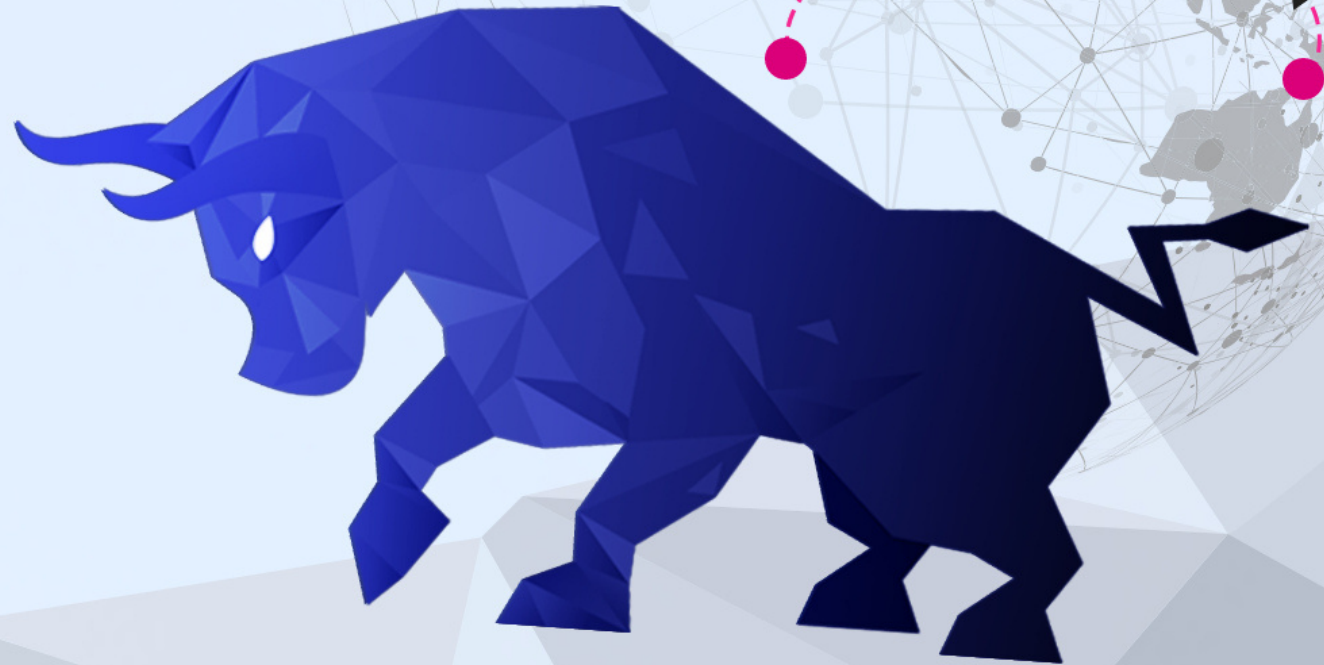


INVEST MALAYSIA 2021

THE CAPITAL MARKET CONVERSATION

REBUILDING A SUSTAINABLE ECONOMY
SERIES 1: ECONOMIC REFORM

14 OCTOBER 2021



INTRODUCTION

MALAYSIA'S ECONOMIC REFORM

In series 1 of IMKL 2021, we take a deep dive into the context of issues and challenges, and explore the transformations that are taking place.

Each one is tightly connected and creates synergistic impacts within the greater economic and financial system.

This is a holistic reform plan that will bring benefit to every person in Malaysia, every corporation, as well as the flagship GLICs.

These plans range from protecting the economy against pandemic-era pressures, as well as driving energies into areas that will future-proof the economy – in digital technologies and 4IR, as well as talent development.

All of this will be explored through the four conversation topics for today.



{ Key Conversations }

- 1 12th Malaysia Plan
- 2 Budget 2022 Preview
- 3 GLIC Transformation
- 4 Investing in Resilience

OVERVIEW OF CURRENT CONDITIONS

**Malaysia is socio-economically stable,
and it has a comfortable current account surplus:**

To buffer the economy,
and provide financial aid:
RM530 billion across 8
packages released.
RM83 billion of this
total is in the form of
direct fiscal injections.

