

Chairman's Statement

We continue to play our part in contributing to financial stability and supporting the growth of our PLCs and investors.

Dear Shareholders,

Events in 2020 underscored the importance of Bursa Malaysia's role and purpose as an essential component of the Malaysian financial ecosystem. The operating context for the year under review was marked by heightened volatility and uncertainty, due mainly to the outbreak of the COVID-19 pandemic which had a systemic impact on markets and businesses globally.

Lockdown measures imposed by governments around the world to contain the virus caused widespread economic disruption that saw the collapse of oil prices and sent the global economy into recession. Stocks likewise plunged when the scale of the crisis became apparent in March 2020, with the benchmark FTSE Bursa Malaysia KLCI (FBMVKLCI) sinking to a 11-year intraday low of 1,207.80 points on 19 March 2020.

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In response to the growing volatility in the market, we stepped up our efforts to ensure that our marketplace stayed open and that transactions were conducted in a fair and orderly manner for participants. We recognised that it was crucial that investors and issuers continued to have access to the market during this time to manage their portfolios and investment needs in response to rapidly changing market conditions. Subsequently, Bursa Malaysia ended the year as one of the best-performing exchanges in ASEAN, with the FBMVKLCI closing 2.4% higher for the year.

Macroeconomic Impact of the Pandemic

According to estimates by the World Bank, global growth contracted by 4.3% in 2020, overshadowing the smaller contraction recorded in 2009 during the global financial crisis.

To support the local economy, Bank Negara Malaysia (BNM) cut the benchmark interest rate — the overnight policy rate (OPR) — four times in 2020 to reach a record low of 1.75%. The Malaysian government also announced stimulus spending of RM305.0 billion, or about 20% of 2020 gross domestic product (GDP), during the year in the form of fiscal and non-fiscal measures, including wage subsidies, direct payments to households, credit schemes and tax relief. According to the

Ministry of Finance (MOF), these stimulus measures added about 4 percentage points to the country's overall GDP growth in 2020.

The World Bank indicated that global growth contracted by **4.3%** in 2020

The stimulus measures would also have an immediate impact on macroeconomic conditions, with Malaysia's GDP recovering from a contraction of 17.1% in the second quarter to post a smaller contraction of 2.7% in the third quarter. However, Malaysia's GDP contracted 3.4% in the fourth quarter amid a significant increase in COVID-19 infections, resulting in an overall GDP contraction of 5.6% in 2020. The MOF projected in January 2021 that Malaysia's economy will recover during the year and rebound to grow between 6.5% and 7.5%.

Emergence of the New Normal

2020 saw the emergence of new ways of working as businesses and individuals adapted to the realities imposed by the pandemic. These ranged from basic physical distancing guidelines and other standard operating procedures (SOPs) aimed at reducing the risk of infection, to the greater adoption of digital communication and electronic transactions.

The Exchange had similarly embraced technology to overcome the restrictions set on physical meetings and held our first fully virtual 43rd Annual General Meeting (AGM) on 29 April 2020. Bursa Malaysia was the first Malaysian public listed company (PLC) to do so in line with the Securities Commission Malaysia's (SC) order mandating companies to conduct fully virtual general meetings during the government-imposed Movement Control Order. Despite the limitations of the electronic medium, our shareholders were able to successfully exercise their rights through the virtual AGM.

Meanwhile, the shift to electronically-mediated transactions could also be seen in the sharp increase in the value of online trades on Bursa Malaysia, which grew 157% in 2020 to account for 47% of total trade value, as compared to 37% of total trade value in 2019. On our operations side, we had seen our employees turn to technology to perform their roles, particularly when it involved interactions with other parties or larger groups.

Malaysia's Capital Market Remained Resilient

Bursa Malaysia successfully maintained a fair and orderly market despite experiencing higher trading volumes. Credit is due to all involved in the running of our marketplace including our staff, intermediaries, partners and brokers for continuing to perform their roles well despite the difficult circumstances. Thanks to their efforts, our marketplace remained accessible to our market participants who could continue to trade, raise funds and manage their portfolios with risk management and investment tools.

In an encouraging development, Bursa Malaysia saw record numbers of retail participation in the market, leading the surge of trading activity in the second and third quarters of the year. Retail investors remained a prominent segment throughout 2020 as they turned to the stock market to invest in wealth creation and asset preservation. The increased trading activity of retail investors supported Malaysian counters amidst heavy selling by foreign investors, which was seen in most ASEAN markets. Total net buy by retail investors amounted to RM14.3 billion for the year while total retail average daily value traded hit a record RM1.6 billion, a 235.6% increase from the RM473.5 million in 2019.

