

INVEST MALAYSIA 2020

THE CAPITAL MARKET CONVERSATION

RECOVER | ADVANCE | SUSTAIN

CONVERSATION GUIDE

ADVANCING MALAYSIA : 5G & INDUSTRY 4.0

V3

THE INVEST MALAYSIA TRADITION

continues with the 16th instalment of the Bursa Malaysia annual capital market conversation that will reach a wider, global audience with a new virtual platform that is interactive, fast paced and designed to deliver insights direct from decision makers.

A series of virtual Invest Malaysia 2020 events have been designed to evoke conversation around Malaysia's recovery from this unique Covid-19 economic period and the marketplace advances that are being put in place to ensure long-term sustainable growth post Covid-19.

OUR RESPONSIBILITY.

“

The Digital Economy Task Force will be guided by four thrusts, namely empowering the people, boosting businesses, stimulating the economy and enabling capabilities. ”

Ministry of Communications and Multimedia (KKMM) and the Ministry of Science, Technology and Innovation (MOSTI)

“

With the confidence of outsiders in the Malaysian economy, this also reflects the confidence of foreign investors and maintains Malaysia as a world investment destination. ”

Dato' Seri Mohamed Azmin Ali
Senior Minister
Minister of International Trade and Industry

OUR OPPORTUNITY.



RECOVER

ADVANCE

SUSTAIN

ADVANCING SUSTAINABLE GROWTH

The world is going through an unprecedented healthcare crisis.

Every government, corporation and citizen has in some way been impacted by the Covid-19 pandemic.

This unique economic period, as challenging as it has been, brings an opportunity to look forward with clarity on how we can collectively advance our nations, businesses and family structures to create a more sustainable future.



THE THREE CONVERSATIONS

01

How will Malaysia use the Covid-19 era to do the right things for the long-term?

02

How does conscious capital lead to more productive, ESG principled companies?

03

What are the other right measures Malaysia needs to take this year?

MALAYSIA HAS OUTPERFORMED REGIONAL PEERS YTD DURING THE COVID-19 ERA.

Q: Could sound fundamentals and swift action be a driver?

6 MONTHS
13-FEB thru 13 AUG 2020

Malaysia (FBM KLCI) :	+ 1.14%
USA (DJI) :	- 4.92%
Hong Kong (HSI) :	- 8.97%
Thailand (SETI) :	- 12.78%
UK (FTSE) :	- 15.73%
Singapore (STI) :	- 20.40%

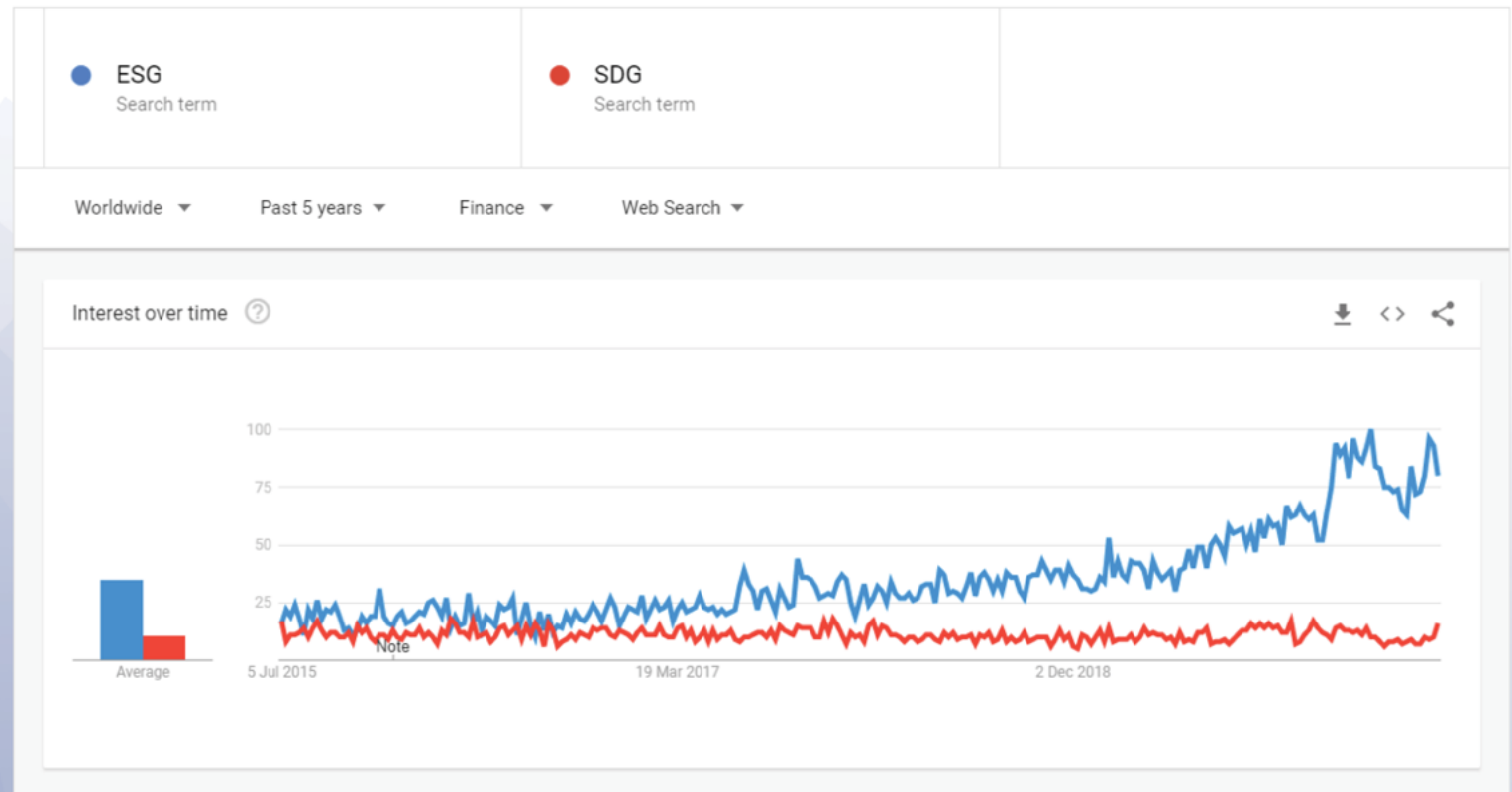


13-Aug-2020 10:30PM

Source : Thomson Reuters Eikon

ESG as a topic in Google search has significantly outpaced interest in the Sustainable Development Goals over the last 5 years.

Q: Is ESG an activation and monetising platform for SDGs?



Source : Google Trends, Interest Over Time
 Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

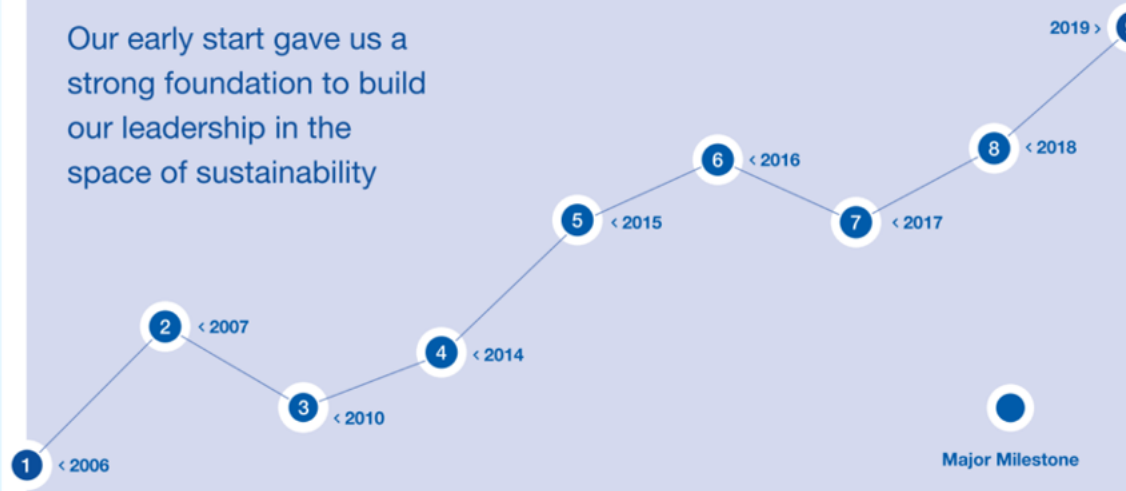
Bursa Malaysia's Sustainability Journey and Major Milestones

Supporting inclusive economic growth and sustainable development that creates lasting value for market participants – both now and for generations to come.

