significant part of the employee's routine job function and for an MTI it is treatment beyond first aid, not including medical observation, preventive or investigative treatment or counselling, by a registered medical practitioner in the jurisdiction of injury.

For the purposes of this Report, the term "net profit" refers to "net profit attributable to owners of the Company". The SDAR should be read together with the information available on our website http://www.simedarby.com for a comprehensive overview of the Group.

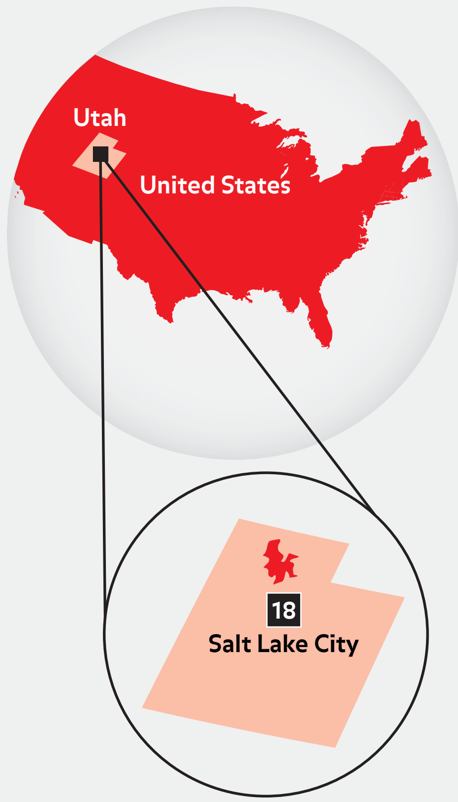
Our Use of Forward-Looking Statements

Throughout the Report, we use forward-looking statements that relate to the plans, objectives, goals, strategies, future operations and future performance of our organisation. Such statements usually contain words like 'anticipates', 'believes', 'estimates', 'expects', 'intends', 'may', 'plans', 'projects', 'should', 'would' and 'will', among others. We do not intend for these statements to be guarantees of future operating, financial or other results, as they involve risks, uncertainties and assumptions in their representation of possible scenarios. Actual results and outcomes could differ significantly from those expressed or implied. We make no expressed or implied representation or warranty that the results anticipated by these forward-looking statements will be achieved. We are under no obligation to update either these forward-looking statements, or the historical information presented in this Report.

Glossary

ABMS	Anti-Bribery Management System
AGM	Annual General Meeting
BCM	Business Continuity Management
BEA	Board Effectiveness Assessment
Bursa Securities	Bursa Malaysia Securities Berhad
CAT	Caterpillar
CEL	China Engineers Limited
CEP	Core Executive Programme
COBC	Code of Business Conduct
ERM	Enterprise Risk Management
FY	Financial Year
GAC	Governance & Audit Committee
GCAD	Group Corporate Assurance Department
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
GCI	Group Compliance & Integrity
GCSSO	Group Chief Safety & Sustainability Officer
GHO	Group Head Office
GHR	Group Human Resources
GPA	Group Policies & Authorities
GPPA	Group Procurement Policies and Authorities
GRM	Group Risk Management
IR	Integrated Report
JV	Joint Venture
KPI	Key Performance Indicator
KRI	Key Risk Indicators
M&A	Mergers and Acquisitions
MCCG 2017	Malaysian Code on Corporate Governance 2017
MMLR	Main Market Listing Requirements
NGOs	Non-governmental Organisations
NRC	Nomination & Remuneration Committee
PBIT	Profit Before Interest and Tax
RMC	Risk Management Committee
ROAIC	Return on Average Invested Capital
ROE	Return on Average Shareholders' Equity
ROIC	Return on Invested Capital (calculated as PBIT/Invested Capital)
RPT	Related Party Transactions
RRPT	Recurrent Related Party Transactions
Sime Darby	Sime Darby Berhad
VCP	Value Creation Plan

Group Overview



With operations in 19 countries and territories, we continue to grow, delivering sustainable value to our stakeholders.

19
Countries and territories[1]

21,943
Employees[2]

No.	Country	Industrial	Motors	Healthcare	Logistics
1	Australia	■	■		
2	Brunei	■			
3	China	■	■		■
4	Hong Kong	■	■	■	
5	Indonesia			■	
6	Japan	■			
7	Macau	■	■		
8	Malaysia	■	■	■	
9	Maldives	■			
10	New Caledonia	■			
11	New Zealand	■	■		
12	Papua New Guinea	■			
13	Singapore	■	■		
14	Solomon Islands	■			
15	South Korea	■			
16	Taiwan		■		
17	Thailand	■	■		
18	United States	■			
19	Vietnam	■			

Geographical Diversification
We have a diversified portfolio across different sectors and geographies, giving us the unique ability to leverage on an established network to broaden our earnings base.

Leading Partnership with Premium Brands
We are the partner of choice for some of the world's leading brands, giving our customers access to a network of world-class products and services.

Significant Growth Potential
We are continually growing our position and strengthening our foothold in key markets through strategic expansion opportunities and organic investment in innovation.

Strong Financial Profile
Our strong financial position and low gearing allows us to capitalise on growth opportunities to enhance shareholder value.

Empowered and Engaged People
Our talent pool of employees with diverse experiences and strong capabilities is supported by an inclusive and collaborative workplace culture, enabling the successful delivery of our Value Creation Plan (VCP).

Industrial Motors Healthcare Logistics

Staff Strength				
Industrial	Motors	Logistics	Group Head Office	Others
9,547	11,698	455	140	103

1 Geographical footprint is defined as locations in which Sime Darby has assets, employees or distribution rights, and includes joint venture (JV) operations (i.e. Ramsay Sime Darby Health Care's operations in Indonesia).

2 As at 30 June 2021. Includes Group Head Office, Sime Darby Industrial, Sime Darby Motors, Sime Darby Logistics and other businesses. Excludes employees of Ramsay Sime Darby Health Care.

Corporate Structure

As at 30 June 2021

Delivering Sustainable Futures

Industrial

- 100% Sime Darby Industrial Holdings Sdn Bhd
  - 100% Sime Darby Industrial Sdn Bhd
  - 100% Sime Darby Industrial Singapore Pte Ltd
  - 100% Sime Darby CEL (South China) Limited
  - 100% Sime Darby Industrial Australia Pty Ltd

Motors

- 100% Sime Darby Motors Sdn Bhd
  - 100% Sime Darby Auto Bavaria Sdn Bhd
  - 100% Sime Darby Motor Holdings Limited
  - 100% Sime Darby (Thailand) Limited
  - 100% Sime Darby Motor Group (NZ) Limited
  - 100% Sime Darby Motors Group (Australia) Pty Limited
  - 100% Sime Darby Motor Group (HK) Limited

Healthcare

- 50% Ramsay Sime Darby Health Care Sdn Bhd

Logistics and Others

- 100% Sime Darby Overseas (HK) Limited
  - 99% Weifang Sime Darby Port Co Ltd
- 60% Sime Darby Lockton Insurance Brokers Sdn Bhd

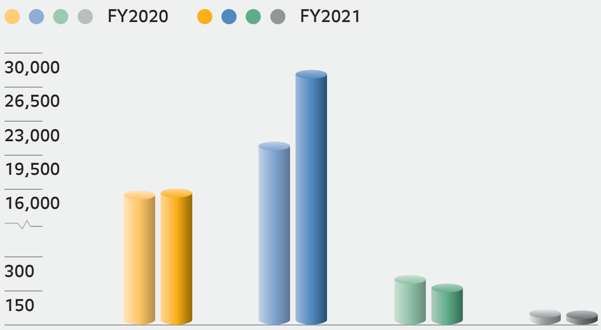
Note:
Please refer to pages 286 to 302 for the list of companies in Sime Darby Berhad.

Highlights

Financial

Revenue (RM million)

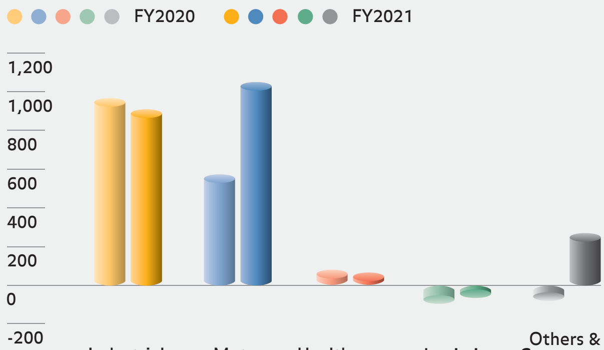
44,483
(36,934 in FY2020)



	Industrial	Motors	Logistics	Others
FY2020	15,794	20,852	219	69
FY2021	16,004	28,235	181	63

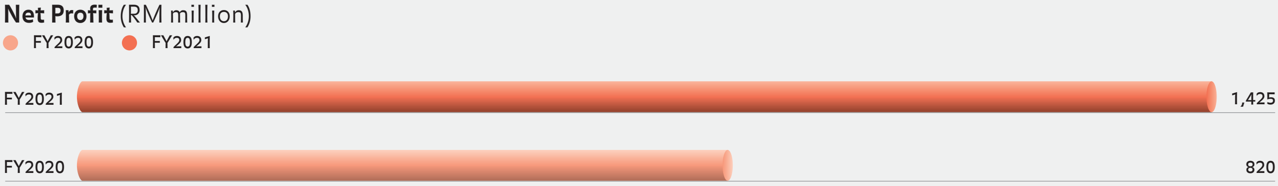
Profit Before Interest and Tax (RM million)

2,181
(1,407 in FY2020)



	Industrial	Motors	Healthcare	Logistics	Others & Corporate
FY2020	967	574	39	(94)	(79)
FY2021	909	1,050	15	(64)	271

Net Profit (RM million)

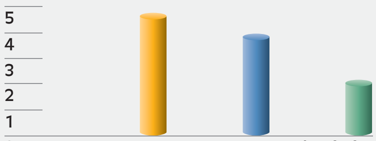


Non-Financial

Safety

4.2

Total Recordable Injury Rate
(Total number of recordable injuries per 1,000,000 hours worked by permanent and contract employees)



Industrial	Motors	Logistics
4.8	4.0	2.2

People

21,943
employees

23.6%
of employees are female

Community

RM10 million
contributed to Yayasan Sime Darby

Chairman's Statement

We are cognisant of the fact that uncertain times uncover opportunities and we have been aggressive in pursuing strategies that would allow us to accelerate the growth of our core businesses and enlarge our footprint in our key markets.

Tan Sri Samsudin Osman
Chairman

Revenue
RM44.5b

Net profit
RM1.4b

"Above all, our strong financial discipline and commitment to the VCP has allowed us to thrive in a period of uncertainty and create long term value for our stakeholders. The VCP will continue to be the linchpin of our growth strategy and will continue to guide us in unlocking more value from our businesses."

Dear Valued Shareholders,

It has been my privilege to have served as the Chairman of Sime Darby Berhad (Sime Darby) for a full year now. During this remarkable year, I had the opportunity and honour to oversee the Group through exciting growth and stellar achievements.

In the year, we stayed on course and true to the strategies laid out in our five-year Value Creation Plan (VCP). The VCP was developed just after the demerger, to provide a clear "road map" on the direction forward for the Group. The results have been gratifying. We substantially expanded our foothold in our core businesses – both organically and through acquisitions – and broadened our earnings base by embracing new adjacent businesses through the expansion of our range of products and services to existing and potential customers. Our businesses have also performed well, delivering strong results for the year.

Still, there were challenges. The COVID-19 pandemic led to disruptions in our operations as countries battle to contain the virus through various means, including lockdowns. Sales and supply chains in several markets were affected by this. However, our wide geographical footprint and sectoral diversification – which broaden our earnings base – helped us weather the storm.

Not only were we spared the worst of the pandemic fallout, it worked to our advantage. With the curtailing of international travel, affluent Chinese consumers diverted their spending domestically and purchased luxury cars in droves. This surge in demand contributed hugely to our spectacular set of results this financial year.

Financial Performance

I am pleased to announce that for the year under review, the Group's revenue rose 20% year-on-year (YoY) to RM44.5 billion.

The Group's net profit rose by 74% YoY to RM1.4 billion on the back of a strong performance from the Motors Division, particularly in China.

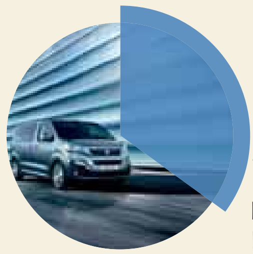
The Group's profit before interest and tax (PBIT) for the year grew by 55% to RM2.2 billion.

The main driver of our stellar results this year is the solid performance of Sime Darby Motors. The Division performed well in every region – Australasia, South-east Asia and Greater China. The total number of units sold during the year increased 30.5% YoY to 103,417. These robust results were mainly due to the Motors division's exceptional performance in China. Greater China's PBIT rose 84% to RM462 million due to higher revenue and better margins.

FY2021 saw an increase in Group revenue

20%
Group
Increase in Revenue

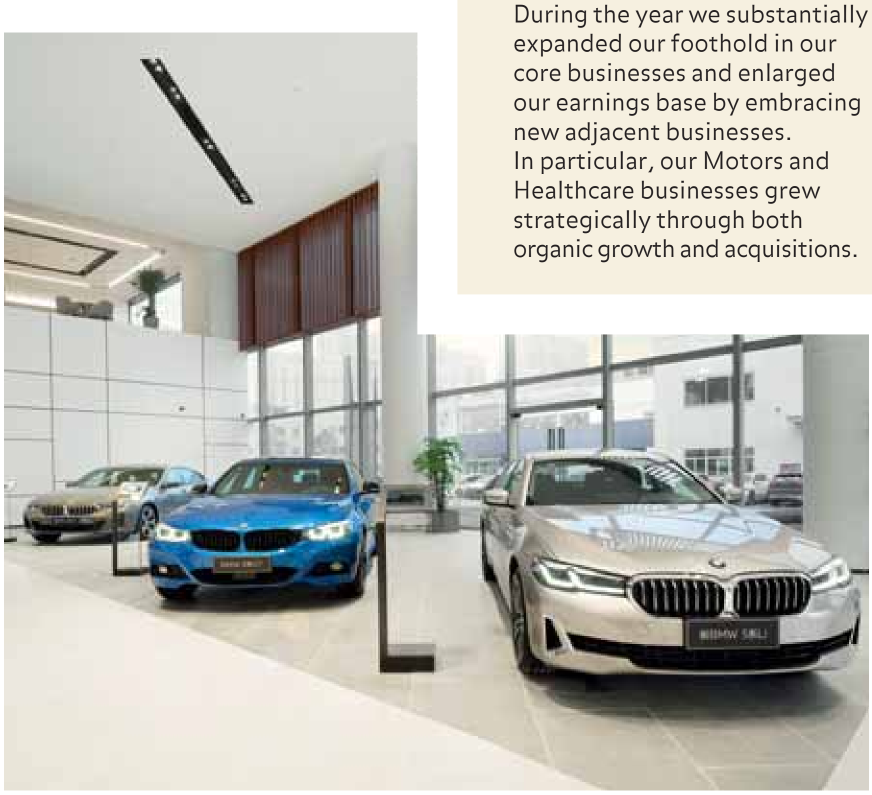
1%
Industrial
Increase in Revenue



35%
Motors
Increase in Revenue

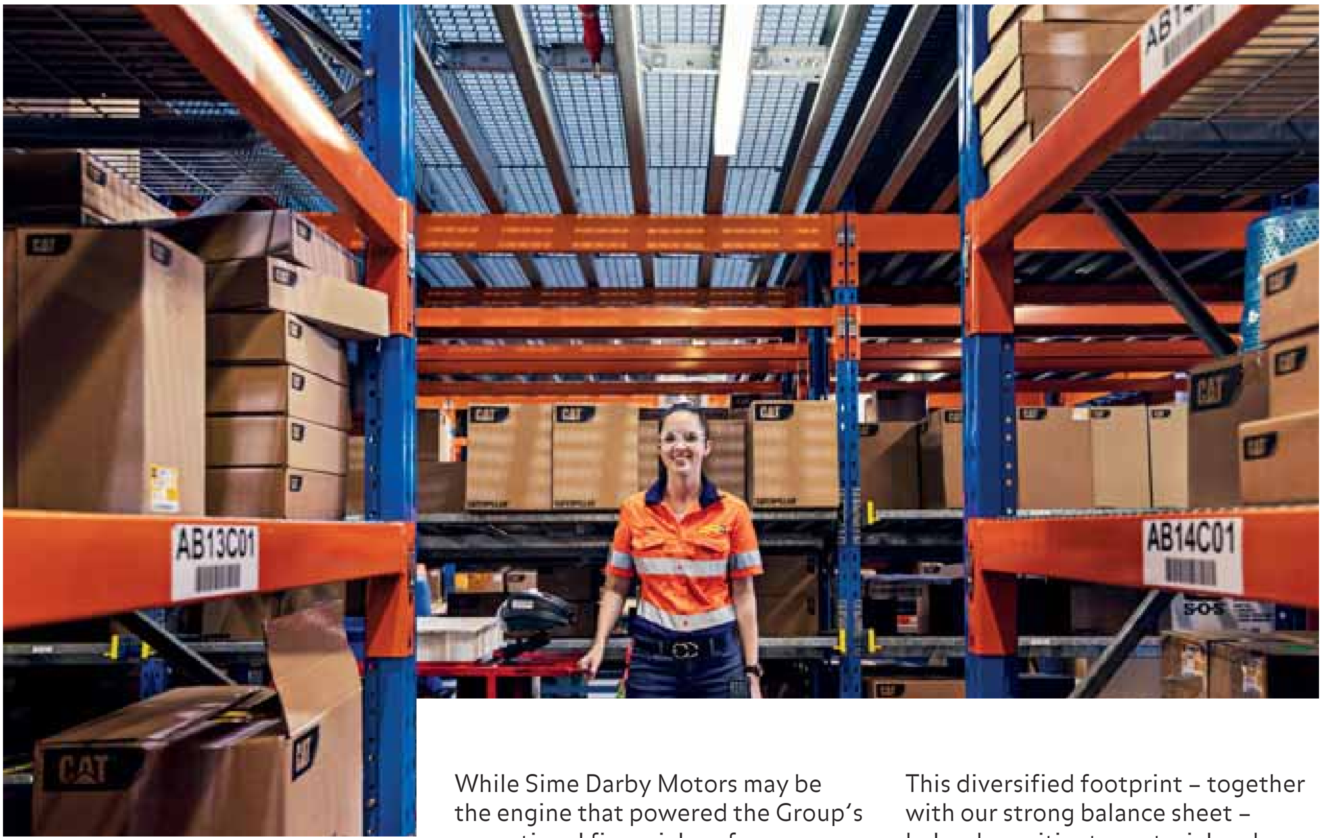
Growth Businesses

During the year we substantially expanded our foothold in our core businesses and enlarged our earnings base by embracing new adjacent businesses. In particular, our Motors and Healthcare businesses grew strategically through both organic growth and acquisitions.



Sime Darby's robust results in FY2021 was mainly due to the Motors Division's exceptional performance in most markets, particularly in China.

Chairman's Statement



We continued to execute ROIC improvement initiatives across our operations.

While Sime Darby Motors may be the engine that powered the Group's exceptional financial performance, the ballast that anchored our strong financial position is our steadfast commitment to the VCP.

Guided by the VCP, we continued to rationalise our balance sheets to improve working capital and enhance efficiencies. We divested non-core businesses to strengthen our focus on our core businesses.

I am also pleased to report that the Group generated RM2.78 billion of operating cash flow this year.

Additionally, we continued to execute ROIC improvement initiatives across our operations, reducing inventory turnover days, improving margins, optimising costs, lifting operational efficiency, right-sizing business units, and digitalising and equipping our businesses with better tools, systems and processes.

Lastly, our diversity proved instrumental this financial year. Our diversified presence in 19 countries and territories in the motors, industrial and healthcare sectors was a strategic strength this year as in previous years.

This diversified footprint – together with our strong balance sheet – helped us mitigate sectorial and geographical risks throughout the year, and has placed us in a good position to capture opportunities and tap on Asia Pacific's growth story.

Dividend and Share Price Performance

The Group's policy is to distribute a dividend of not less than 50% of net profit. For the last three financial years following the demerger, we have been distributing more than 50% of our net profit to our shareholders.

For FY2021, we are pleased to declare a dividend of 15 sen per share, including the first interim dividend of 6 sen per share paid in May 2021. The total dividend payout for FY2021 amounts to RM1.02 billion, equivalent to over 70% of our net profit for the year. This is a 50% increase from the total dividend payout in FY2020 of RM680 million.

