

**RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

Sinarmas Land Limited (the “**Company**” or “**SML**” and together with its subsidiaries, the “**Group**”) would like to provide its response to the questions raised by Securities Investors Association (Singapore) on 18 April 2022 in relation to the Company’s Annual Report for the financial year ended 31 December 2021 (“**Annual Report**”), as follows:

**Question 1:**

For the financial year ended 31 December 2021, the group achieved revenue of \$895 million, a marginal 1.7% decrease from a year ago. This was attributed primarily to lower industrial land sales and offset by higher residential and apartment sales as well as the weaker performance in the hospitality and commercial leasing businesses.

Some of the highlights of FY2021 include:

- The launch of NONGSA D-Town, a new “digital downtown” in Batam, built within the existing Nongsa Digital Park
- 6-hectare Transit-Oriented Development project with Mitbana, a JV between Mitsubishi Corporation and Surbana Jurong Group
- A Memorandum of Understanding in November 2021 with Group 42, an artificial intelligence and cloud computing company that focus on promoting and developing AI integration across all business sectors
- Autonomous-driving pilot project within BSD City
- Incorporation of SML INVITE Fund Management VCC to explore further investment opportunities in digital and technology-related fields

- (i) **Can management provide shareholders with an overview of its digital strategy and elaborate further on its plans to leverage digitalisation to further add value to its real estate business?**
- (ii) **What are the risks associated with the group’s investments/collaborations in the technology space? How is the group managing these risks?**
- (iii) **Are there signs that the commercial segment in BSDE and the industrial segment in DMAS are faced with relatively strong(er) headwinds coming out of the pandemic?**
- (iv) **Can management update shareholders on the sentiments on the ground in Indonesia, including the confidence of consumers and businesses? What is the pace and extent of the re-opening? How is the group positioning itself for the expected rebound?**

**Company’s Response to Question 1(i):**

Having envisioned a future where digital technology, artificial intelligence and the Internet of Things would become an intricate part of our everyday living, the Group launched initiatives to transform our flagship development, BSD City, into “The First Integrated Smart Digital City” in Indonesia to meet the next generations’ demands for data-driven decision making.

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The Group's overarching digital strategy is to build our digital infrastructure and capability to augment our property development business. By investing and collaborating with like-minded partners, the Group strive to benefit from efficient use of the digital solutions and related technology to manage and operate our developments better, allocate resources by demand, and reduce unnecessary wastage and carbon footprint, which is in line with our sustainability vision.

The Group's plan to leverage digitalisation is multi-faceted and permeates throughout our development. We dedicate parts of our township development to cater to technology-related businesses, most noticeably the Digital Hub, which was inaugurated since 2016. Dubbed "the Silicon Valley" in Indonesia, the 26-hectare commercial space is dedicated to housing start-ups, educational institutions, and multinational and domestic corporations in the technology industry, fostering a culture of innovation, creativity, and cooperation.

#### **Company's Response to Question 1(ii):**

Currently, the capital allocation into direct technology-related investments is insignificant to the Group's overall asset base. Most of the collaborations are still centric as landlord-tenant relationships with technology partners. Regardless, the Group has in place stringent risk management and internal controls, such as active risk monitoring and frequent reporting, to ensure that these investments are within the Group's risk appetite while aligning them with our strategic objectives.

#### **Company's Response to Question 1(iii):**

During the COVID-19 pandemic, prolonged lockdown and the "Work-From-Home" arrangement have forced many businesses to downsize, relocate or foreclose their office premises. As Indonesia eases social distancing measures and travel restrictions, many companies may continue to adopt a hybrid workplace model, redesign their workflow to be less location-centric while being more flexible and collaborative. Coupled with the short-term oversupply of office spaces, the rent and occupancy rates for the commercial in BSDE are expected to stay muted at 2021 levels in the coming year despite coming out of the pandemic.

Coming out of the pandemic, DMAS is expected to ride on the momentum from the strong industrial land enquiries and demand for strategically located land, particularly from the data centre sector. Our efforts in developing special infrastructure and utilities necessary for data centres owners and tenants during the pandemic will support DMAS to become one of the leading data centre hub in Indonesia.