Malaysia's sustainability journey had a comfortable head start

The principles of **Islamic Finance** and **Responsible Investing** share many characteristics; therefore Malaysia's building of an Islamic Finance Marketplace has underpinned its journey towards the development of a sustainable marketplace.

Our early start gave us a strong foundation to build our leadership in the space of sustainability

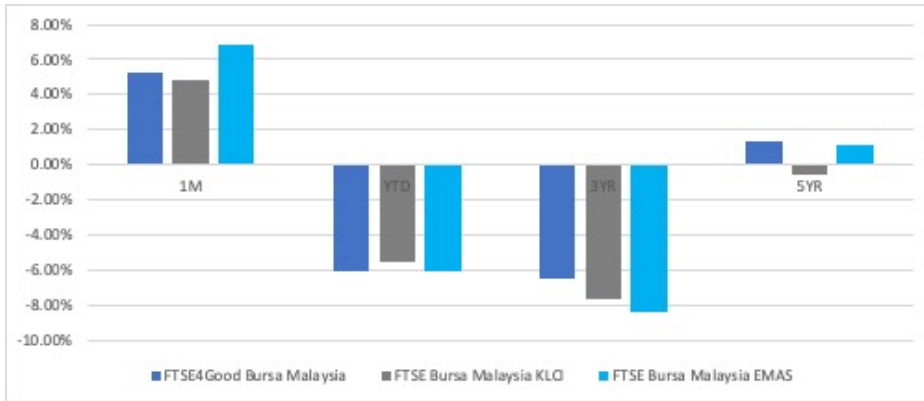


Our Sustainability Journey and Major Milestones:

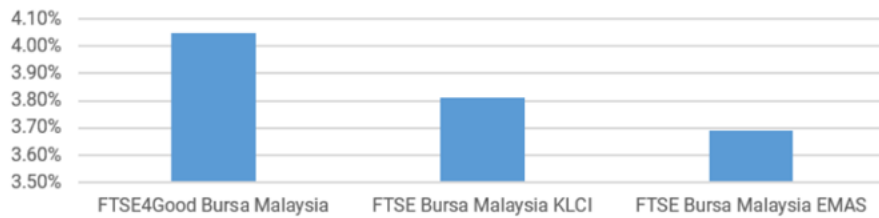
- 1 **2006:** - Introduced Corporate Social Responsibility (CSR) Framework to Public Listed Companies (PLCs)
- 2 **2007:** - Mandated CSR reporting for PLCs took effect
- 3 **2010:** - Launched the Business Sustainability Programme for PLCs
 - Corporate Sustainability Committee (formerly known as Sustainability Committee) was established
- 4 **2014:** - Launched first FTSE4Good Bursa Malaysia (F4GBM) Index
 - Bursa Malaysia also became a constituent of the Index
- 5 **2015:** - Became a member of the Sustainable Stock Exchanges (SSE) Initiative and the World Federation of Exchanges (WFE) Sustainability Working Group
 - Introduced the Sustainability Reporting Framework for our PLCs (amended relevant Listing Requirements, issued new guide and toolkits)
- 6 **2016:** - Implemented the Sustainability Engagement Series for PLCs
- 7 **2017:** - Established a dedicated Sustainability Department to reinforce our commitment to promoting sustainability
- 8 **2018:** - Launched BURSASUSTAIN, a one-stop knowledge portal to support market participants on Corporate Governance (CG), sustainability and responsible investment
 - Developed our Sustainability Roadmap 2019-2020
 - Became an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations
 - Enhanced the Sustainability Reporting Framework for our PLCs (amended guide and toolkits)
- 9 **2019:** - Became an official supporter of Women's Empowerment Principles (WEPs)
 - Developed an internal Sustainability Policy to articulate our commitment to sustainability within our business operations and guide employee behaviour and conduct

ESG Enabled Companies Outperform in Malaysia

ESG(FTSE4Good) vs Benchmark Indices



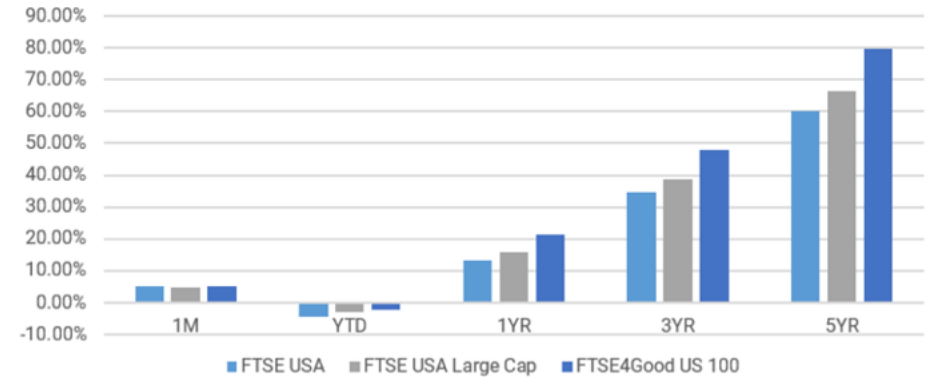
Div Yield%



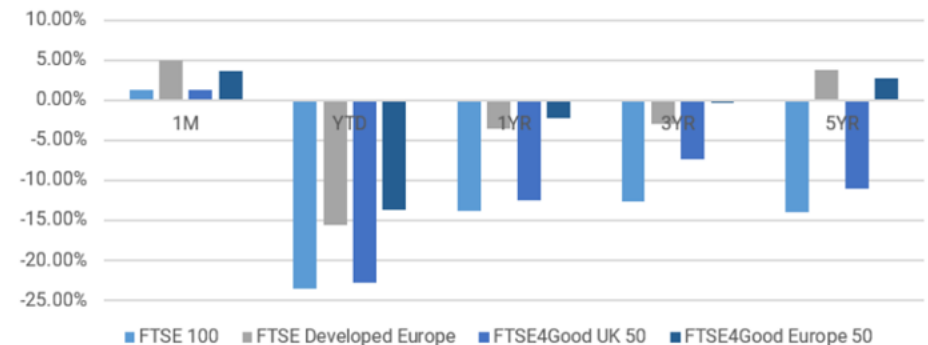
29 May 2020	Performance						
	1M	YTD	3YR	5YR	Constituents	Net Mcap (RM)	Div Yield %
FTSE4Good Bursa Malaysia	5.27%	-6.08%	-6.48%	1.32%	69	467,141	4.05%
FTSE Bursa Malaysia KLCI	4.80%	-5.54%	-7.66%	-0.62%	30	460,529	3.81%
FTSE Bursa Malaysia EMAS	6.83%	-6.07%	-8.36%	1.10%	231	635,044	3.69%