Current account surplus
in balance of payments:
RM62.1 billion (4.4% of
GDP) 2020, and
RM26.7 billion (3.6% of
GDP) 1H21.

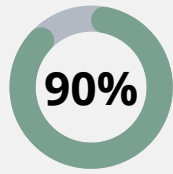
{ Economists believe Malaysia has the ability to spend another
RM45 billion (approximately 3% of GDP) in 2021 and 2022. }

Historic signing of MOU on Transformation and Political Stability

Enables a greater bipartisan
participation in key policy-making;
including **PERKUKUH**, the GLIC
transformation programme.

OVERVIEW OF CURRENT CONDITIONS

Malaysia's vaccination rate and lifting of restrictions:



of Adults have been fully vaccinated (as of 10 Oct, 2021).



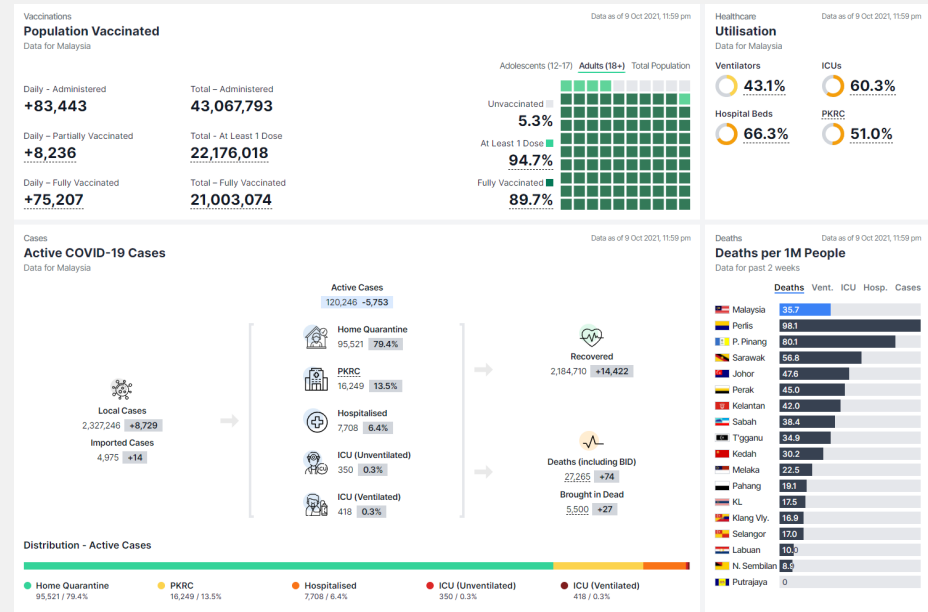
Teenagers vaccination drive started mid-Sept '21.



Booster shots for healthcare workers, the aged, and immunocompromised.

Keeping the public informed via a user-friendly site.

covidnow.moh.gov.my is a collaboration between the Health Ministry and the open data community.



Lifting of restrictions, guided by data and science



Interstate Travel: Allowed, includes tourist islands. Amongst key drivers of domestic economy.



Safe@Work Bubbles: Close contact cases allowed in workplaces, but remain isolated from colleagues and community.