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### Company's Response to Question 1(iv):

Indonesia's economy recorded a GDP growth of 3.69% for 2021, bouncing back strongly from the contraction recorded the previous year. Being a key commodity exporter, the strong international demand has driven Indonesia's export to a record high, surpassing pre-COVID-19 crisis levels. The recent reopening of borders to tourists for vaccinated travellers and the relaxation of domestic movement restrictions will undoubtedly boost retail and hospitality businesses. Barring a resurgence of a more potent and deadlier variant of COVID-19, the general sentiment is one of cautious optimism.

While the Group anticipates a gradual normalisation in the post-pandemic era, we realise that the world is moving into a new norm of living, propelled by the increased integration of digitalisation into our daily life. In response, the Group has weaved this new living concept into our developments to stay relevant to the market's needs.

In our residential projects, we have incorporated flexible designs that allow living space conversion into working space, given the more prevalent "Work-From-Home" arrangement phenomenon post pandemic, while continuing to integrate digital smart home solutions into the homes that we build.

With the rapid adoption of digitalisation, we are also witnessing an emergence of digital businesses (such as online financial services, internet providers and data centres), with DMAS receiving more enquiries from the data centre sector. Hence, within DMAS, the Group has earmarked a dedicated zone to house data centres and their peripheral industries. This special zone is equipped with specialised infrastructure and utilities such as reliable premium electricity supply and private fibre optics cables that allow each data centre tenant to manage their data and system security better.

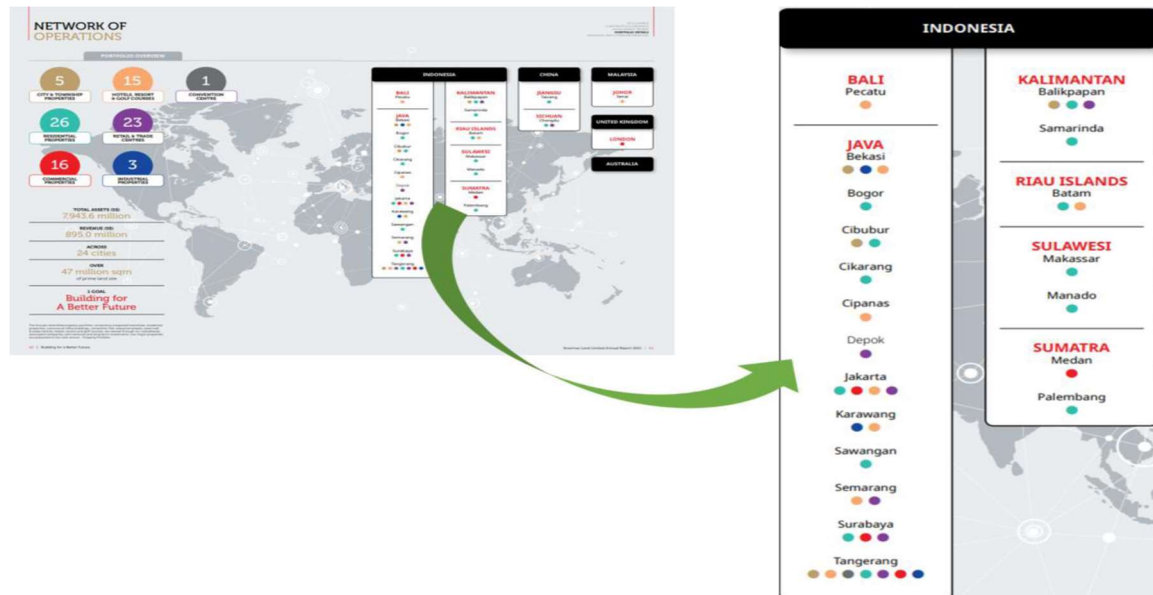
These changes are just some of the initiatives that reflect the nimbleness of the Group to respond and position itself for the reopening. We are monitoring the situation closely and stand ready to strategise in the direction to maximise our shareholders' return.

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### **Question 2:**

The Indonesia government approved a bill to relocate the capital from Jakarta, which has been the home to more than 10 million people. The move from Java to East Kalimantan will create a new centre of economic gravity, according to the Planning Minister.

