

# Board Matters Quarterly

Issue 3, 2024



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# Board Matters Quarterly

Board Matters Quarterly offers thought-provoking perspectives and insights into leadership and governance issues for boards and audit committees, providing support to navigate an increasingly complex business environment.



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Here is why the role of taxation policies is crucial in fostering sustainable economic growth



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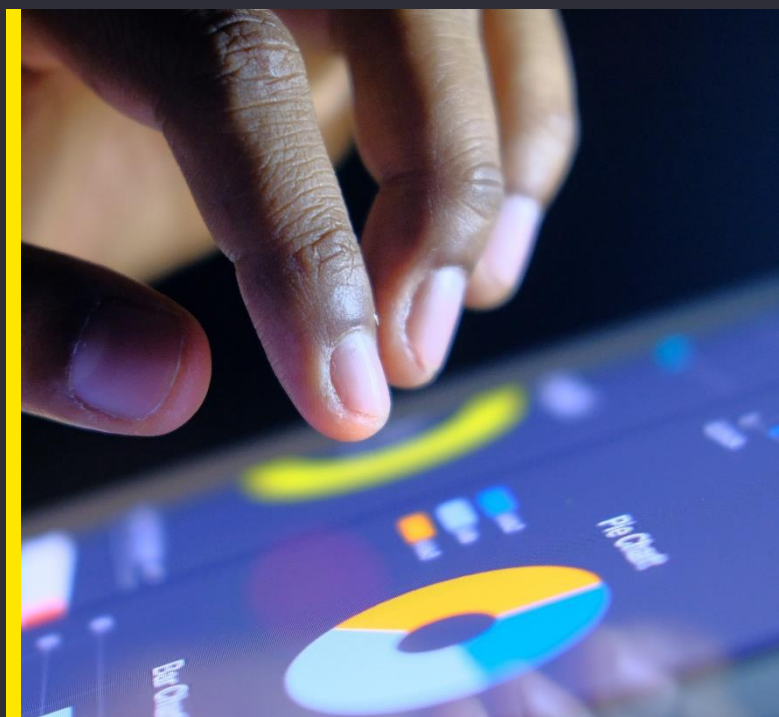
How to bolster cybersecurity against the ransomware evolution



# Here is why the role of taxation policies is crucial in fostering sustainable economic growth

Malaysia recently observed its highest gross domestic product (GDP) growth since Q4 of 2022, with a 5.9% year-on-year expansion in Q2 of 2024. It is crucial to maintain the momentum and encourage further sustainable economic growth. Taxation policies play a vital role in encouraging investments, incentivizing businesses, promoting innovation and raising revenue to fund infrastructure, innovation, education and other key initiatives, all of which will spur the nation forward. As such, taxation policies should reflect the country's economic state to drive the necessary economic boost to elevate Malaysia's standing on the global scale and help Malaysia achieve its economic goals.

The emerging trends affecting businesses globally, such as technological developments, geopolitical developments, industry requirements, talent supply and social obligations are all factors that influence or contribute to the development of taxation policy. This helps shape the desired outcomes for the nation.



# Improvement in employment rates



There are many studies that highlight how economic growth tends to be positively associated with employment and the interdependence of the two. In other words, high employment rates support economic growth. High employment rates lead to a boost in consumption and demand due to the availability of more disposable income, driving economic expansion, which in turn further boosts

employment. The issue of income inequality may also be addressed through business efforts to increase and create high-value job opportunities. Tax incentives put in place to encourage business investments can lead to the creation of more job openings, hence, encouraging high employment.

Further, tax deductions or reliefs granted for training expenditure or skills development will further boost capabilities and support the development of knowledge and skills for industries and businesses and also allow Malaysians to gain the skills and knowledge to increase their income earning capacity.



# Higher productivity



Upskilling and continuous learning are important for workers to stay up to date with the latest industry requirements and global developments, particularly in technology. This increases labor productivity and maximizes the utilization of the country's available talents.

Taxation policies set up to encourage further investments for greater productivity, such as training programs to upskill or reskill workers and upgrading existing equipment to maximize productivity, will lead to better business performance and boost the economy. Workers will be able to complete tasks more efficiently, using fewer resources. One example of a tax incentive related to this is the Reinvestment Allowance (RA), designed to encourage manufacturing firms to reinvest in projects for expansion, automation or modernization of their manufacturing activities, or in

diversifying manufacturing activities. An increase in knowledge and applicable skills can lead to sustainable GDP growth while also improving the marketability of the nation's talents. Studies support the link between labor productivity and worker wellbeing, further endorsing the implementation of continuous learning and training, alongside frequent upgrades to plant and machinery.