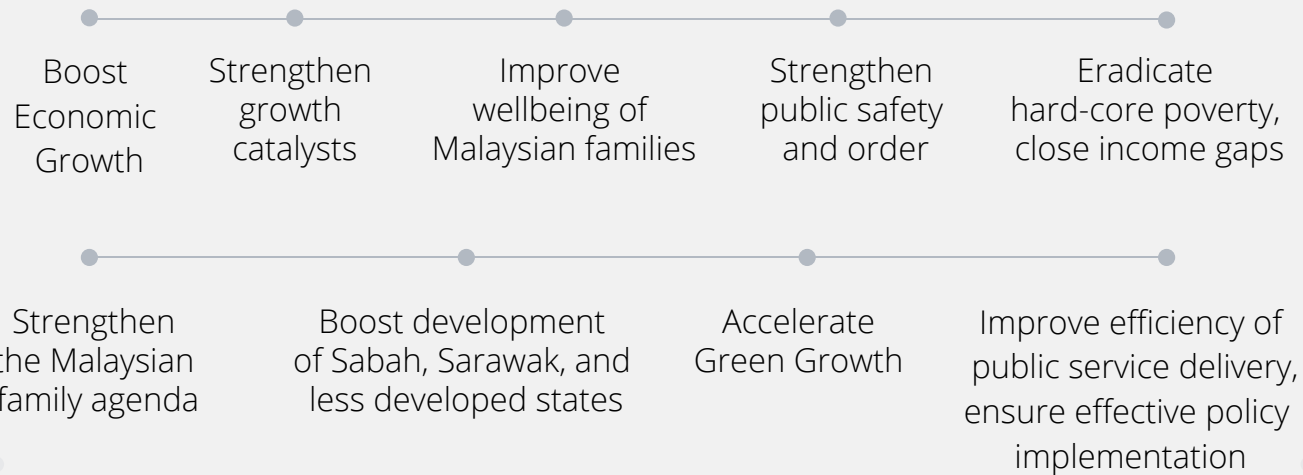


Business Travel: Travel Pass requirement lifted as of 11 October 2021.

12TH MALAYSIA PLAN

Designed to revitalise growth, strengthen enablers, improve social security, eradicate hardcore poverty, and narrow income gaps across the nation.

Nine Focus Areas



Targets to achieve between 2021-2025:

GDP per capita growth **4.5% - 5.5%** per annum.

Substantial reduction of GDP per capita gap between Central and East Malaysia.

Average monthly household income: **RM10,000.**

GHG emission to GDP to **reduce by 45%** by 2030 compared to 2005.






Fiscal sustainability with **3.0%-3.5%** budget deficit to GDP.

