
PRESS RELEASE

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Friday, May 15th, 2020

American companies expected to revise investment in Malaysia due to COVID-19 pandemic

KUALA LUMPUR, May 15 – The American Malaysian Chamber of Commerce (AMCHAM) conducted its first comprehensive COVID-19 and Movement Control Order (MCO) Business Impact Survey between 17 - 24 April 2020 to better understand how both the pandemic and the policy responses of the Malaysian government have impacted AMCHAM members' business activity and investment plans. AMCHAM's membership consists primarily of large US multinational companies that are heavily invested in Malaysia, working closely with Malaysian SMEs and supporting thousands of well-paid jobs for the local workforce.

The unprecedented economic and public health challenges posed by the pandemic have disrupted livelihoods and cost the Malaysian economy approximately RM2.4 billion a day throughout the MCO period.

Therefore, it is no surprise that U.S. companies in Malaysia have taken heavy financial hits over the past few months. According to the survey, 82% of companies have reported significant losses, around one third of respondents have been incurring losses of more than RM10 million for every 2 weeks that restrictions on business activity have been in place. A considerable number of respondents (16%) are heavily invested MNCs that have reported losses in excess of RM500 million since the MCO was put in place.

As a short-term solution to mitigate the pandemic's impact, the majority of respondents have been forced to look into cost-cutting measures and adjustments of their long-term business strategy, while devising new SOPs to ensure employee safety and well-being during the crisis. Despite these challenges, and reflecting the long-term perspective with which American companies invest in Malaysia, the vast majority of employers have been able to avoid laying off staff or implementing mandatory unpaid leave.

Global companies are reevaluating their investment plans in response to the pandemic, and half of our survey respondents are now expecting to reduce their investment in Malaysia during 2020, with a further 20% feeling that it is too early to comment. Many companies are also taking steps to revise their supply chain strategies to ensure future business continuity, and we may see some readjustments such as the movement of sourcing lines or the shifting of test and assembly operations. A majority of respondents indicated that they work extensively with local SMEs to support their

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operations in Malaysia, and therefore these local businesses may also incur considerable losses if adjustments to the supply chain become necessary.

A majority of companies emphasized the need for greater clarity of current policies relating to the MCOs, and have requested the government to work alongside the business community to identify ways in which business activities in various sectors can be restarted as expediently as possible without compromising on safety.

“These unique times also open doors of opportunity and the past few weeks has shown the power of collaboration. AMCHAM looks forward to continuing our active engagement with the government to find pragmatic solutions. Through strong partnerships between Malaysia’s public and private sector, international and local, we can ensure that Malaysia’s dynamic economy proves resilient during these challenging times and is in a strong position to bring about a new prosperity” says Siobhan Das, Chief Executive Officer of AMCHAM.

She added, “The COVID-19 pandemic has necessitated a paradigm shift within the Malaysian economy and society as a whole towards a ‘new normal’. An institutionalization of new health and safety protocols, as well as Standard Operating Procedures (SOPs), will bring about a new way of working. These adjustments have to be made to ensure businesses can play their part in revitalizing the Malaysian economy and this is also an opportunity for Malaysia to leapfrog into a higher-value future.

With strategic choices, reforms, and commitment to developing the skills of its people, Malaysia can cement its central role in the global value chain and economy. As the world moves towards a living-with-COVID-19 era, American businesses that have found a home in Malaysia are committed to contributing to the solutions”.

Background of the survey:

The survey was conducted between April 17-24, in the fifth week of Malaysia’s measure to manage the COVID-19 outbreak and at the beginning of the Movement Control Order Phase 3 (MCO 3). A total of 114 respondents took part in the survey during the third phase of the MCO and almost half of the respondents are based in the Electrical and Electronics (E&E) and semiconductor industries.

The survey comprised a total of 43 questions to obtain feedback on the impact of COVID-19 as well as the implementation of the MCO on their respective businesses. This includes issues with regard to operations and supply chain, human resources, and investment outlook.

