

CHAIRMAN'S STATEMENT

COMMITTED TO DELIVER SUSTAINABLE GROWTH



Dear Stakeholders,

Following the conclusion of our 48th Annual General Meeting in May 2021, I was redesignated as Chairman of the Board from my previous position of Non-Independent Non-Executive Director to succeed Tan Sri Dr. Zeti Akhtar Aziz. I would like to thank Tan Sri Dr. Zeti for her valuable contribution and leadership, as well as her relentless efforts in driving the transformation journey of Sime Darby Property during her years of service with the Group.

Rizal Rickman Ramli
Chairman

●
Revenue
RM2.2
billion

●●
Dividend Payout Ratio of
49.7%

2021 IN PERSPECTIVE

The operating environment remained challenging due to the reimposition of lockdowns under the Movement Control Order ("MCO") and the National Recovery Phase ("NRP") amid the resurgence of COVID-19 cases in Malaysia.

Nevertheless, Malaysia's gross domestic product ("GDP") managed to grow at a modest rate of 3.1 percent on improved domestic demand and strong global trade. This was a reversal from the GDP contraction of 5.6 percent in 2020 when the COVID-19 pandemic and its economic impact first hit the global market.

In tandem with the gradual recovery of the economy, the property market saw improvement in demand, underpinned by the Home Ownership Campaign ("HOC"), which ran throughout the year, and the low interest rate environment with the overnight policy rate ("OPR") kept at a record low of 1.75 percent.

Operationally, the key challenges we faced during the year were due to the extensive lockdowns that led to the intermittent closure of our sales galleries, retail and leisure businesses, as well as the halt of construction site development. As in the case of other property companies, we were

also affected by supply shortages in raw materials and a tight labour market, all of which resulted in higher input prices.

I am proud to say that Sime Darby Property managed to navigate the tough environment, nonetheless, due to the strength of our people and leadership bench, coupled with our renewed digital and technology capabilities. Having learned from the experiences of 2020, the Group was better prepared this time to face and endure challenges of the economic lockdowns. As such, our financial results saw marked improvement.

Sime Darby Property achieved a revenue of RM2.2 billion for the financial year ended 31 December 2021 ("FY2021").

Financially, the Group returned to profitability, with a profit before tax of RM268.3 million recorded for FY2021.

With the solid performance, we declared an interim single-tier dividend of 1.0 sen per share, bringing the total FY2021 payout to RM68.0 million, which represented a dividend payout ratio of 49.7 percent.

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In line with the philosophy of our major shareholder, Permodalan Nasional Berhad, whose agenda is focused on nation-building, Sime Darby Property remains committed to delivering sustainable, quality value to stakeholders.

As such, the Group will endeavour to return more to shareholders, as its transformation journey yields higher positive financial results. This, however, will be balanced against the funding requirements for future growth and to cushion the Group against any unfavourable market developments or sudden changes in its operating environment.

ON TRACK FOR TRANSFORMATION

During the year under review, we established a joint venture with LOGOS Property of Australia to co-develop and manage an Industrial Development Fund platform to drive our Industrial & Logistics Development business. This signalled yet another strategic partnership for the Group after our tie-ups with other well-established international groups and organisations such as CapitaMalls Asia; Mitsui & Co., Ltd; and Mitsubishi Estate Co., Ltd.

This significant development, among others, was in line with our SHIFT25 strategy, which aims to transform Sime Darby Property from a pure play property developer into a real estate company by 2025. The target is to achieve a wider income base, with 70.0 percent coming from property development and 30.0 percent from recurring non-property development income streams.

The Group's promise of sustainable growth remains on track, with the SHIFT25 strategy serving as the core foundation of our transformation efforts. Regular engagements between the Board and Management took place throughout 2021 for progress updates, further refinements and improvements, where necessary, to ensure that we were moving in the right direction.

Sime Darby Property's steadfastness in delivering quality products and services guided by our strong governance, core values and sustainability agenda continued to win us accolades and recognitions from both the clients and industry.

The Board is overall pleased with the progress made thus far, particularly in FY2021, during which we saw numerous tangible positive outcomes such as strong sales achievement, the highest-ever GDV of new launches, as well as financial improvements across all business lines.