The group's existing network of operations can be seen on pages 62 and 63 (reproduced below). The property portfolio details are on pages 64 to 73.



(Adapted from company annual report)

- (i) **What is the board/management's view of the proposed shift of the capital to East Kalimantan by the Indonesian government?**
- (ii) **How is the group finetuning its capital allocation and investment strategy? Will the group be allocating significantly more capital to Kalimantan?**
- (iii) **In addition, what is the potential impact on the group's existing investments in Java?**

### **Company's Response to Question 2(i):**

The Group is supportive of the Indonesian government's initiative to shift its administrative capital to the new capital city ("IKN") in East Kalimantan. According to the development blueprint, IKN, also known as "Nusantara", will be developed over five phases till 2045. Upon completion, IKN will be the first city to achieve net-zero carbon emission, powered fully by renewable energy. However, the current new capital region is in green field and the move would involve mainly government-related enterprises, supporting agencies and businesses.

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To better adapt BSD City's urban planning development concept into IKN development, Indonesia's President, Joko Widodo, has appointed Mr. Dhony Rahajoe, Managing Director for the President Office of Sinar Mas Land, as the Deputy Head of IKN Authority, a cabinet level-agency tasked with the management and governance of IKN, leveraging on Mr. Rahajoe's experience in the development of BSD City to help build the new capital city.

**Company's Response to Question 2(ii):**

Like all other development and investment opportunities, the Group will assess and analyse each opportunity based on their individual merits, ensuring that the returns are attractive for our shareholders. As at 31 December 2021, the Group has approximately 376 hectares of undeveloped land bank in both Balikpapan and Samarinda city, which are located close to the new capital city.

**Company's Response to Question 2(iii):**

The Group believes that in the near to mid-term, Jakarta will continue to be the economic epicenter of Indonesia and do not expect significant impact to the Group's existing investments in Java.

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### Question 3:

The board comprises 9 directors, with 5 executive directors including the executive chairman.

#### Composition of the Board and Board Committees

Presently, a total of 9 Directors sit on the Board. Their position(s) in the Company, membership (if any) on the Board Committees and directorship role are shown below:

| Name of Director                       | Position(s)  | Executive/Independent Director      |
|--|--|-------------------------------------|
| Franky Oesman Widjaja                  | Executive Chairman<br>Member of NC and BC                          | Executive Director                  |
| Muktar Widjaja                         | CEO<br>Member of BC  | Executive Director                  |
| Margaretha Natalia Widjaja             | Member of BC   | Executive Director                  |
| Ferdinand Sadeli                       | CIO<br>Member of BC  | Executive Director                  |
| Robin Ng Cheng Jiet                    | CFO<br>Member of BC  | Executive Director                  |
| Hong Pian Tee                          | Lead Independent Director<br>Chairman of AC and NC<br>Member of RC | Non-executive, Independent Director |
| Willy Shee Ping Yah @<br>Shee Ping Yan | Chairman of RC<br>Member of AC                                     | Non-executive, Independent Director |
| Lim Jun Xiong, Steven                  | Member of AC, NC and RC  | Non-executive, Independent Director |
| Ng Ee Peng                             | -  | Non-executive, Independent Director |
| Lew Syn Pau <sup>1</sup>               | -  | Non-executive, Independent Director |

Key information, including qualifications, on the Directors are found on pages 12 to 16 of this Annual Report.

#### Abbreviation:

CEO: Chief Executive Officer  
CFO: Chief Financial Officer  
CIO: Chief Investment Officer

#### Note:

<sup>1</sup> Resigned on 31 December 2021

(Source: company annual report)

In the corporate governance report, the company stated the following with reference to Provision 2.2 and 2.3 of the Code of corporate governance 2018:

#### 2.2 Non-executive Directors

A key duty of the Board is to set objectives and goals for Management, monitor the results, and assess and remunerate Management on its performance. Executive Directors who are part of Management may face conflicts of interest in these areas.

Non-executive Directors make up more than one-third of the Board (4 out of 9). If deemed necessary by the Lead Independent Director, the Non-executive, Independent Directors are invited to hold discussions amongst themselves without the presence of other Executive Directors and Management.

