

Invest Malaysia Series 1: Building Resilience Amidst Volatility

Wednesday, 14 September 2022

OPENING SPEECH by Tan Sri Abdul Wahid Omar, Chairman, Bursa Malaysia

Mr. Jamie Dimon, Chairman and CEO of JPMorgan Chase and Company,

Datuk Muhamad Umar Swift, CEO of Bursa Malaysia,

Distinguished Speakers and Panelists,

Members of the Media,

Ladies and Gentlemen,

Assalamualaikum warohmatullahi wabarakatu and a very good morning.

1. It gives me great pleasure to welcome you to Series 1 of Invest Malaysia 2022. We are honoured to host this annual capital market conversation designed to revolve around discovery, the exchange of ideas and a meeting of minds for our collective future growth and prospects.

Setting the context

2. The theme for this year's Invest Malaysia "Pivoting for The Future" is broad yet pertinent. So let me start by sharing some context on some of the challenges we face as we come out of the Covid-19 pandemic, the importance of ensuring economic and corporate resilience amidst volatility, and the need to follow through on our global commitment towards sustainability as we pivot for the future.

Ladies and gentlemen,

3. We are all grateful that the world (with the exception of China) has moved into the endemic phase of covid 19. After 6.5 million deaths to date and 3.1% contraction in global economy in 2020, the world is now recovering following the reopening of most economies in the second quarter of 2022. The Malaysian economy in particular expanded strongly by 8.9% in Q2 2022, the highest in the region, bringing the first half 2022 GDP growth to 6.9%. This means that Malaysia's 2022 GDP growth is likely to be at the upper end of the official growth forecast range of 5.3%-6.3%.

4. One of the main contributing factors to the economic recovery is the Malaysian government's eight stimulus packages amounting to RM530 billion throughout 2020 and 2021, which helped cushion the impact of the crisis and its spillover effects on the economy.
5. As the world economies progress towards a full recovery, new challenges have arisen impacting Malaysia and our major trading partners. Within our globalised world, supply chains have been under pressure as economies begin to return to normal. The US-China trade tensions and the Ukraine-Russia conflict have also caused commodity prices and logistics costs to sky-rocket. This in turn is causing high inflationary pressures globally forcing central banks to tighten their monetary policy to rein in inflation. China being the exception. This is likely to cause economic slowdown and potentially recession in some countries in 2023.

The Importance of Ensuring Economic and Corporate Resilience Amidst Volatility

6. Malaysia, however, is not likely to get into a recession. Apart from the benefit of pragmatic and responsive policies, it is also because Malaysia has over the years diversified the structure of the economy to be less dependent on commodities. The agriculture and mining sectors now contribute only 14% to Malaysia's GDP (based on 2021 data) with the services sector contributing 57% and Manufacturing sector contributing 24.3% to GDP. The diversity of our trading partners (where we are not overly dependent on one particular country) would add to our economic resilience.
7. One very important factor contributing to Malaysia's resilience is the strength and stability of the financial system. Malaysian banks are well capitalised (healthy 2021 CET1 capital ratio of 15.2%), liquid, better managed (low June 2022 net impaired financing ratio of 0.96%) and effectively regulated and supervised by Bank Negara Malaysia. Banks also continue to fulfill their intermediation role by mobilising funds to be channelled to productive sectors of the economy.
8. These Malaysian banks and financial services companies have significant weighting in both the FBM KLCI and the FTSE4GOOD Bursa Malaysia sustainability index. These seven banking stocks alone i.e. Maybank, Public, CIMB, HLB, RHB, AmBank and Alliance Bank have combined market capitalisation of RM325.36 billion or about 20 percent of the total market capitalisation of RM1.65 trillion as at end-June 2022.
9. The financial system is complemented by a well-functioning debt and equity capital markets totalling RM3.5 trillion as of 31 December 2021 made up of RM1.7 trillion in the

debt capital market and RM1.8 trillion in the equity capital market. Malaysia is also home to the world's leading Islamic capital markets totalling RM2.3 trillion representing almost two thirds of the total capital markets.

10. On the resilience of the corporate sector, Resilience should be redefined as the outcome of a process of transformation or of reinvention - so that we can sustain and “bounce back”, but in a much-improved form than before. This process of “reinvention” - of finding our competitive position within that future - is not only an academic or data-driven exercise, but it requires talent too.
11. It is critical that the next generation of leaders not only step up to the plate, but bring a fresh perspective that serves to change the game. Today's leaders must share their skills and experience with those who possess the youthful energy and will to make this change happen. In this respect, we will get the opportunity to listen to the panel of Under 40: Next Generation Corporate Leaders to be moderated by Tammi Yong of JP Morgan later at 10.15am.