The Group's key recognitions in FY2021 include receiving the top honour of 'Responsible Developer: Building Sustainable Development Award' at the EdgeProp Malaysia's Best Managed and Sustainable Property Awards and clinching top spot in PwC Malaysia's Building Trust Awards in the FBM Mid 70 Index category. Sime Darby Property was also named in the Top 10 of The Edge Malaysia's Top Property Developers Awards list for the tenth consecutive year.

We were also honoured at the Malaysia Rating Corporation Berhad's ("MARC") Lead Managers' League Table Awards 2020 in recognition of our sustainability governance structure and processes for measuring, managing and reporting of our sustainability impact, as well as recognised with an 'Industry Excellence Award' at the MSWG-ASEAN Corporate Governance Awards 2020.

These key awards are a testament to the Group's commitment to driving the company to greater heights to maximise stakeholder value.

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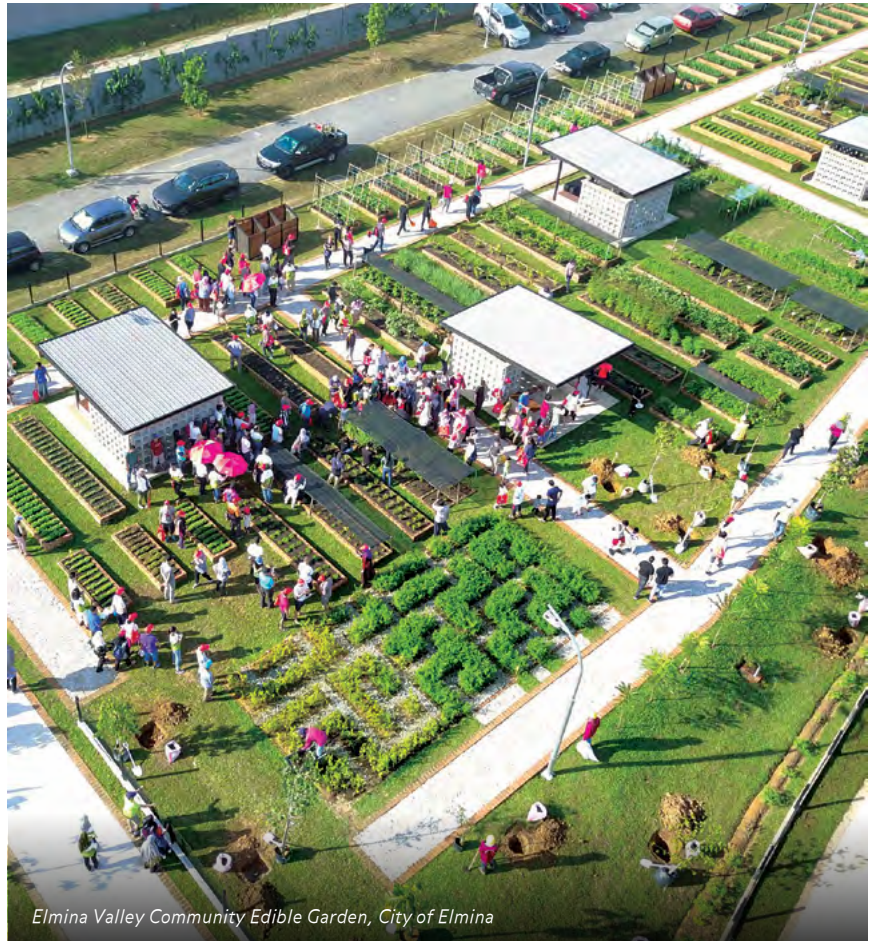
MAKING AN IMPACTFUL DIFFERENCE

Sime Darby Property has always strived to create long-term sustainable value and impactful outcomes for our stakeholders, as well as the communities at our townships and developments.

In FY2021, the Group developed the Integrated Sustainability Policy and Quality, Health, Safety, Security and Environment ("QHSSE") Policy that serve to align all employees with our corporate direction, disclose our position to the various sub-thematic areas covered under each policy, as well as safeguard our position as a 'Force for Good' to deliver a long-lasting legacy.

A sustainability strategy was also implemented across the Group, with a focus on four main strategic imperatives, namely, decarbonisation of operations and products; good biodiversity practices; shaping inclusiveness and resilient communities and being a socially responsible organisation.