Our share price opened at RM2.15 per share at the start of the financial year and closed at RM2.18 per share. In FY2021, with the dividend declared, our Total Shareholder

Return (TSR) outperformed the FTSE Bursa Malaysia KLCI by 8.6% percentage points.

Unlocking Value, Accelerating Forward

The central narrative for the Group this financial year has been unlocking value and accelerating growth.

We are cognisant of the fact that uncertain times uncover opportunities and have been aggressive in pursuing strategies that would allow us to accelerate the growth of our core businesses and enlarge our footprint in our key markets. Our low gearing level of 23% arms us with the capacity to pursue growth opportunities, both organic and in the form of mergers and acquisitions.

A focal point of our growth ambitions is our businesses in China. China is not only the world's single biggest luxury car market, it is also the fastest growing. Our strategy for China is to aggressively enlarge our network to capture a bigger slice of this market. In the near future, we plan to establish a foothold in China's Tier 2 and Tier 3 cities, where the demand for luxury cars is high and competition is lower. On the Industrial side, we believe there are great opportunities for construction in China, spurred by the Chinese government's infrastructure stimulus projects to stimulate the economy.

Besides growing in China, we recognise that other emerging markets such as India and Indonesia have similar demographic potential and we will leverage our know-how of operating in Asia to explore opportunities in these markets.

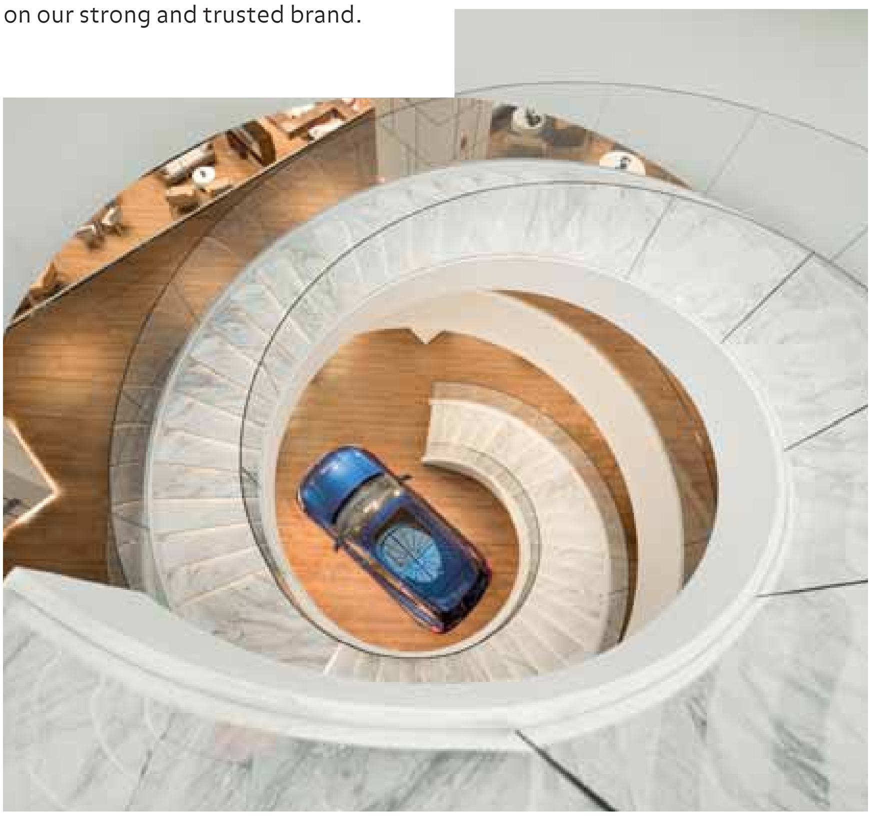
Another area of focus is Healthcare, the third pillar of the Group. We see exciting growth potential for this business. Our hospital assets in Malaysia and Indonesia are poised to benefit from ongoing shifts in structural megatrends such as ageing demographics and increasing demand for quality healthcare with rising affluence. During the year, we accelerated the growth of this business through the acquisition of Manipal Hospitals Klang, a tertiary hospital located in Klang, Malaysia.

With this, our Healthcare portfolio now consists of seven premium hospitals in Malaysia and Indonesia and a day surgery centre in Hong Kong. Moving forward, we plan to accelerate growth further by enlarging our footprint in Malaysia and Indonesia, before entering other areas in South-east Asia, where the healthcare sector is more fragmented.

Another ambition for the Group is to grow revenue through adjacent businesses in our Industrial and Motors Divisions. In the Industrial Division, we are gaining ground in businesses revolving around asset management, rental services and expansion of businesses outside of our Caterpillar dealerships, all of which complement our core Industrial businesses. The recent acquisition of Salmon Earthmoving Holdings Pty Ltd in Australia is aligned to this strategy. In the Motors business we are looking to expand our used cars and after-sales businesses, which have higher margins, by leveraging on our strong and trusted brand.

The central narrative for the Group this financial year has been unlocking value and accelerating growth.

Sime Darby's BMW dealership in Changsha. With a strong presence in Tier 1 cities, we plan to establish a foothold in China's Tier 2 and Tier 3 cities, where the demand for luxury cars is high.



Chairman's Statement

Created after a year-long engagement process with our people, our principals, our partners, our associates and our customers, the new blueprint will embed sustainability into our operations by tying business strategy and decision making to sustainability, including linking value creation to sustainability goals.

In view of the disruptive trends in the automotive industry, we have taken proactive steps and have established a Mobility unit to explore new trends and opportunities for growth in the industry. This is part of our strategy to future-proof our Motors business and strengthen our leadership position in the region. As part of this effort, we are collaborating with players like SOCAR to venture into key mobility segments such as car sharing and online car trading.

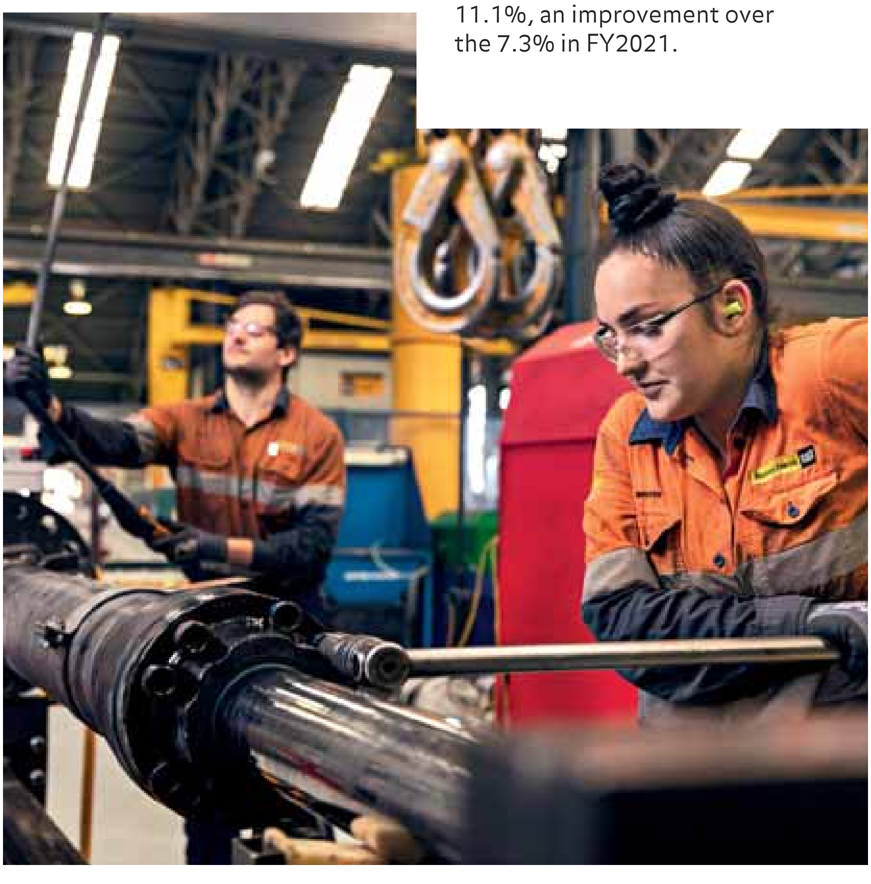
Another area of focus for us is on enhancing the Return on Average Invested Capital (ROAIC) of our businesses. In the year under review, we placed emphasis on setting ROAIC targets across all our business units to ensure that we are maximising the productivity of our assets. This sharpened our focus on enhancing working capital management, cost optimisation and network rationalisation to improve returns. With this, we achieved a core ROAIC of 11.1%, an improvement over the 7.3% in FY2021.

Above all, our strong financial discipline and commitment to the VCP has allowed us to thrive in a period of uncertainty and create long term value for our stakeholders. The VCP will continue to be the linchpin of our growth strategy and will continue to guide us in unlocking more value from our businesses.

Our Unwavering Commitment to Good Corporate Governance

We recognise that good corporate governance is essential in supporting our businesses in the executing of strategies and in generating long term shareholder value. The Group adheres to the highest principles of transparency and accountability and we align our corporate governance standards to relevant regulatory frameworks and best practices. Our robust governance framework helps us to uphold a culture of integrity and to achieve our governance goals.

A significant development in the year was the revision of the Malaysian Code on Corporate Governance. The 28 April 2021 updates cover enhancement of board policies



Across our business, we are maximising the productivity of our assets. Hastings Deering provides Cat Component Rebuild services to restore Cat machinery components to like-new performance and productivity. Here, an employee from Hastings Deering is reassembling a hydraulic cylinder.

Our sustainability goals are fundamental to how we do business as it enables us to create long-lasting value for our stakeholders.

and practices; strengthening of board oversight and integration of sustainability in business strategies and operations; and adoption of best practices.

To align with the revised Code, in this financial year, the Group focussed on further improving board policies and practices, strengthening oversight of sustainability risks and opportunities, integrating sustainability goals with business strategy and operations, and promoting meaningful engagement with our stakeholders.

Our Value Enhancing Focus on Sustainability

The Group remains steadfast in its commitment to sustainability. Our sustainability goals are fundamental to how we do business as it enables us to create long-lasting value for our stakeholders.

In line with global shifts in how ESG issues are discussed and in order to further strengthen our commitment, the Group has put in place a new dedicated, cohesive and holistic sustainability blueprint. Created after a year-long engagement process with our people, our principals, our partners, our associates and our customers, the new blueprint will embed sustainability into our operations by tying business strategy and decision making to sustainability, including linking value creation to sustainability goals.

This robust and comprehensive blueprint is anchored around four sustainability themes: optimising our environmental footprint, exceeding customers' expectations throughout their journey with us, empowering our employees to make meaningful change, and driving technology and innovation for better outcomes for all.

Collectively, these four themes define what sustainability means to the Group and guide our approach in creating positive environmental, social and governance impact through the management of our material issues. The blueprint is also aligned with the Group's commitment towards the United Nations' Sustainable Development Goals.

Acknowledgements

On behalf of the Board of Directors, I would like to express our gratitude to our valued shareholders for their faithful support all these years. My sincere thanks go to my fellow Board members, the Management and all staff for their hard work, commitment and loyalty. It is your dedication that has led the Group to the success that it enjoys today.

Tan Sri Samsudin Osman
Chairman

Group Chief Executive Officer's Q&A

Q How has the Group performed in FY2021 from a financial standpoint?

It has been a standout year for the Group. We posted a 20% increase in revenue to RM44.5 billion and, more strikingly, our total net profit leapt by 74% to RM1.4 billion. We are extremely pleased with this performance given the highly challenging environment.

The Motors Division turned in a record performance on the back of a vigorous upsurge in luxury spending in the region, posting a PBIT of RM1.05 billion, an increase of 83% from last year. The star this year was our China operations where demand for BMWs and our super luxury marques have been extremely strong. With movement restrictions still in place, many of our customers were unable to travel and were spending their excess cash on luxury items domestically.

The Industrial Division had a slightly tougher year. Whilst demand from our mining customers remained resilient, we saw a softening of the market in Australia. Our China operations were impacted by the extremely intense competition from local Chinese manufacturers. Nevertheless, the Division turned in a healthy PBIT of RM909 million, just 6% lower from its rather successful FY2020. We also do have a strong order book going into FY2022 and a bullish view on commodity prices. As governments worldwide rely on infrastructure spending to stimulate their economies, we expect an upsurge in demand for construction and mining equipment.

Dato' Jeffri Salim Davidson
Group Chief Executive Officer

> History tells us that a period of recession during a pandemic is often followed by boom years. We believe we are well placed to capitalise on these opportunities."

It has been a standout year for the Group. We posted a 20% increase in revenue to RM44.5 billion and, more strikingly, our total net profit leapt by 74% to RM1.4 billion. We are extremely pleased with this performance given the highly challenging environment.

The disposal of our 30% stake in Tesco Malaysia during the year, as part of our ongoing exercise to monetise our non-core assets, also contributed an after tax profit of RM272 million.

We generated a ROE of 9.2%, which excluding discontinued operations, more than double what we started with in our first year after the demerger in FY2018. Our team has managed the balance sheet well and we generated an operating cash flow of RM2.78 billion during the year. The Group's gearing position is at a very comfortable level of 23% and we are pleased to have been able to reward our shareholders with a dividend of 15 sen per share.

Q In the last financial year, you had placed a sharper emphasis on enhancing the ROAIC of your businesses. Can you update us on the progress you have made and success, if any, that you have achieved?

Yes, we have increased emphasis on managing our invested capital in FY2021, and with that, there were more management discussions and initiatives on reducing our invested capital. These initiatives are aimed at improving working capital management and the disposal of non-core assets. Combined with ongoing initiatives to enhance profitability by improving margins, optimising costs and rationalising branch networks, they have helped to improve the Group's ROAIC. I am proud to say that since the demerger, our ROAIC has steadily grown and has in fact almost doubled to 11.1% from 6.0% in FY2018.

Q How is Sime Darby Berhad preparing for the post-COVID period?

When the pandemic first started, we were relatively quick in instituting a Downturn Action Plan, where we basically battened down our hatches. The goal then was the preservation of cash. We cut operating and capital expenditures, reduced inventory and froze hiring.

Our Priorities for the Year Ahead

Capital Efficiency
- The Group's ROAIC increased from 7.3% in FY2020 to 11.1% in FY2021 due to higher profits generated by the Group and improved management of invested capital.

Operational Excellence:
- Sophisticated new lead management tools helped convert more customer enquiries into sales.
- We successfully increased customer retention by offering extended warranties and service plan sales packages.
- Our sharp focus on inventory management improved stock turnover and reduced inventory ageing, contributing to higher profit margins.

Customer Service:
- We accelerated digitalisation to provide customers with more avenues to access our products and services and to elevate customer engagement.
- We established state-of-the-art infrastructure and facilities across 19 countries and territories and 4 divisions to ensure our customers continue to enjoy best-in-class products and services.

The all-new BMW M3 and M4 in Central, Hong Kong.

Group Chief Executive Officer's Q&A

The Cat® 950GC is the popular choice of machinery for Tractors Malaysia's customers in the mining, quarry operations and palm oil mills. Tractors Malaysia is the exclusive Caterpillar dealership under Sime Darby Industrial Sdn Bhd (SDISB) and is a leader in the marketing of premium heavy equipment in Malaysia and Brunei.

Sime Darby Motors represents Jaguar in Malaysia and in Paramatta, Sydney.

Thanks to these efforts, we believe that we will come out of the pandemic stronger. We have been able to minimise any organisational disruptions, and our teams are largely in place and ready to act when the economy recovers. Our balance sheet remains rock solid. We have built up a cash balance of RM2.5 billion and are in a strong position for further expansion of our businesses when opportunities arise.

We believe that once things settle down, governments will be very keen to kick-start their economies through various stimulus spending programmes. History tells us that a period of recession during a pandemic is often followed by boom years. We believe we are well placed to capitalise on these opportunities.

Q The Motors Division had a record-breaking year, with the China operations doing exceptionally well. Will this momentum carry on into the coming year?

The Motors Division had its best results ever! The Motors Division's China operations was the obvious star with a PBIT of RM478 million.

Consumer demand for luxury goods remained very strong in China, a function of the travel ban and the availability of plenty of spare cash. There were other reasons too. The supply constraint caused by the shortage in semiconductor chips worked to our benefit, in that it alleviated the pressure to provide discounts, leading to slightly better margins. We received significant additional rebates from our principals as we were able to successfully sell additional units that were allocated to us during the year.

Whilst China is the obvious focus, our results in Malaysia, New Zealand, Australia and Singapore were also strong, largely for the same reasons. The results from our recently acquired dealerships in Parramatta, Sydney were above expectations. Our fleet rental operations, Corefleet, based in Western Australia, which specialises in vehicle rentals to the mining industry, performed exceptionally well on the back of strong mining activity there. The results of our commercial vehicle operations in New Zealand would have been even stronger had it not been impacted by supply constraints.

So, will the momentum carry on into the coming year? We believe demand for luxury and super luxury marques will sustain. However, the supply chain disruption and the availability of chips are obviously still concerning, as is the uncertainty of possible further COVID-19-related lockdowns. Nevertheless, we do believe the momentum will carry on into FY2022 and the somewhat constrained inventory levels will continue to aid us in retaining margins. In the meantime, we are in close discussions with our principals to maximise our stock allocation to ensure we are able to fulfil our commitment to customers.

Q **The automotive industry is being disintermediated. What is the likely longer term impact on Sime Darby Motors?**

The issue of the disintermediation of dealers is real and a growing threat to our business. It is only natural that Original Equipment Manufacturers (OEMs) will look at taking costs out of the distribution chain. Tesla has experimented reasonably successfully with this model. And OEMs are testing the agency model, which takes on a more centralised sales approach. So, of course, it is a concern to us.

The Group largely represents the luxury and super luxury segments including BMW, Porsche and Rolls-Royce. These brands are aspirational in nature. For buyers, the purchase is not merely a transaction, it is an experience. Our customers value the physical touch points and engagement that dealers like us offer. Recent surveys have indicated that 90% of customers in this segment still prefer to physically visit dealerships to test drive and talk to sales advisors to get a better appreciation of a vehicle's features. I am not saying we are not at risk of disintermediation, but I do think that it will happen a little slower for us, and gradually over a number of years.

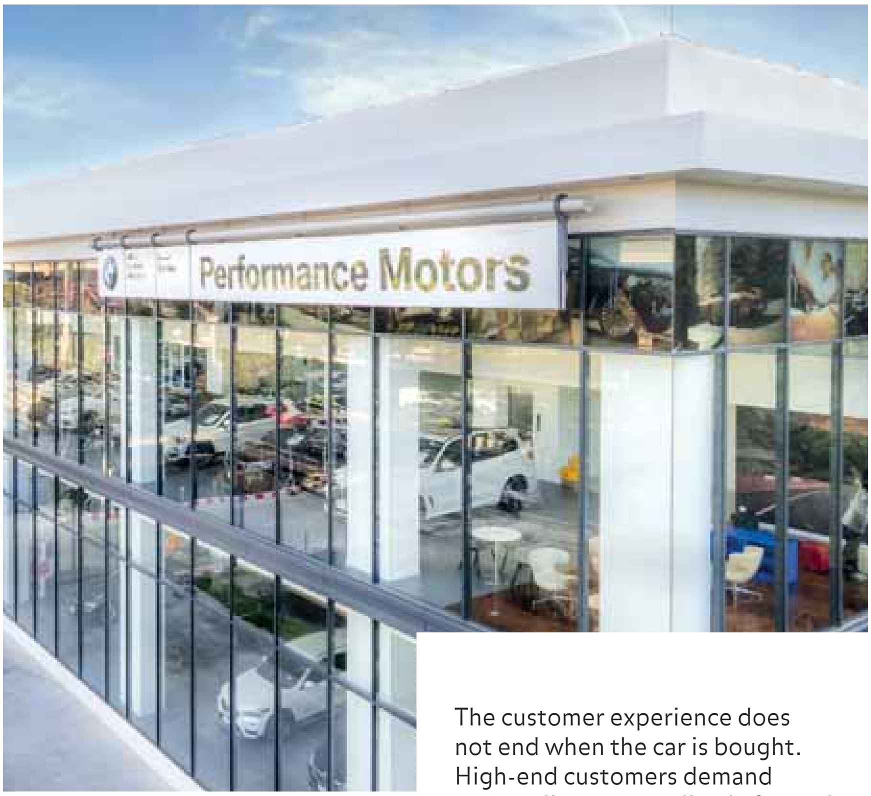
To be relevant in the future, we understand that we need to provide a valuable service and experience to both our principals and our customers.