ESG Enabled Companies Outperform Worldwide

Americas FTSE Benchmark Indices



Europe FTSE Benchmark Indices



Source: FTSE Russell Factsheets | May 2020

ASEAN LEADING SECTORS

FINANCIAL SERVICES

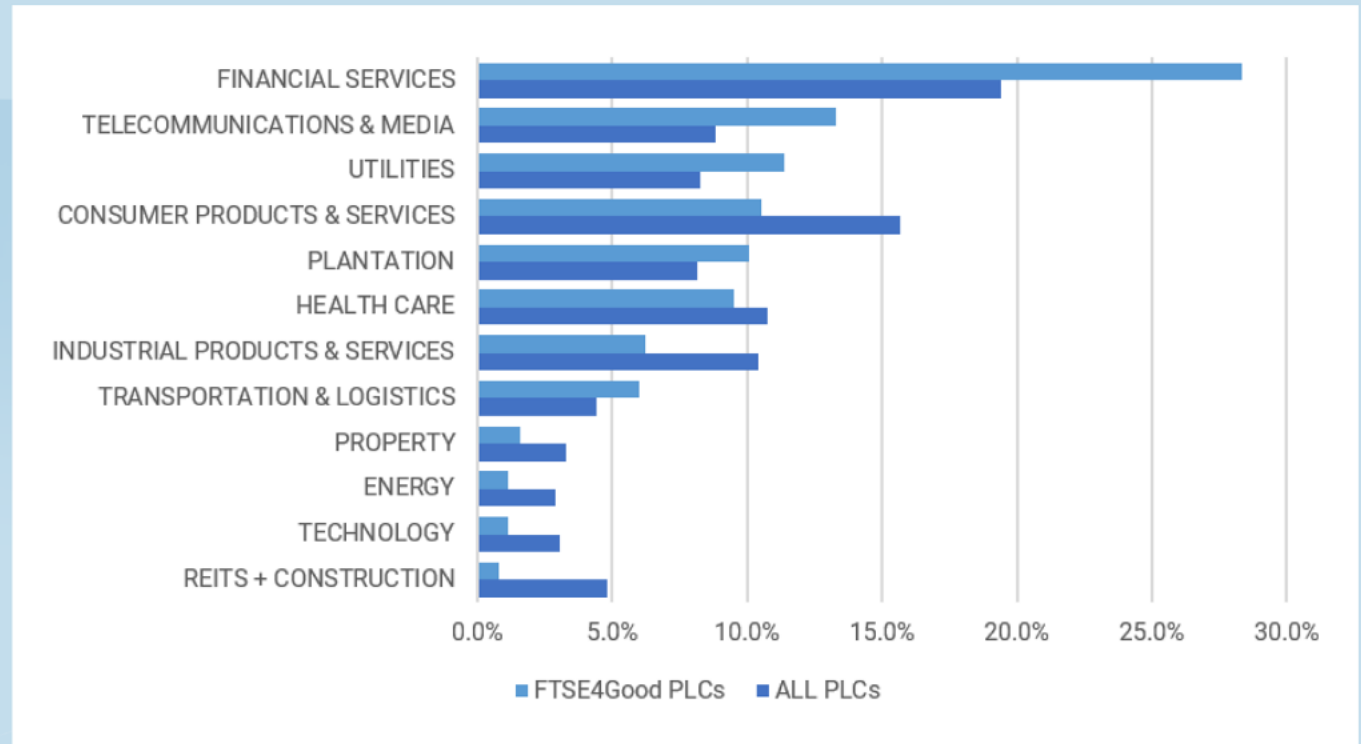
CONSUMER PRODUCTS

HEALTHCARE

TELECOMMUNICATIONS

PLANTATION

Bursa Malaysia
% Market Capitalisation by Sector
FTSE4Good PLCs vs All PLCs





INVEST MALAYSIA 2020 FRESH PERSPECTIVES

RECOVER | ADVANCE | SUSTAIN

1. Bursa Malaysia has joined forces this year with Malaysia's leading investment banks and brokerage firms to carry forward the 16-year tradition of Invest Malaysia and deliver a unique virtual Invest Malaysia Series that will cover more themes, more sectors and connect with more global investors than ever before.
2. This is first time IMKL is being held fully virtual, but the tradition of providing a platform to engage directly with decision makers is stronger than ever, interaction will be bolder than ever, and the conversations should be hotter than ever.
3. IMKL 2020 will cover some of the most relevant themes shaping our near-term future, namely, Economic Recovery, Infrastructure, Commodities, Technology and 5G.
4. Conversations from a series of virtual IMKLs are designed to cover the steps Malaysia is taking to Recover from the Covid-19 health crisis, the Advances the government, investors and corporates are taking to move the nation forward faster and the ESG practices being put in place to ensure long-term Sustainability of our marketplace.

TUNE IN INVEST MALAYSIA 2020 V3 5G & INDUSTRY 4.0

“We have scoured our coverage universe of 11,000 companies to come up with 10 ESG themes for investors to consider in 2020.”

Major technological advances are reshaping the way companies do business.

Hardware and telecom firms with strong quality management and a talent for ensuring skillful execution of wireless infrastructure upgrades are well positioned to capitalize on their 5G rollouts.

Human capital factors will also play a critical role in supporting the automation revolution among industrial companies, many of which will be required to upskill existing employees and onboard new, highly qualified personnel.

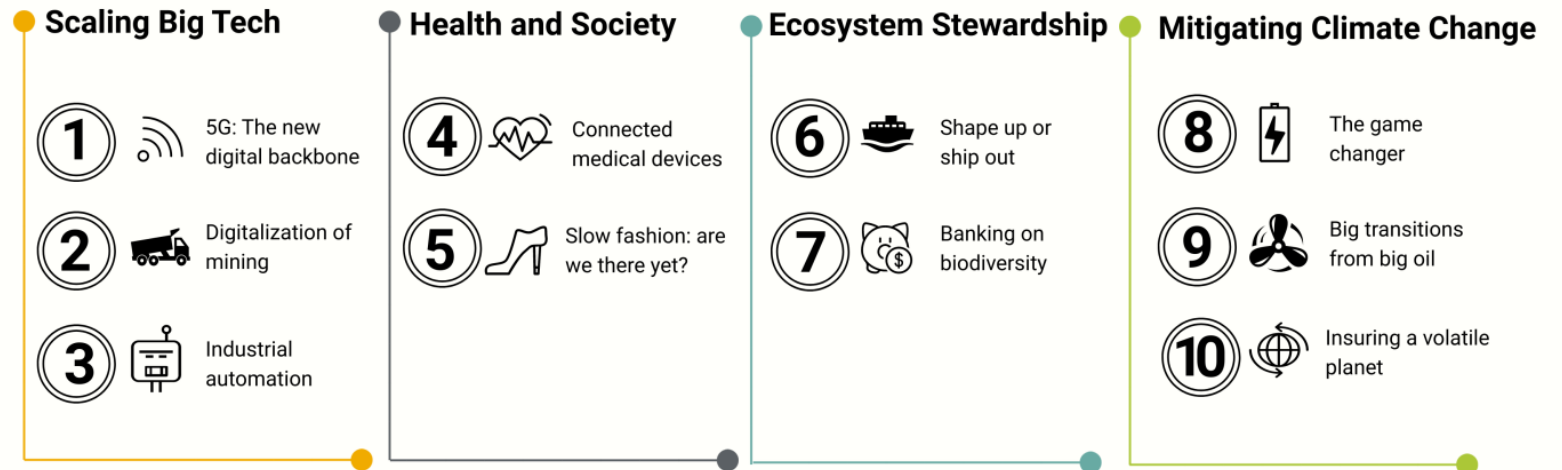
THE TOP TEN ESG-INSPIRED INVESTMENT THEMES FOR 2020

#1 - #3 - #4 driven by 5G and Industry 4.0

#1: 5G will create opportunities, from optimizing service delivery to enhancing the Internet of Things (IoT), unlocking USD 13tn in economic value by 2035.

#3: Organizational productivity will get a boost from the supply of industrial robots, which is forecast to reach 630,000 by 2021, up over 10x from 2009.

#4: Connected medical device producers may benefit from the burgeoning IoT healthcare market, which is projected to grow to USD 136bn by 2021.



TUNE IN INVEST MALAYSIA 2020 V3 5G



5G

5G – Evolutionary or revolutionary?

Consumer 5G is evolutionary: Data cost will decline sharply, enabling higher-density content (video, games, music) and new applications will emerge.

Enterprises 5G is revolutionary: Promising to bring flexibility to manufacturing, real-time control to vehicles and robots, controlling critical infrastructure for governments.

The key attraction for 5G is the future Enterprise and Industrial IoT markets that will be enabled by network slicing and vertical application.

Industrial IoT will connect a wide range of objects. Government will connect water meters and red lights to monitor water quality and automate traffic i.e. increase systemic efficiency.

Enterprises will connect warehouses and manufacturing to gain in flexibility / productivity.

There are 1bn objects connected on cellular networks today, Macquarie estimates that there will be 4.5bn by 2025, accounting for 19% of cellular data traffic; cameras and vehicles accounting for nine-tenths of traffic.

Macquarie forecast global mobile data traffic reached 27EB/m in 2018 to 272EB/m in 2025 (i.e. +39% CAGR). Humans (smartphones) accounted for 98% of data traffic in 2018 and will represent 81% by 2025, with machines 19%.