ABOUT AMCHAM MALAYSIA

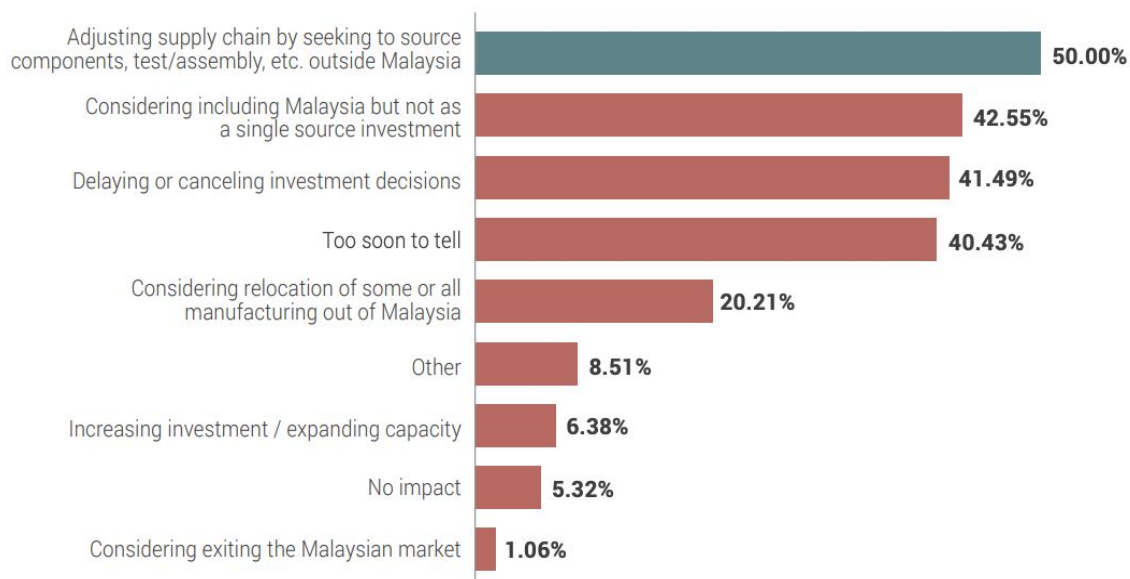
The American Malaysian Chamber of Commerce (AMCHAM) was founded in 1978 as an international, non-profit, private-sector business association. It comprises more than 1000 members representing about 270 American, Malaysian and other international companies with strong ties to American business. The Chamber is a member of the AmChams of Asia Pacific.

Additional findings from the survey:

Operations and supply chain stability are a high-risk factor of companies invested in Malaysia

1. The disruption caused by COVID-19 and the MCO led to severe disruptions and the almost collapse of critical supply chains in various sectors. 46.2% of the respondents are currently unable to meet the demand for their goods and services, with a further 40% considering themselves to be at risk of being unable to meet their commitments should the restrictions continue.

Q12. How is the COVID-19 pandemic impacting your long-term (3-5 year) business strategy for Malaysia?



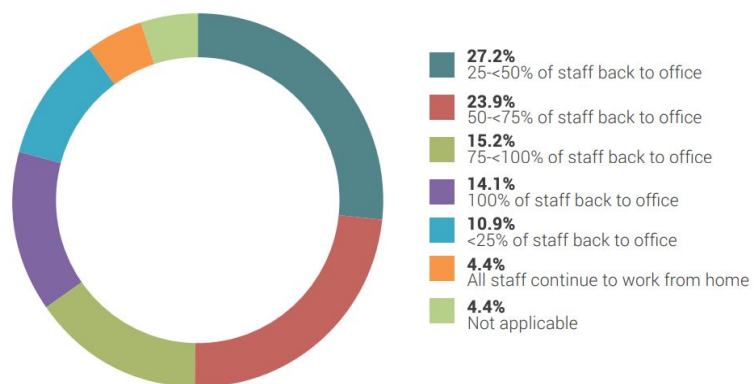
2. Around 80% of companies are reevaluating their supply chain strategies and potentially some diversification to sites outside of Malaysia. 41% are cancelling or delaying investment decisions in the midst of supply chain uncertainty.

The future of work and human resource management will be continually impacted as businesses emerge from the lockdown and plan a new working environment.

3. More than 70% of respondents with business activities that required an on-site presence had been approved to operate during the first three phases of the MCO period. This did not, however, temper the effect of the downshift with 43.5% of respondents suffering a significant impact on their operations.
4. The COVID-19 pandemic and implementation of the MCO accelerated the modernization of the workplace. Prior to the COVID-19 pandemic and the MCO, 67% of the respondents did not have a workforce that worked remotely. In response to the new conditions, the majority of respondents have chosen to invest in remote-working capabilities, revise their protocols as well as invest in cybersecurity.
5. Working from home will become a new business normal with only 14% of respondents believing that the full complement of employees will return to work 'at the office' after the MCO has been lifted.