Don't forget that OEMs have made, and are continuing to make, significant investments in their manufacturing operations and in research and development in both traditional internal combustion engine vehicles as well as in electric vehicles. The way I see it, we help carry a substantial amount of this burden by investing in the brick-and-mortar of showrooms and workshops, in inventory and, of course, in the training and development of people to support the brand.

The Group largely represents the luxury and super luxury segments including BMW, Porsche and Rolls-Royce. These brands are aspirational in nature. For buyers, the purchase is not merely a transaction, it is an experience.

Porsche's first fully electric sports car Porsche Taycan introduced in Malaysia and has been growing strong in demand supported by high performance fast chargers at Porsche Centres.

Group Chief Executive Officer's Q&A



Performance Motors Thailand expanded its world-class automotive experience to northern Bangkok with the opening of a BMW Premium Selection showroom and a BMW Service Outlet. This latest facility also includes a full-fledged BMW Certified Body and Paint Centre.

We are working hard to create a seamless and integrated online to offline experience for our customers.

The customer experience does not end when the car is bought. High-end customers demand top-quality, personalised after-sales support which we pride ourselves on offering at our dealerships.

We will also continue to focus on growing our Used Car sales and Parts and Services operations which are already core aspects of our operations but will become ever more relevant to our profitability.

With 60% of customer interaction conducted online these days, we are continuing to invest in technology and working hard to create a seamless and integrated online to offline experience for our customers. Our digital transformation teams are upgrading our omnichannel capabilities, with a focus on building brand awareness at every point along the customer journey.

Q There has been much talk about mobility being a disruptive trend that will transform transportation as we know it. How will you ensure that you do not get left behind?

In the past, we would generally have driven our cars to the shopping mall. Today, many of us are inclined to just use Uber, or in Malaysia, Grab, to get to where we want to go. It is simply more convenient. And cheaper. The reality is that these new offerings have a profound impact on the way we behave, on the livelihood of taxi drivers, on car rental companies and, more generally, on the motor car industry. We are already seeing car sales in some developed countries declining as a result.

In Asia, we are also clearly witnessing this change. Multiple drivers are at work but, to be honest, nobody really knows where all this is heading.

One trend we are seeing is that car owners are beginning to shift to a subscription, leasing or rental model. The logic is that the car owner would pay a fixed monthly fee that essentially covers the car repayment and maintenance costs. He or she can then opt for a different car after, for example, one year. So, there will also be significant opportunities for our fleet management business, which today, already comprise almost 5,000 cars.

We have developed what we call an "Engine Two" strategy. We have set up a dedicated Mobility team, headed by our Group Chief Strategy Officer, to get a better understanding of the trends, to steer our mobility ambitions and to identify potential opportunities in this area.

Under Engine Two, we have made several small but strategic investments. We have invested in mobility players and disruptors like SOCAR. The idea is that it will allow us to get a better appreciation of the culture, trends, key players and ecosystem of the mobility business from an insider's perspective.

These investments also complement what we are already doing today. One example is our collaboration with SOCAR, a car-sharing application that has been gaining popularity in Malaysia. We put our cars on SOCAR's platform for rental and we provide mobile servicing for their cars. We are also jointly developing usage-based insurance products with Sime Darby Lockton, our insurance broking arm, for TREVO, SOCAR's people-to-people (P2P) car sharing marketplace.

These are all part of our early efforts to better understand evolving consumer preferences and the future of mobility. The bottom line is that we have to experiment and do things a little differently.

Q And what are Sime Darby's plans with respect to electric vehicles?

There is a clear and unmistakeable trend of electric vehicles, or EVs, replacing internal combustion engine, or ICE, vehicles. China is leading the way. We believe that Hong Kong and Singapore will be next to follow. And then the other markets. It's only the speed of adoption that is really up for debate! And this will depend largely on government incentives and regulations, and the pace of development of charging infrastructure.

Over the past year, we have developed our EV strategy to leverage on this trend. We continue to work with our principals on the introduction of more EV models in our markets. And we are excited to support our long term partners such as BMW (iX3, iX, i4), Volvo (XC40 Recharge), Hyundai (Kona) and Jaguar (all new models to be battery-powered electric vehicles by 2025), who are leading the way with new EV products. We have also entered into partnership arrangements to provide sales and after-sales services for some up-and-coming Chinese EV brands such as NIO, BYD and Weltmeister in China and Singapore.

With the introduction of EVs, we are preparing for changes in the after-sales ecosystem. Our sales consultants and service technicians are being trained and plans are being drawn up to reconfigure showrooms and service workshops.

Having said that, ICE cars will remain on the roads in high numbers for years to come, and so, we will continue to offer servicing of all ICE vehicles to ensure our workshops are working at full capacity, even as we diversify into EV.

These are early days yet, but we are exploring the possible opportunities to support Malaysia's development as a hub for the assembly of right-hand drive EVs, for battery assembly and participating in the development of charging infrastructure.

Porsche Centre in Malaysia became the first to offer 175kW High Performance Charging infrastructure as part of a its commitment to drive the future of electric mobility in the region.

Q Sime Darby Industrial is a large supplier to the coal mining industry in Australia. With the transition away from fossil fuels, what does this mean to the Group in the longer term?

One of our largest operating units is Hastings Deering. It is also one of Caterpillar's largest mining dealers, selling heavy equipment and providing after-sales service to the many coal mines in Queensland and the Northern Territory in Australia.

And so, yes, we are quite exposed to the mining segment. To give some context, revenues from thermal coal mining and from metallurgical coal mining account for 3% and 7% of our total group revenue respectively. Significant, yes, but not overly so.

A Cat 796 mining truck. One of our largest operating units is Hastings Deering. It is also one of Caterpillar's largest mining dealers, selling heavy equipment and providing after-sales service in Queensland and the Northern Territory in Australia.

Group Chief Executive Officer's Q&A

For thermal coal, which is used to generate power, there is immense public pressure for fossil fuels to be replaced as a source of energy. However, we believe that the transition will be gradual. Thermal coal, as a percentage of the total "energy pie", will undoubtedly reduce over time, but the pie is getting bigger every year.

The longer term situation with metallurgical coal is likely to be even more optimistic for us. Metallurgical coal is a key component of steel making. There is currently no viable substitute for another 10 to 15 years, at the very best. With the growing economies especially in Asia, we expect the demand for steel for infrastructure development to remain very strong. The fact that Australian metallurgical coal is of the highest quality with a very competitive cost of production, also works to our benefit.

In the longer term, we also anticipate demand intensifying for other minerals such as copper, aluminium, lithium and cobalt. Overall, we remain bullish on the mining sector.

Q You have been in partnership with Caterpillar for nearly a century. Are there still growth opportunities for the Industrial Division?

The two big industries that the Industrial Division serves are mining and construction. Whilst we understand the concerns around climate change, as discussed earlier, we remain bullish on mining.

We operate in a fast-growing and increasingly affluent part of the world which is seeing unprecedented economic growth driven by urbanisation and infrastructure development. This will drive demand for equipment in the foreseeable future. Other industries such as forestry and oil & gas will also provide opportunities for growth going forward.

We are essentially very good industrial asset managers. We do a good job making sure our customers make money using the products we distribute. On coal mines, we manage large fleets of trucks and other mining equipment. On oil rigs and offshore floating platforms, we manage the generator sets that are essential for oil production operations.

And what are the core strengths of our Industrial Division? We know the Asia Pacific region well. We understand our customers well. We understand industrial products. And we have a large market to sell into and to provide after-sales support.

With these strengths, there are opportunities to sell and support other industrial equipment as we are one of the go-to players in the region for OEMs looking to develop an Asian market for their products.

We are increasingly being asked by customers, who are happy with the service we provide, to manage other equipment.

There will always be opportunities for expansion in the form of new dealerships for a performing dealer.

A Terra Cat service vehicle travelling through New Zealand's Desert Road.

The field service team of Hastings Deering working on site at a mining site.

I was extremely pleased when Sime Darby was invited to make a bid for the New Zealand Caterpillar dealership, which we successfully acquired in 2020 and re-branded to Terra Cat. So yes, I believe there are still plenty of opportunities for growth.

Q The acquisition of Manipal Hospitals Klang opportunities is a noteworthy achievement for Ramsay Sime Darby Health Care. How does this fit into the growth story for the Group?

We are pleased with our recent acquisition of Manipal Hospitals Klang. This acquisition is in line with our aspiration to expand our Healthcare Division as a core business, and which we hope will be the first of more acquisitions as we actively look to expand and diversify the geographical footprint of RSDH.

We remain bullish on the private healthcare space in South-east Asia, where demand for premium quality healthcare is on the rise, driven by a multitude of structural megatrends including rising affluence, expanding and ageing populations, prevalence of chronic illnesses and greater health awareness.

With the tremendous potential that the healthcare sector has to offer, Sime Darby will continue to grow the healthcare business. It also helps to re-balance the Group's portfolio by shielding the Group from the cyclical nature of the Industrial and Motors businesses while increasing the Group's recurring income profile. Furthermore, our JV partner Ramsay Health Care is an international healthcare group with a proven track record in operating hospitals around the globe.

Q How is the business adapting to the demands for an increased focus on ESG?

We have certainly seen an increased focus global on sustainability, particularly on the impact of climate change. These are being highlighted as posing financial and non-financial risks to societies and businesses, and stakeholders are demanding more sustainability reporting disclosures.

We recognise that we must step up, and the role that we must play by operating responsibly, in balancing our economic aspirations and our environmental, social and governance obligations.

To address the impact of climate change and to lower our carbon emissions, we have taken the first step by setting a CO_2 reduction target. We aim to reduce our CO_2 emissions by 30% by 2030.

In addition, we have committed to allocate at least RM250 million towards ESG innovation over the next four years and we will work towards ensuring that more than 50% of our product portfolio is more energy-efficient than our current portfolio, which also helps our customers meet their own ESG objectives.

As a group, we are committed to embedding sustainable practices whilst balancing economic aspirations with genuine care and respect for our people and the communities where we operate. This commitment will not only strengthen our social license to operate, it will give us the ability to operate our businesses efficiently and competitively into the future, meeting our overall purpose of "Delivering Sustainable Futures".

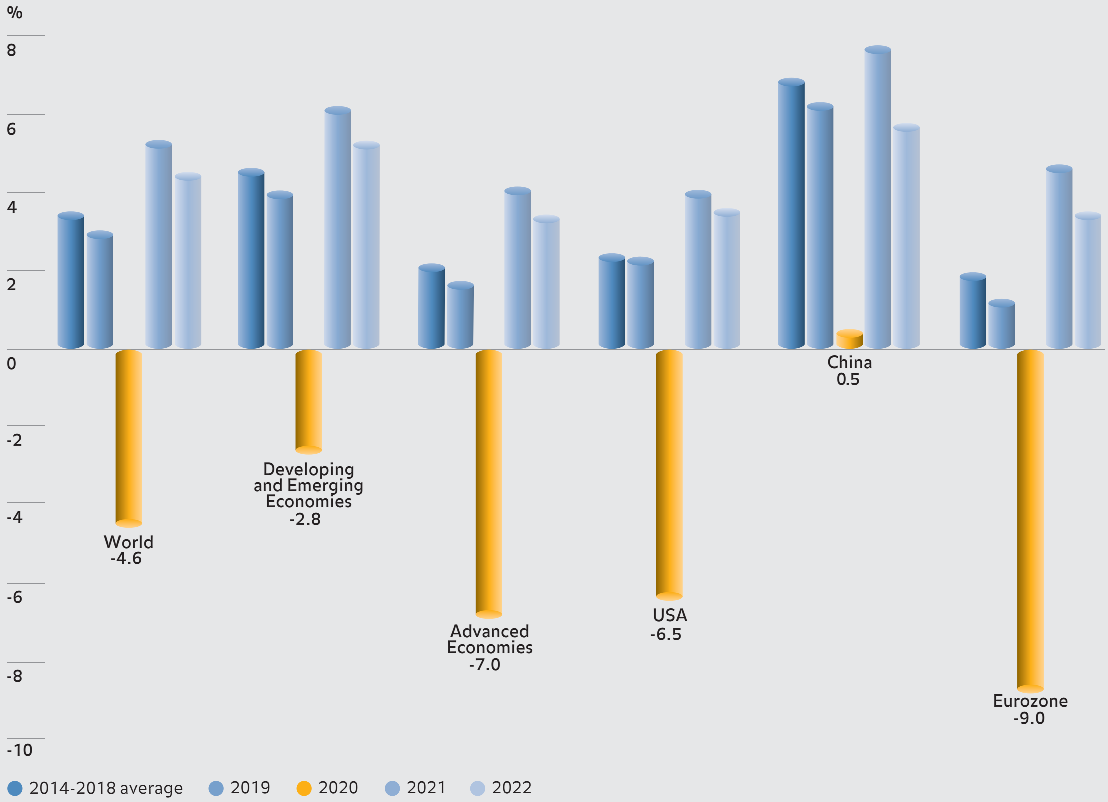
A multi-disciplinary and highly experienced team committed to enhance each patient's well-being, RSDH group of hospitals delivers medical excellence with various clinical and surgical achievements.

Business Environment

Our performance is influenced by major structural trends that shape the world as well as the business and economic climates in the countries we operate in. It is crucial, therefore, that we stay ahead of the curve and identify key trends that have an impact on our long term success.

Market Trend	Description
Rebound of the Global Economy	Last year the pandemic roiled markets, disrupted supply chains and caused businesses to close due to lockdowns. Fortunately, the global economy is set to improve and recover as global vaccination rates increase. Most governments have also announced stimulus packages and lowered interest rates to revitalise their economy. With this, GDP forecasts for most economies have been revised upwards. Developing economies in Asia, which shrunk by 0.2% in 2020, are expected to bounce back with growth of 7.3% in 2021. Nevertheless, this rebound could potentially be stifled by the return of restrictions prompted by the rapid spread of new highly contagious coronavirus variants. However, global economies are still expected to improve as governments and medical institutions are now better equipped to respond to the ongoing health crisis.

Global Real GDP Growth Baseline Forecast: 2014–2022



Source: Euromonitor International Macro Model, National Statistics. Note: Global real GDP growth using PPP weights; figures for 2020 onwards are forecasts; forecasts updated on 29 June 2020.

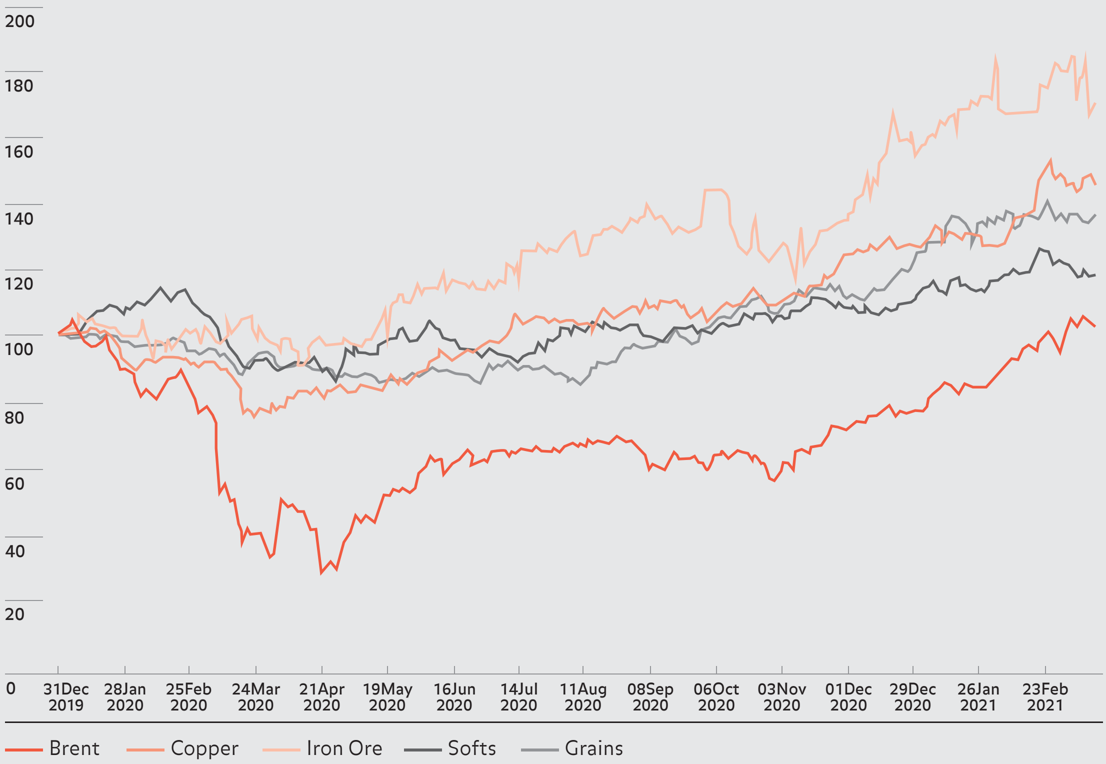
Our Response	Industries Involved
Our wide geographical and sectoral footprint across Asia Pacific allows us to leverage on different markets for a broader earnings base. This diversification affords us resilience and cushions us against the economic impact caused by adverse COVID-19 conditions in specific economies. It also allows us to tap on growth opportunities as the economy reopens. This year, our Motors operations benefited from domestic spending of luxury goods as international borders remain closed for travel. Moving forward, we are optimistic that our core divisions will benefit from the anticipated rebound in the global economy. We are already seeing signs of this with bullish commodity prices.	**Industrial** **Motors** **Healthcare** **Logistics**

Business Environment

Market Trend	Description
Bullish Commodity and Resource Cycle as Economies Reopen	Australia is one of the world's largest exporters of commodities and serves as the resource basin of Asia Pacific. In 2020, commodity prices (including coal) softened due to the global economic slowdown attributed to COVID-19 . In 2021, the world's recovery from the pandemic sent prices of commodities soaring. Commodity prices have risen more than 20% this year, while the price of crude oil has gone up by around 50%. The Bloomberg Commodity Spot Index hit a decade high and is heading for its fourth straight month of increase, as of July 2021. The current surge in development and construction activities in Asia Pacific will drive bullish prospects for Australia's mining and resource export industry. Looking ahead, with the energy transition, demand for other minerals such as aluminium, nickel and lithium will intensify and mining will continue to remain relevant.

The Rise in Global Commodity Prices

31 Dec 2019 = 100



Source: Bloomberg, S&P Global Ratings.

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Our Response	Industries Involved
Our Industrial operations based in Australia and Asia should benefit from the increasing demand for commodities and the upsurge in infrastructure activity. We expect that the demand for commodities will continue to rise as governments launch infrastructure development projects to stimulate their economies following periods of lockdown induced by the pandemic. This rise in demand for commodities will bolster the mining industry, the principal sector that we serve. Our Industrial Division will capitalise on this commodity uptrend. In addition, the surge in infrastructure spending should lead to sustained demand for construction equipment which we have large exposure to in China and South-east Asia. Our geographical footprint straddling China and Australia puts us in a good position to tap on these trends.	Industrial

Business Environment

Market Trend	Description

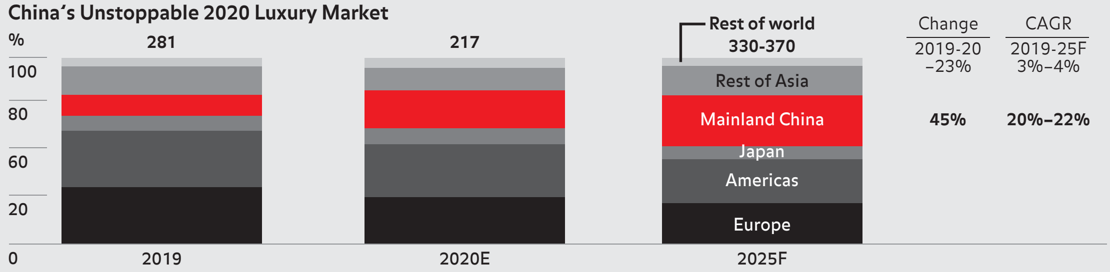
Growing Asian Affluence and Rise of the Luxury Industry

Asia's transition into a global economic powerhouse is a major driver for the expansion of the mass affluent class in the region. The growing purchasing power of this segment will feed demand for premium goods and luxury items.