We were also pleased to see increasing participation of younger investors, whereby 64% of new individual CDS accounts opened in 2020 were investors aged 26-45 years old - a development which augurs well for the long-term sustainability of our marketplace.

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Our Purpose as an Exchange

Bursa Malaysia is an essential component within the Malaysian financial ecosystem and plays a systemically important role in a vital, virtuous cycle of the economy. While we, as an organisation, are always mindful of our roles in this regard, the events of the year under review have underscored the importance that we continue to play our part even in the most challenging of circumstances. We therefore strive to ensure that we fulfill our purpose at all times and carry out the following roles:

To provide an effective platform for businesses to raise capital

Capital is essential to the growth and development of the economy and we play a key role in facilitating fundraising towards this end. We strive to make our ecosystem as facilitative and accessible as possible to accommodate all businesses, from small and medium enterprises to large multi-national corporations. In 2020, a total of RM10.0 billion was raised through initial public offerings and secondary fundraising on our market.

To remain a trusted partner for investors to grow wealth

The Exchange has always been an important platform for wealth creation, and this role has been made even clearer in the prevailing low interest rate environment as investors sought diversification and wealth generation opportunities. This was particularly evident in the record number of retail investors in our market in 2020.

To regulate and maintain a fair and orderly market

The Exchange is the frontline regulator and plays a central role in enforcing the rules of the marketplace. A substantial part of our function in this role is to take proactive measures to ensure that the market continues to run smoothly. We performed this role in consultation with our stakeholders including our regulator, the SC, at the height of the crisis in 2020 and ensured that our market remained fair and orderly.

As we intensify efforts to fulfil our purpose, let me draw your attention to our vision and mission. Our refined vision statement, 'To be ASEAN's leading, sustainable and globally-connected marketplace', is a declaration of our growth intention. Differently put, we aim to expand our range of products and services to create a vibrant market ecosystem for all our market participants including PLCs, brokers and investors. Our mission of 'Creating Opportunities, Growing Value', encapsulates in a simple manner our promise to all our stakeholders.

Our Commitment to Sustainability

Bursa Malaysia continues to be fully committed to the sustainability agenda: in our organisation, in our PLCs and in the marketplace, as stipulated in our sustainability policy. Sustainability is the key to continuous value creation and the long-term viability of every organisation. With that in mind, we developed our new Sustainability Roadmap that outlines key sustainability strategies which will guide our actions until 2023. The Roadmap is divided into five Priority Areas that cover our marketplace, our internal practices and our communities. We recognise that Bursa Malaysia has many touchpoints with our stakeholders and therefore we have a unique opportunity to act as an advocate of the sustainability agenda to them. We also made continuous efforts to promote the adoption of environmental, social and governance (ESG) practices in the marketplace through our regular engagements with our stakeholders. From August 2020, we have made available

the broad ESG performance of PLCs assessed using the FTSE4Good criteria on our website. This move aims to promote greater transparency and encourages PLCs to step up their sustainability practices and disclosures.

Responding to the Rapidly Evolving Risk and Governance Landscape

We are committed to upholding the highest standards of corporate governance (CG) and levels of integrity in our organisation and we have kept the undertaking of our regulatory duty and commercial objectives at arm's length.

To further improve our governance structure, we incorporated a regulation subsidiary, Bursa Malaysia Regulation Sdn Bhd (Bursa Regulation) on 18 August 2020. We worked closely with the SC on the structure of Bursa Regulation which will be governed by its own Board of Directors whose members are, in the majority, independent of Bursa Malaysia. The separation of our regulatory function from our commercial activities will effectively strengthen our corporate governance practices and alleviate any perceived conflict of interest that may arise in the undertaking of our regulatory and commercial objectives.

The Exchange will fund Bursa Regulation and ensure that it is sufficiently equipped with the financial and human resources required to effectively discharge its duties. The SC meanwhile, will continue to regulate Bursa Malaysia as a listed company and market operator, and also oversee the regulatory functions performed by Bursa Regulation. The adoption of this regulatory structure places Malaysia among the ranks of other mature jurisdictions such as Japan and Singapore.