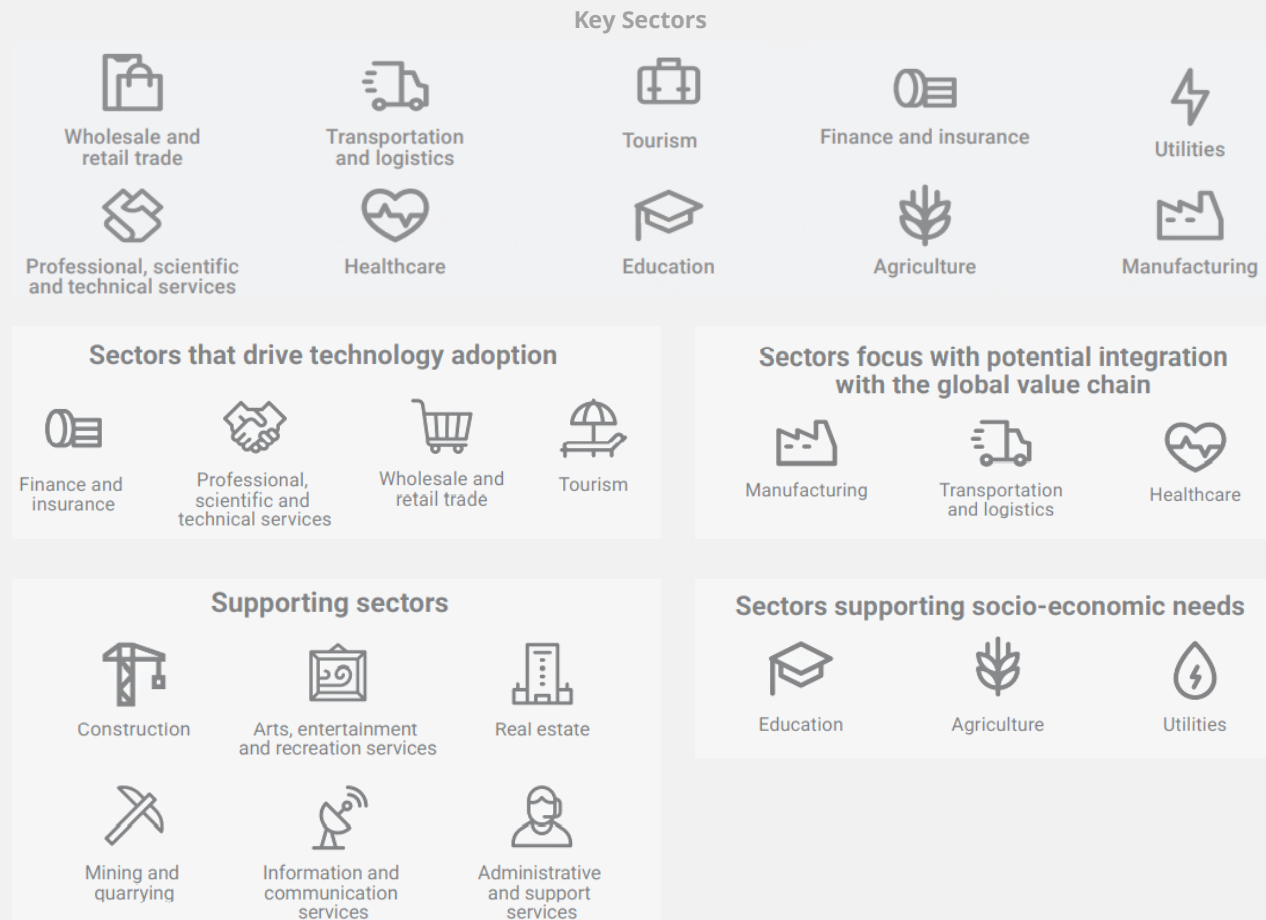
MALAYSIAN DIGITAL ECONOMY BLUEPRINT & THE 4TH INDUSTRIAL REVOLUTION

Future-proofing via an ecosystem within the economy led by science, technology and innovation.

Five Foundational Technologies

A resource allocation focus within these areas will be able to support the deployment and optimisation of other 4IR technologies.

-  **ARTIFICIAL INTELLIGENCE**
-  **INTERNET OF THINGS**
-  **BLOCKCHAIN**
-  **CLOUD COMPUTING AND BIG DATA ANALYTICS**
-  **ADVANCED MATERIALS AND TECHNOLOGIES**