Asia will be the second leading financial wealth generator behind North America, accounting for approximately 34% of global financial wealth generated between now and 2025.

In China, wealth assets held by ultra-high-net-worth individuals jumped by 26.5% to US$3.6 trillion in 2020. With that, China is on track to overtake US as the leader in luxury goods by the end of the decade. Our Motors business, which largely represents luxury marques, is well placed to capitalise on the trend.

China's Unstoppable 2020 Luxury Market



Notes:Mainland China 2019-20 growth rate 45% in current exchange rate
Source: Bain-Altagamma 2020 Worldwide Luxury Market monitor; Bain analysis

The Growing Push for Sustainability

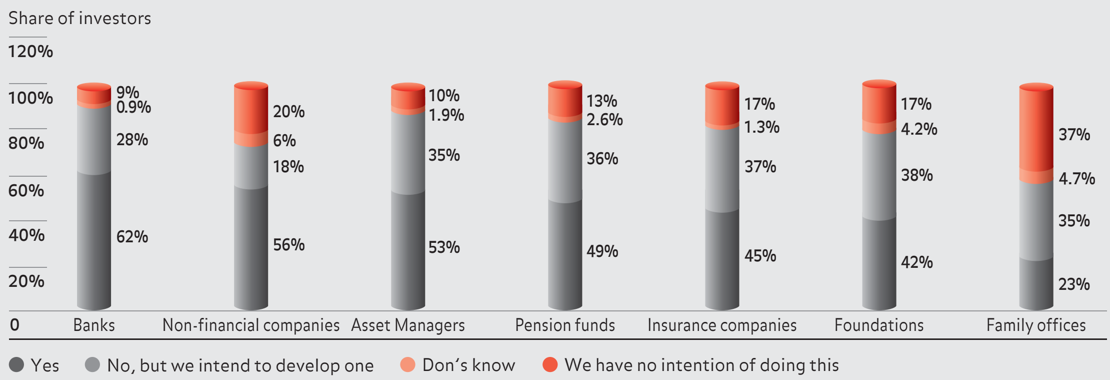
Governments, communities, organisations and consumers are increasingly pushing for stronger sustainability commitments from businesses.

COVID-19 has accelerated the progress. Many countries are using their post-pandemic recovery plans to drive environmental targets.

- China has pledged to reduce its net carbon emissions to zero by 2060.
- As part of its commitment under the Paris Agreement, Australia is targeting to reduce emissions by 26% to 28% below 2005 levels. This amounts to halving its per-capita emission and reducing by almost two-thirds the emission intensity of its economic activity.
- Singapore announced its Green Plan with targets that include having all newly registered cars be cleaner-energy models by 2030.

In addition, stakeholders like financial institutions and fund managers are increasingly adopting a strong stance on sustainability issues. Banks such as HSBC and ANZ have declared that they will no longer finance new coal-fired power plants by a certain time frame. Global fund managers such as Blackrock and Norges Bank have pledged to dispose of their fossil fuel shareholdings. All this will have a direct effect on business by raising the cost of capital and impacting our market capitalisation.

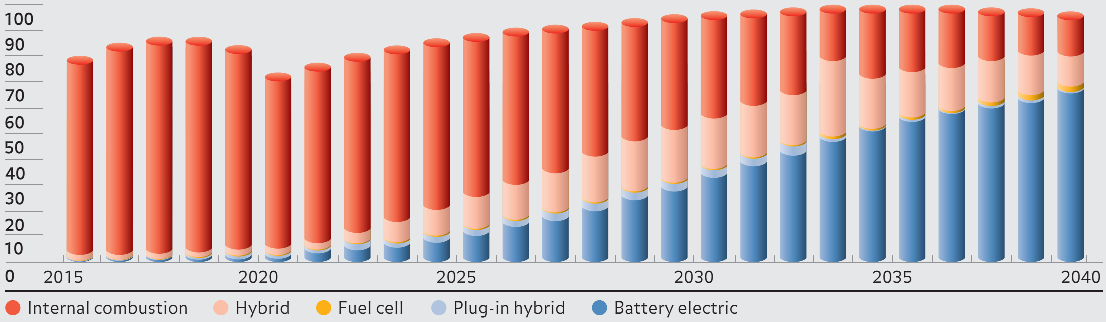
Share of investors with an ESG policy worldwide in 2020, by organisation type
Glocal ESG policy adoption 2020, by organisation type



Source: Statista "ESG and impact investing"

Our Response	Industries Involved
The return of consumer confidence sees the luxury industry benefitting from the phenomenon of "revenge shopping", which refers to the unleashing of pent-up spending following lockdowns. Revenge shopping led to strong growth in the Chinese automotive market in the year under review, with 12.89 million vehicles sold between January and June 2021, up 25.6% from 2020. Luxury spending in China has also been spurred by travel restrictions and border closures that have curtailed international travel. Unable to travel, Chinese consumers are diverting their spending domestically towards luxury products such as BMW, which benefited our Motors business. Earnings from our China Motor operations increased 90% YoY as a result of this. Looking ahead, our BMW and super luxury brands in China will continue to gain from the growing affluence of Chinese consumers.	Motors
We are responding to this call for ESG with a new vision for sustainability. In FY2021, we developed an overarching sustainability blueprint for our businesses that will drive our efforts ahead in a more integrated and holistic manner (See page 100 for more information on our sustainability blueprint and themes). Under the blueprint, we will steer our sustainability initiatives along these fronts: 1. 30% reduction of emissions by 2030 (scope 1 and 2 only) from 2020 levels, 2. Minimum RM250 million investments in ESG innovations by 2025, 3. More than 50% of products in our portfolio are more energy efficient than the 2020 product portfolio by 2025. The targets are designed to reduce the carbon footprint of our operations, steer our investments into ESG-led areas and align our product mix with sustainability demands. Moving forward, we will set forth initiatives to advance our development on each theme.	Industrial Motors Healthcare Logistics

Business Environment

<table>
<tr><th>Market Trend</th><th>Description</th></tr>
<tr><td>Electric Vehicles (EV) and Mobility Solutions</td><td>
The automotive industry is undergoing a fundamental change driven by the trends of ACES (autonomous, connected, electrification and shared mobility). New forms of transportation such as ride hailing, car sharing and subscription services that are embraced by digitally-savvy consumers are transforming the mobility landscape.
The adoption of EV has also accelerated in recent years. This is propelled by the falling cost of EV batteries, which has narrowed the cost gap between EV and ICE cars.
The shift to EVs is also bolstered by steady support from governments and leading automakers and the rollout of charging infrastructure.
The EV market is growing fast, driven by these forces: The global market share of electrified cars grew from 8% in 2019 to 12% in 2020.
Currently the two biggest EV markets are China and EU, due to favourable government policies, environmental regulations, and wide infrastructure network. Together, they make up 80% of the global EV market. Market players in these regions need to have an EV strategy to anticipate the shifts.
Road Revolution
Million


Source: Bloomberg BNEF BEV Outlook
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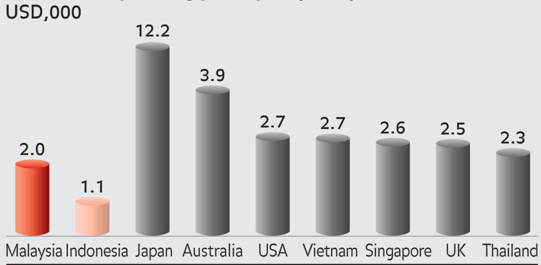
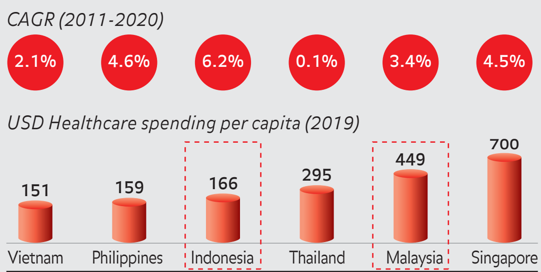
<tr><td>Increased Healthcare Demand in Asia Pacific</td><td>
Several structural megatrends point to a sustained growth trajectory for the healthcare sector in Asia Pacific.
By 2025, 60% of those over 65 years old will be living in Asia Pacific. This will see an increase in demand for health services.
Meanwhile the fast-expanding group of affluent middle-class citizens in Asia will drive demand for better quality healthcare.
The growing prevalence of chronic lifestyle diseases such as diabetes and obesity in South-east Asia is another megatrend that will spur the industry.
Given the strong underlying demand and the industry's resilience, the healthcare sector in Asia Pacific has favourable structural tailwinds supporting it.
Healthcare spending per capita (2019)
USD,000


Source: World Health Organisation


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Our Response	Industries Involved
As a Group, we are taking the ACES trends seriously and we recognise the need to adapt to changing customer expectations. We are currently building new EV capabilities and establishing new partnerships within the EV ecosystem. Moving forward, our portfolio will feature a balance of both internal combustion engine (ICE) models and the new EV models. We are aware that different EV markets will move at a different pace due to differing government regulations, infrastructure rollout and consumer preferences. We are fortunate to have a "front-row" seat in China (one of the leading EV markets) through our operations there. This allows us to learn how the EV industry is evolving and we plan to eventually transfer this learning to our other markets. Meanwhile, we are leveraging on our portfolio of world-class principals that rolling out EV lineups (including BMW, Porsche, Jaguar and Hyundai) to move quickly into the opportunities, while seeking partnerships with new EV OEMs. Our high value assembly capabilities also differentiate us from other automotive groups by giving us the ability to undertake Right Hand Drive assembly for the region. For Mobility, we have established an internal Mobility Team to pursue partnerships and venture investments in the mobility space to acquire insights into the ecosystem. This allows us to "look-ahead" to see how the auto business is evolving.	Motors
We are committed to grow our Healthcare footprint as it helps balance the cyclicality of our Motors and Industrial businesses. RSDH's hospital assets in Malaysia and Indonesia are poised to benefit from these structural megatrends. In addition, its brand equity and premium healthcare services to tap the higher value segment. With the reopening of borders, we expect a surge in demand for medical tourism. As one of the top medical tourism destinations in the region, Malaysia will benefit from this. To capture a bigger slice of this growing market, RSDH expanded its healthcare portfolio by acquiring Manipal Hospitals Klang, a 220-bed hospital in Malaysia, in FY2021. Ahead, we will continue to pursue opportunities to further broaden our healthcare footprint in the region.	Healthcare

Business Model

Key Enablers

Robust Value Creation Plan and Capital Allocation Framework

The two roadmaps lay down the solid foundation we need to effectively execute our business strategies, enhance shareholder return and optimise growth.

Read more on Page 40–41 and 56–71

Clear Sustainability Strategy

This guides our management in managing environmental, social and governance issues that have an impact on our value creation endeavours.

Read more on Page 102–105

Inputs

Financial

- Our strong cash flows and balance sheet endow us with the ability to implement and execute our growth strategies.

Intellectual

- We have strong brand equity and trust with over 110 years of experience in delivering sustainable futures.
- We enjoy longstanding partnerships with the world's leading automotive and industrial equipment groups.
- Our businesses are empowered by our know-how in running our operations and strong management expertise.

Manufactured

- Our portfolio of high quality facilities and infrastructure and broad distribution network spanning Asia Pacific allows us to enjoy a broad earnings base.
- Our balanced and diverse sales network in both mature and emerging markets across Asia Pacific gives the world's leading OEMs incomparable access to a broad spectrum of markets.
- Our high value assembly capabilities for BMW, MINI, Hyundai and Mazda demonstrate our technical competencies and know-how in this area.

Social

- We work hard to build strong relationships with our stakeholders while giving back to the communities we operate in.

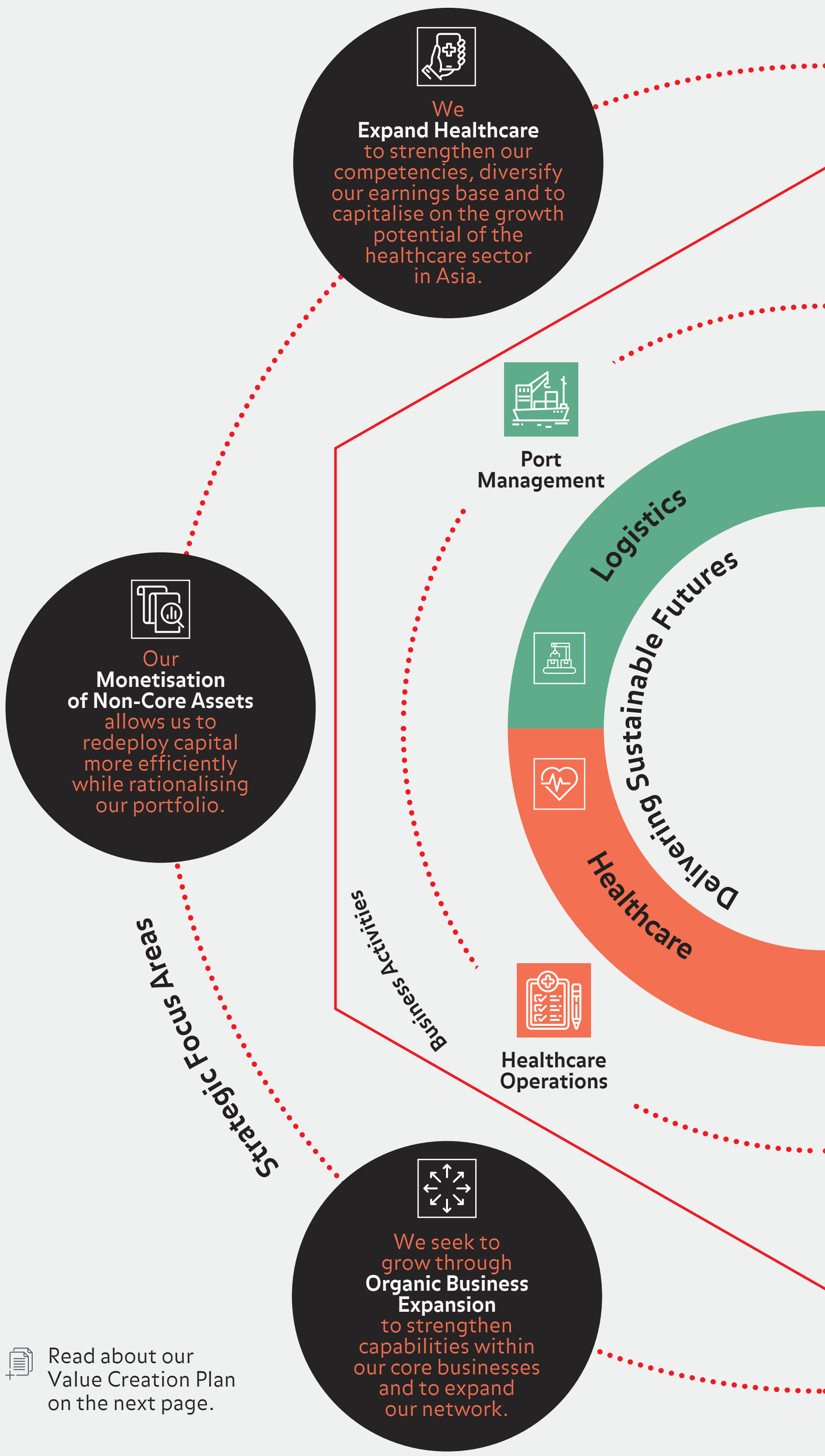
Human

- We invest in the recruitment, development and retention of a diverse talent pool of people to build a collaborative, inclusive workforce that shares knowledge and experience.
- Our scholarship programme, run by Yayasan Sime Darby (YSD), ensures a pipeline of young talent to invigorate the business.

Natural

- We use water, energy and other natural resources efficiently in creating sustainable value for our stakeholders.

Value Creation Plan



Read about our Value Creation Plan on the next page.

Strong Focus on Governance

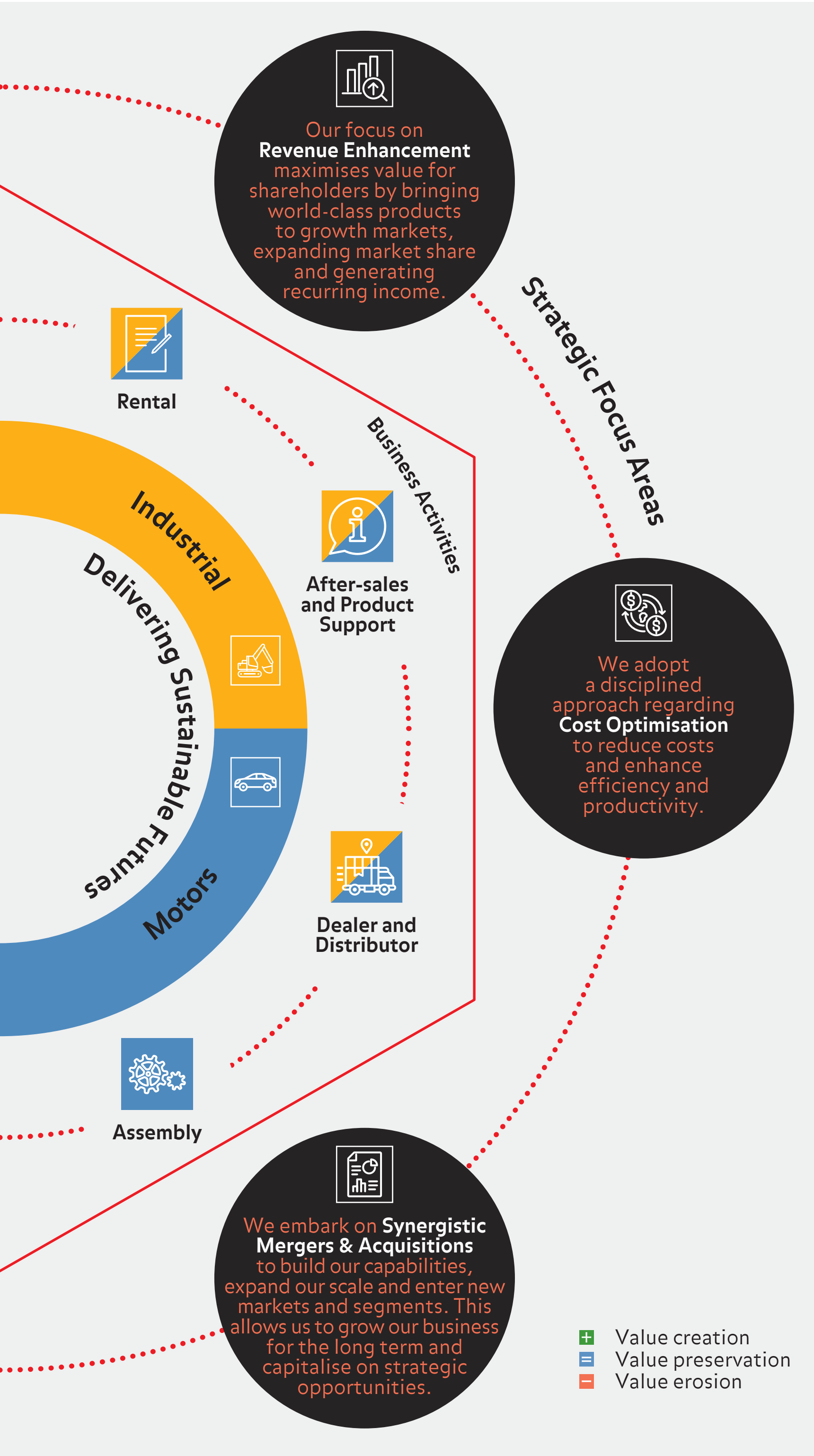
This promotes accountability, integrity and transparency and allows us to deliver positive outcomes for our stakeholders.

Read more on Page 132–165

Capable Leadership and Management

Our leadership team provides a balanced and dynamic blend of skills and experience that enables the effective execution of strategies.