Ladies and gentlemen,

12. The GLC transformation programme from 2004 to 2015, saw the then group of G20 companies' net profit grow by 10.2 percent per annum from RM9.9 billion to RM26.2 billion, while their combined market capitalisation grew 2.9 times from RM134 billion to RM386 billion over the years 2004 to 2015. Over the same period, total shareholder returns increased to 11.1 percent per annum.
13. Inspired by this and following a corporate reform workshop hosted by Bursa Malaysia in September 2020, the Finance Minister launched the PLC Transformation programme in March 2022, with guidebooks focusing on five pillars for the PLCs to:
 - i. Be Purpose and Performance-driven;
 - ii. Grow as Sustainable, Socially Responsible and Ethical organisations;
 - iii. Have Stronger Stakeholder Management and Investor Relations;
 - iv. Be Digitally Enabled; and
 - v. Contribute towards overall Nation Building.
14. The guidebooks provide PLCs with best practices, benchmarks, and case studies to help spearhead their transformation journeys, regardless of size and stage of growth or maturity. The first three digital guideline books have already been issued, with the last two to be issued in this coming fourth quarter 2022.

15. Ultimately, the outcome we seek is not just a benefit solely for corporate Malaysia, but also to boost market confidence and global investor appeal in our economy over the long term.

The Need to Follow Through on Our Global Commitment Towards Sustainability

Ladies and gentlemen,

16. While we deal with these new threats to growth, the ever-present threat to the environment has not dissipated. The commitments made at COP26 Climate Change Summit in Glasgow and the associated pressures of achieving the goals and the commitments to doing so, remain as pressing and as valid as ever.
17. Recent findings of the Intergovernmental Panel on Climate Change Sixth Assessment Report show more evidence that the planet is headed towards an unsustainable trajectory. It is clearly visible in the extreme weather the world is experiencing today - lakes and rivers drying up in many parts of Europe, raging forest fires in America, and massive flooding in Pakistan.
18. At COP26, world leaders agreed to limit the global temperature rise to within 1.5 degrees Celsius. Among the key measures agreed to is the need to accelerate efforts toward the phase-down of unabated coal power, the phase-out of inefficient fossil fuel subsidies, and for developed countries to double their collective share of adaptation finance within the USD100 billion annual target for 2021 to 2025.
19. Closer to home, during the tabling of the 12th Malaysia Plan in Parliament in September 2021, the Prime Minister announced Malaysia's commitment to be a net-zero greenhouse gas emissions nation as early as 2050.
20. This shift includes continued investment in public transportation, tax incentives to promote Electric Vehicles, and the commitment to phase out coal. This commitment is further reinforced by the Malaysia Renewable Energy Roadmap 2022-2035, developed by the Ministry of Energy and Natural Resources.
21. But these transformations cannot happen without deep investment, which will require some RM350 billion to RM400 billion cumulative investments, mostly in the energy sector, representing 0.8 percent of GDP per annum until 2050. From this perspective, the financial and capital markets have an important role to play.

Ladies and gentlemen,

22. Bursa Malaysia continues to play a key role in driving good ESG practices and disclosures across all listed companies. As far back as 2014, the FTSE4Good Bursa Malaysia Index has recognised PLCs that have improved their ESG practices and disclosures. The number of constituents in the Index has since grown from 24 to 87, based on the last review in June 2022. We also have the FTSE4Good Bursa Malaysia Shariah Index, which comprises 65 shariah-compliant constituents from the FTSE4Good Bursa Malaysia Index.
23. Following the Sustainability Reporting Framework of 2015, Malaysian PLCs are now disclosing Sustainability Statements and Reports annually - detailing governance structures put in place and the approach to managing material sustainability matters, covering an extensive range of ESG areas.
24. The updated Malaysian Code on Corporate Governance 2021 issued by the Securities Commission further provides best practices and guidance to strengthen board oversight, as well as the integration of sustainability considerations in the strategies and operations of companies.
25. The case for Malaysian companies to embed ESG factors in their business strategy and operations is clear. The global supply chain is now more discerning and will demand sustainable products and reject sources that are unable to comply.
26. To enable companies to voluntarily purchase carbon credits from climate-friendly projects and solutions to offset their carbon emission footprint and meet their voluntary climate goals, Bursa Malaysia will be launching the Voluntary Carbon Market exchange later this year. The rules based VCM exchange will aggregate carbon credits that share similar traits and fundamentals, with vintages 2016 onwards. It will also label products to differentiate between carbon credits sourced in Malaysia and globally.

Outline of Programme & Closing

Ladies and gentlemen,

27. Today, Series One of Invest Malaysia 2022 seeks to explore the components of which I have spoken. After the address by Mr Jamie Dimon, Chairman and CEO of JPMorgan Chase and Company, we will proceed to the first panel that will discuss “Malaysia’s Economic Sustainability: Addressing new challenges”.

28. The next panel discussion as I mentioned earlier, will be “Under 40: Next Generation Corporate Leaders”, where young leaders will share their thought processes, their efforts at transformation and the leadership skills shaped in their own image.
29. The last panel is “Malaysia’s positioning in global semi-conductor landscape”, where industry leaders from this sector will share how they have remained strong and resilient year after year, challenge after challenge.
30. We trust that these discussions will be a rich source of insight, encouragement, and inspiration, and that the panellists will be generous in their sharing. It is my hope that today’s proceedings will spark a series of valuable thought-starters that can help all of us work toward building a solid, scalable future in all our undertakings.

Ladies and gentlemen,

31. Now, it gives me great pleasure to welcome Mr Jamie Dimon, Chairman and CEO of JPMorgan Chase and Company to deliver his opening remarks.

Thank you.