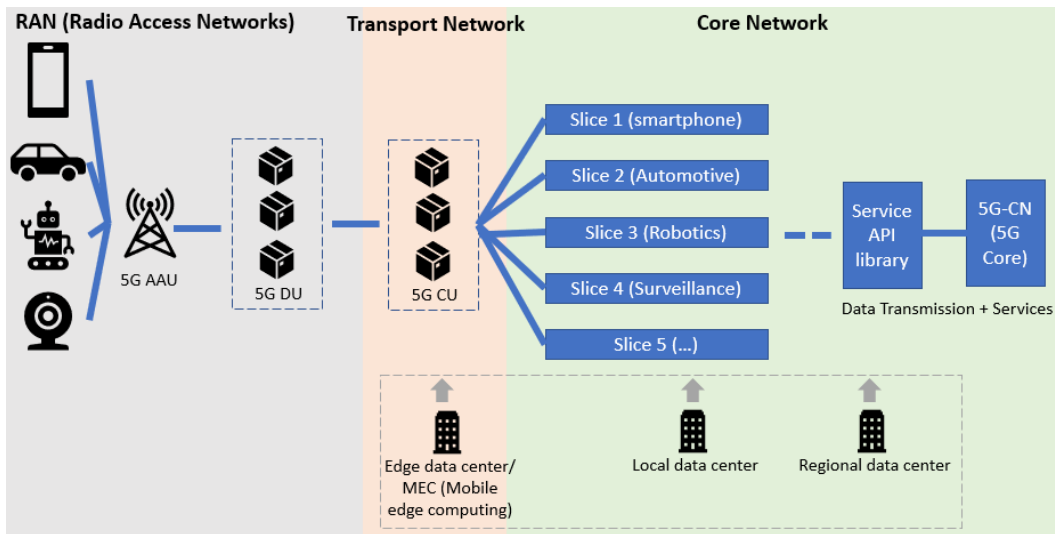
Telcos need to build the 5G networks first, work with software and industrial system integrators. Telcos that are bundling consumer content and developing an Enterprise business with data centers, data analytics, data integration with 5G should be the focus.

TUNE IN INVEST MALAYSIA 2020 V3 5G

5G CORE NETWORK STRUCTURE

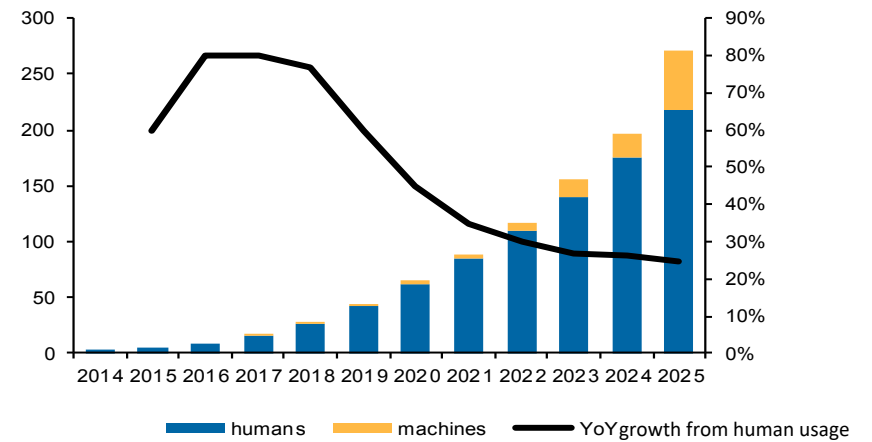
a virtualized software platform decoupled from hardware resources

5G new radio and new core will support enterprise and government applications



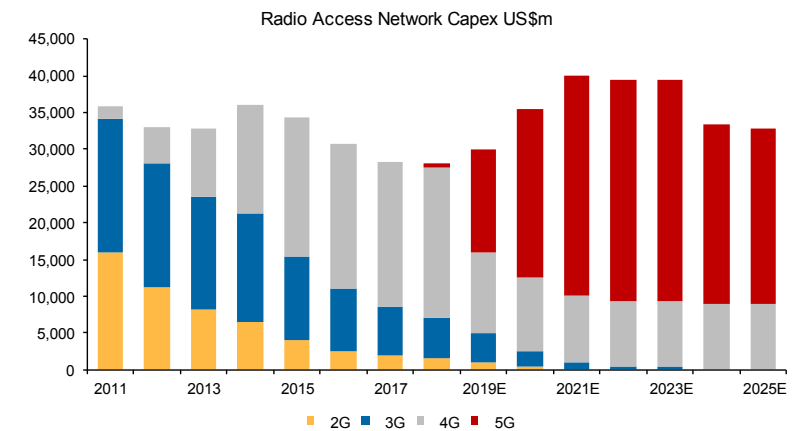
Source : National 5G Task Force Report, Macquarie Research

Global cellular data traffic (exabyte/month)



Source: ITU, Ericsson, Macquarie Research, November 2019

Telecom Capex is entering the 5G cycle



Source: Gartner, Macquarie Research, November 2019

TUNE IN INVEST MALAYSIA 2020 V3

5G

THE 5G CATALYST

Adding RM12.7billion and 39,000 new jobs between 2021 and 2025 to Malaysia economy

Cellular IoT segments

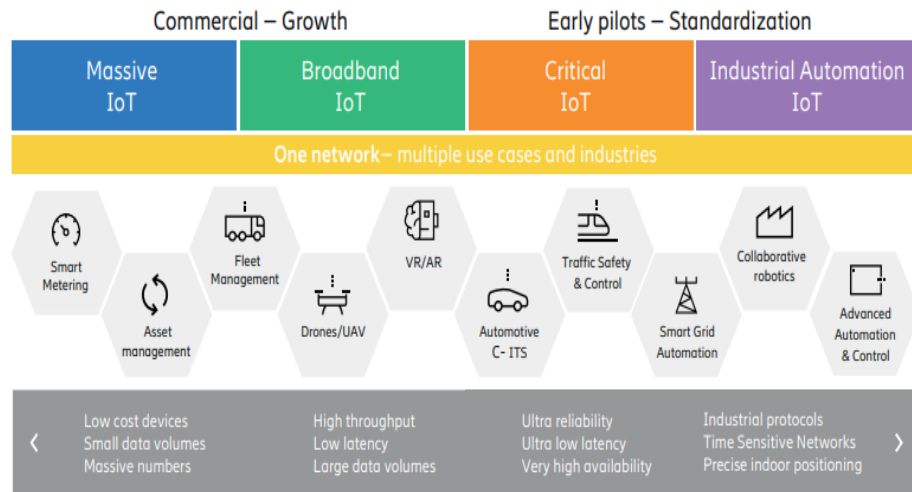


Figure 1: Cellular IoT segments

Source: Ericsson, Macquarie Research, November 2019

Which connected objects need a 5G network?

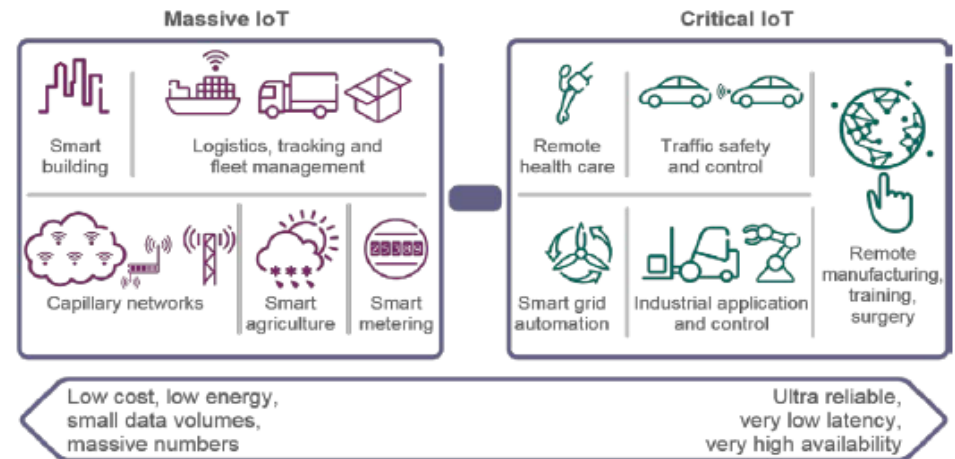


Figure 2.1. Differing Requirements for Massive and Critical IoT Applications.¹⁴

Source: 5G Americas, Macquarie Research, November 2019

TUNE IN INVEST MALAYSIA 2020 V3

5G

Business Case Exploration for 5G Implementation

Enabling technology characteristics		Data characteristics							Service			Intelligence				
		Rich-content (non-text, images etc)	3rd party content	Structured	High volume	Near real-time	Remote	Speed of transmission	Decision support sys.	Monitoring sys.	Feedback loop sys.	Blockchain	Robotic	Drone	Autonomous	Interaction: AR/VR
Agriculture	• Smart farming															
Banking & Finance	• Digital banking • Trading • Inclusive Insurance															
Healthcare	• Healthcare delivery															
Education	• Digital learning															
Manufacturing & Process Industries	• Production efficiency • Engineering solutions															
Oil & Gas	• Operation efficiency															
Retail & Services	• Experiential retail															
Smart City	• Public surveillance															
Transportation	• Seamless mobility															

Key: ■ Significance of 5G i.e. 5G improves the efficiency & performance of respective technology characteristics

NATIONAL 5G TASK FORCE REPORT

Data analytics has empowered more proactive decision-making, and is the basis of Artificial Intelligence (AI) which is the backbone of various applications like autonomous cars, robotics, automation, etc.

