

10 November 2020

BY FAX/HAND
(Fax No.: 603 - 2070 9107)

MINORITY SHAREHOLDERS WATCH GROUP

Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attention: Mr Devanesan Evanson
Chief Executive Officer

Dear Sirs,

Fourteenth Annual General Meeting ("14th AGM") of Sime Darby Berhad to be held on 12 November 2020

We thank you for your letter dated 5 November 2020 informing Sime Darby Berhad ("SDB" or "Company") of the issues that the Minority Shareholders Watch Group ("MSWG") intends to raise at the 14th AGM of the Company to be held on Thursday, 12 November 2020 at 10.00 a.m.

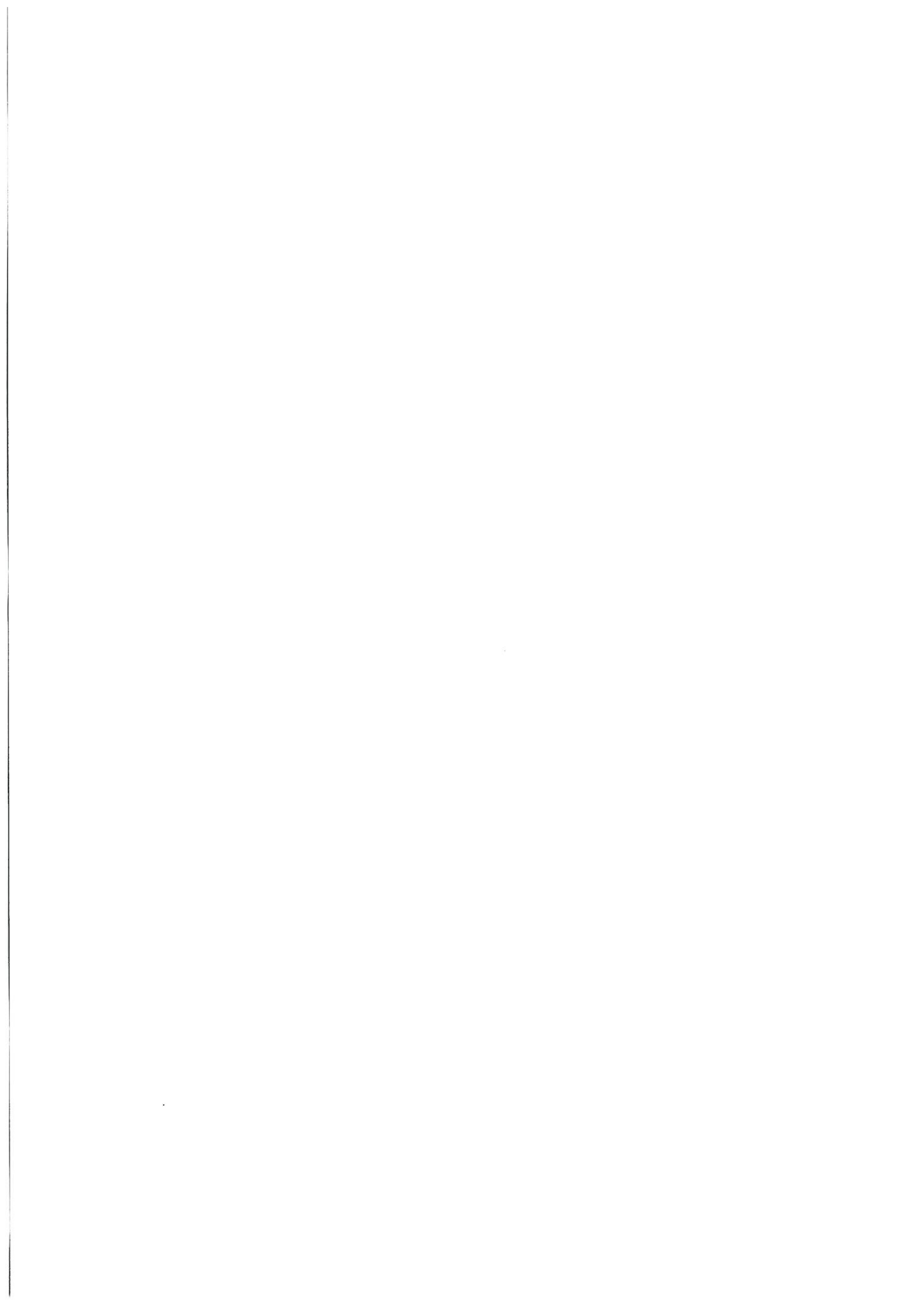
We enclose SDB's response to the matters raised by MSWG in the letter as requested.

Thank you.

Yours faithfully,
SIME DARBY BERHAD



NOOR ZITA HASSAN
Group Secretary



Strategic/Financial Matters

1. There was a fatality involving a contracted stevedore at the Group's Weifang Port in China, who died of heatstroke whilst unloading cargo (pages 24&25 of Annual Report 2020 ("AR2020")). In FY2020, the three Jining ports suspended operations for 71 days due to a severe air pollution alert and inspection by port authorities. This significantly lowered cargo throughput for the year (page 83 of AR2020).