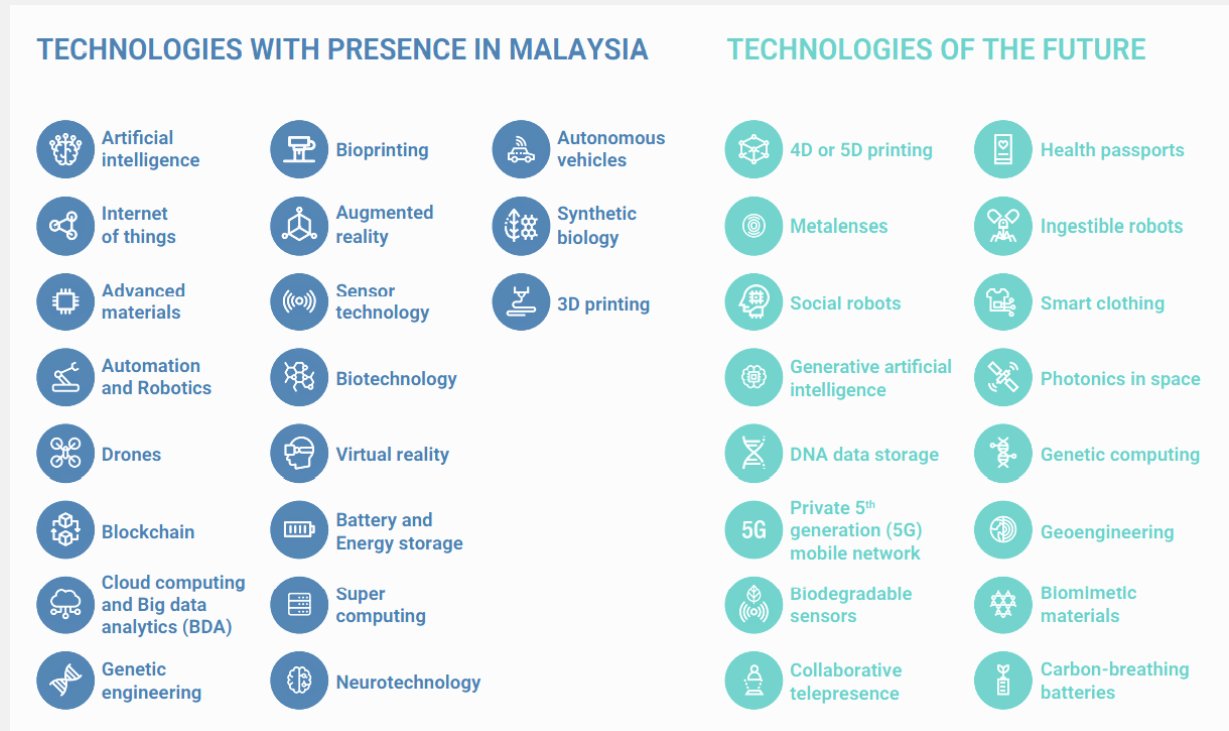
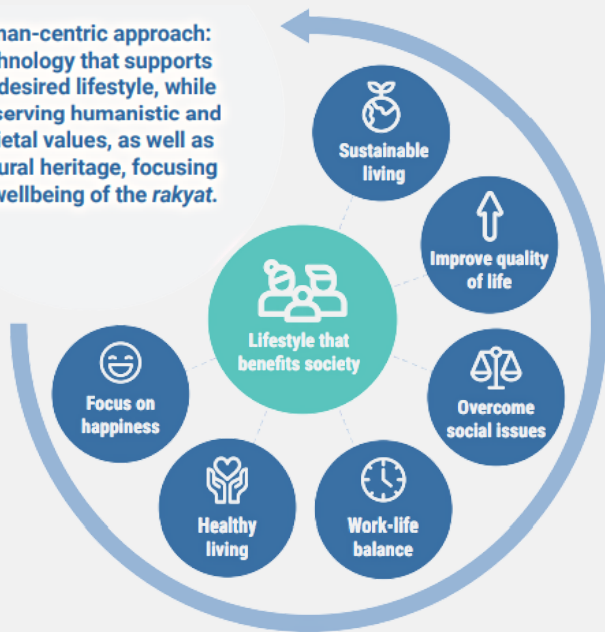
MALAYSIAN DIGITAL ECONOMY BLUEPRINT & THE 4TH INDUSTRIAL REVOLUTION

Foundational thinking, how we'll get there, and where we are.

Harnessing technology for humankind

Beyond making sure that no Malaysian will be left out, we also believe these technologies to be one of the great levelers of our time, and increase the quality of life not just economically, but socially and environmentally as well.

Human-centric approach: Technology that supports the desired lifestyle, while preserving humanistic and societal values, as well as cultural heritage, focusing on wellbeing of the rakyat.



As of 2020

Beyond 2020

THE PUSH TOWARDS CARBON NEUTRALITY

Malaysia committed to be carbon neutral by 2050.



A roadmap to reduce greenhouse gas emissions and a national adaptation plan will be introduced.

By 2025, renewable energy generation is targeted to increase to 31% of total installed capacity.

The Green City Action Plan initiative and a multi-dimensional public data analytics system will be introduced.

The development of resilient green cities to be intensified.

A total of 120 cities are targeted to achieve sustainable city status.

Bursa Malaysia and various government ministries are collaborating to launch a voluntary carbon market

All sectors and industries encouraged to invest in necessary technologies, process re-engineering and human capital

Priority for the development of energy-efficient vehicle manufacturing industry to support environmentally friendly mobility initiatives.

Cyclical economic model to be implemented to reduce pollution, waste generation and dependence on natural resources

Civil society organisations (CSOs) to be recognised as development partners; in implementation and monitoring at the grassroots level

Green procurement initiatives will be expanded to state governments and local authorities: green revenue targeted to increase to 25% by 2025

BUDGET 2022 PREVIEW

Expansionary, while laying the foundations for the government's wider and longer term reform efforts.

