



**MINORITY SHAREHOLDERS WATCH GROUP**  
*Shareholder Activism and Protection of Minority Interest*

9 November 2018

**BY FAX/HAND**

(Fax No.: 603-7623 2100)

The Board of Directors  
**Sime Darby Berhad**  
Level 9, Menara Sime Darby  
Oasis Corporate Park  
Jalan PJU 1A/2, Ara Damansara  
47301 Petaling Jaya  
Selangor Darul Ehsan

**Attention: Puan Noor Zita Hassan**  
*Company Secretary*

**Re: Twelfth (12<sup>th</sup>) Annual General Meeting (AGM) of Sime Darby Berhad ("SDB" or "the Company") on 15 November 2017**

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In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following issues at the Twelfth (12<sup>th</sup>) Annual General Meeting of Sime Darby Berhad:-

**Strategic/Financial matters**

1. Following the completion of the pure-play exercise, Industrial and Motors are two core businesses of the Company, contributing 99% of the Group's revenue (refer to Note 48 to the Financial Statements on page 236 of the Annual Report). As stated on page 24 of the Annual Report, the Company is looking to expand the healthcare component as a core business?
  - a) What is the target revenue contribution, in percentage, for the healthcare component?
  - b) Will the healthcare business be expanded organically or inorganically?
2. As highlighted on page 39 of the Annual Report, the Company is establishing a downturn strategy to mitigate the cyclical market risk in the mining and oil & gas sectors which has direct impact on the Industrial Segment of the Group.

Please share the details of the downturn strategy? How will this strategy helps to better predict the timing of cyclical downturns and protect the profitability and the balance sheet of the Group during the downturn of the industry?
3. As reported on page 40 of the Annual Report, the Industrial Segment achieved total cost reduction benefits of RM128 million from Operational Excellence ("OE") initiatives in FY2018.
  - a) What are the major OE initiatives that have helped the Group achieve the cost reduction benefits? What are the costs that have been reduced from these initiatives?

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**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

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- b) For FY2018, the "operating expenses" is 8% higher than FY2017. How will the OE initiatives affect the trend of the operating expenses of the Group, moving forward?
4. As stated on page 26 of the Annual Report, the online sales portal for Industrial Segment launched in China and Australia has successfully enhanced customer experience and contributed to increased market share.
- a) What is the current market share of the Company in China and Australia?
- b) Is the market share expected to increase, moving forward?
5. As stated on page 48 of the Annual Report, one of the key risks of the Company's Motor Business is the competition from other dealers and grey importers selling vehicles at highly discounted prices.
- (a) The operating profit margin for the Motor Segment of the Company is low at around 3%. What are the advantages that other competitors have over SDB that allows them to sell vehicles at highly discounted prices?
- (b) What is the price control mechanism put in place by the Principals?
- (c) Is there any customer retention programme employed by the Company to retain loyal customers?
6. As shown in Note 13 to the Financial Statements on page 179 of the Annual Report, the Group's share of loss of the associate, Eastern & Oriental Berhad ("E & O"), for FY2018 amounted to RM87 million and the Group recognised an impairment loss of RM103 million on the investment in E & O.

Would E & O be part of the Group's strategy to dispose non-core businesses?

### Corporate Governance

1. The Company has under Resolution 1 tabled the Directors' fees for the Non-Executive Directors for the financial year ended 30 June 2018. From the remuneration structure disclosed in Explanatory Note 2 on page 328 of the Annual Report, we note the following increases in the Directors' fees:-

	Pre Pure-Play (RM/Year)	Post Pure-play (RM/Year)	Increase (RM/Year) (%)
Board			
- Member	180,000	220,000	40,000 (22%)
G&AC			
- Chairman	40,000	80,000	40,000 (50%)
- Member	30,000	50,000	20,000 (67%)
Other Committee			
- Chairman	40,000	60,000	20,000 (50%)
- Member	30,000	35,000	5,000 (17%)

Given that the Company has been "downsized" after the Pure-play exercise, what is the rationale and the justification for the increase in the above Directors' fees?

2. The Company in its Corporate Governance Report states that it has adopted Step Up Practice 4.3 of the MCCG which requires the Board to have a 9-year tenure limit policy for its independent directors.

However, in Paragraph 3.2 of the Company's Board Charter, it is stated that "If the Board intends to retain an Independent Non-Executive Director beyond nine (9) years, it shall justify and seek annual shareholders' approval".

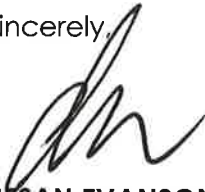
Paragraph 3.2 contradicts the Step Up Practice 4.3 as the latter does not provide for any extension of tenure beyond the 9-year tenure of Independent Directors.

Please take note.

We would appreciate if the Board could present the points raised by us and the related answers for the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our record and posting into our website.

Thank you.

Yours sincerely,



**DEVANESAN EVANSON**  
Chief Executive Officer

DE/LR/LH/SDB/2018