Apart from that, the Group continued to invest in sustainability engagements and activism to raise awareness about the risks of global warming and climate change, as well as the need for businesses to be responsible and fair. At our Tier-1 supply chain level, we held a Vendor Engagement Session on environmental and social matters. This session proved to be timely, as our survey found more than 80.0 percent of our vendors have yet to implement carbon, waste and water management for sustainability purposes. The programme was well-received by our vendors and enabled us to share Sime Darby Property's approach towards sustainability, focusing on eco-efficiency (in managing carbon, waste, recycling and water) and human rights, to inspire them to join and lend their hands in advancing the sustainability agenda for the industry.



As for our employees, we hosted a Sustainability Day to create a sense of urgency in tackling climate change and ensure that all are on board with our ESG journey. Additionally, the Group's leadership remained actively involved in the CEO Action Network on Climate Governance Malaysia ("CGM") activism with a focus on the climate crisis agenda, as well as efforts that organisations can make in addressing this matter.

Beyond climate issues, a focus on safety remains one of the pillars that supports our ESG agenda. We continued to enhance our safety measures, standards and compliance systems during the year with an objective of preventing incidents that could harm our employees, communities and the environment. Our aspiration is to better meet our stakeholders' interests and demonstrate industry leadership through best safety practices.

- Developed the **Integrated Sustainability Policy and Quality, Health, Safety, Security and Environment ("QHSSE") Policy**

- Our position as a **'Force for Good'** to deliver a long-lasting legacy

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SUPPORTING OUR PEOPLE

The welfare and well-being of our people and communities have always been Sime Darby Property's utmost priority.

When the unprecedented floods hit Selangor at the end of 2021, the Group quickly rolled out the #SDPCares Natural Disaster (Floods) Support initiative to help affected employees and their families. This programme provided affected employees with aid relief and support based on the severity of floods which affected their homes, as well as compassionate leave to attend to their immediate needs. In total, the Group spent RM96,000 to support 66 impacted employees as at 17 February 2022.

Efforts to mitigate the impact of COVID-19 at the workplace and safeguard the safety and health of our employees were also emphasised. The Group introduced the #SDPCares COVID-19 Support programme which served as a support system for all employees during the pandemic, while ensuring strict compliance with the national Standard Operating Procedures ("SOPs"). Under this initiative, the Group introduced the #SDPCares Handbook and held 13 roadshows to raise awareness of COVID-19-related issues at the workplace and at home.

Support for Office Administrators ("OAs") was also created to provide briefings that help managers and OAs understand the crucial roles that they play in supporting employees during these difficult times. Other action plans included digitalising COVID-19 reporting via our employee-based platform, HR On-Cloud ("HROC"), distributing 1,500 #SDPCares packages to employees and contract workers, as well as providing aid to quarantined employees. As at 15 February 2022, a total of RM15,200 in quarantine assistance was provided to 76 employees of the Group.

Meanwhile, the Group revamped its *Jalinan Nurani* programme, a digital well-being platform to assist employees and their family members with emotional and physical health concerns, following feedback calling for more comprehensive offerings. Enhancements introduced included monthly mental health webinars and brown bag sessions to support employees in coping with challenges of working from home ("WFH") and returning to the office ("RTO"), as well as extensive e-learning and online workshops for continuous talent development and resilience-building.

Separately, to support tenants of our facilities in the Investment & Asset Management business, we provided rental rebates to help them tide over the COVID-19 downturn, in hopes to also assist them in sustaining their businesses for the long term.

● Rolled out the **#SDPCares Natural Disaster (Floods)** support initiative to help affected employees and their families

●● The Group spent a total of **RM96,000** to support 66 employees as at 17 February 2022



Employees assisting the affected communities during the recent flood incident in Bandar Bukit Raja

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Sime Darby Property Headquarters, Ara Damansara

ENHANCING GOOD CORPORATE GOVERNANCE

The Group has always worked hard to embed good governance and integrity into all its operations. We conduct regular reviews on our internal practices against the Malaysian Code of Corporate Governance ("MCCG") to further enhance and improve our standards of operational performance and corporate governance.

In 2021, the Group Corporate Assurance department carried out the MCCG 2021 Gap Assessment Analysis collaboratively with key stakeholders. As a result of the analysis, several measures were implemented to enhance good governance within the organisation.

This included the review and revision of the Group's Board Charter and Terms of Reference of several of the Board Committees, namely the Nomination & Remuneration Committee ("NRC"), Risk Management Committee ("RMC") and Audit Committee ("AC"). The revision resulted in the imposition of a nine-year term limit for independent directors without further extension; restriction on active politicians from being appointed to the Board; prevention of the Chairman of the Board from being a chairman or member of the Board Committees; and a review and monitoring of the Group's governance of sustainability, including the setting of sustainability strategies, priorities and targets.