Bursa Malaysia also established the Integrity and Governance Unit (IGU) during the year to enhance our CG framework. The role of the IGU is to strengthen the integrity and anti-corruption management system, including the implementation, monitoring and evaluation of the Organisational Anti-Corruption Plan — a three-year initiative designed to strengthen governance, integrity and anti-corruption controls. I am confident that the IGU and Bursa Regulation will elevate the level of trust in Bursa Malaysia by making our organisational processes more transparent and accountable, and further cultivate a culture of high integrity among our people.

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The Exchange has also continued to implement initiatives to enhance the corporate governance of PLCs through the amendments made to our listing rules and the issuance of guidance notes. In tandem with the coming into force of the new corporate liability provision under Section 17A of the Malaysian Anti-Corruption Commission Act 2009, we have included anti-corruption measures in our Listing Requirements for the Main, ACE and LEAP Markets.

Continuous Value Creation for Our Stakeholders

Our stakeholders are at the forefront of all that we do. Despite the challenging market conditions in 2020, we continued to create and deliver value for all our stakeholders, posting a Profit After Tax, Zakat and Minority Interest of RM377.7 million, more than double the RM185.9 million reported in 2019. In view of these results, the Board has declared a final dividend of 26.0 sen and a special dividend of 8.0 sen, bringing the total dividend for the year to 51.0 sen per share. We have also pledged to contribute 1.0% of our Profit After Tax in 2020 towards community projects aimed at benefitting society. This is inclusive of the inaugural RM667,000 zakat contributed by Bursa Malaysia in 2020.

Preparing for the Future

Bursa Malaysia has turned the page on its development plan and embarked on a new strategic roadmap that outlines our goals and key initiatives for the next three years. As we take our first step forward, we must take into account the lessons learned during the pandemic while we renew our commitment to supporting the market and contributing to the development of our economy.

We are mindful of the potential risk and opportunities from emerging technologies as well as the rapidly changing operating landscape. The global economy, catalysed by the delivery of COVID-19 vaccines in record time, is expected to heal from the COVID-19 pandemic. Nevertheless, we must remain agile in order to respond robustly to powerful and defining trends on the horizon such as the continuing innovations in financial technology to ensure that Bursa Malaysia continues to make progress and remains relevant to our stakeholders.

We look forward to the new challenges and opportunities that the future will bring and reiterate our commitment to the fulfilment of our purpose and objective as a key component of the financial system and real economy.

Acknowledgements

I am truly honoured to have been given the opportunity to steer the Exchange since 1 May 2020, and it is a source of pride to be associated with this iconic pillar of the Malaysian financial ecosystem once again. On behalf of the Board, I would like to extend my thanks to the former Chairman, Datuk Shireen Ann Zaharah Muhiudeen, as well as to the previous Board members – Encik Johari Abdul Muid, Datin Mariam Prudence Yusof, Professor Joseph Cherian and Dato' Wan Kamaruzaman Wan Ahmad – for their stewardship of Bursa Malaysia.

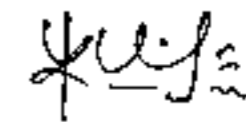
On behalf of the Board, I would also like to extend a warm welcome to the new members of the Board – Dato' Anad Krishnan Muthusamy, Puan Sharifatu Laila Syed Ali, Datuk Bazlan Osman and Encik Syed Ari Azhar Syed Mohamed Adlan – who joined us in 2020. The presence of their vast experience on the Board will enhance our Board diversity and help make Bursa Malaysia a more competitive organisation.

I would also like to express my personal appreciation to my fellow Board members who embraced the rapidly changing environment and worked together to steer Bursa Malaysia through the uncertain waters of this past year. They have put in significant effort to adapt to new ways of interaction, and ensured that the Management's focus remains appropriately balanced for the short-, medium- and long-term.

The Board would also like to thank our shareholders for their continued support, as well as to the Management and staff of Bursa Malaysia, for their commitment and determination in unique circumstances. Special thanks also go to our regulators and policy makers who have helped preserve stability in these uncertain times thereby allowing us to maintain accessibility to the market. To our ecosystem and strategic partners, we would like to say thank you for your continued support in helping Bursa Malaysia become a more attractive and vibrant marketplace for all.

Finally, I would like to take this opportunity to remind all of us in the industry to stick to our purpose, play our part, be constructive and pragmatic, and, God willing, we will emerge from this crisis stronger.

Thank you.



Tan Sri Abdul Wahid Omar
Chairman