Q21. To what degree will your employees return to working from the office at any given time after MCO is lifted? (excluding manufacturing facilities)

Working from home becomes a new business normal - only 14% of respondents will get employees completely back to work after the MCO.



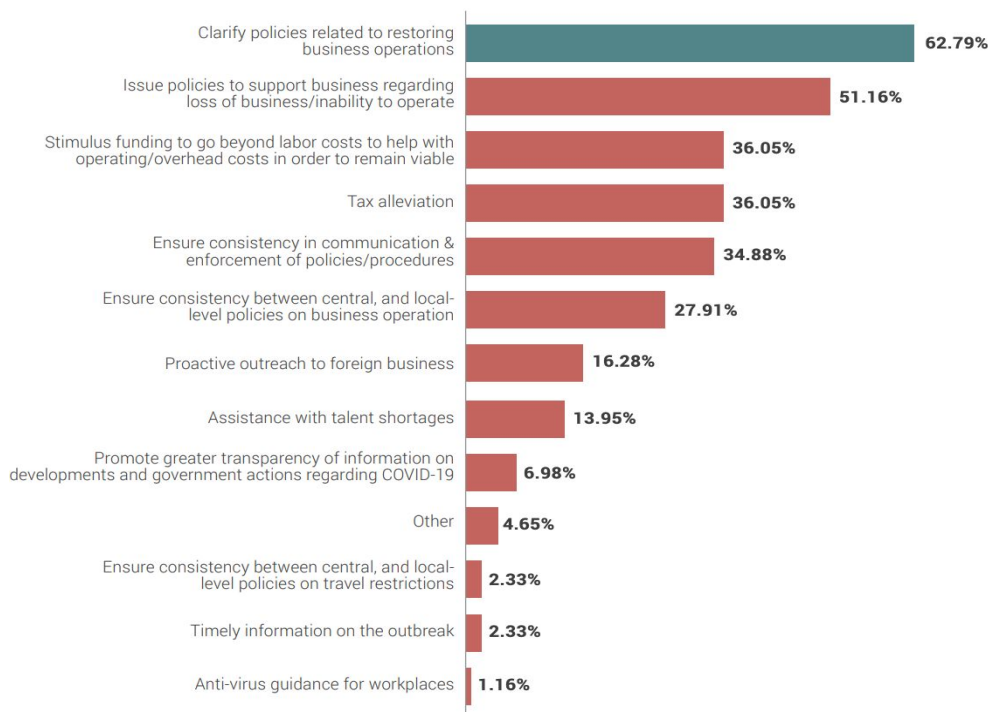
6. Companies that require employees to be present on-site have focused on raising employee awareness on health and safety protocols by providing guidance and increasing communication and education. This goes hand-in-hand with allowing employees to stagger shifts according to personal schedules as well as establishing dedicated commuter shuttles for their employees.
7. Even though a large majority of respondents have not reduced their employees or placed them on temporary unpaid leave since the start of the MCO, more than

half of the respondents may have to lay off employees if the MCO is extended or further lockdowns are implemented.

Regulations and bureaucracy are at the forefront of every US investment into Malaysia

8. For companies reporting challenges in meeting their commitments to their customers, almost two-thirds of respondents to the AMCHAM survey identified formidable bureaucratic processes around exemptions and approvals as the major challenge, followed closely by issues with and workforce productivity during the MCO and the sourcing of materials and components. as among their top challenges in meeting demands for their goods and services.
9. 62.8% of respondents believe the government can assist Multi-National Companies (MNCs) in Malaysia by improving communication and providing clarity on the regulatory system and policies relating to business operations during the pandemic businesses. Clarity of communication and consistency in the policy environment is a key determinant of investor confidence These two issues are directly linked to the respondents' decision to increase or decrease their investments in Malaysia.

Q38. What actions can the Malaysian government take to help Multinational Companies (MNCs) in Malaysia? (Choose up to three)



10. Even though a majority of respondents indicated that it is currently hard to forecast future sales and profits, almost half of the respondents believe that it would take up to three months of operations to adapt to a “new normal”. To achieve this, 71% of respondents indicated that a reduction of conflicting and unnecessary regulations and regulatory barriers can speed up the recovery process.

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