Other key outcomes or actions taken after the Gap Assessment Analysis included, among others, organising pre-meeting discussions between Non-Executive Directors without the presence of the Group Managing Director to ensure thorough, non-biased decision-making; conducting a Board Effectiveness Evaluation from October 2021 to March 2022, taking into account sustainability considerations; as well as requiring the Group's external auditor to table its Annual Transparency Report to the AC for consideration as part of an assessment process for reappointment.

On 1 October 2021, the Group welcomed Dato' Hamidah Naziadin and Dr. Lisa Lim Poh Lin to its Board as Independent and Non-Executive Directors. We are confident that their combined experience and knowledge in the industries that they represent would add to the breadth of diverse expertise among our Board members to drive the company's future goals and aspirations.

Significantly, with the appointments of Dato' Hamidah and Dr. Lisa, the Group achieved the 30.0 percent threshold of women representation on the Board of Sime Darby Property. Going forward, the Group will accelerate its effort to raise participation of women in senior management to meet or exceed the 30.0 percent threshold from the present level of 29.0 percent.

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FUTURE OUTLOOK

Based on the Government's projection, the prospects for the economy appear to be robust in 2022, with the GDP expected to grow between 5.5 and 6.5 percent.



Aerial view of Elmina East, City of Elmina

The success of Malaysia's vaccination and booster programmes, with herd immunity in the country exceeding 90.0 percent, coupled with the Government's commitment to avoid blanket lockdowns or MCOs, give positive reasons for Corporate Malaysia, including Sime Darby Property, to be hopeful that there will not be any more disruption to business activities, and that recovery will continue to take hold into the new year.

On that note, the Group is optimistic about its growth prospects amid a potential recovery of the property market, particularly in the industrial and logistics sector, where demand is growing on the back of increasing industrialisation, expanding global trade flows and the rise of e-commerce.

The Group also views positively the various Government initiatives to support the property sector. These include exemption for stamp duty, and the Real Property Gains Tax ("RPGT") for property disposals in the 6th year onwards, as well as the introduction of the Housing Credit Guarantee Scheme ("HCGC") and special incentives for the manufacturing sector under the National Economic Recovery Plan ("PENJANA"). These measures are expected to stimulate the demand for residential and industrial products for the next 2 to 3 years.

In the international market, the Battersea Power Station project in Central London is showing promising prospects, with crowds returning to the development for summer. We look forward to launching phase 3B of the joint-venture development, in which we are a 40.0 percent shareholder and currently hold the chairmanship of the venture, in 2022.

Future phases of the Battersea Power Station project are currently under review, guided by a flexible planning and development strategy. The Group is monitoring the market trends in London, as well as in the United Kingdom closely and learning from the experience of managing this monumental investment for future business opportunities.

Despite our sanguine mood for better prospects and opportunities in 2022, we are under no illusion that there are still uncertainties and challenges in the economy due to the rising inflation, geopolitical tensions, and the lingering impact of the prolonged COVID-19 pandemic. However, with the Group's strong leadership, coupled with agile employees and sound fundamentals, we are confident that our ability will enable us to navigate through situations and challenges with sustained success.

Overall, we are confident that we are on track of achieving our end goal of becoming a real estate company by 2025.

ACKNOWLEDGEMENTS

In closing, I would like to acknowledge the support and outstanding contributions from the many parties who have helped Sime Darby Property achieve, what has been, a positive FY2021 for us.

On behalf of the Board, I would like to thank our shareholders, vendors and customers for their unwavering trust and continuous support to us especially during these challenging times. We are also grateful to Dato' Azmir Merican and the senior management team, as well as all employees for their commitment and dedication to the Group's goals. Their tireless efforts have resulted in us performing well and achieving remarkable milestones in FY2021.

Finally, I would like to thank my fellow Board of Directors for their valuable contributions and insights in making sure that the Group remains dynamic and profitable in the ever-changing environment for the betterment of the industry, our people and the communities we serve.

The Board is optimistic and excited about the future of Sime Darby Property, and we will strive to ensure that the Group continues to remain competitive and resilient for years to come. We look forward to another year of exciting journey and growth with all our stakeholders.

Rizal Rickman Ramli

Non-Independent, Non-Executive Chairman