# Incentives in crucial economic sectors



In any country, specific sectors are identified as growth or focus sectors. These sectors contribute to the country's stable economic performance, even during times of financial instability or uncertainty. For example, Malaysia is the second largest producer of palm oil in the world and is among the largest automotives producers in Asia. Other sectors that contribute to the nation's economy include the manufacturing and services sector, electrical and electronics, tourism, and oil and gas.

To promote economic growth and stability, even in adverse times, taxation policies have been developed to support these essential sectors. Specific sectors are eligible for certain tax incentives, including double tax deductions on expenditure, additional allowances and tax exemptions. These measures are designed to encourage continued business activity and sustain the country and its economy during challenging periods.

# Attracting foreign investments



Tax incentives are a powerful fiscal tool, but they must be designed such that they are relevant to the industry sectors being promoted, benefit the nation, support domestic industries and increase the nation's competitiveness on the regional and global stage. Incentives should be regularly reviewed to ensure they continue to meet the desired objectives. Incentives which are outdated, or which provide a lopsided benefit to taxpayers should be identified and phased out, so that resources can be directed to supporting the truly deserving investors.



The tax incentives offered to foreign investors aim to maintain the competitiveness in the nation's investment environment. This encourages foreign multinational corporations to invest in Malaysia. Foreign investments help promote economic growth by introducing new jobs and opportunities for employment, bringing in new technology and ideas, and encouraging innovation through healthy competition. These changes will stimulate economic growth through the transfer of human capital and technological advancements. According to EY's Attractiveness Survey for Financial Services, the UK attracted 108 financial services projects in 2023, creating 5,019 jobs. Foreign investments have proven to be an effective catalyst in boosting the country's economy. All this will improve the economy and the spillover effects will result in better revenue collections.



## What is the right tax policy?

It is known fact that taxes are an essential tool for governments to fund public goods and services, However, not all taxes affect the economy in the same way. Understanding the implications and resulting outcomes of how different taxes impact economic growth can provide valuable insights for policymakers striving to balance revenue collection with nurturing a healthy economy.

Taxation plays an important role in the economic development and helps shape the policy for sustainable growth. The activity, role and productivity of people, businesses and governments within a country's economy will determine its future.

Major global changes and any local challenges must be considered when writing and implementing these policies. It is important to leverage taxation incentives to encourage an economic boost by supporting vital economic sectors. Relevant parties must always stay alert and updated about the latest developments to ensure smooth and efficient implementation of policies aimed at encouraging economic growth.



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# How to bolster cybersecurity against the ransomware evolution

Ransomware has been a persistent and evolving threat in the cybersecurity landscape.

Over time, threat actors behind ransomware attacks have been adapting and devising new techniques in a bid to stay undetected and maximize their impact. According to the [EY 2023 Global Cybersecurity Leadership Insights Study](#), organizations face an average of 44 significant cyber incidents a year and take an average of six months or longer to detect and respond to an incident. Advanced adversaries are harnessing cutting-edge technology to amplify the pace and scope of their assaults, leading to mounting financial, regulatory and reputational consequences.

A significant trend is the adoption of unconventional programming languages –such as Rust and Golang – by ransomware groups. This shift complicates cybersecurity measures and enables the malware to be more versatile across different platforms. BlackCat is a notable example of an emerging ransomware group that has embraced the Rust programming language and gained notoriety for its successful targeting of high-profile companies. Built for performance and memory management, Rust allows the group's ransomware to run efficiently and evade detection in sandbox environments. Additionally, Rust provides the group with customization opportunities, enabling the ransomware to perform more sophisticated techniques and have different encryption methods for different victims.

Another significant development in the evolution of ransomware is the emergence of the ransomware as a service (RaaS) business model. This model allows threat actors to offer ready-to-use ransomware software and tool kits to individuals who lack the technical skills to develop their own. This service model has several implications. Firstly, it enables broader participation in ransomware attacks as anyone can access and use the ransomware software. Secondly, it increases the frequency of attacks, amplifying the overall threat of ransomware.

BlackCat and Black Basta were the most frequently detected variants of ransomware worldwide in the second quarter of 2023, followed by Royal and LockBit 3.0.1 The notorious BlackCat ransomware group has capitalized on the aforementioned trends, targeting high-profile companies with considerable success.