More than ever, we are engaging and consulting with more Malaysians from all walks of life.

The Memorandum of Understanding on Transformation and Political Stability has paved the way for growing bi-partisan cooperation and involvement, including in the drafting of this Budget.

BUDGET 2022, FOCUSED ON 3R'S:

**Speeding up
recovery**

**Catalysing
reform**

**Strengthening
economic resilience**

In the spirit of transparency, the Ministry of Finance recently introduced a pre-budget statement and four (4) consultation papers, a first in our history.

Budget 2021 initiatives were mapped to the Sustainable Development Goals. We will continue to do so in Budget 2022.

Financial assistance will remain ongoing for those most impacted, especially the B40 group, the unemployed and the vulnerable.

Support for businesses will remain steadfast be it via affordable financing schemes, better access to credit or grants.

Improving the labour market by, amongst others, focusing on hiring incentives in addition to subsidising wages.

Enhancing fiscal prudence via improving the Government's procurement and debt management process while enhancing tax enforcement measures.

PERKUKUH: THE GLIC TRANSFORMATION PROGRAMME

Scale and reach:

These GLICs manage about RM1.7 trillion in assets, employ about 500,000 people and make up a very sizable portion of total market capitalization of some RM3.4 trillion.



Overview of transformation:

Tight orchestration across relevant government departments ensures **supportive policies, enablers, incentives and investing focus.**

Strategic sector clarity enables SWF and Government to **unlock funds for strategic re-deployment and capital recycling.**

Growth Coordination council led by Prime Minister, includes MOF, MITI and EPU to **ensure high levels of coordination.**

Effectively attracts international investors and **spurs new growth ecosystems.**

Streamlined role of government and golden shares increases investor friendliness, promotes crowding in and **creates greater overall transparency in market and corporate governance.**

Transformation rolls out in phases, **targeted completion by 2024.**

PERKUKUH: THE GLIC TRANSFORMATION PROGRAMME

20 key initiatives of the transformation, to be completed by 2024.

Coordinated initiatives: Gov't / SWF centric

New growth ecosystem coordination	Structure optimisation for SWFs
Development co-investments	Stabilisation and savings fiscal discipline
Strategic asset definition and shareholding	Streamlining of golden shares

Coordinated initiatives: All GLICs

Scale with pooled asset management	GLIC/GLC 2.0 governance standards
Optimise international investing limits	Sustainable investing standards
Social security system reform	Enhanced investor active engagement
Coordinated social impact at scale	

Individual GLIC-led initiatives

EPF green investing opt-in fund	LTH operating model and governance
LTAT portfolio rebalancing and governance	Development investing target outcomes
Turnaround assets strategy	GLIC performance monitoring
MOF Incorporated asset optimisation	

Five key outcomes:



Sharpened focus and clarity on the distinct mandates.



Enhancement of development focus and catalytic investing to spur growth in new high-value sectors.



Strengthened social safeguards for the Rakyat and national fiscal resilience.



The crowding-in of private investments by streamlining the role of government in business.



Future-proofed GLICs with best-in-class governance, capabilities, and strategies.

PERKUKUH: REFRESHING THE MANDATES OF GLICS

Sovereign Wealth Funds:

Sharpened mandates create clear focus, optimise capital allocation and risk management strategies

Catalyze sustainable and wide-reaching **national socioeconomic development**

Focus on catalytic development and development investing to **enable larger investment opportunities in growth sector for private investors**

Institutional Investors:

Maximise contributors' sustainable returns and contribute to national development – including **CSR, ESG and green financing**.

Deliver sustainable risk-adjusted returns to fund contributors, remain a key source of **the rakyat's social protection & savings**.

ESG investing is growing rapidly, driven by investor interest & regulation

Complying with global ESG demands reduces portfolio risks, and boosts the confidence of investors who are looking to invest.

GLICs will be fully ESG-compliant in the future.

Considered to be leaders in Malaysia's business community, GLICs must lead by example with high standards of corporate governance.

A single standard unifies independent efforts, reducing compliance cost, and increases the effectiveness of managing transition risk.