Read more on Page 122–131



Outcomes

Financial

- ⊞ PBIT of RM2.18 billion (55% YoY increase)
- ⊞ Net Profit of RM1.4 billion (74% YoY increase)
- ⊞ ROAIC of 11.1%
- ⊞ Strong operating cash flow of RM2.8 billion
- ⊞ Declared RM1.02 billion in dividends
- ⊟ Share price held steady at RM2.18 per share at close of FY2021 (RM2.15 per share at close of FY2020)

Intellectual

- ⊞ 215 facilities representing more than 30 luxury and mass market brands (Motors)
- ⊞ 192 branches representing more than 30 brands and solutions (Industrial)
- ⊞ Seven premium hospitals in Malaysia and Indonesia offering primary to quaternary care
- ⊞ Focus on digital offerings to provide high value services, optimise cost and improve customer engagement (Motors and Industrial)
- ⊞ Venture capital investments in mobility start-ups to look ahead into how the automotive industry is evolving

Manufactured

- ⊞ State-of-the-art infrastructure and facilities across 19 countries and territories, and four divisions ensure best-in-class products and services
- ⊞ Assembly of high-value brands such as BMW, MINI, Hyundai and Mazda, with Porsche in the pipeline
- ⊞ 103,417 units sold (Motors) due to increase in domestic consumption across core markets

Social

- ⊞ A strong safety culture continues to be embedded within the organisation
- ⊞ Ongoing engagement with local communities to better understand where and how we can make a positive impact in the regions we operate in
- ⊞ 504 scholarships provided via YSD
- ⊟ RM20 million annual contribution through YSD (RM10 million in FY2021), with RM20.5 million dedicated to COVID-19 relief efforts in FY2021

Human

- ⊞ 21,943 total number of employees
- ⊞ A better engaged workforce with overall employee engagement rates increasing by four percentage points to 62% compared to last year

Natural

- ⊞ Newly developed sustainability blueprint with heightened focus on environmental considerations, and ESG-focused investments and impacts
- ⊞ Distribution of energy-efficient vehicles and equipment to help minimise carbon emissions
- ⊞ Energy initiatives embarked on across the Group include building showrooms, facilities and workplaces that comply with green building standards. Examples include the Sime Darby Motors City in Malaysia and Terra Cat, our Caterpillar dealership in New Zealand. Our aim is to transit towards renewable energy supply across our operations where viable.

Value Creation Plan

Since its inception, the Value Creation Plan has guided us in our strategy and decision making and has allowed us to achieve an optimal balance between long term value creation and present-day performance. The Value Creation Plan was also key in enabling business expansion that broadened our footprint and diversified our earnings base.

In FY2021, we continued to focus on ROIC Enhancement, in line with our Capital Allocation Framework. This allowed us to better manage working capital, improve capital efficiency and create operational excellence.

Strategic Focus Areas	Revenue Enhancement	Cost Optimisation	Synergistic Mergers & Acquisitions
Objective	◢ Grow volume and market share in core sectors ◢ Grow after-sales parts and services for the Industrial and Motors Divisions ◢ Leverage connected assets as an enabler to increase and protect market share	◢ Enhance operational excellence to strengthen resilience in down cycles via process standardisation, robotic process automation, Lean Six Sigma and procurement controls, among others ◢ Streamline and improve business processes through technology and innovation	◢ Leverage additional distribution channels and access new customer bases ◢ Gain entry into new geographical markets ◢ Seek collaboration with strategic partners to create shared value
Progress Made in FY2021	**Industrial** **Motors** **Healthcare** **Logistics** ◢ Increased revenue by 20% to RM44.5bn ◢ Increased PBIT by 55% to RM2.18bn ◢ Achieved improved financial results as a result of an excellent performance by the Motors Division's China operations and the gain on disposal from the sale of the Group's Tesco Malaysia stake Note: Financial performance is a result of improvement on multiple strategic areas.	**Industrial** **Motors** **Healthcare** **Logistics** ◢ Reduced inventory turnover days across the business through successful optimisation of working capital ◢ Implemented cost optimisation initiatives to improve efficiency and productivity ◢ Turned around underperforming businesses (such as KIA in Taiwan) ◢ All these initiatives led to an increase in ROAIC to 11.1%	**Industrial** ◢ Commenced acquisition of Salmon Earthmoving Holdings to expand more into construction and New South Wales, Australia. **Motors** ◢ Collaborated with myTukar for used cars and SOCAR for after-sales and fleet management ◢ Commenced venture capital investments in companies in the mobility sector such as SOCAR ◢ Acquired BMW Tebrau and BMW Wellington
Focus for FY2022	**Industrial** ◢ Expand new Cat product offerings ◢ Focus on developing productivity solutions ◢ Focus on expanding geographically within Asia Pacific (in the construction, mining and oil & gas sectors) **Motors** ◢ Focus on achieving higher unit sales in core luxury segment while leveraging on new model cycle ◢ Focus on used car and after-sales market segments to improve margins ◢ Focus on growing omnichannel capabilities to capture more sales and enhance customer experience from online channels	**Industrial** **Motors** **Healthcare** **Logistics** ◢ Continuous focus on initiatives that enable us to achieve operational excellence, so as to increase productivity and reduce costs ◢ Implement efficient working capital management to reduce invested capital, optimise inventory management and increase cash flow ◢ Focus on turning around underperforming operations	**Industrial** **Motors** **Healthcare** **Logistics** ◢ Explore acquisitions that will help to strategically diversify and/or expand our business and re-gear the profile of the Group ◢ Explore expansion opportunities in emerging markets to capitalise on sizable market and favourable demographics

Guided by our Core Values, which are at the heart of everything we do, we fully realised the strategies outlined in the Value Creation Plan in the year under review, creating sustainable value for all our stakeholders.

Integrity **Respect & Responsibility** **Excellence** **Enterprise**

Organic Business Expansion

- Expand our range of products, solutions and services to improve customer experience
- Identify new revenue streams and market adjacencies to counter cyclicity and increase recurring income

Motors

- Opened three new showrooms in Tier 1 cities in China (Changsha, Shenzhen and Dongguan) for BMW, Volvo and MINI
- Obtained Porsche assembly franchise for Malaysia
- Strengthened partnerships with China EV OEMs such as NIO (Shenzhen), Li Auto (Haikou and Qujing) and Weltmeister (Changsha)

Industrial

- Explore opportunities along the mining value chain to become an integrated solutions provider
- Explore entering alternative segments in metals and commodities as well as new regions to capitalise on the energy transition journey

Motors

- Continuously expand our presence in the Chinese luxury car market, including in the fast-growing Tier 3 and Tier 4 cities in China
- Pursue new dealerships for pure electric vehicle brands in China
- Explore strengthening expertise in electric vehicle equipment and infrastructure

Monetisation of Non-Core Assets

- Disposal of non-core assets to free up resources
- Review of under-performing businesses for asset rationalisation

Logistics

- Strategic divestment of Jining ports

Others

- Completed sale of stake in Tesco Malaysia
- Completed sale of stake in Eastern & Oriental Berhad
- Dissolved Union Sime Darby (Thailand) Limited

Divestments

- Focus on divesting major non-core assets to redeploy capital into our core businesses.

Expanding Healthcare

- Accelerate growth and diversify geographical footprint through acquisitions
- Unlock the next phase of growth through strategic development projects
- Improve quality of products and services and increase in-patient volume

Healthcare

- RSDH completed acquisition of Manipal Hospitals Klang

Healthcare

- Continuously expand in Asia where the healthcare infrastructure base remains underpenetrated and demand is expected to rise due to growing middle-income populations and chronic diseases
- Capitalise on medical tourism which is expected to resume with the expected lifting of travel restrictions ahead

Engaging Stakeholders

We recognise stakeholder engagement as one of the key forces that shape how we create sustainable value. With continuous shifts in stakeholder expectations, we need to keep our finger firmly on the pulse when it comes to understanding the issues that matter most to our different stakeholders.

Through regular and consistent engagement with our key stakeholders, we are able to develop insights that help shape our strategic priorities and align the interests and expectations of our stakeholders with those of our businesses.

The following is a summary of our interactions with our key stakeholders during the year.

Stakeholders	Key Topics Raised	How We Engage	How We Responded
Investors	• Operational and financial performance • Internal strategies for navigating the COVID-19 pandemic • Expansion plans for Industrial, Motors and Healthcare Divisions • Long term direction of the mining industry • Impact of global shortage of semiconductor chips on inventory levels • Progress of non-core asset disposals • Implementation of capital management strategies • Implementation of cost optimisation strategies • Climate change and environmental regulations	• Analyst briefing sessions • Investor conferences • One-on-one engagements • Site visits	See our Value Creation Plan on pages 40 to 41 on how we create value for our investors. See our Group Chief Financial Officer's Review on pages 64 to 71to find out more about our capital management strategies. See our Divisional Operations Review on pages 72 to 99 to find out how we are addressing the relevant issues pertaining to our business operations.
Customers	• Customer service • Efficiency, transparency and user-friendliness of retail experience • Reliability of after-sales service • Additional or value-added services • Competitive pricing	• Tradeshows, exhibitions and product launches • Direct marketing and sales engagements • Online and social media marketing • Customer feedback surveys • Customer relationship programmes	• Ensured all staff are well trained and received continuous upgrading in product knowledge and customer service skills • Ensured continuous operational improvements at all business units to optimise sales and marketing channels • Accelerated digitalisation to provide customers with more avenues to access our products and services • Strengthened after-sales service in the areas of contactless pickup and delivery, online booking for vehicle servicing and predictive maintenance • Improved facilities to enhance customers' comfort and convenience • Offered competitive pricing, sales promotions and other purchasing incentives

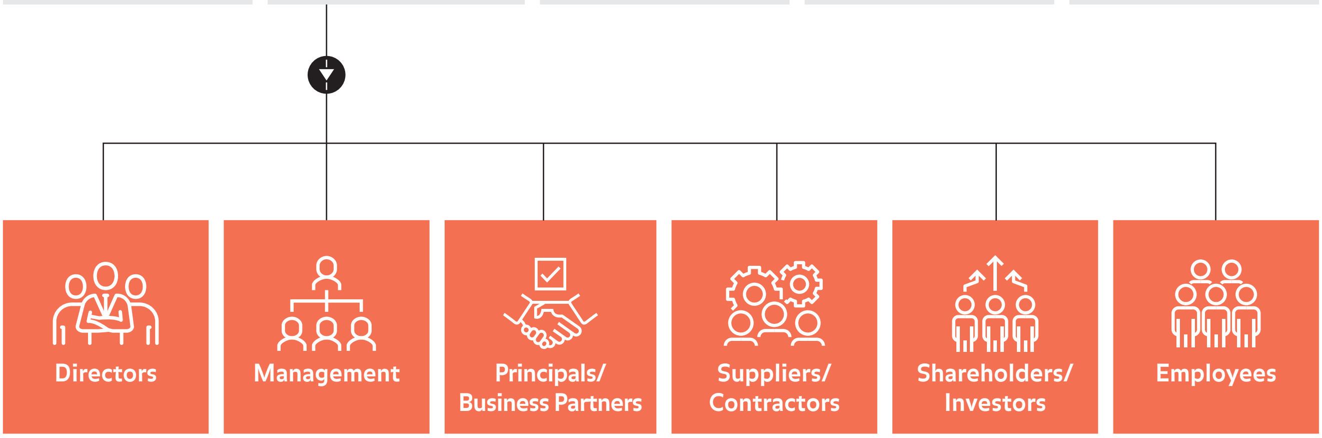
Stakeholders	Key Topics Raised	How We Engage	How We Responded
Suppliers/ Business Partners	• Efficient routes to market • Partnerships for growth • Business opportunities and decisions • Joint venture operations	• Networking sessions to build relationships • Vendor Development Programme • Increase meaningful engagements: – Top-level executive management meetings – Market/country-level meetings – Other engagements with suppliers/ business partners	• Improved operations across all business units to optimise our business performance • Partnering market-leading brands and offering them best-in-class facilities • Increased networking sessions with business partners to share information and improve alignment of business plans
Employees (current and potential)	• Health, safety and well-being • Remuneration and benefits • Employee engagement and motivation • Talent development and career progression opportunities • Business growth and sustainability	• Town halls, employee engagement sessions and department meetings • Employee web portals, webinars and internal newsletters • Corporate and divisional websites • Social media channels • Survey and internal feedback surveys	See the Creating Sustainable Value section on pages 110 to 121 to read about our approach to employee health and well-being, as well as our efforts in employee engagement and training and development.
Communities	• Social development • Community well-being • Education	• Community engagement and outreach programmes • Strategic partnerships with NGOs, community organisations and social enterprises through Yayasan Sime Darby • Corporate and divisional websites • Social media channels	See the Creating Sustainable Value section on pages 114 to 117 to read more on our approach to community contributions and development.
Government/ Authorities/ Regulators	• Corporate social responsibility • Environmental sustainability • Labour and safety regulations	• Regular engagement and dialogues • Consultation on regulatory matters	See the Creating Sustainable Value section on pages 100 to 121 on how we manage the relevant issues.
Media	• Corporate developments • Long term plans • COVID-19 response • Response to geopolitical events	• Periodic updates on corporate developments and key events via press releases and media engagements • Media interviews • Media briefing sessions	See our Chairman's Statement and GCEO's Q&A on pages 16 to 29 to further understand how we are managing these topics.

Material Matters

Material matters are the economic, environmental, social and governance matters that significantly influence our ability to create value for our stakeholders over the short, medium and long term. By understanding the needs and interests of our stakeholders, we were able to identify and prioritise the matters that are of the highest importance to our stakeholders and to the business.

To determine the Group's material matters for FY2021, a materiality exercise was conducted internally. A similar methodology to that conducted with an independent third party in FY2019 was adopted, to ensure consistency and comparability of the material matters.

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Internal review of existing material matters	A desktop review of our principals, peers and customers material matters was undertaken. A survey was conducted with directors, management and employees. Detailed interviews were undertaken with management. The review also encompassed international sustainability forums which the Group participates in.	Ranking of material matters based on the results of reviews on stages 1 and 2	Mapping of material matters in a materiality matrix	Alignment of material matters against the Group's strategies



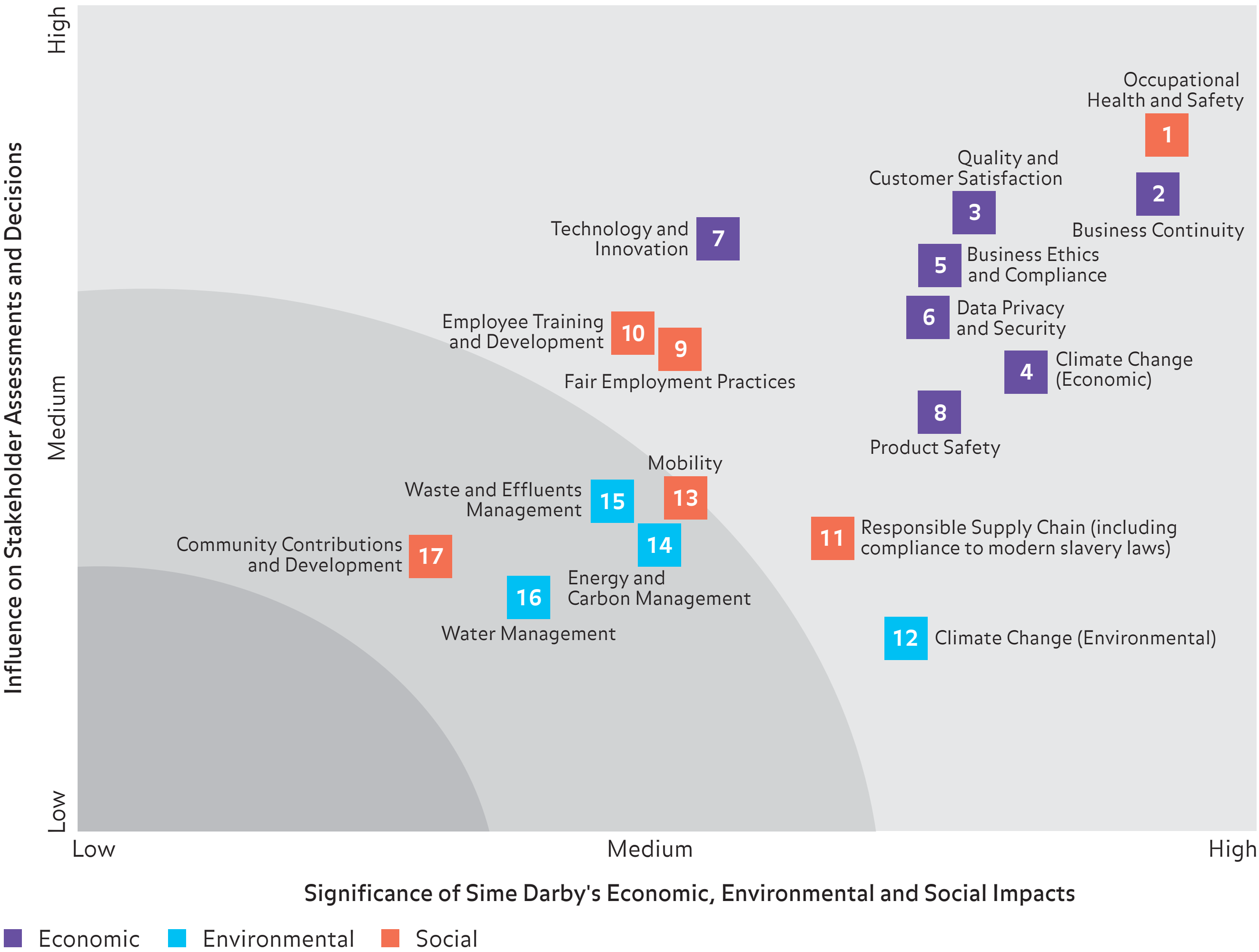
This process was guided by the principles of internationally-recognised reporting frameworks as set out by the International Integrated Reporting Council (IIRC), Global Reporting Initiative (GRI) and the Dow Jones Sustainability Indices (DJSI), in addition to the Sustainability Reporting Guide by Bursa Malaysia Securities Berhad.

Relevant international industry trends and best practices of selected industry organisations were also studied in the review process.

In FY2021, a total of 17 material matters were identified. Of these 17, five were new emerging matters that reflect the evolving business environment of the Group.

The following chart shows our material matters in FY2021 and extrapolates the importance of each material matter based on its influence on stakeholder assessments and decisions, as well as its level of impact on the Group.

Materiality Matrix (Sime Darby Berhad)



Material Matters	Description	How We Are Addressing This Issue
1 **Occupational Health and Safety**	Sime Darby is committed to achieving its goal of "No Harm" by ensuring that its occupational health and safety policies are effectively translated into practice across its operations, through clear measures that reinforce uncompromising safety standards. The Group strives to prevent injuries, fatalities and occupational hazards at all its workplaces including warehouses, assembly sites and showrooms.	In addition to customising our health, safety and environment training programmes and making available personal protective equipment where needed, the Group is also rolling out next-generation awareness and safety culture programmes for both its leaders and its employees. This is underpinned by mobile risk assessments, improved lead indicator reporting and a targeted internal audit programme. Proactive measures to prevent incidents and minimise risks have been implemented Group-wide. See pages 118 to 120 for the Group's report on safety.

Material Matters

Material Matters	Description	How We Are Addressing This Issue
2 **Business Continuity**	Sime Darby continues to remain competitive and sustainable in the market, by: • Diversifying and expanding its portfolio of product and service offerings together with delivery platforms/ approach as well as expanding further into existing and new markets to gain competitive advantage. • Focusing on the efficiency of business operations. • Maintaining access to capital and ensure good credit ratings. • Maintaining good relationships with business partners and suppliers. • Managing or reducing dependency on a single, major business partner, supplier or customer. • Mitigating and managing risks of disruptions in operations caused by internal and external factors. • Maintaining good relationships with the relevant authorities in respect of regulatory approvals.	We have put in place robust business continuity plans across the Group to proactively avoid or mitigate risks and to better protect our people, property and assets. This year, the Group launched a Business Continuity Management (BCM) programme, a Group-wide initiative to enhance Sime Darby's existing business continuity plans. The BCM programme will be fully implemented within approximately two years. Please see our Risk Management report on pages 51 to 63 for more on this.
3 **Quality and Customer Satisfaction**	Sime Darby aims to ensure that its products and services consistently meet the standards expected by its business partners, and has installed stringent quality control processes. They include internal quality control checks and third-party audits. Other Group-wide initiatives that ensure quality in customer service include processes to ensure prompt response to customer feedback and the adoption of user-friendly technologies to generate added value and enhance the customer experience. All this complements the Group's continuous efforts to improve product quality and customer satisfaction.	The different divisions across the Group drive continuous product improvement and service innovation. See Divisional Operations Review on pages 72 to 99 for discussions on Quality and Customer Satisfaction.
4 **Climate Change (Economic)**	The Group's management of operational financial risks associated with climate change with respect to: • Changing markets; • At-risk office/business locations (including significant impact from extreme weather events and difficult access to a reliable water supply); • Investor preferences; • Non-government organisations' activities and activism; and • Changing and emerging business models.	For more information on our efforts to mitigate the economic impact brought upon by climate change, please see page 107.

