

Message to Shareholders

MR MIGUEL KO
CHAIRMAN

MR LEE CHEE KOON
GROUP CHIEF EXECUTIVE OFFICER

Dear Shareholders

FY 2021 was truly a milestone year for CapitaLand Group. The management team, with the support of the Board, made the strategic decision to restructure the Group. We privatised the development business, CapitaLand Development (CLD), and listed the real estate investment management (REIM) business, CapitaLand Investment (CLI), on the Singapore Exchange on 20 September 2021. On behalf of the Board and Management of CLI, we thank you for your trust and support for our transformation journey, as we set out to build a world-class REIM that will strive to create value for all our stakeholders sustainably.

PERFORMANCE HIGHLIGHTS

While we continued to face COVID-19 related challenges in our key operating markets, we remained focused on execution, and achieved a creditable first set of financial results in FY 2021.

CLI delivered a total PATMI of S\$1.35 billion, reversing a net loss of S\$559 million in FY 2020. Operating PATMI for the year was S\$497 million, representing a year-on-year increase of 12.2%. This was mainly driven by higher fee income from our fund management and lodging management businesses, and improved performance from CLI's investment properties portfolio. Cash PATMI for FY 2021 doubled to S\$1.11 billion compared to FY 2020, on the back of improved operating performance and record asset recycling in FY 2021, which yielded portfolio gains of S\$616 million.

For the year, we generated healthy operating cash flow of S\$667 million. Coupled with the strengthening of our cash profits, we are delighted to propose a shareholder dividend of 15 Singapore cents per share for FY 2021. This amounts to approximately S\$771 million and represents a pay-out ratio against PATMI of 57.2%¹.

Our shareholders have demonstrated their confidence in CLI. Our stock price has increased by approximately 30%² since CLI's listing on 20 September 2021, outperforming our primary benchmark indices. Our average trading price in March 2022 values us at roughly 1.2 times our Net Asset Value. This sharply contrasts with CapitaLand's historical share valuations before our restructuring, reflecting shareholders' confidence in our business model, execution capability, and determination to establish ourselves as a leading Asia-based REIM.

GROWTH DRIVERS

Three synergistic growth drivers – Fund Management, Lodging Management and proactive Capital Management – are at the heart of CLI's growth strategy and ambition to deliver consistent double-digit return on equity (ROE) sustainably.

Fund Management

We expect Fund Management to lead CLI's growth. Along with achieving strong organic growth for our listed real estate investment trusts (REITs) and business trusts, we are committed to setting up new private real estate and alternative asset funds focused on key themes, in response to discussions with private market investors who are seeking enhanced access to Asian markets. We are actively building up an experienced and international team to grow our private funds

business through the creation of new fund products and active relationship management with an expanding network of capital partners globally.

These moves will enable us to accelerate our drive for quality fee-related earnings (FRE) through a more investor driven and capital-efficient sponsorship of our private equity products.

In FY 2021, CLI created seven new funds, raising S\$1.4 billion from new capital partners based in Asia (including Japan and South Korea), as well as the Middle East and Europe. These funds focus on specific strategies and sectors, including CLI's first open-end private fund, first mezzanine financing fund, first cold storage logistics fund and second data centre private fund. In China, we successfully registered CLI as a domestic private equity fund manager. This enables the Group to further leverage its long-standing track record in China to tap on a new source of domestic capital in one of CLI's most important markets.

Complementing our private fund management platform, CLI's leading listed fund management platform enjoyed a strong year of Funds Under Management (FUM) growth and evolution. The expansion of our REITs' and business trusts' investment mandates over the last few years has allowed them to strategically enter new sectors and geographies, enabling them to diversify into new avenues of growth and build greater portfolio resilience. In FY 2021, CLI's listed fund platform generated total FRE of S\$295 million in FY 2021 and will continue to be a primary source of FRE for the Group's fee income-related businesses.

¹ CLI dividend policy is to distribute at least 30 per cent of its annual Cash PATMI.

² Based on closing price of S\$3.79 as of 18 March 2022, compared with CLI's opening price upon listing of S\$2.95, and rounded off to a whole number.

Lodging Management

A rapidly expanding part of CLI's fee-based income comes from asset-light lodging management and franchise contracts. In FY 2021, FRE derived from Lodging Management was S\$190 million, a 27% increase from a year ago due to growth on two fronts. Firstly, we opened over 8,200 units, an annual record for the business, which contributed to growing our recurring lodging management FRE. Secondly, the gradual reopening of international travel enabled us to increase occupancy levels to approximately 60% (FY 2020: 50%), as well as raise the revenue per unit, by approximately 19% compared to FY 2020.

We remain focused on our target to achieve 160,000 units under management globally by FY 2023. At that stabilised operating scale, we believe our lodging management platform will achieve operating margins in line with leading global lodging operators, and begin to contribute substantial earnings growth to CLI. In FY 2021, we added 15,100 units across 72 properties to our inventory, bringing the total number of units under management to over 133,000, keeping us on track to meeting this important target for our lodging management platform.

Our efforts and operational excellence were recognised at the prestigious Grand Final of World Travel Awards 2021. CLI's wholly owned lodging unit, The Ascott Limited, was crowned the 'World's Leading Serviced Apartment Brand'. With our established strengths in long-stay lodging, CLI has also embarked on expanding into resilient, longer-stay lodging sub-asset classes, including multifamily, student accommodation, and rental housing through our lodging REITs and funds, whilst growing our capital-efficient fee-based lodging management platform.

Capital Management

Our ambition for sustainable growth is underpinned by strict financial discipline to ensure that we are actively allocating and managing our capital in an astute and systematic manner. We will maintain a well calibrated capital structure and closely monitor our cash management, leverage levels, debt maturities and tax efficiency, as well as proactively diversify our funding sources to ensure our financial resilience.