TUNE IN INVEST MALAYSIA 2020 V3 5G

National Fibreisation and Connectivity Plan

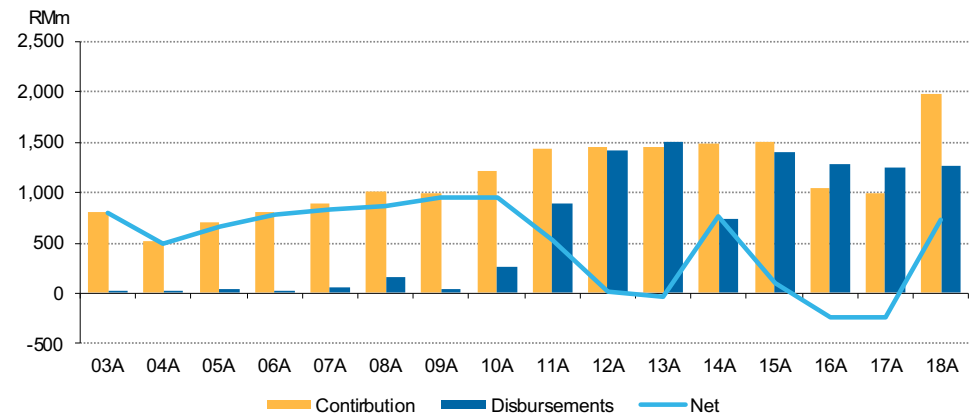
RM10bn boost from Universal Service Provision Fund to accelerate connectivity for the masses.

NFCP targets >30Mbps service in 98% of populated areas by 2023

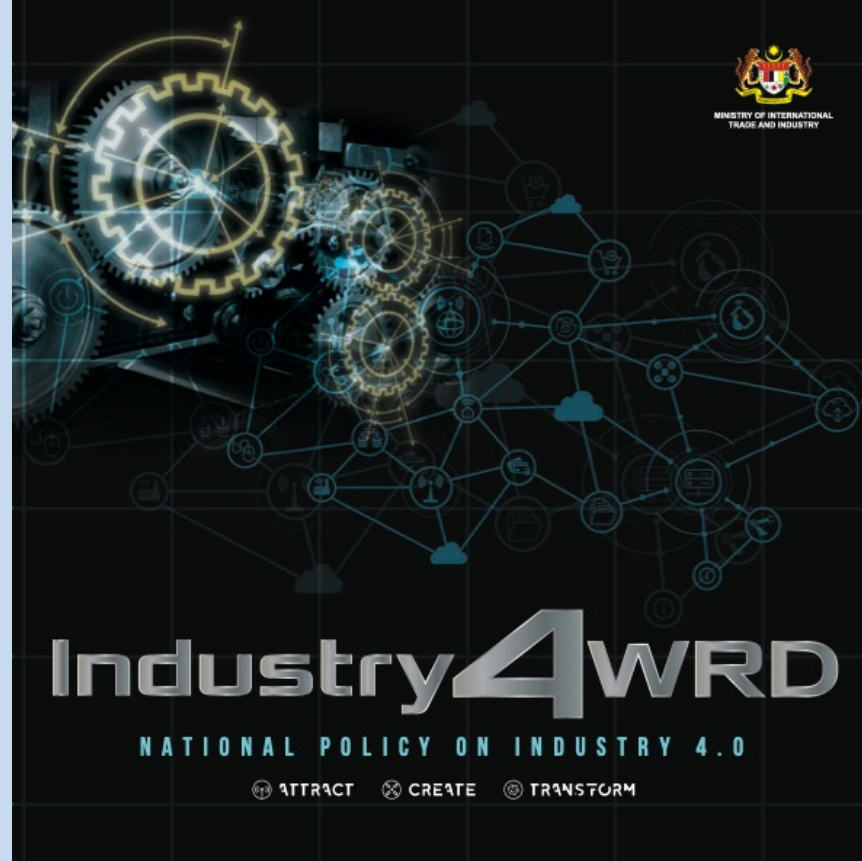
Target	Area	Timeline
>30Mbps	98% populated areas	2023
>500Mbps	State Capitals, select high impact areas	2021
<500Mbps	sub-urban and rural	2022
1Gbps	Select industrial areas	2020
70% premises passed	Schools, hospitals, libraries, police stations, post offices	2022

Source: MCMC, Macquarie Research, April 2019

USP Fund had RM10bn in funds as at end 2018 and has typically been in surplus annually



TUNE IN INVEST MALAYSIA 2020 V3 INDUSTRY 4.0



Industry 4.0 | The potential for growth is simply limitless

The Fourth Industrial Revolution entails infusing higher value-added process of manufacturing through the application of advanced digitisation, advanced manufacturing technologies and efficient resource utilisation. This would result in enhanced efficiency and reduced dependency of human labour and ultimately driving competitiveness going forward.

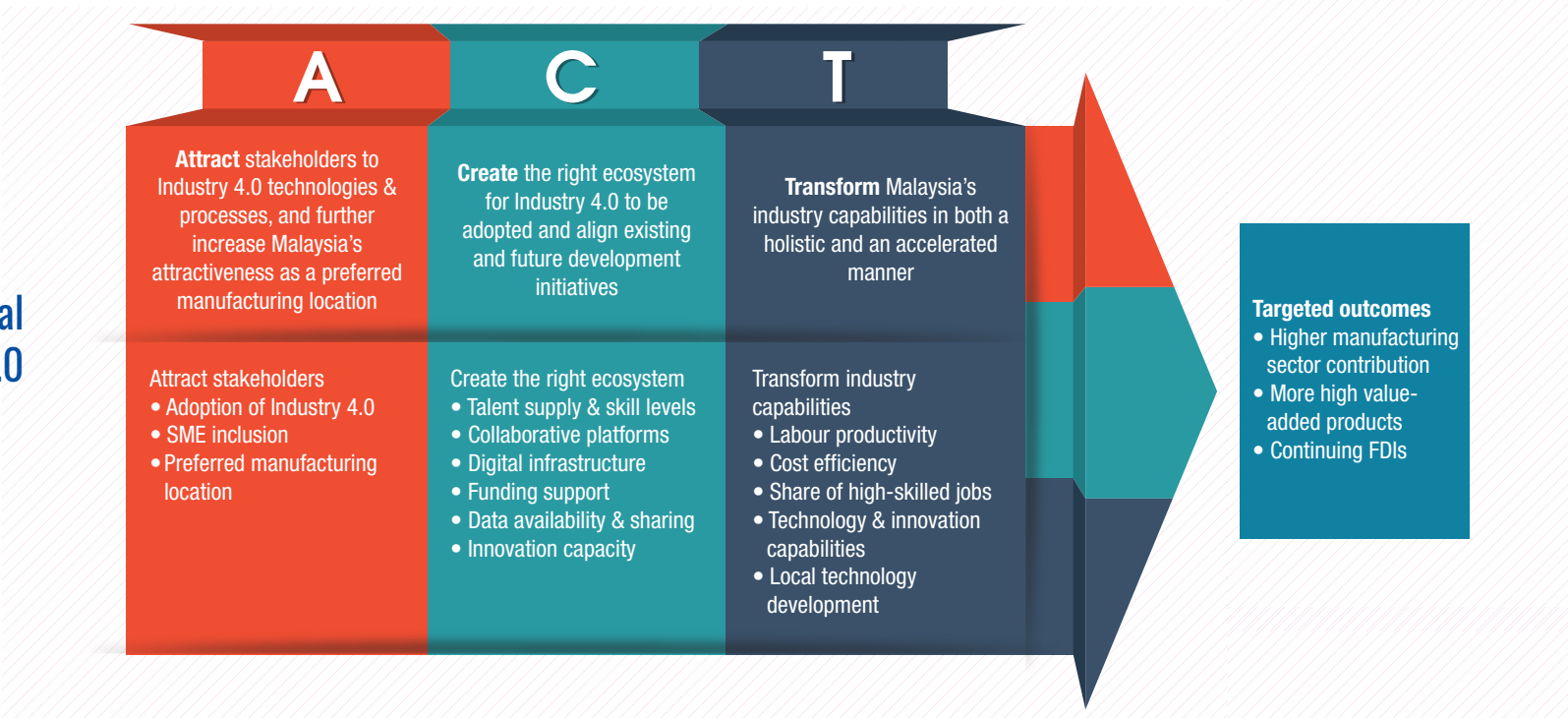
Industry 4.0 could address many issues concerning manufacturing with regard to hazardous environments, health and safety of human labour, efficiency in managing supply chains, reduction in wastages, savings in time with efficient management of delivery system.