#### 2.3 Lead Independent Director ("LID")

The AC Chairman acts as a LID. The LID has the following additional role:

- (1) LID is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate;
- (2) Plays an additional facilitative role within the Board;
- (3) Where necessary, he may also facilitate communication between the Board and shareholders or other stakeholders of the Company; and
- (4) Providing a channel to Non-executive Directors for confidential discussions on any concerns and to resolve conflicts of interest as and when necessary.

The LID may be contacted through office phone number +65 6590 0805.

(Source: company annual report)

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Listing Rule 710 of the SGX Listing Manual also requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, **the provision from which it has varied, the reason(s) for the variation, and the explanation(s)** on how the practices it had adopted are consistent with the intent of the relevant principle [emphasis added].

In particular, Provision 2.2 of the Code of Corporate Governance 2018 provides that where the chairman is not an independent director, the independent directors should make up a majority of the board and Provision 2.3 states that non-executive directors should make up a majority of the board.

(i) **Would the board help shareholders better understand the specific underlying reasons for the deviations from Provisions 2.2 and 2.3 in accordance with Rule 710?**

In the corporate governance report, the company stated that it is committed to observing high standards of corporate governance, to promote corporate transparency and to enhance the long-term value of the group to its shareholders and other stakeholders.

(ii) **Would the nominating committee be reviewing the board composition, with a view on how it could refresh the board composition to meet the requirements of the CG Code 2018, in particular, Provisions 2.2 and 2.3?**

### Company's Response to Question 3(i):

Independent Directors ("IDs") currently make up 4 of the Board size of 9. This deviates from the majority requirement under Provision 2.2 of the 2018 Code of Corporate Governance ("CG Code") where the Chairman is not independent, and the Board's view was described in items 2.1 and 3.2 of pages 22 and 23 of the Annual Report, as reproduced in *italics* below:

*"2.1 Director independence is fundamental to good corporate governance as it facilitates the exercise of independent and objective judgement on corporate affairs. It also ensures discussion and review of key issues and strategies in a critical yet constructive manner. Given the size of the Board and measures in place as set out in item 3.2 below, the Board is of the view that it is not necessary or cost-effective for the time being to have non-executive or Independent Directors make up a majority of the Board as there is a strong and independent element on the Board with more than one-third of the Board comprising Independent Directors (4 out of 9) as reflected under item 1.8 above."*

*"3.2 To address the issue of the Executive Chairman and the CEO being immediate family members, the LID position and role were created, as set out in item 2.3 above, where, in addition to holding the position of AC Chairman, he also is NC Chairman and a member of the RC. Further, the AC, NC and RC are chaired by a Non-executive, Independent Director."*

Non-executive Directors ("NED") (who comprise all the Independent Directors) also make up 4 of the Board size of 9, and deviates from the majority requirement under Provision 2.3 of the CG Code where NEDs are to make up a majority of the Board.

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For the IDs and NEDs to make up a majority of the Board, will require appointing at least 2 additional new Non-executive Independent Directors to the Board, thus increasing the Board size from current 9 to 11. The Board is presently more comfortable with a Board size of between 9 and 10, and views a number beyond 10 as being too large for effective decision making. The increase will also incur additional related costs, eg. directors' fees, training and orientation, travels.

In terms of operations, approximately 85% of the Group's total assets are located in Indonesia as of 31 December 2021, operating mainly through three Indonesian subsidiaries of the Group which are all listed on the Indonesia Stock Exchange ("IDX"), which has to comply with the IDX rules and they have their respective board of commissioners with supervisory role over their board of directors.

The Board is of the view that not having a majority of Independent Directors on the SML Board should not affect the Company's commitment to observing high standards of corporate governance.

#### Company's Response to Question 3(ii):

As part of its roles and responsibilities, the Nominating Committee will continue to review the board composition having regard to the requirements of the CG Code, in particular, Provisions 2.2 and 2.3, and make its recommendation to the Board.

By Order of the Board  
**SINARMAS LAND LIMITED**

Robin Ng Cheng Jiet  
Director  
25 April 2022