Material Matters	Description	How We Are Addressing This Issue
5 **Business Ethics and Compliance**	Sime Darby is committed to upholding the highest standards of business ethics and in ensuring zero breaches of regulatory requirements. This is to enable its businesses to run smoothly, responsibly and sustainably. The Group has established a clear and robust framework to guide ethical decision-making and strictly enforces standards laid out in its Anti-Corruption Policy, Whistleblowing Policy and Code of Business Conduct.	Read more in the Governance section on pages 132 to 163 to understand how this is addressed.
6 **Data Privacy and Security**	The Group has implemented the Group Personal Data Protection Manual which outlines the procedures and requirements regarding data privacy management and controls.	During the year, data privacy gap reviews were conducted for key business units across the Group to identify gaps and non-compliances in relation to latest privacy laws and regulations. Pragmatic actions were recommended to resolve these gaps; and to prevent the risk of a data privacy breach.
7 **Technology and Innovation**	The Group and Divisional strategy and Information Technology (IT) functions drive technology and innovation by identifying and implementing cutting-edge solutions. The Group leverages on business innovation and appropriate technologies to grow its top line, manage its bottom line and track business efficiency. The Group recognises that accelerating the adoption of technology drives competitive edge.	Please see Divisional Operations Review on pages 72 to 99 on our digitalisation efforts.
8 **Product Safety**	Sime Darby's products and service offerings are targeted to meet global market product safety expectations and legal requirements. In addition, the Group's businesses aim to leverage technology to enhance product safety across all product and service offerings.	We have implemented a comprehensive approach to product safety that includes setting up appropriate product safety and quality management systems. We also listen to, and act on, feedback from our customers. We leverage on technology, innovation and design to enhance the safety of our products.
9 **Fair Employment Practices**	Workplace diversity and inclusivity are entrenched in Sime Darby's fair employment practices. The Group ensures that employees are productively engaged and fairly remunerated. Workplace initiatives that uphold the principles of fair employment are implemented Group-wide. They include the integration of knowledge and experience across divisions and subsidiaries, continuous skills training and non-discriminatory hiring practices. Through equal opportunity and non-discriminatory hiring policies, the Group provides equal employment regardless of gender, race, disability, nationality, religion or age.	See pages 120 to 121 to read more about this.

Material Matters

Material Matters	Description	How We Are Addressing This Issue
10 **Employee Training and Development**	Employees are the Group's lifeblood. By developing a strong talent pool, the Group is able to build capacity in anticipation of future business needs. To attract and retain a pool of professional and skilled talent, the Group implements a comprehensive staff selection process and provides internal and external training programmes to strengthen the competencies and nurture the career progression of its people. Talent management is geared towards retaining the right mix of intellectual capital and cultural fit to propel the organisation forward.	See pages 112 to 114 for more information on Employee Training and Development.
11 **Responsible Supply Chain (including Modern Slavery)**	The Group manages labour practices (including modern slavery) responsibly throughout the supply change of all operations, by setting stringent selection criteria for both suppliers and contractors. These include compliance with regulatory requirements such as ethical standards, product safety standards and environmental standards.	Across all its markets, the Group's businesses are required to establish clear Standard Operating Procedures which are aligned to the Group Procurement Policies and Authorities for the procurement of goods and/or services. These SOPs are aligned to and require Vendor adherence to the Sime Darby Vendor Code of Business Conduct and also to the Sime Darby Code of Business Conduct, which guides the standards of behaviour expected of all contractors and employees of the Sime Darby Berhad (including management). To read more about this, see pages 156 to 163. Both our Industrial and Motors operations in Australia have released local, independent Modern Slavery Statements, available at: • https://modernslaveryregister.gov.au/statements/2668/ • https://modernslaveryregister.gov.au/statements/1315/
12 **Climate Change (Environmental)**	This covers the Group's support of relevant international bodies and participation in voluntary standards, targets and reporting.	For more information on our efforts to combat the environmental effects of climate change, please see pages 104 to 107.

Material Matters	Description	How We Are Addressing This Issue
13 **Mobility**	Mobility includes the social and economic effects of changing patterns in movement, for example: • The sustainable movements of products and materials within and across borders. • Changing behaviours that affect movements of people and their use of vehicles such as working from home, work locations and holiday choices. • The availability of vehicles/machinery capable of automation/autonomous operation on multimodal digital networks.	Sime Darby has established a Mobility Unit in 2019 to explore new trends and opportunities for growth in the automotive industry as part of Sime Darby's strategy to future-proof its Motors business. Read more on this on page 7.
14 **Energy and Carbon Management**	The Group is committed to reducing its carbon and energy footprint through energy efficiency programmes and emission monitoring. In line with that commitment, stringent internal controls and monitoring mechanisms have been established that track and monitor emissions from the Group's operations. Energy-efficiency initiatives have also been incorporated across the Group's operations. These initiatives include building workplaces to contemporary green standards, installing LED lighting, utilising solar power, initiating renewable energy projects and improving fuel economy in the Group's fleet of company-owned vehicles and across its heavy machinery operations.	See pages 104 to 107 to find out more on our energy and carbon management efforts.
15 **Waste and Effluents Management**	Efficient and effective waste and effluent management helps reduce the impact of the Group's operations on the environment. Sime Darby is focused on improving its monitoring and management mechanisms for hazardous and non-hazardous wastes and effluents, and on complying with regulatory requirements in the locations in which operates.	Sime Darby manages all its domestic, industrial and scheduled waste in accordance with its Group-wide policy to ensure compliance with both national and local legislations in every market where it operates. The Group sets waste and effluent management targets that are aligned with its environmental sustainability commitments. Additionally, the Group is prioritising its reduction targets for scheduled waste. The reduce, reuse and recycle methodology has been successfully implemented at a number of sites globally. In addition, the Group is currently conducting a review of its waste service suppliers to ensure that these suppliers align with regulatory tracking requirements and the reporting capability demanded by the Group. See page 108 for more information.

Material Matters

Material Matters	Description	How We Are Addressing This Issue
16 **Water Management**	Sime Darby recognises that water is a finite and shared resource and that effective water management is critical to sustainability. Group-wide internal controls, monitoring mechanisms and data collection procedures have been implemented to manage, track and reduce our water consumption across all our operations. The Group also launched water-saving initiatives such as internal campaigns to raise awareness among employees on the importance of water conservation and the implementation of practical water recycling solutions at its work sites. Benchmarks for water consumption are also set across all its operations.	See pages 108 to 109 for more details.
17 **Community Contributions and Development**	Creating positive and lasting impact in local communities is central to Sime Darby's sustainability mission. The Group makes monetary and non-monetary contributions to Yayasan Sime Darby to support community development programmes. Aside from contributions to Yayasan Sime Darby, the Group also encourages and supports local community initiatives led by its divisions in their operations across the region.	See pages 114 to 117 to find out more.

Risk Management

FY2021 was a challenging year with global risk events occurring across the Group's operational footprint. Due to Sime Darby's diverse geographical footprint, the Group's businesses are largely dependent on global economic conditions, especially in key markets such as Australia, China and Malaysia. Throughout FY2021, the global economic situation was mainly subdued due to pandemic-induced uncertainties although the situation improved in the second half with the progressive rollout of vaccines in the countries where we operate. But while the extreme uncertainty created by the COVID-19 crisis is now gradually abating, risks remain, with supply chain disruptions and people safety being among the biggest.

The Group remains vigilant in managing its risks by continually identifying, prioritising and responding to threats and uncertainties that impact business operations and decision-making process.

During the year, the Group Risk Management (GRM) function continued to assist the Risk Management Committee (RMC) in providing oversight of enterprise-wide risk management and in supporting the Divisions' risk assessment and risk monitoring initiatives.

Key Risk Management Activities

The Group's Risk Management Blueprint continues to guide the Group in ensuring risk management is integrated in all operating and decision-making processes. A five-year roadmap developed in FY2019, the Blueprint enables us to create value through an integrated risk management approach. The diagram below shows the key components and activities covered under the Blueprint.

Stakeholder Engagement & Communication

Vision & Mission

Preserving shareholder value via good risk management practices:

- Inculcate high level of risk awareness **culture**, knowledge and understanding
- Position risk management as a key **decision-making** tool
- Embedding risk management into all **key business processes**

Key Enablers

Capacity Building

- Risk Culture
- Knowledge & Awareness

Policy & Governance

- Framework
- Risk Governance
- Risk Appetite

Risk Advisory & Reporting

- Risk Assessment
- Reporting
- Research & Analysis
- Special Projects

Business Resiliency

- Business Continuity Management
- Insurance Management

Systems & Processes

- Risk Management System
- Tools & Techniques

Continuous Improvement & Excellence

Risk Management

Risk management activities undertaken in FY2021 were primarily focused on risk response and resilience management. These were necessary to address the pandemic and its wide-ranging effect on the Group. A key initiative in the year was the development of a Business Continuity Management (BCM) programme for the Group. This group-wide initiative was undertaken to enhance Sime Darby's existing business continuity plans and will be fully implemented within approximately two years.

Sime Darby's BCM programme will focus on the development of strategies, plans and actions to enable the Group to respond, recover and resume critical business functions and processes in the event of a disruption to normal business operations. The prescribed business continuity plans cover a wide range of areas including people, premises, supply chain, finance, information technology, transportation and communication.

In the year under review, we conducted special risk assessment reviews on key regulatory compliance risk areas such as anti-bribery and corruption and personal data protection. These reviews were undertaken to identify risk factors associated with these areas and, more importantly, to prevent and mitigate their impact on the Group. These reviews were carried out for selected business and operating units in key markets such as Malaysia and China. Compliance with laws and regulations on anti-bribery and corruption and personal data protection is increasingly important with heightened scrutiny and enforcement by authorities across Sime Darby's regional footprint.

Other key initiatives undertaken in FY2021:

Critical Factors	Strategic Goals	Key Initiatives Undertaken in FY2021	Initiatives for FY2022
1 **Capacity Building**	• To build a strong risk-centric culture • Shared accountability and responsibility in managing risks	Facilitated the following risk awareness training sessions and technical risk management workshops for all risk practitioners across the Group. • Bribery Risk Assessment • Cybersecurity Risks • Key Risks in Mergers and Acquisitions • Setting Risk Appetite and Tolerance Levels	• Continue to conduct programmes to enhance knowledge and understanding of risk management among our people across the business • Continue to conduct periodic risk awareness sessions and technical risk assessment workshops covering key enterprise risk topics such as climate change, assessment of internal controls and project risk management
2 **Policy and Governance**	• Systematic implementation of risk management framework across the Group • Introduction of relevant policies and guidelines on risk management	• Developed the Group's inaugural Business Continuity Management (BCM) Framework • Assisted the Board in developing and monitoring Sime Darby's group risk appetite and tolerance levels • Enhanced Sime Darby's Personal Data Privacy Policy (with Group Compliance and Integrity (GCI) and Group Legal departments) Developed guidelines on the setting of key risk indicators (KRIs)	• Continue to roll out policies and guidelines for key risk management areas • Refresh Enterprise Risk Management (ERM) framework to align risk parameters with existing business environment • Establish Operational Risk Management Framework

Critical Factors	Strategic Goals	Key Initiatives Undertaken in FY2021	Initiatives for FY2022
3 **Risk Advisory and Reporting**	• Establishment of robust systems and processes to drive more effective assessment and monitoring of risks	• Conducted Bribery Risk Assessment for six medium to high risk entities in China and Malaysia (with GCI) • Conducted data privacy enhancement reviews of four key entities in Malaysia, Thailand and China • Performed risk assessment of key investment proposals and major projects • Performed annual forecast of key risk factors affecting the Group's businesses	**Operational Risk Management** • Implement operational risk management programmes focusing on key internal processes such as sales, procurement, inventory management and asset management **Regulatory Risk** • Conduct data privacy and bribery risk assessments for key business units **Risk Monitoring** • Enhance risk monitoring via identification of KRIs for key enterprise risks
4 **Business Resiliency**	• Build resilience and sustainability in our responses to disruptions arising from a crisis or disaster • Optimise insurance coverage across the Group	**Business Continuity** • Launched BCM programme – a group-wide project aimed at enhancing the Group's BCM capability • Formalised the Group's BCM governance structure by establishing a BCM Steering Committee and developing the Group's BCM framework • Appointed and onboarded new BCM Coordinators for all key businesses and operating units • Organised and co-facilitated training programme for BCM Coordinators on key topics such as business impact analysis, crisis communication (with Group Communications department) and health safety (with Group Safety and Sustainability department)	**Business Continuity Management** Continue to implement BCM programme across the Group Programmes include: • Business Impact Analysis • Identification of Continuity Strategy • Development of BC Plans • Training and Awareness **Insurance Management** Work with insurance brokers to optimise the Group's insurance coverage and explore other insurable risks based on Sime Darby's enterprise risk profile

Risk Management

Restructuring of Group Risk Management and Group Compliance and Integrity

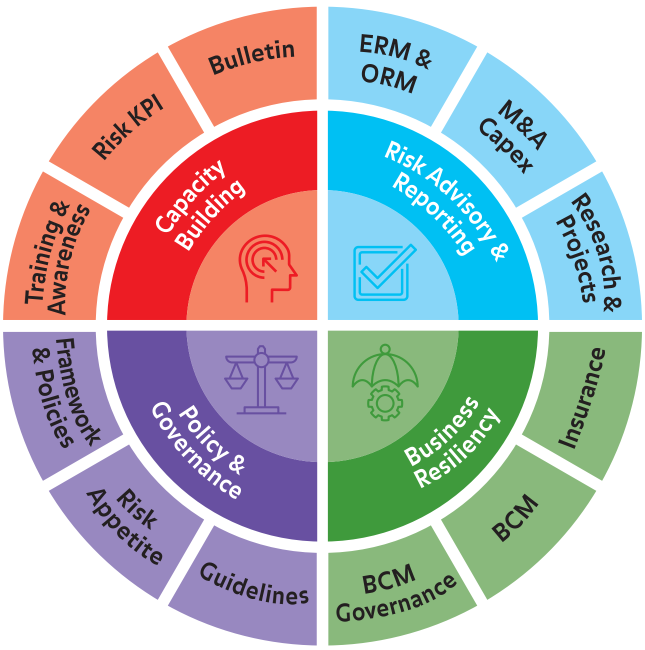
In July 2021, GRM was merged with Group Compliance and Integrity (GCI) into one single function and renamed as **Group Risk and Compliance (GRC)**. The strategic rationale for the merger is to enable both risk and compliance to be streamlined in terms of scope, resources and performance. This was also undertaken after a restructuring of the Risk Management Committee's (RMC) terms of reference in November 2020 led to a change of GCI's functional reporting line from the Governance and Audit Committee (GAC) to the RMC.

Integration Plan

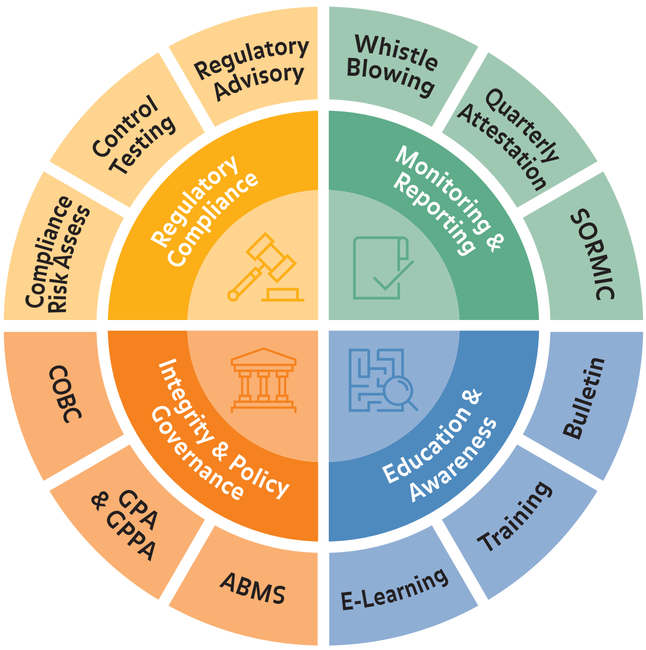
GRM and GCI are independent governance functions established to assist the board in discharging its risk and compliance duties and responsibilities. GRM and GCI's primary role are complementary – to work with Management to design, implement and monitor risk and compliance frameworks (as second line of defense).

The following charts depict the roles of GRM and GCI prior to integration:

Group Risk Management



Group Compliance and Integrity



For FY2022, GRC will focus on merging the two functions by re-strategising its plans, priorities and initiatives; identifying potential areas of synergy; and streamlining its resources and scope of responsibilities. This merger is expected to enhance the effectiveness of the Group's governance function (particularly as the second line of defense) by removing any duplication of duties and responsibilities between GRM and GCI

The restructuring plan will be driven by three key enablers:

- **Purpose** – Redefine a common set of vision, mission, strategy and objectives
- **Process** – Streamline the existing risk and compliance processes based on common priorities and focus areas; repurpose or transform processes with lesser value
- **People** – Streamline roles and responsibilities of team members to enable efficient deployment of resources.

The New GRC Blueprint

To redefine its purpose, GRC will be guided by a new blueprint that focuses on common vision and mission statements, critical success factors and strategic focus areas.

Stakeholder Engagement & Communication

Continuous Improvement & Excellence

Vision & Mission

Preserving shareholder value via good risk management pratices:

- Inculcate high level of risk awareness **culture**, knowledge and understanding
- Provide **reasonable assurance** to the Board that the Group's operations are conducted in line with key regulatory requirements
- Embedding risk management into all **key business processes**

Critical Success Factors

People
With the right skills, knowledge and understanding of risk and compliance

Empowerment
Access to the right level of support from board and senior management

Professionalism
Ability to execute work and judgement independently and professionally

Performance
High performance strong dedication and commitment to achieve objectives

Agility
Continuously explore ways to simplify and enhance work processes

Strategic Objectives and Focus Areas

Assessment & Advisory
Identification, assessment of key risk areas

Culture & Awareness
Continuously create a risk & compliance centric culture

Policy Governance
Establish relevant framework, policies & guidelines

Compliance Programme
Mitigation actions for key compliance risk areas

Resilience Management
Ensuring organisational resilience

Monitoring & Reporting
Reasonable assurance on compliance

Procurement Governance
Compliance with GPPA and strategic procurement policies

Risk Management

Sime Darby's Top Ten Risks

Effective risk management can be a source of competitive advantage. By understanding and effectively managing risk in a holistic manner, the Group is able to provide greater certainty and strengthen stakeholder confidence. Diversification of its portfolio of businesses is a key element in the Group's ERM approach. The Group views and manages its risks on a group-wide basis, with ERM embedded in critical business activities, functions and processes.