A strong manufacturing sector would pave the way to enhanced productivity, job creation, innovation capacity, high-skilled talent pool and ultimately economic prosperity and societal well-being. This would position Malaysia as a primary destination for smart manufacturing globally and attract more high-tech investments.

MITI believes that the journey towards Industry 4.0 adoption is anchored on three shift factors: People, Process and Technology. People – differentiated talent acquisition, developing required human capital and retaining our existing talents by providing them with the right support. Process – improving the manufacturing and the whole business processes by encouraging smart and strategic public-private partnerships. Technology – to adopt and implement smart manufacturing solution where advanced hardware are now combined with advanced software, sensors and data analytics.

TUNE IN INVEST MALAYSIA 2020 V3 INDUSTRY 4.0

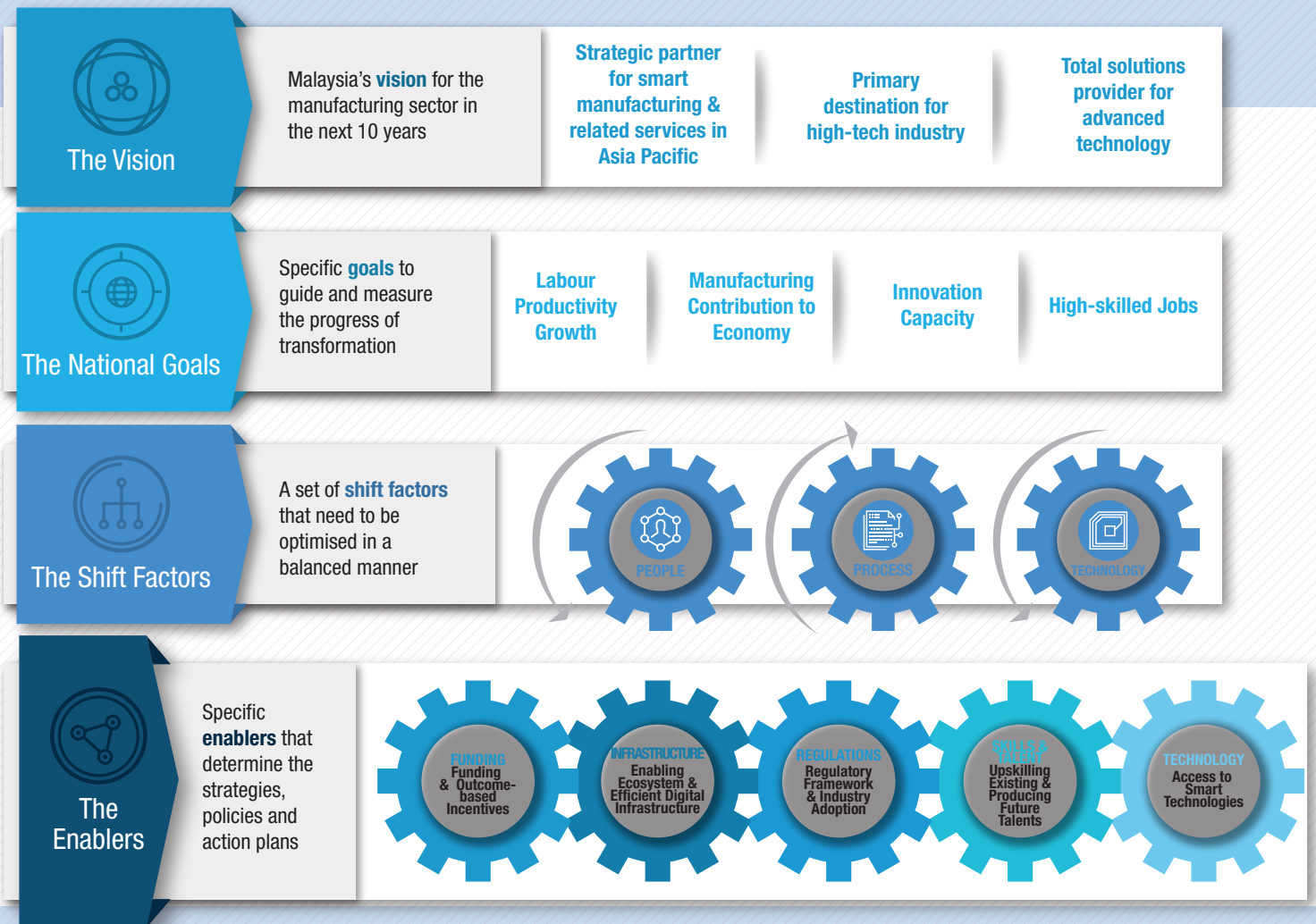
Objectives of the National Policy on Industry 4.0



Source : National Policy on Industry 4.0

TUNE IN INVEST MALAYSIA 2020 V3 INDUSTRY 4.0

Framework for Industry 4WRD



TUNE IN INVEST MALAYSIA 2020 V3 INDUSTRY 4.0

National Goals & Targets for Industry 4.0

To increase the level of productivity in the manufacturing sector

To elevate the contribution of the manufacturing sector to the economy

To strengthen our innovation capacity and capability, reflected in global innovation rankings

To increase the number of high-skilled workers in the manufacturing sector

The targets for 2025, developed from 2016 baseline figures:

Productivity of the
manufacturing industry
per person

From **RM106,647**
To increase by
30%

Absolute contribution in
Ringgit Malaysia (RM) term
from the manufacturing sector
to the national economy

From **RM254** billion
To **RM392** billion

Global Innovation
Index ranking

From **#35**
To top **30** nations

Numbers of high-skilled
workers in the
manufacturing sector

From **18%**
to **35%**

TUNE IN INVEST MALAYSIA 2020 V3 INDUSTRY 4.0

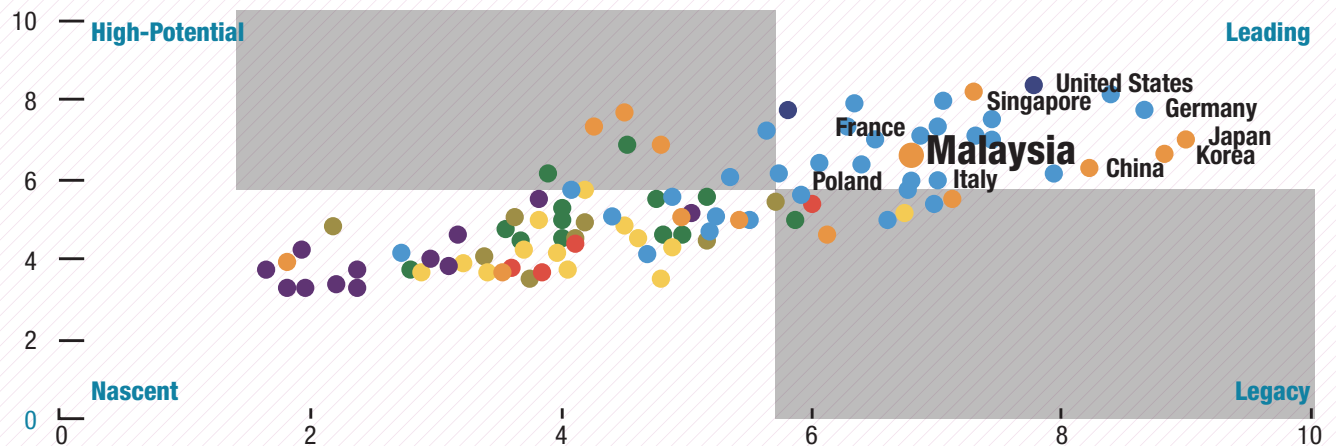
Malaysia & Industry 4.0

The report on the Readiness for the Future of Production Report 2018, jointly published by the World Economic Forum (WEF) and A.T. Kearney, provides a global assessment of 100 countries and positions Malaysia in the “Leader” quadrant.