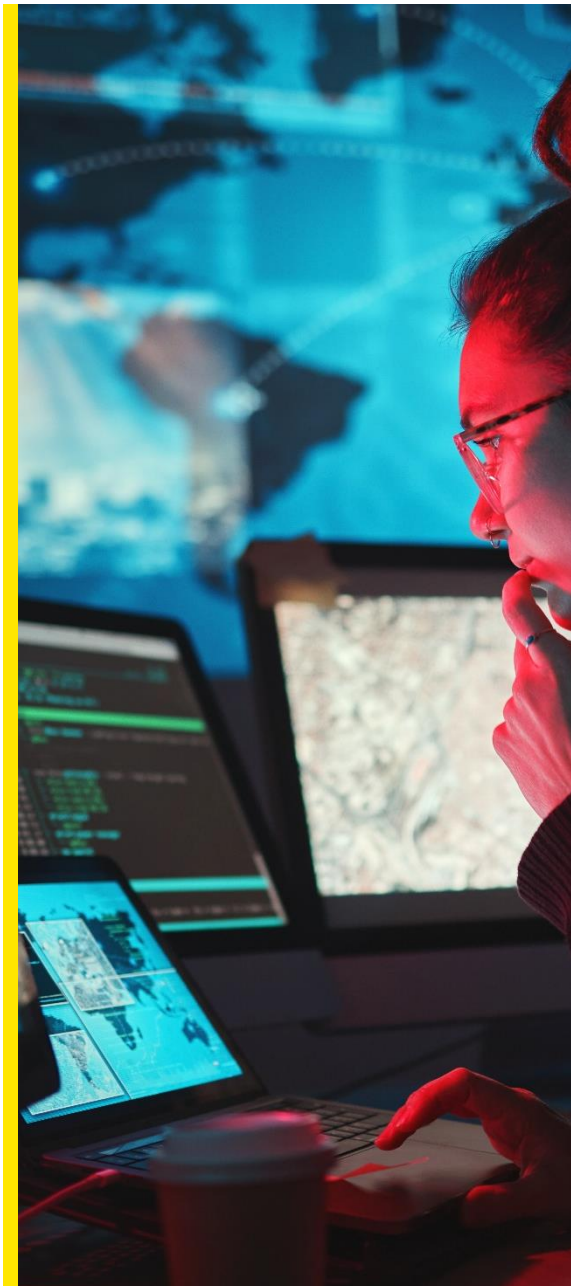


## Sophisticated and customizable attacks

BlackCat – also known as ALPHV – is one of the first major ransomware families to be written in Rust, with the ability to target systems on multiple operating systems beyond Windows, such as Linux and VMware ESXi.

The BlackCat ransomware group operates on the RaaS model, taking a percentage of ransom payments. It employs a triple extortion tactic – which includes data encryption, the threat of data publication and possible distributed denial-of-service attacks – to coerce victims for payment.

By leveraging Rust's capabilities, BlackCat ransomware facilitates sophisticated, customizable attacks across multiple platforms, posing significant challenges for analyses in sandbox environments. It uses an access token to decode the ransomware's configuration. Once the correct token is provided, the ransomware decrypts a runtime configuration file dictating its behavior, including encryption methods, credentials and processes to block. If it's not initially granted administrative permissions, the ransomware exploits Windows User Account Control to gain these privileges. Once these are secured, the ransomware creates child processes to perform various operations. These include deleting volume shadow copies, modifying registry keys and clearing event logs while trying to spread by logging into other device accounts or mounting hidden partitions.





# Mitigating the impact of ransomware threats

Given the evolving nature of ransomware threats, organizations must take proactive measures to mitigate their impact. They should avoid ransom payments as there is no guarantee of file recovery. In case of an attack, immediately isolate the affected system from the internet and notify relevant authorities for investigation and guidance.

They need to implement comprehensive security measures, which include enabling antivirus protection on all devices and allowing real-time scanning to detect and block ransomware installations automatically. It is important to schedule frequent backups of essential data and see to it that the data is easily recoverable in the event of loss.

Besides implementing robust data protection policies and recovery solutions, organizations should also train employees in cybersecurity awareness. This includes educating them on recognizing and frustrating phishing attempts and other malicious activities.

Regular updates of all software – including operating systems and applications – are crucial to patch vulnerabilities. Another key action is the management of user permissions by limiting user access rights and using strong, unique passwords with multifactor authentication.

Emerging ransomware trends and major threat actors like BlackCat have raised the stakes for organizations as they threaten organizational data, reputation and competitiveness like never before. Therefore, the importance of proactive, comprehensive measures that mitigate their impact based on an understanding of the modus operandi of threat actors and employee education in cybersecurity awareness cannot be understated.

*This article was sourced from EY Center for Board Matters: How to bolster cybersecurity against the ransomware evolution*



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