Key risks and how they are managed:

Key Risks	Risk Trajectory	Description	Key Highlights in FY2021	Key Mitigation Measures
1 **Market Dynamics**		**Geopolitical Risks** Sime Darby is susceptible to global macroeconomic and geopolitical factors, particularly in Australia and China where a significant portion of its business operations are located	In FY2021, the COVID-19 pandemic exposed the Group to supply chain and market risks in some of the Group's key markets. The tenuous relationship between Australia and China remains a key geopolitical risk factor for our Industrial business in Australia. Tensions mounted following China's ban on Australian coal in 2020. This affected demand for mining equipment and services. The impact of tit-for-tat sanctions imposed by US and China can also potentially disrupt our Industrial business in China.	• Continuously monitor key geopolitical and macroeconomic developments that may expose the Group to systemic risks • Review Value Creation Plan and portfolios to take into account strategic plans to diversify the Group's businesses • Review the Group's Risk Appetite to prevent and mitigate over-concentration of investment in a single territory or industry
		Competition Risks The Group has to compete against intense price competition and innovative product offerings by competitors	Competition risk has risen across all key markets especially in China amidst the occurrence of the "revenge shopping" phenomenon. The Industrial division's China operations experienced competitive pricing pressure as local OEMs continue to dominate the equipment market. The Logistics division faced intense competitive pressure amidst price competition from nearby ports and the availability of alternative modes of transportation.	• Diversification strategies are in place to alleviate over-concentration on any one single brand or product • Close monitoring of competitors' strategies to sharpen understanding of industry and market trends • Step up digitalisation to leverage on innovative solutions that streamline operations and optimise costs • Continue to work with key principals to enhance price competitiveness

Key Risks	Risk Trajectory	Description	Key Highlights in FY2021	Key Mitigation Measures
2 **Acquisitions and Divestments**	◄ ►	Risk of inability to generate expected returns from investments or divestments	During the year, the Group continued to pursue growth via strategic acquisitions and divestment of non-core assets, with the goal of optimising its invested capital. Risk assessment exercises were conducted to identify and mitigate key risks pertaining to the Group's investments and divestments. Integration plans for these investments are on track and progressing well.	• Conduct rigorous due diligence on key investment proposals and projects • The Board and Management oversee, review and approve key acquisitions and divestments based on policies provided in the Group Policies and Authorities document.
3 **Business Partners**	◄ ►	The Group's dealership businesses are highly dependent on key principals and joint venture partners, and thus are greatly affected by their performance	No significant event or incident occurred during the year that impacted the Group's relationship with its key principals (Cat and BMW) and joint venture partners. Concentration on key principals remains high and could potentially increase as the Group continues to expand its Cat and BMW businesses in the medium to longer term. Whilst governance and oversight of joint ventures has improved over time, significant resources are required to align different and potentially incompatible priorities and vested interests in order to achieve synergy and a unified business direction.	• Continuously engage with key principals to align business goals • Strive to support the initiatives and programmes of our principals • Seek to diversify our business to reduce the risk of over-concentration in key principals, while being fully cognisant of the need to maintain strong relationships with these key principals • The Board and Management provide oversight and receive periodic reports on the business performance of joint ventures • Set stringent partner selection criteria and guidelines including making appropriate governance arrangements

Risk Management

Key Risks	Risk Trajectory	Description	Key Highlights in FY2021	Key Mitigation Measures
4 **Disruptions and Disintermediation**		Risk of technology disruptions reshaping the automotive and heavy equipment industries	This risk encompasses the following key issues: • The risk of disintermediation with the advent of new digital ecosystems. In addition, innovative business models such as ride-sharing and omnichannel platforms are progressively undermining the traditional dealership business model. • Internal combustion engine vehicles (petrol and diesel cars) will be eventually phased out due to efforts to combat climate change and to decarbonise in the markets where we operate.	• Developed business transformation initiatives and digital-proofing strategies to counter the threat of digitalisation • Continually seek and explore M&A opportunities with digital partners • Utilising ongoing digitalisation process to develop new products and services • Established an electric vehicle master plan that allows us to identify potential strategies for the electric vehicle market and opportunities to penetrate the market • Established a mobility unit to explore new trends and opportunities for growth in the automotive industry with the aim of future-proofing our Motors business.
5 **Safety**		Health and safety risks compromising the health and safety of stakeholders	The Group Safety and Sustainability team have standardised processes and procedures across the group implemented by all Business Units, to manage the health and safety risks. The COVID-19 pandemic also created health risks among employees, particularly frontline workers.	Standardised processes and procedures have been developed for reporting, classification and investigation. Baseline desktop health and safety audits were undertaken across all Divisions, with corrective action plans implemented as required. Established safety and precautionary measures across all our operations to mitigate the risk of COVID-19 infection. These measures include: • Provision of face masks and hand sanitisers to staff, where required; • Promoting the practice of social distancing; • Regular sanitising of workplaces and displayed vehicles; and • Established regime of contact tracing and testing for affected employees

Key Risks	Risk Trajectory	Description	Key Highlights in FY2021	Key Mitigation Measures
6 **Product and Service Delivery**		Risk associated with product demand, supply chains, quality and service delivery	Lockdowns and movement control restrictions brought on by the pandemic have led to supply chain issues such as inventory shortage and supply bottlenecks across the Group. This is affecting particularly our operations in Malaysia, Indonesia and Thailand where COVID-19 cases remain relatively high. This risk could further exacerbate amidst a global shortage of semiconductor chips for the automotive segment. Currently there is no significant impact on our Motors business but a shortage in our inventory of new vehicles could occur in the medium term if the situation persists.	• Engage regularly with our principals to optimise inventory levels • Additional care in inventory planning and management
7 **Cybersecurity**		Risk of IT security breaches such as intrusions, Distributed Denial of Service (DDOS), malwares and ransomware resulting in significant data breaches or failure of key business systems	There were no major or high-risk cyber incidents during the year other than a few isolated cyber attempts that were successfully detected and averted. Nonetheless, cybersecurity risks are anticipated to increase in tandem with the Group's aggressive expansion and growing footprint. This risk is also heightened with increased reliance on the Internet and information technology as well as increased instances of remote/offsite network access.	• The Group's Cyber Security Road Map encompasses key initiatives such as data centre event monitoring, the setup of a Security Operations Centre, IT security awareness programme, vulnerability assessments, penetration tests and security audits • Continuous training to be conducted to raise awareness in employees of cybersecurity threats
8 **Project Management**		Project-related risks such as risks incurred during project planning and execution, and in the management of contracts and tenders	During the year, capital expenditure was incurred in the upgrading of showrooms and service centres for the Industrial and Motors businesses and to enhance port facilities in the Logistics business. These projects are largely on track but minor delays are anticipated in the medium term amidst the occurrence of lockdowns and movement control orders in certain markets.	• The Board and Management to continue providing oversight and review of key capital expenditure projects • Established project governance committees to monitor the execution, spending, procurement activities and progress of key projects

Risk Management

Key Risks	Risk Trajectory	Description	Key Highlights in FY2021	Key Mitigation Measures
9 **People and Culture**		The risk of not having enough talents with the required skills, knowledge and expertise to execute the Group's strategies	Having talents with the required skills, knowledge and expertise is imperative as Sime Darby continues to expand its business into new markets and geographies. This risk is being managed by the Group Human Resources department, which is enhancing talent management and succession planning initiatives.	• Developed a comprehensive plan to recruit talents for strategic positions that are currently unfilled • Succession planning now included as one of the KPIs for key office holders in the Group • Continuous training and development programmes to be conducted to enhance employees' skills and knowledge
10 **Legal and Regulatory Compliance**		Changes to the regulatory regime in the markets where the Group operates may expose the Group to higher compliance cost and scrutiny	During the year, there is a concerted tightening in the enforcement of key laws and regulations by authorities in some of our key markets, especially in Australia and China. Laws on environment protection, anti-bribery and corruption, personal data protection, anti-slavery and anti-trust and anti-competition are increasingly being highlighted in most of our key markets. In the medium to long term, this could drastically change the operating environment of the Group's businesses and potentially lead to higher compliance costs.	• Regularly engage and communicate with governments, regulators and authorities to ensure the potential impact of proposed regulatory changes are understood and, where possible, mitigated. • Developed a regulatory compliance programme to undertake a comprehensive assessment of the Group's compliance efforts in the area of regulatory requirements.

Emerging Risk – Sustainability

The Group is aware of the role sustainable operations have in preserving its long term value and business resiliency. This is further supported by the focus upon environmental, social or governance metrics by investors, stakeholders and governments. For example, the advent of electric vehicles and the systemic decarbonisation of energy-intensive extractive industries is gaining traction in many of our key markets, resulting in a substantial proliferation of regulations and self-reporting standards aimed at tackling the broader climate change risk.

During the year, China, Hong Kong, Singapore and Thailand have introduced new policies and regulations which proactively encourage a higher adoption of electric vehicles, with the aim of eventually phasing out internal combustion engine vehicles. In some jurisdictions, capital provision has changed, with banks and financial companies in Australia pledging to withdraw support from carbon-intensive industries in the longer term.

In mitigating this emerging risk, the Group established a new Sustainability Blueprint and dedicated Sustainability Roadmap to complement its Value Creation Plan and to embed sustainability into operations for better decision making and to view sustainability as an opportunity. Please refer page 100 for more details.

Risk Appetite

Risk appetite refers to the level of risk an organisation is prepared to accept in pursuing its strategic objectives. Formulation of risk appetite is guided by the Group's Risk Appetite Framework. For more information on the Risk Appetite Framework please refer to page 160.

The Group's risk appetite is documented in a formal written statement (the Risk Appetite Statement) that articulates the Group's risk strategy. Each year GRM, in consultation with the RMC and the GMC draws up the Risk Appetite Statement and presents it to the Board for approval.

During the year, the Board approved additional risk appetite statements for cybersecurity, brand and reputation, key principals and sectorial risks. This culminates in a total of 14 risk appetite statements for twelve key enterprise risk areas as shown in the table below:

Risk	Risk Posture	Risk Appetite Statement	Impact on Business Processes
Geographical Risk	Low appetite for exposure in high-risk countries	**We will limit our investments in countries/ regions with high macroeconomic, sociopolitical, and bribery & corruption risk factors**	The Group is obliged to conduct stringent risk assessments (legal and financial) due diligence on investments in high-risk countries. Risk tolerance levels and risk thresholds are set to limit over-exposure to such investments.
	Moderate appetite for geographical diversification	**We will continue to pursue investments in key markets, but we will avoid over-concentrating our investments in a single country or region.**	The Group closely monitors its exposure to country concentration risks, macroeconomic risks and geopolitical risks due to its regional footprint. Moderate risk tolerance levels and threshold limits are set to prevent over-investing in a single country or region.
Mergers and Acquisition	Moderate appetite for investments that may adversely impact the Group's financial position	**We have low tolerance for investments that may adversely impact the Group's financial position and reputation.**	The Group closely identifies and monitors low-yielding or unprofitable investments and is proactive in taking steps to mitigate losses. Such investments are diligently monitored and periodically reported on and discussed at Board and RMC meetings.
	Moderate appetite for investments with high valuation	**We seek to avoid investing in businesses with high transaction multiples that could dilute our earnings**	The Group takes care to establish appropriate criteria for the pricing and valuation for all investment proposals. Guiding principles for the pricing and valuation of investment proposals are prescribed in the Group Investment Guidelines and Capital Allocation Framework.
Regulatory Compliance	Low appetite for business practices that could be in breach of local laws and regulations	**We will comply with the legislations within the jurisdictions where we operate; and have no tolerance for significant non-compliances of regulations.**	The Group has established a regulatory attestation programme to provide assurance in terms of compliance with key regulations.

Risk Management

Risk	Risk Posture	Risk Appetite Statement	Impact on Business Processes
Cybersecurity	Low appetite for risk that compromises the confidentiality and integrity of data	**We will limit and mitigate the impact of cyber security risk exposure on our business operations**	The Group's Cyber Security Road Map prescribes programmes and guidelines that are designed to protect the Group from cyber security threats. The Road Map covers a wide range of initiatives including the setting up of round-the-clock Security Operations Centres (SOC) in key markets and the implementation of robust IT security controls.
Health, Safety and the Environment	Low appetite for risks that compromise employees' health and safety	**We will minimise risks that will compromise the safety and health of our employees, partners and local communities in our areas of operations. We aim to work towards a goal of no harm in all of our operations.**	The Group communicates to all business units its overall health, safety and environment (HSE) goals and its low tolerance for exposure to HSE risks. Group-wide safety programmes are implemented to prevent and mitigate safety incidents.
Ethics and Integrity	Low appetite for activities that are deemed unethical or in breach of Sime Darby's Code of Business Conduct	**We have high expectations for ethical and integrity standards and will not compromise any incidences that breaches the Code of Business Conduct**	The Group's expectations with regards to ethical and integrity standards are well communicated throughout the Group. These expectations underscore the importance of the Group's anti-bribery management systems.
Brand and Reputation	Low appetite for risks that compromise Sime Darby's reputation	**We have low appetite for risks that will adversely affect our market position, impact our brand and reputation**	The Group manages this risk by closely monitoring media coverage on the Group and brand (online and offline) and by cultivating meaningful engagement with our key stakeholders.
Joint Venture Partnerships	Low appetite in terms of entering joint ventures without managerial control	**We have low tolerance for financial loss in our JV businesses, and will ensure appropriate governance and oversight on the selection and management of our JV partners**	Emphasis is placed on conducting due diligence on potential new joint venture partners.
Disruptions	High appetite for investments in start-ups	**We will seek to minimise the risk of technological disruption by leveraging on our digital proofing strategies, and continually exploring partnerships with digital partners to innovate our business processes and product offerings**	The Group's tolerance in greenfield and startup investments is clearly defined, and the high failure rate and other risks associated with such investments are carefully weighed before we embark on them. Such investments were closely monitored to ensure they remain relevant in achieving the Group's mobility strategy.

Risk	Risk Posture	Risk Appetite Statement	Impact on Business Processes
Key Principals	Low appetite for risks that compromise our relationship with principals	**We acknowledge the risk of being highly dependent on our key principals; and will avoid any situation or action that may adversely impact our relationship with them**	The Group manages its relationship with key principals with care. There are at present no significant risk or threat with regards to termination or non-renewal of existing dealerships.
Sectorial Risk	High appetite for pursuing growth via diversification of business segments	**We will continue to seek opportunities for diversification to spread concentration risk, but this should not go against Sime Darby's pure play strategy**	The Group actively explores opportunities in new business segments or adjacencies to achieve its growth targets. That said, Sime Darby remains focused on strengthening its core trading businesses. This is aligned to the commitment to its shareholders to remain focused on growing its trading business (pure play strategy). Therefore, the Group has set tolerance and threshold limits to monitor the risk of overly diversifying its trading business.
Cash flow and Funding	Low appetite for speculative investments in funds and derivatives	**We will not venture into financial instruments that are speculative, volatile and will increase the Group's risk exposure**	The Group carefully demarcates the types of high-risk treasury instruments to be avoided. Instead, capital and resources are channeled to investment types that are prescribed in the Value Creation Plan.

Tougher challenges and complexities are anticipated ahead in the new financial year with growing uncertainties in the macroeconomic and geopolitical environments in the territories that make up the Group's operational footprint. In this challenging setting, managing risks will be key as the Group endeavours to manoeuvre through these challenges to increase market share and grow shareholder value.

Group Chief Financial Officer's Review

Overall the Group recorded a 73.8% increase in net profit from RM820 million in FY2020 to RM1,425 million in FY2021. This is the highest net profit for the Group since our demerger in 2017.

Mustamir Mohamad
Group Chief Financial Officer

"The Motors Division posted a record profit before interest and tax of RM1,050 million, representing an 82.9% YoY improvement attributable to the outstanding performance of the Division's operations in China."

Revenue
RM44,483m

PBIT
RM2,181m

ROAIC
11.1%

ROE
9.2%

Net Dividend per Share
15 sen

Dear Valued Shareholders,

Overview

Sime Darby reported a commendable set of results for FY2021. Overall, the Group recorded a 73.8% increase in net profit from RM820 million in FY2020 to RM1,425 million in FY2021. This was mainly due to the strong operational performance of the Motors Division, particularly in China, and one-off gains. Core net profits, which is a better reflection of operational performance, grew 20% from RM1,040 million in FY2020 to RM1,248 million in FY2021. Both reported and core net profit for FY2021 are the highest for the Group since our demerger in 2017 (from continuing operations).

The Motors Division achieved profit growth across all regions, particularly in China and Australasia. Our China operations benefited from the strong rebound in luxury consumer spending after COVID-19 restrictions were eased in March 2020, while continued international travel restrictions saw Chinese consumers channelling their spending domestically on items such as luxury cars. Retail operations also rebounded strongly in Australasia aided by government incentives and significant contribution from the Sydney dealerships acquired in December 2019.

The Group also recorded gains from the disposal of its interests in Tesco Stores (Malaysia) Sdn Bhd (Tesco Malaysia) and Eastern & Oriental Berhad respectively. These disposals are part of the Group's ongoing exercise to dispose of non-core assets, generating proceeds of RM387 million (before tax) and gain on disposal of RM327 million (including reversal of impairment and before tax). The Group also disposed its entire equity interests in the three Jining ports (part of Logistics Division) for approximately RM183 million. The full proceeds of the Jining disposals would be received over three years.

Two sizeable impairments were recorded during the year. The Logistics Division registered impairment losses of RM85 million as the throughput at Weifang Port remained subdued due to strong competition in FY2021. The Motors Division recorded an impairment loss of RM89 million following constraints in developing a piece of land.

We had increased our focus on improving our Return on Invested Capital (ROIC), with equal emphasis given to balance sheet management and profit improvement. The increased focus resulted in significant improvement in inventory turnover days from 101 days in June 2020 to 81 days in June 2021 while total receivable turnover days also improved from 45 days to 42 days. The combination of stronger operating profits and invested capital management resulted in our core Return on Average Invested Capital (ROAIC) improving from 8.4% in FY2020 to 10.0% in FY2021.

Acquisitions and Expansion

Acquisitions and expansion are key cornerstones of the Group's Value Creation Plan. Our Industrial and Motors divisions both saw expansion, along with several notable acquisitions.

In July 2021, the Industrial Division entered into an agreement to acquire Salmon Earthmoving Holdings Pty Ltd for approximately RM325 million. Salmon Earthmoving Holdings Pty Ltd is a leading provider of rental and maintenance services in Australia servicing the civil construction, agricultural and mining sectors. The acquisition was completed on 1 October 2021. The Industrial Division also expanded its operations to Japan with the setting up of a Perkins engine operations there.

The Motors Division acquired a BMW dealership each in Malaysia and New Zealand while several new dealerships commenced operations in FY2021. In China, new dealerships that have commenced operations include Volvo dealerships in Shenzhen and Kunming, a BMW dealership in Changsha and a MINI dealership in Dongguan. BMW dealerships were also secured in Shanghai and Chengdu and a new Volvo dealership in Guangzhou will commence operations at a later date. The Division also officially opened Sime Darby Motors City, its multi-franchise automotive complex in Ara Damansara, Malaysia.

To future-proof the Motors Division, we made strategic investments in the mobility space. The Group participated in SOCAR Mobility Malaysia's Series B fundraising in September 2021. The investment would enable the Division to get an insider's perspective of the mobility sector.

In April 2021, Ramsay Sime Darby Health Care (RSDH), the Group's joint venture healthcare arm, acquired 100% interest in Manipal Hospitals Klang, for a consideration of RM370 million. The joint venture has been looking to expand its business and this acquisition marks the largest acquisition by the joint venture since its inception in June 2013.

Key Financial Performance Indicators

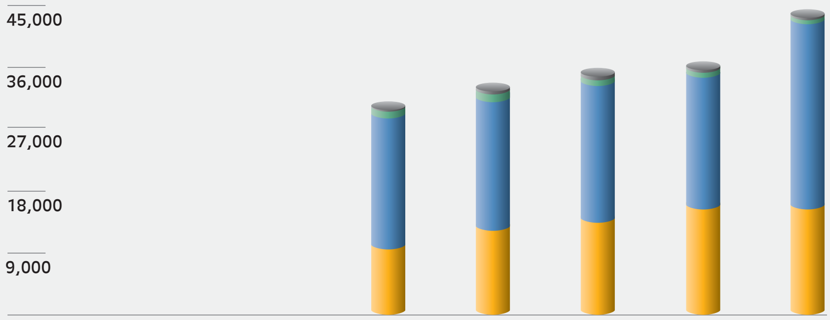
Sime Darby uses several key financial indicators to measure its financial performance. These key financial indicators are: Revenue, Profit before interest and tax (PBIT), Net Profit, ROAIC and Return on average shareholders' equity (ROE). The Board and Management regularly review these financial indicators to measure the Group's performance against set targets.

Revenue

The Group's revenue increased by 20.4% to RM44.5 billion in FY2021 on the back of a strong results from Motors Division. The Division posted a 35.4% increase in revenue to RM28.2 billion in FY2021 (RM20.9 billion in FY2020) due to solid performance in most markets, most notably in China. Meanwhile, the Industrial Division's revenue held steady at RM16.0 billion in FY2021 (RM15.8 billion in FY2020). A very significant portion of the Group's revenue continues to be generated outside Malaysia. In FY2021, 88% of

Group Chief Financial Officer's Review

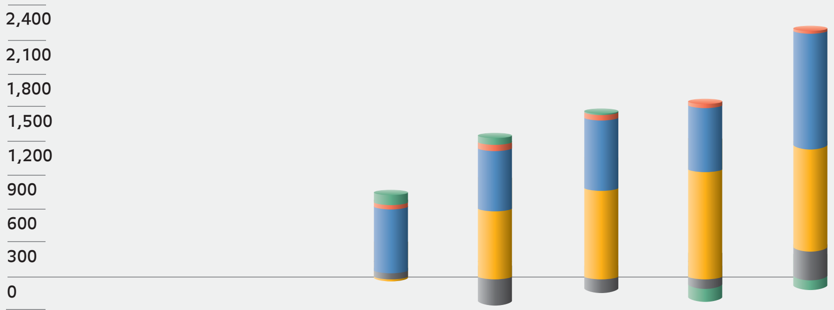
Revenue (RM million)



	FY2017	FY2018	FY2019	FY2020	FY2021
Industrial	10,127	13,041	14,113	15,794	16,004
Motors	20,602	20,341	21,606	20,852	28,235
Logistics	303	341	283	219	181
Others	55	105	154	69	63
Total	**31,087**	**33,828**	**36,156**	**36,934**	**44,483**

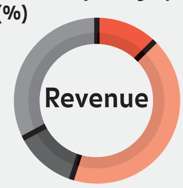
Note: There is no revenue reported for Healthcare Division as the healthcare business is represented by Ramsay Sime Darby Health Care, a 50%-50% joint venture entity that is equity accounted.