These are countries with a “strong current production base” and who are “positioned well for the future”.

Malaysia and China are the only two non-high income countries in the “Leader” quadrant.

Drivers of production score (0-10)



Structure of Production score (0-10)

- East Asia and the Pacific
- Latin America and the Caribbean
- South Asia
- Euroasia
- Middle East and North Africa
- Sub-Saharan Africa
- Europe
- North America

Note: Average performance of the top 75 countries is at the intersection of the four quadrants.

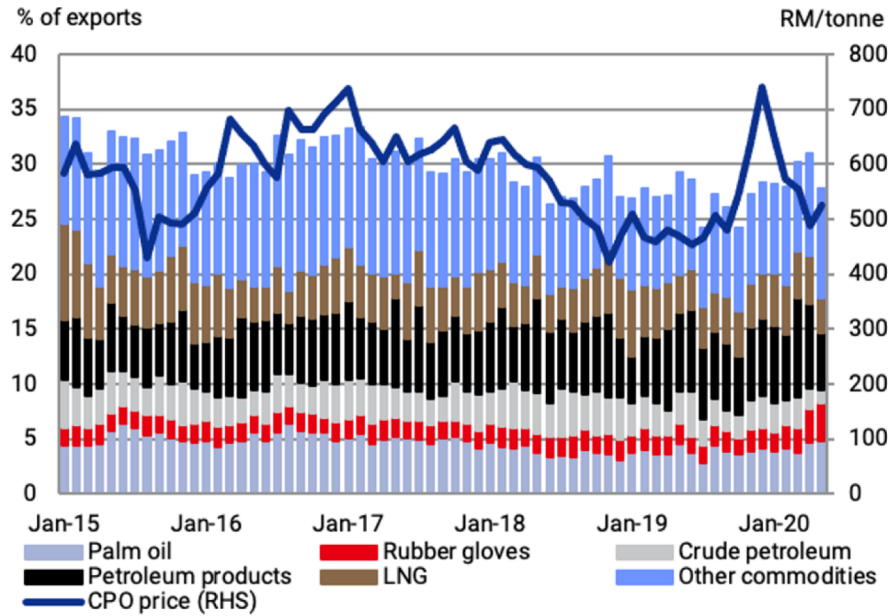
Source: Readiness for the Future of Production Report, World Economic Forum, 2018

INVEST MALAYSIA 2020 V2

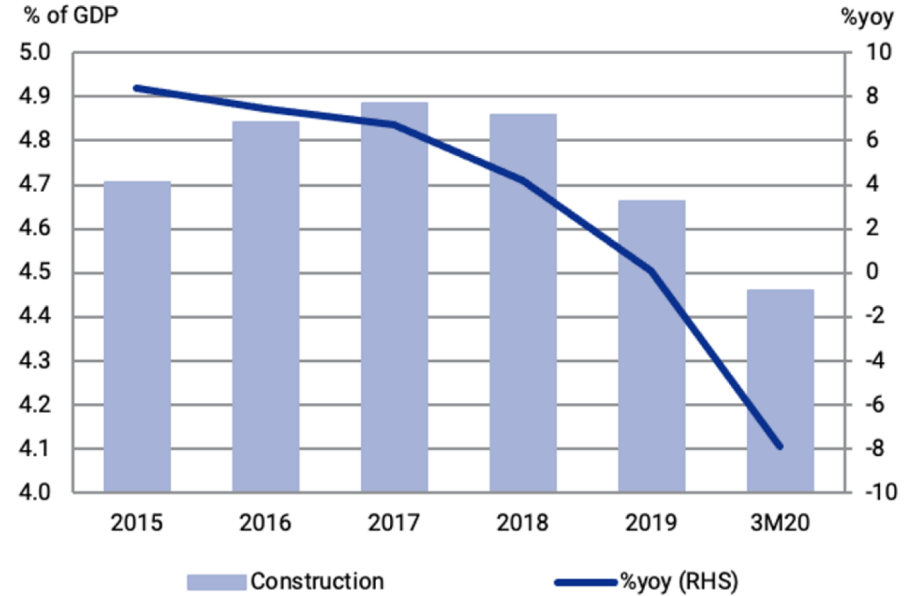
OPPORTUNITY TO POWER MALAYSIA'S GROWTH ENGINES

COMMODITIES AND INFRASTRUCTURE

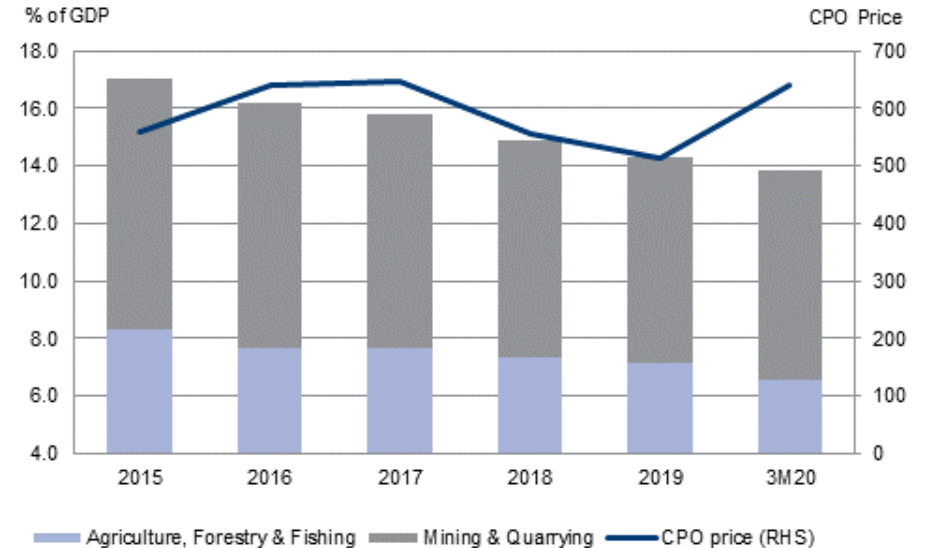
Contribution to total exports vs CPO price



Infrastructure contribution to GDP



Commodities contribution to GDP vs. CPO price



INVEST MALAYSIA 2020 V2

OPPORTUNITY TO POWER MALAYSIA'S GROWTH ENGINES

RUBBER GLOVES

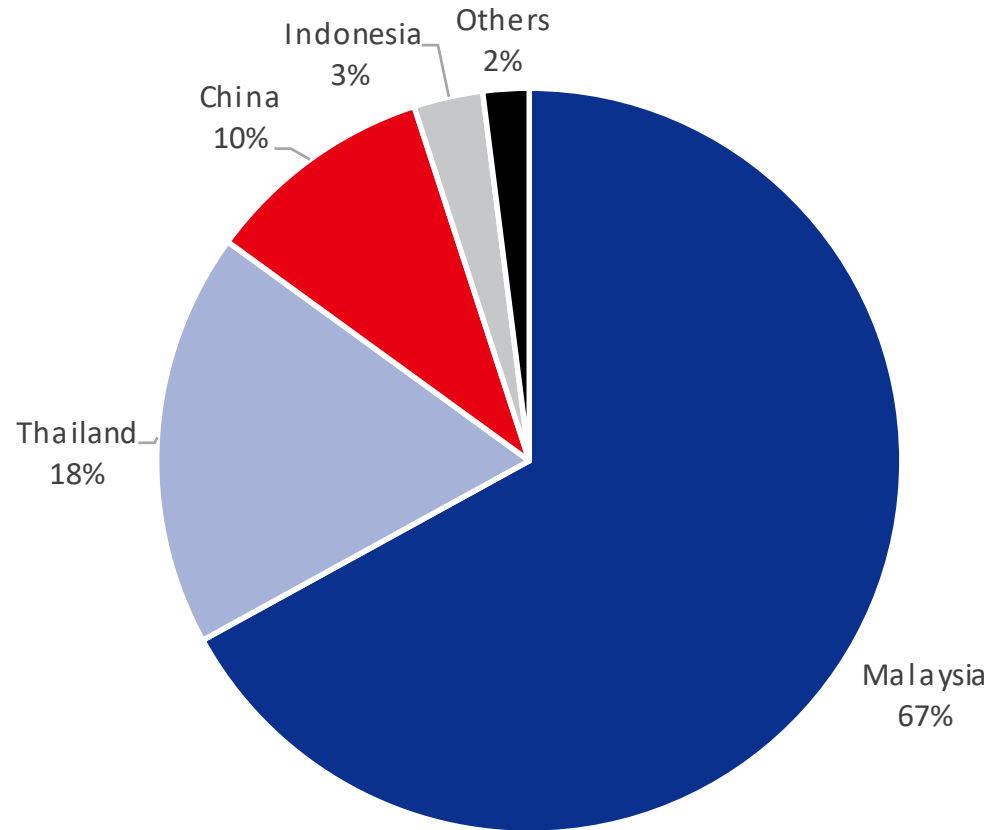
Malaysia dominates global rubber glove exports with rising glove exports in terms of value and quantity