ESG enhances ability to deliver on GLICs' mandates, and safeguards against financial and non-financial downside risks

Keeping up with ESG megatrends is important to stay competitive.

Companies must be pro-actively managing climate transition and de-carbonisation risks.

It also ensures they are managed to the highest standards, with best-in-class practices, providing assurance and trust in key institutions.

Signatories of the Principles of Responsible Investment (PRI):



INVESTING IN RESILIENCE

Manufacturing and trade sector:

Export recovery, foreign direct investments and approved projects.

Manufacturing and trade sector: Upward trajectory, Jan-Aug 2021 exports grew 25% YoY to RM778.49 billion, total external trade expanded 22.9% to RM1,406.78 billion.

Export vs Import growth: 24.9% vs 20.4% respectively.

Trade surplus increased 48.2%

FMM-MIER Business Conditions Survey: Both local and export demand expected to pick up in 2H21 compared to 2H20.

Companies with 80% - 100% vaccination rate of employees allowed 100% operational capacity.

Actual flow of FDI into Malaysia was up 111.8% YoY in 1H 2021 (as reflected in the BoP) while total approved FDI was up 215% YoY in 1H 2021.

RM107.5 billion total approved Foreign Direct Investment and Domestic Direct Investments

69.8% higher compared to 1H20, involves 2,110 projects Expected to generate 44,994 job opportunities.

Projects approved by MIDA: Increasing number of capital-intensive projects, creating high-value and skilled employment opportunities.

367 manufacturing projects worth 66.9 billion ringgit.

Jobs created: 1,367 managerial positions, 4,031 technical professionals eg. engineers - in the field of E&E, mechanical, chemical and others.

INVESTING IN RESILIENCE

Notable names, new investments:

In partnership with Sime Darby Berhad, Porsche's first production plant outside of Europe. A strategic base to build long-term presence in the ASEAN.



A subsidiary of Tokyo Stock Exchange listed Taiyo Yuden Co. Ltd. Currently building a 36,500 square-metre multilayer ceramic capacitor manufacturing facility. RM680 million capital investment, generating 2,000 high-skilled jobs.



To expand capacity of its existing solar-grade polysilicon plant, OCI has revealed plans to invest \$55 million in its Malaysian manufacturing facility to increase its output.



Once in operation, SK Nexilis' new copper foil manufacturing plant will increase its global copper foil production capacity by 100,000 tonnes. SK Nexilis boasts of the world's No.1 technology in manufacturing copper foil for batteries.



Risen Solar Technology Sdn Bhd for Next generation bi-facial solar products. With a total investment of RM42.2 billion, over a period of 15 years Risen Solar Technology Sdn Bhd is expected to generate 3,000 jobs and will also be collaborating with local universities in conducting research and development (R&D) activities and provide internships.



MALAYSIA'S MSME PLAYERS: SUPPORT, DEVELOP & EXPAND

Stronger entrepreneurs, higher-quality brands, more access.

Vendor development programmes

Strengthen implementation of vendor development programmes.

Drive increasing participation of multinational corporations, public listed companies, existing vendor champions and private companies.

Build experience via exposure and access to larger markets, including high-growth industry sectors such as rail, aerospace, automotive, renewable energy, medical devices, biotechnology and the halal industry.

Entrepreneurial skills development

From foundational all the way to digital readiness

Holistic development programmes cover areas such as strategic management, certification, marketing and branding, all the way to packaging, product development and e-commerce training.

Enhanced programmes emphasise capacity building through grooming competitive mindsets, internationalisation strategies and an extensive financial literacy programme.

Expanding MSMEs' business footprint

Opening greater pathways & opportunities to access

- Various e-commerce platforms for promotion and marketing.
- Wholesale and retail outlets.
- Leverage upon Government procurement procedures.
- Strategic locations and entry points around the nation to promote local products and services.

Better products & brands

- Facilitating regulatory compliance, certification and accreditation.
- Strengthening supply chain management, improving logistics, physical and digital infrastructures through public-private partnership.