- a) To what extent in terms of financial value have the above impacted the Group?

Whilst the heatstroke incident was extremely unfortunate, it caused no direct impact to the financial performance in FY2020.

The local Government imposed tighter environmental standards and control measures affecting all ports in Jining. This included the suspension of activity from time to time. These suspensions, coupled with the impact of Covid-19, lowered throughput by 1.7 million metric tonne in FY2020, and reduced revenue and PBIT by RM 10.1 million and RM 7.8 million respectively.

As a Group, we are continually increasing our efforts to improve safety in all our operations and embedding a stronger safety culture to realise our "No Harm" goal.

- b) The Group will continue to work towards reducing greenhouse gas emissions, water consumption and waste generation to limit its environmental impact (page 100 of AR2020).

Given the two incident of climate change risks that posed a threat to humanity and business operations, what was the capital expenditure spent for environmental sustainability? What will be the estimated amount of capital expenditure to be incurred for environmental sustainability in 2021?

In FY2020, Sime Darby Logistics spent about RM15.4 million on capital expenditure relating to environmental sustainability, largely to reduce coal dust and water pollution. Environmental sustainability related capital expenditure in FY2021 is estimated to be RM 18.5 million.

On a broader level, the Group is fully committed to fulfil its sustainability commitments. Some notable projects over the past few years include:

- 1) **The installation 525kW of solar photovoltaic system across its operations in Australia, China and New Zealand, generating over 1,000MWh of electricity.**
- 2) **RMB9.2 million investment at Sime Darby Logistics to install shore power facilities to enable vessels to connect to the power facilities rather than utilise diesel generators, to reduce emissions and noise during berthing.**

- 3) Company-wide initiative at Inokom to improve energy efficiency through the replacement of conventional lighting systems with LED lighting.
 - 4) Installation of a telematics system at Hastings Deering, across its light vehicle fleet to deliver reductions in carbon emissions (by 6-10%) and improve fuel efficiency (by 8%).
 - 5) Implementation of sustainable procurement practices including replacing end of life assets with improved energy efficiency assets (air conditioners, LED lighting).
2. The Group's Motors Division has launched its digital showrooms which now allows customers to browse and purchase cars from the comfort and safety of their homes (page 23 of AR2020).

To what extent has it contributed to the Group's vehicles sales?

Changing customer preference, and the Covid-19 pandemic, has further accelerated the need for a digital transformation. In response to this, we launched our digital showrooms in Singapore and Malaysia to engage with customers online and to draw in greater traffic into our physical outlets. Although sales from online leads are not significant at the moment, we believe it is a step in the right direction.

For example, in Singapore, our virtual BMW showroom has generated close to 500,000 views and generated over 4,000 leads. This resulted in 164 sales orders.

And in Malaysia, our digital showrooms were established for BMW, Volvo, Hyundai, Ford and our used car operations. There has been over 20,000 visits to these virtual showrooms which generated 1,676 leads and resulted in 146 sales orders.

3. In January 2020, Sime Darby Industrial's Malaysian business entered into an agreement with leading global lift truck manufacturer, Hyster-Yale Group Inc. to be the exclusive Hyster dealer in Malaysia and Brunei (page 63 of AR2020).

(a) To-date, what is the revenue contribution from the Hyster dealership?

The Hyster dealership secured for Malaysia and Brunei has contributed around RM1m in revenue, since January 2020. Although the contribution is relatively small, we view it as complementary to our heavy equipment dealerships, which allows us to diversify our earnings base and strengthen our position in the materials handling market.

(b) Going forward, what is the expected demand for Hyster products?

E-commerce is expected to continue growing in ASEAN and Malaysia remains a key logistics hub due to its strategic location. We expect that this growth will lead to an increase in the number of distribution centres and warehouses and spur demand for material handling equipment in Malaysia.

4. Ramsay Sime Darby Health Care ventured into other avenues to optimise income, such as launching the company's digital patient service application – Telehealth Plus (page 78 of AR2020).

How was the response in terms of usage of Telehealth Plus? What is the current/expected revenue derived from the launched of Telehealth Plus?

In June 2020, RSDH launched its Telehealth Plus digital platform. The response from patients has been encouraging, especially at the height of the MCO period. However, we do not track the performance on a stand-alone basis. The platform is an integral part of the marketing initiative to complement our physical healthcare offerings.

5. The Group has sold its 30% stake in Tesco Malaysia and expects to record an estimated net gain on disposal of RM270 million from the Proposed Disposal which is expected to be completed within the second half of calendar year 2020 (Note 35, page 245 of AR2020).

How does the Group plan to utilise the proceeds received from the disposal of Tesco Malaysia?

The net disposal proceeds is RM270 million. We are currently evaluating the optimal use of the proceeds which could be applied to working capital requirements, repayment of short-term borrowings, and/or dividend payments to shareholders.