As at 31 December 2021, our total cash and undrawn facilities stood at S\$7.0 billion and our gearing was a healthy 0.48x, giving us ample flexibility for growth and ability to enhance shareholder value via share buybacks when opportune.

Further bolstering our capacity for growth is our discipline in capital recycling. In FY 2021, CLI achieved a record S\$13.6 billion worth of divestments across the Group. This exceeded our annual S\$3 billion target by more than four times and generated healthy portfolio gains averaging approximately 13.1% above carrying values. Assets that we divested via our fund vehicles also contributed to transaction-related fee income.

In line with our strategy to grow our FUM, over 82% of the divestment value in FY 2021 was successfully retained as FUM or seeded into new funds within the Group.

Following our transformation into CLI, we see ourselves as a well-capitalised start-up, and we are building a unique company culture with a strong winning and enterprising mindset.

In a landmark transaction last year, we divested partial stakes in a portfolio of funds holding six Raffles City integrated developments in China to Ping An Insurance for approximately S\$9.6 billion. CLI continues to be the asset manager of these properties, generating FRE in a capital efficient manner. CLI maintains a pipeline of approximately S\$10 billion of high-quality investment properties on its balance sheet, intended for capital recycling to our various fee income-generating platforms over the next three to four years, which will be an important contributor to the Group's FUM, FRE, and ROE growth.

A VIBRANT CULTURE

Following our transformation into CLI, we see ourselves as a well-capitalised start-up, and we are building a unique company culture with a strong winning and enterprising mindset. Coupled with the commitment and drive to work closely with our key stakeholders - our tenants, customers, partners, and communities - we are energised to navigate the challenges that lie ahead, to continually innovate, and to leverage our ONE CapitalLand ecosystem encompassing CLI and CLD to create positive and meaningful outcomes. We are immensely proud of our approximately 10,000 talented and dedicated employees across 200 cities in over 40 countries who

share a common 'can-do' spirit and determination to contribute to CLI's growth and enable the Group to fulfil its vision to be a leading global REIM, delivering sustainable, high-quality returns.

SUSTAINABILITY

At CLI, sustainability is embedded into our culture. CapitaLand was the first in our industry in Singapore to issue an externally assured, annual Global Sustainability Report (GSR) for FY 2010. Since FY 2017, our GSR has incorporated the four pillars of the Task Force on Climate-Related Financial Disclosures. In 2020, we formulated a 10-year Sustainability Master Plan (SMP) with ambitious targets for 2030, including carbon reduction targets validated by the Science-Based Targets Initiative, to continually build a resilient and resource-efficient real estate portfolio with thriving and future-adaptive communities. These targets are incorporated into our key performance indicators to which part of the management's compensation is tied.

To accelerate the achievement of our SMP targets, we set up a S\$50 million innovation fund and launched the CapitaLand Sustainability X Challenge (CSXC) in 2021. CSXC is the first in our industry to invite innovators from around the world to submit commercially ready solutions to improve building energy and water efficiencies, indoor air quality and waste management, from which we select the promising ones to be piloted and scaled up at our properties. Given the overwhelming response of more than 270 entries from over 25 countries in the inaugural event, we will be holding the CSXC annually from here on.

We continue to embed ESG into our real estate life cycle starting from investment, and through our building developments and operations via policies, procedures,

and best practices. We have also implemented a shadow internal carbon price in our investment process, and increased the portfolio of sustainable finance for CLI, our REITs and business trusts to S\$7 billion. We are heartened to be endorsed as a global sustainability leader by international indices and organisations such as the Dow Jones Sustainability Indices, GRESB and Global 100.

This year, in addition to new initiatives in our ESG pathway, we will also be undertaking a planned bi-annual review of our SMP, with the intent to recalibrate our sustainability targets to ensure their continued relevance following the Group's restructuring in 2021.

ACKNOWLEDGEMENTS

As we embark on our mission to grow CLI into a world class REIM, we would like to extend our deepest gratitude to our colleagues, both at CLD and CLI, who have worked tirelessly to ensure the smooth transition during the restructuring in FY 2021. We appreciate your ongoing commitment and contributions to our enterprise. We would also like to thank our Board directors for guiding us through our transformation process amidst these very uncertain times. We would also like to reiterate our sincere gratitude to our shareholders, partners, and customers. Your valued feedback has always served as our inspiration for continual improvement.

At the end of our coming Annual General Meeting in April 2022, Mr Stephen Lee and Ms Goh Swee Chen will step down after serving more than nine and four years on CapitaLand/CLI's Board. Mr Lee also served as the Chairman of CLI's Nominating Committee and Ms Goh was deeply involved in steering CapitaLand's Sustainability Committee, which oversaw the blueprint of our 2030 Sustainability Master Plan. We thank them both

for their effective stewardship and guidance to the leadership team. We would also like to welcome Ms Judy Hsu, Mr David Su and Ms Helen Wong as new non-Executive Independent Directors. We are certain that we will benefit from their expertise and guidance.

IN CLOSING

As we write this letter in the middle of March 2022, the conflict between Russia and Ukraine has already led to soaring energy prices, affected supply chains, and resulted in volatility in the financial markets with uncertain effects on the global economy in the year ahead. We will continue to monitor the developments closely, and remain cautiously optimistic that our strong financial position, experience, and track record in Asia will enable us to stay resilient in the face of potential headwinds.

As fiduciary for the capital and the properties we manage, we assure you of our full commitment to our responsibilities with purpose and dedication. We will remain prudent, disciplined, and focused on executing our strategy as we move forward to create sustained growth and long term value.

MR MIGUEL KO

Chairman

MR LEE CHEE KOON

Group Chief Executive Officer

March 2022