Bank Negara Malaysia Hi-Tech Facility Fund

Targeted financial support for capital intensive, hi-tech, innovation-driven SMEs

Provides support for critical technologies such as:

- Chemicals - including pharmaceuticals & refined petroleum.
- Optical Scientific Equipment & Medical Equipment.
- Machinery & Equipment - including Robotics & Drones.
- Transport - including aerospace
- Vehicle & parts manufacturers in global supply chains related to future mobility and green technology.
- Information & Communication Technology (ICT), Research and Development (R&D) services.

MALAYSIA: ASEAN AND INTERNATIONAL TRADE

Developments, transformations and agreements; the opportunities for growth.

The 53rd ASEAN Economic Ministers' Meeting: A positive note for the revitalisation of regional economic growth and collective regional cooperation. Malaysia's government is making on-going efforts to ratify the RCEP and CPTPP.

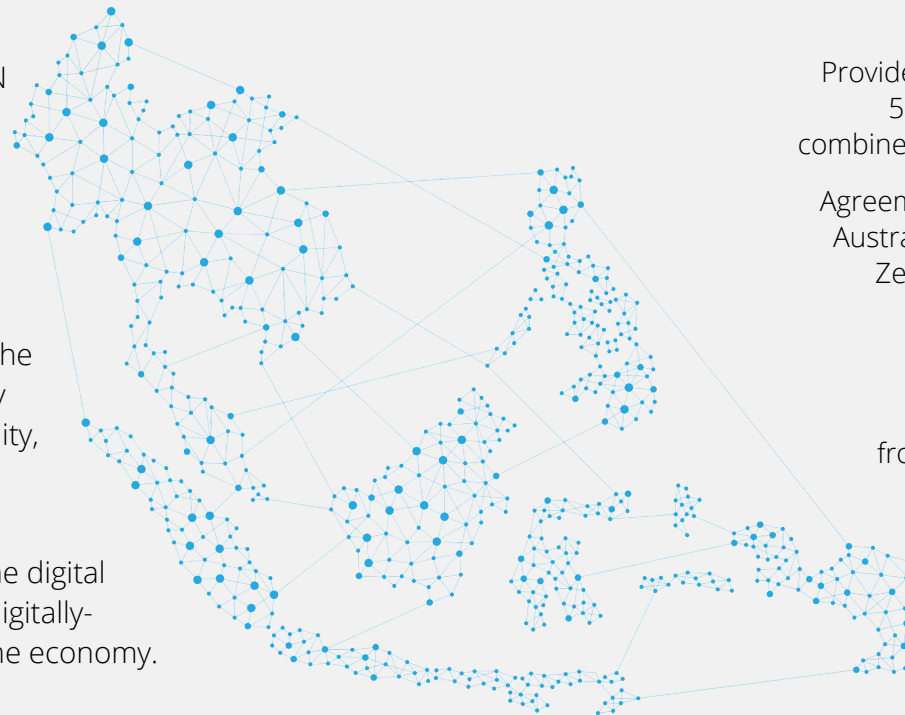
Finalised comprehensive reviews of the ASEAN Digital Integration Framework Action Plan.

Expedited implementation of all ASEAN Comprehensive Recovery Framework Initiatives.

ASEAN Digital Transformation Agenda enables the incorporation of comprehensive digital economy elements in international trade to improve stability, lower risks and reduced compliance cost.

Drive growth of digital economy, narrow the digital divide and to transform the nation into a digitally-enabled and technology-driven high income economy.

Implementation of non-tariff measures on essential goods - expanded list includes food and agricultural products. Strong benefits for Malaysia's corporations and MSMEs.



The CPTPP, a key driver beyond the ASEAN:

Provides access to a market of 500 million people with a combined GDP of US\$10 trillion.

Agreement already in force for Australia, Canada, Japan, New Zealand, Mexico, Vietnam and Singapore. Brunei Darussalam, Chile, and Malaysia are remaining, with growing interest from the United Kingdom, Thailand and Taiwan.

Covers all aspects of trade including e-commerce, participation by state-owned enterprises, additional disciplines on IP rights and efforts to lower technical barriers to trade.

REBUILDING A SUSTAINABLE ECONOMY

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