Profit Before Interest and Tax (RM million)



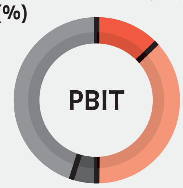
	FY2017	FY2018	FY2019	FY2020	FY2021
Industrial	(4)	612	798	967	909
Motors	633	543	628	574	1,050
Healthcare	36	57	49	39	15
Logistics	64	74	2	(94)	(64)
Others	55	(212)	(94)	(79)	271
Total	**784**	**1,074**	**1,383**	**1,407**	**2,181**

FY2021 Revenue by Geographical Location (%)



Malaysia	12
Greater China[1]	43
Other Countries in Asia[2]	13
Australasia[3]	32
Total	**100**

FY2021 Core PBIT by Geographical Location (%)



Malaysia	13
Greater China[1]	37
Other Countries in Asia[2]	5
Australasia[3]	45
Total	**100**

1 Greater China includes China, Hong Kong, Macau and Taiwan
2 Excluding Malaysia and Greater China
3 Australasia includes Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands

the Group's revenue was generated outside Malaysia, with 43% contributed by its China operations, 32% from Australasia and 13% from other countries in Asia.

Profit Before Interest and Tax

The Group's PBIT increased 55.0% to RM2.2 billion in FY2021 due to the solid performance of the Motors Division, particularly in China. PBIT for FY2021 was bolstered too by profits from disposals and partly offset by impairments, as explained earlier. Core PBIT increased by 21.6% to RM1,968 million from RM1,618 million in FY2020.

As with revenue, most of the PBIT of the Group is generated outside Malaysia. After adjusting for one-off items (due to their size, these items disproportionately impacted some regions), about 87% of the Group's PBIT is generated outside Malaysia, with 45% from Australasia, 37% from China and 5% from other countries in Asia.

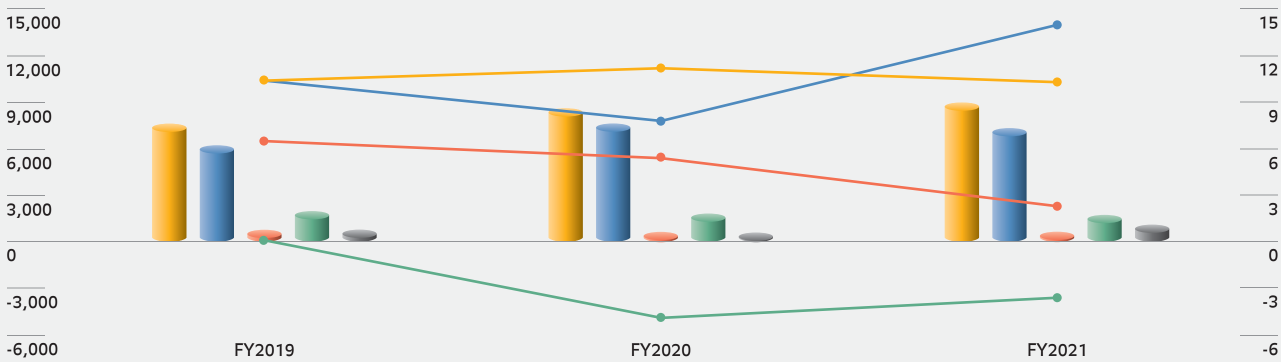
Net Profit and ROE

Net Profit increased 73.8% from RM820 million to RM1,425 million. Due to this increase, the Group's ROE increased from 5.5% to 9.2%. Reflecting the underlying growth in the Group's operations, core ROE increased, albeit more modestly, from 7.0% in FY2020 to 8.1% in FY2021. Subject to unforeseen market conditions, we are working towards achieving and maintaining an ROE of more than 10% over the medium term.

Invested Capital and ROAIC

The performance of each Division is also measured in terms of ROAIC.

Invested Capital & ROAIC



	Invested Capital (RM million)		
	FY2019*	FY2020	FY2021
Industrial	7,626	8,618	8,992
Motors	6,235	7,640	7,342
Healthcare	784	649	659
Logistics	1,989	1,832	1,744
Others	795	608	1,117
Sime Darby	**17,429**	**19,347**	**19,854**

	ROAIC (%)		
	FY2019	FY2020	FY2021
Industrial	10.4	11.2	10.3
Motors	10.4	7.8	14.0
Healthcare	6.5	5.4	2.3
Logistics	0.1	(4.9)	(3.6)
Others	–	–	–
Sime Darby	**7.9**	**7.3**	**11.1**
Core ROAIC	**8.6**	**8.4**	**10.0**

* FY2019 invested capital is before the adoption of MFRS 16 – Leases

It is a measure of the efficiency of capital employed in the respective businesses to generate returns.

The Group's ROAIC increased from 7.3% in FY2020 to 11.1% in FY2021 due to higher profits generated during the year and improved management of invested capital. Excluding one-off items, core ROAIC increased from 8.4% in FY2020 to 10.0% in FY2021. We will continue to work on improving our ROAIC to support the target ROE of above 10% in the medium term.

Finance Income and Costs

Finance income for the Group decreased from RM51 million in FY2020 to RM46 million in FY2021. This was mainly because the previous year's interest income included interest on India withholding tax recoverable received of RM8 million. Finance costs decreased from RM183 million in FY2020 to RM122 million in FY2021 due mainly to lower borrowings. Average cost of borrowings also declined to 2.2% in FY2021 from 2.4% in FY2020.

Taxation

The Group recorded a higher tax expense of RM575 million in FY2021. This is largely consistent with the higher profits recorded. Notably however, the effective tax rate (excluding share of results of associates and joint ventures) was higher at 27.5% against the applicable tax rate of 25.8% mainly due to the tax effects of non-deductible expenses and impairments. This was partly offset by non-taxable dividend income and effects of lower tax rates applicable on certain gains on disposal, including the gain on disposal of our interests in Tesco Malaysia.

Statement of Financial Position

Total debt decreased from RM4,045 million as at 30 June 2020 to RM3,734 million as at 30 June 2021 mainly due to repayment of borrowings. Debt/equity ratio decreased from 26.2% as at 30 June 2020 to 23.0% as at 30 June 2021 due to lower debt as at year end coupled with the higher equity amount. The higher equity was largely due to profit retained in the Group and foreign exchange translation gains mainly from the appreciation of the Australian dollar and Chinese Renminbi against the Malaysian Ringgit as at 30 June 2021 compared against 30 June 2020. Debt/Adjusted EBITDA ratio also declined from 1.54 as at 30 June 2020 to 1.21 as at 30 June 2021. These gearing ratios indicate that the Group has ample debt headroom to raise borrowings to fund strategic expansion and future M&As.

Cash Flow

The Group generated a strong operating cash flow of RM2.78 billion in FY2021 albeit a decrease from the RM3.01 billion in FY2020. This was mainly due to higher taxes paid and higher additions to the Group's rental fleet. The higher revenue did not translate into an overall increase in working capital due to the tighter working capital management. The absence of large acquisitions and the completion of several large disposals in FY2021 resulted in the free cash flow after acquisition and disposals increasing from RM1,021 million to RM2,215 million in FY2021. Additional information can be found in the Cash Flow Statement on pages 189 to 192.

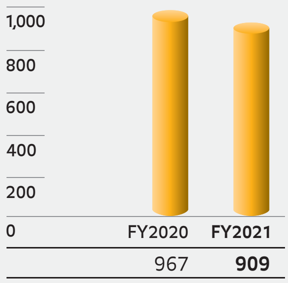
Group Chief Financial Officer's Review

Industrial

The Industrial Division recorded PBIT of RM909 million for FY2021 representing a YoY decrease of 6.0% against the FY2020 PBIT of RM967 million. Both the China and Australasia regions recorded declines in profitability. Although revenue in China was higher, profits declined due to strong competition from local Chinese brands, resulting in lower margins. Profits also declined in Australia due to lower revenue, which was partly due to trade disputes with China affecting the sentiment of mining customers. On a positive note, demand from the Australian construction sector remained strong.

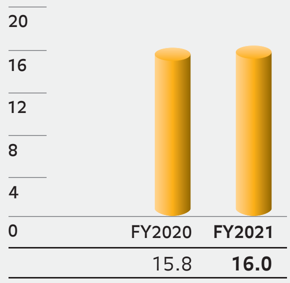
PBIT (RM million)

RM909m



Revenue (RM billion)

RM16.0b

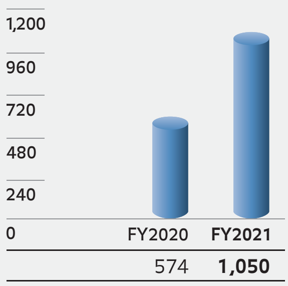


Motors

The Motors Division posted a record PBIT of RM1,050 million, representing an 82.9% YoY improvement attributable to the outstanding performance of the Division's operations in China. The performance was driven by the very buoyant demand for luxury cars in China on the back of pandemic restrictions which affected Chinese consumers' spending options. Other regions also recorded improvement in profitability, partly because some operations were more adversely affected by COVID-19 lockdowns and restrictions in FY2020.

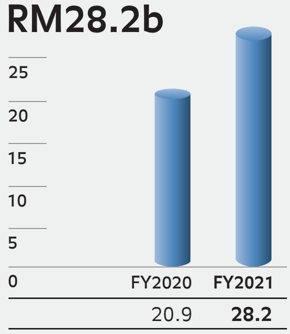
PBIT (RM million)

RM1,050m



Revenue (RM billion)

RM28.2b

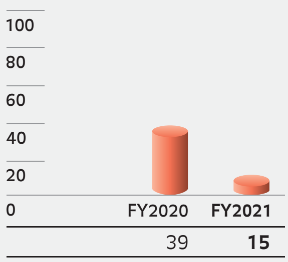


Healthcare

The Group's share of profits from the RSDH joint venture decreased by 61.5% YoY to RM15 million mainly due to higher dividend withholding tax and a write-down of deferred tax assets recognised in prior years. On an operational level, the profitability of the Healthcare operations actually improved, with PBIT increasing 34% YoY from RM91 million in FY2020 to RM122 million in FY2021.

Share of Profit After Tax (RM million)

RM15m

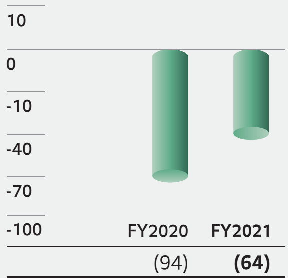


Logistics

The Logistics Division registered loss before interest and tax of RM64 million mainly due to impairments of RM85 million as explained earlier. The loss in the previous year was also mainly due to impairments.

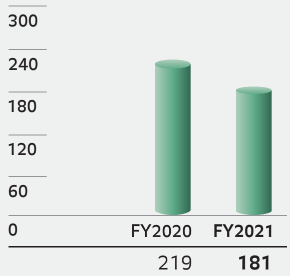
PBIT (RM million)

(RM64m)



Revenue (RM million)

RM181m



Dividend

The Group's policy is to distribute dividend of not less than 50% of net profit in each financial year. For FY2021, the Group declared a total dividend of 15 sen per share amounting to RM1,020 million and equivalent to 72% of the FY2021 net profit of RM1,425 million. This is the highest dividend payout since the demerger in 2017 and is 50% higher than the payout for FY2020.

In addition, the strong cash flow position of the Group has also enabled the Group to pay a second interim dividend about a month earlier than usual.

	Dividends (RM million)	Payout Ratio (%)	Dividend Yield (%)
FY2018	544	88	3.3%
FY2019	680	72	4.4%
FY2020	680	83	4.7%
FY2021	1,020	72	6.9%

Outlook

The Group performed well in the financial year ended 30 June 2021, buoyed by stellar results from the

RM million	FY2021	FY2020
Non-current assets	12,537	12,552
Other assets excluding bank and cash	13,477	13,027
Bank and cash	2,473	1,694
Total Assets	**28,487**	**27,273**
Borrowings and leases (Debt)	3,734	4,045
Other liabilities	8,493	7,815
Total Liabilities	**12,227**	**11,860**
Share capital	9,302	9,300
Reserves	6,581	5,697
Shareholders' Equity	**15,883**	**14,997**
Non-controlling interests	377	416
Total Equity	**16,260**	**15,413**
Total Equity and Liabilities	**28,487**	**27,273**

Cash Flow

RM million	FY2021	FY2020
Operating cash flow	2,784	3,012
Interest received	29	36
Capital expenditure	(535)	(556)
Lease payments	(500)	(447)
Finance costs paid	(45)	(116)
Free cash flow	**1,733**	**1,929**
Acquisition and investments	(171)	(1,021)
Disposals and repayments	653	113
Free cash flow after acquisitions and disposals	**2,215**	**1,021**

Navigating Tough Times – Capital Management Lessons

When the pandemic started in early 2020, there was significant uncertainty in the business environment globally. During such times, the management of cash flows become particularly important to ensure the Group is able to weather the crisis and continue to operate as a going concern. The Group had swiftly developed a Downturn Action Plan to conserve cash and focused on working capital management. Net cash inflow from operating activities was RM3.0 billion in FY2020, the highest post pure play.

With the pandemic still an ongoing threat and risk, the Group continued to strengthen its resilience by focusing on enhancing its Return on Invested Capital (ROIC). This was identified as a key focus area in FY2021 and encompasses a broader set of initiatives, covering revenue and margin enhancement, cost optimisation and capital management (covering both working capital and fixed assets/investments).

Some key achievements in FY2021 include:
- Reduction in inventory turnover days from 101 days as at 30 June 2020 to 81 days as at 30 June 2021.
- Several major disposals of non-core assets – disposal of entire equity interests in Tesco Stores (Malaysia) Sdn Bhd, Eastern & Oriental Berhad and Jining Ports entities. These disposals generated net cash proceeds of RM406 million in FY2021.

As a result of these initiatives and improvement in business conditions, Return on Average Invested Capital increased from 7.3% in FY2020 to 11.1% in FY2021. Excluding one-off items, core Return on Average Invested Capital increased from 8.4% in FY2020 to 10.0% in FY2021.

Cash flow from operating activities for FY2021 was at RM2.8 billion. The strong operating cash flow was achieved with a 20% increase in revenue (which generally means higher cash outflow for working capital requirements), though it was lower than the RM3.0 billion in FY2020.

The Group's relatively low gearing (debt/equity ratio of 23%) and strong operating cash flows puts it in a strong position to continue to withstand the uncertainties of the pandemic and current global economic environment.

Group Chief Financial Officer's Review

Motors Division. We expect the sale of luxury vehicles to continue to remain high in the region, particularly in China and in territories where there are no significant movement restrictions. While supply shortages for certain new models remain a risk, any downward pressure on profits may be partly offset by lower discounting.

The outlook for the Industrial Division is mixed. While we expect strong commodity prices to support equipment sales and servicing, competition from local Chinese manufacturers may continue to impact margins of the Industrial business in China.

Overall, the Group expects the new financial year to continue to be challenging. There is still significant uncertainty on the full impact of the ongoing COVID-19 pandemic and trade tensions at this juncture.

Nevertheless, the Group's strong financial position and diversified operations should enable it to continue weathering the challenges ahead and put the Group in a good position for growth, should prospects and business sentiment improve.

Mustamir Mohamad
Group Chief Financial Officer

5-Year Financial Highlights

Financial Year Ended 30 June (RM million)	2017	2018	2019	2020	2021
Financial results					
Revenue*	31,087	33,828	36,156	36,934	**44,483**
Profit before interest and tax*	784	1,074	1,383	1,407	**2,181**
Profit before tax*	1,007	1,065	1,291	1,275	**2,105**
Profit after tax*	795	685	1,010	873	**1,530**
Non-controlling interests and perpetual sukuk*	(180)	(67)	(62)	(53)	**(105)**
Profit attributable to owners of the Company					
– Continuing operations	615	618	948	820	**1,425**
– Discontinued operations	1,823	1,301	–	–	**–**
– **Total**	2,438	1,919	948	820	**1,425**
Financial position					
Share capital and share premium	9,299	9,299	9,299	9,300	**9,302**
Reserves other than share premium	28,044	5,071	5,414	5,697	**6,581**
Shareholders' equity	37,343	14,370	14,713	14,997	**15,883**
Perpetual sukuk	2,230	–	–	–	**–**
Non-controlling interests	976	389	405	416	**377**
Total equity	40,549	14,759	15,118	15,413	**16,260**
Borrowings and leases	3,205	2,889	2,575	4,045	**3,734**
Liabilities associated with assets held for distribution	17,290	–	–	–	**–**
Other liabilities	6,636	7,225	7,823	7,815	**8,493**
Total equity and liabilities	67,680	24,873	25,516	27,273	**28,487**
Non-current assets	10,853	10,412	10,346	12,552	**12,537**
Current assets excluding Cash	12,286	12,789	13,447	13,027	**13,477**
Assets held for distribution	42,469	–	–	–	**–**
Cash	2,072	1,672	1,723	1,694	**2,473**
Total assets	67,680	24,873	25,516	27,273	**28,487**
Financial ratios					
Operating margin (%)*	2.4	3.3	4.3	4.1	**4.9**
Return on average shareholders' equity (%)	7.0	7.4	6.5	5.5	**9.2**
Debt/Equity (%)[1]	32.4	19.6	17.0	26.2	**23.0**
Share information					
Basic earnings per share (sen)	36.7	28.2	13.9	12.1	**20.9**
Net assets per share attributable to owners of the Company (RM)	5.5	2.1	2.2	2.2	**2.3**
Net dividend per share (sen)	23	8	10	10	**15**

[1] Debt includes leases and borrowings under liabilities associated with assets held for distribution

* The financial results have been restated to exclude discontinued operations

Capital Allocation Framework

In 2020, the Group formalised a framework that would guide all capital allocation decisions. It provides guidance on how capital in the Group should be allocated between Divisions to maximise returns and balance the risks and opportunities of investments. It not only covers acquisitions but also expansion of existing businesses. The improved capital allocation decisions and returns should also increase shareholder value in the long term. The Framework is dynamic and would be updated on a periodic basis to ensure its continuing relevance to the Group.

Scope: The Framework applies to Invested Capital and includes acquisitions, capital expenditure, divestments and working capital management

Existing Businesses	Acquisitions
• Classify businesses by category based on ROIC • Develop action plans based on classification • Capital expenditure assessment and funding guided by policies and procedures	• Assessment and monitoring based on policies and procedures • Financial criteria such as IRR, ROIC, ROE and payback period • Exposure limits established to balance risks and opportunities

Value Distribution

The value that Sime Darby creates for its stakeholders can be in the form of financial returns or in non-financial or intangible forms. The Statement of Value Added illustrates how Sime Darby's performance supports the Group's ability to deliver financial value to its stakeholders. The financial value in the statement is based on the profit before finance costs, corporate social responsibility (CSR) contribution, tax, depreciation and amortisation and staff cost.

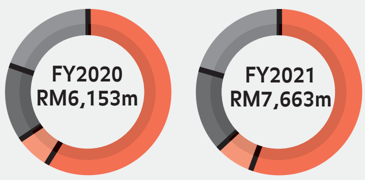
RM million	FY2020	FY2021
Directors and employees	3,609	4,270
Government and Society[1]	423	586
Providers of capital		
• Dividends[2]	680	1,020
• Finance costs[3]	195	122
• Non-controlling interest	53	105
Reinvestment and future growth	1,193	1,560
Total Distributed	**6,153**	**7,663**

1 Tax and CSR contribution

2 Dividends refer to dividends declared for the respective financial years

3 Gross finance costs

Value Distribution (%)



	FY2020	FY2021
Employees	58.6	**55.7**
Government and society	6.9	**7.6**
Providers of capital	15.1	**16.3**
Reinvestment and future growth	19.4	**20.4**
Total	100.0	**100.0**

Our Share Price Movement