Malaysia's Total Glove Exports (Jan – Mar 2019 & 2020)

Malaysia's Export To the World	Value (RM bn)			Value (US\$ bn)			Quantity (bn pairs)		
	1Q19	1Q20	%	1Q19	1Q20	%	1Q19	1Q20	%
Natural Rubber Gloves (NR)	1.5	1.8	19.5%	0.3	0.4	19.1%	7.3	8.9	8.2%
Synthetic Rubber Gloves (NBR)	2.7	3.1	14.7%	0.6	0.7	14.7%	12.5	14.7	17.3%
Total	4.2	4.9	16.3%	1.0	1.1	16.3%	19.8	22.6	14.0%

SOURCES: CGS-CIMB RESEARCH, MARGMA

Estimated global glove market share (2020F)



SOURCES: CGS-CIMB RESEARCH, MARGMA

INVEST MALAYSIA 2020 V1

NOTABLE CONVERSATIONS 7 JULY 2020

“ Over the 11-year period [2004-2015], the net profit of the 17 GLCs grew by 10.2% p.a.

Between 2015 and 2019, earning of Malaysian PLCs have declined by 5.4%. This is something we need to address.

Tan Sri Abdul Wahid Omar
Chairman, Bursa Malaysia

“ Companies with good governance have shown better resiliency...
...this is further supported by MSCI's research that companies with a higher ESG score have a substantively lower cost of capital.

YB Senator Tengku Dato' Sri Zafrul Tengku Abdul Aziz
Minister of Finance, Malaysia

“ Shareholders must also play a more critical and influential role in corporate governance. They can keep boards on their toes and engage them on governance issues.

Datuk Syed Zaid Albar
Chairman, Securities Commission

INVEST MALAYSIA 2020 V1

NOTABLE CONVERSATIONS 7 JULY 2020

“ We think that ESG is the best barometer for a company that is well run.

Make sure your ESG is in place before EPF comes knocking on your door.

Tunku Alizakri Alias
Chief EPF Officer, EPF

“ We should not only be measured for our returns on financial capital, but also human, social and natural capital.

Increasingly, there are other parameters also being applied to our corporate activities - ESG scores being one - to measure our efforts to create profits while delivering on sustainability.

YB Senator Tengku Dato' Sri Zafrul Tengku Abdul Aziz
Minister of Finance, Malaysia

“ We have always been encouraging a really meaningful dialogue with our investee companies around the issues of sustainability and around the issues of stewardship of the earth.

Datuk Shahril Ridza Ridzuan
MD, Khazanah

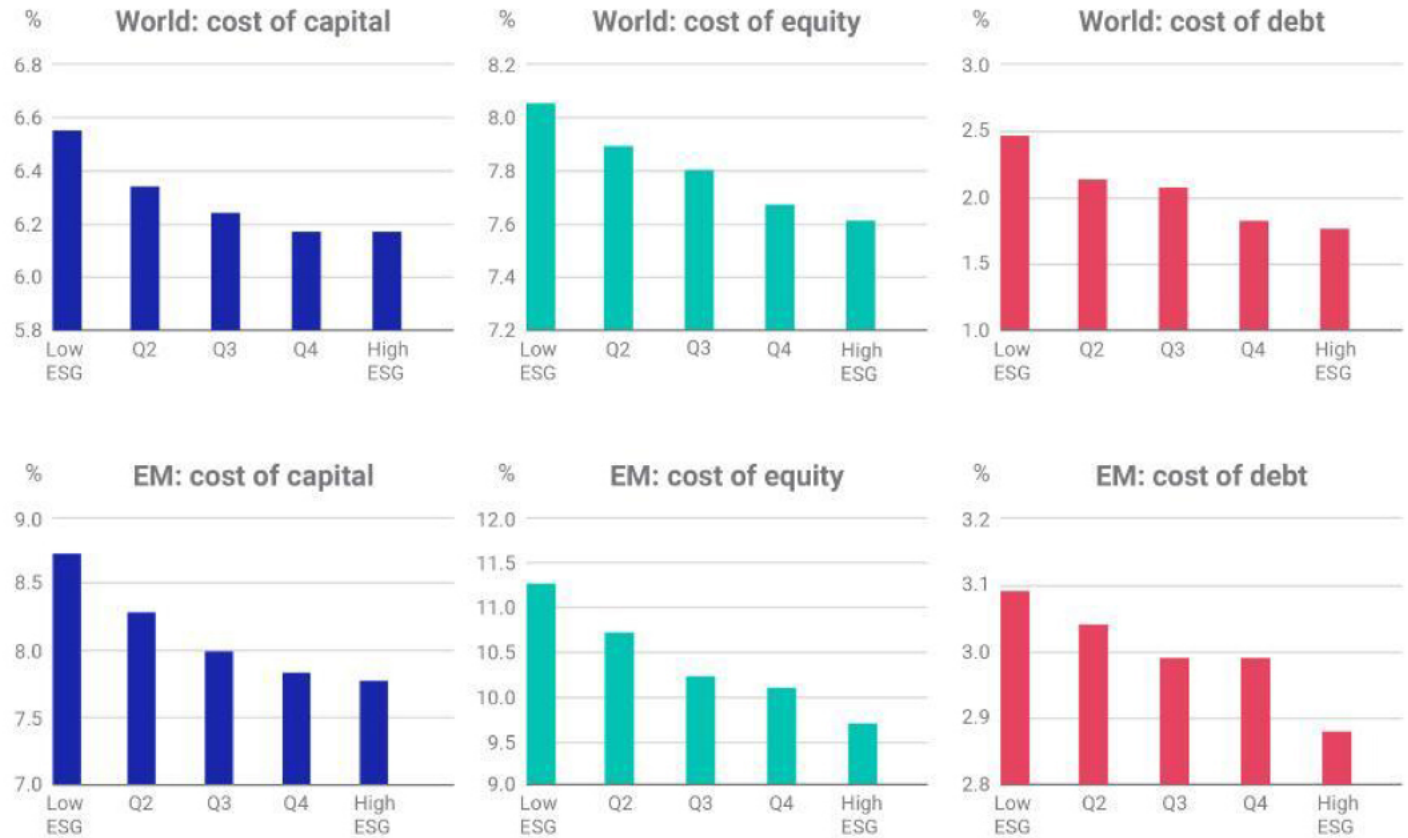
“ We have ESG principles embedded into all of our investment proposals.

Tuan Syed Hamadah Syed Othman
CEO, KWAP

INVEST MALAYSIA 2020 V1

SUSTAINABLE ECONOMIC RECOVERY

ESG Ratings and the Cost of Capital World vs. Emerging Markets



Source: From Ashish Lodh, ESG and the Cost of Capital, MSCI ESG Research 25 February 2020, Maybank Kim Eng Research

Monthly averages were reported over the period from Dec. 31, 2015, to Nov. 29, 2019. The average number of companies in the MSCI World Index and MSCI Emerging Markets Index over the analysis period was 1,552 and 960, respectively.

RECOVER ADVANCE SUSTAIN

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COMPANY REGISTRATION NO: Bursa Malaysia Berhad 30632 - P

**INVEST
MALAYSIA 2020**
THE CAPITAL MARKET CONVERSATION

ADVANCING MALAYSIA
5G AND INDUSTRY 4.0

VIRTUAL SERIES 3
1 SEPTEMBER 2020

