

THEMATIC REPORT

Selangor Budget 2024: Driving Growth, Fostering Unity

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KEY HIGHLIGHTS

- **The Selangor state government tabled an expansionary budget for 2024, with total allocation of RM2.53b or +3.3% more than 2023. In terms of budget balance to GDP ratio, Selangor's fiscal deficit set to be at -0.1% for 2024. Selangor has been recording healthy fiscal condition as the fiscal balance ratio hover between +0.1% to -0.2% since 2010.**
- **With Rancangan Selangor 1 (RS-1) in place since 2021, the state budget emulates the longer-term development targets and aspirations as outlined in 5-year framework. We view the state budget for 2024 a comprehensive and holistic, comprising of both economic growth and sustainable development.**
- **Consumer-oriented industries to benefit greatly from Selangor. By state GDP perspective, the services sector dominated at 60.6%. Selangor also is the largest contributor of national services sector at 26.5%, the highest rate ever recorded. High population size, lower jobless rate and richer household income are key supportive factors for the state economy particularly for the consumer-oriented industries.**
- **State Budget 2024 and RS-1 to boost Selangor's GDP growth above +4.5% in 2024. Under the RS-1, the state government of Selangor predict average annual growth rate for the period of 2021-2025 is +6.5~7% per annum. The forecast rate is much higher than 12MP-MTR forecast rate of +4.7% for 2023-2025 and +6.2% for 2021-2025.**

ECONOMIC COMMENTARY AND ANALYSIS

Selangor's Budget 2023

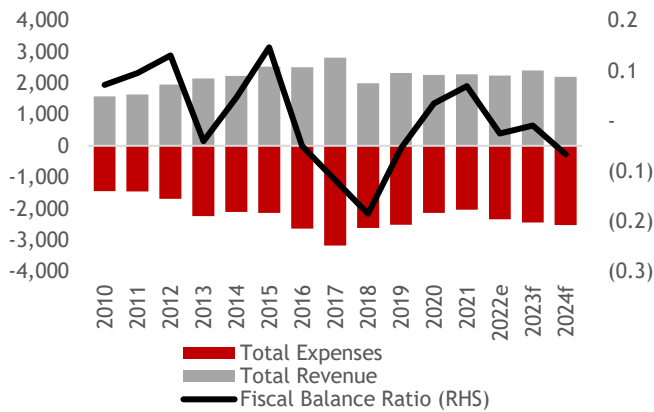
Another expansionary state fiscal policy. The Selangor state government tabled an expansionary budget for 2024, with total allocation of RM2.53b or +3.3% more than 2023. According to the state Budget 2024, RM1.2b which is equivalent to 47% of the state total expenditure will be spent for development expenditures (DE). OPEX is expected to increase by +6.4% to RM1.33b for 2024. The state revenue collection improved by +7.6% in 2023, higher by 20% of initial estimate. However, the state income is forecasted lower by -8.5% to RM2.2b in 2024. In terms of budget balance to GDP ratio, Selangor's fiscal deficit set to be at -0.1% for 2024. Selangor has been recording healthy fiscal condition as the fiscal balance ratio hover between +0.1% to -0.2% since 2010. For 2023, the Selangor economy is forecasted to expand by +4.4% for 2023 (2022: +11.9%).

Aspirations from Rancangan Selangor 1 (RS-1) in Budget 2024. With RS-1 in place since 2021, the state budget emulates the longer-term development targets and aspirations as outlined in 5-year framework. The State Budget 2024 highlight on 10 main shifts; (i) Artificial Intelligence (AI) and Drone Development, (ii) Digitalization of Government Services System, (iii) New Industrial Parks in northern, southern and central regions, (iv) Public Transportation, (v) Resilient Infrastructure with adaption to Climate Change Risks, (vi) Food Security, (vii) High-Performance Sport Industry, (viii) Main Malaysia's Tourism Spot, (ix) Exploring Halal Industry and (x) Entrepreneur Development & Creative Economy.

Comprehensive and holistic budget. We view the state budget for 2024 a comprehensive and holistic, comprising of both economic growth and sustainable development. For instance, 2.5 months bonus payments for the state civil servants

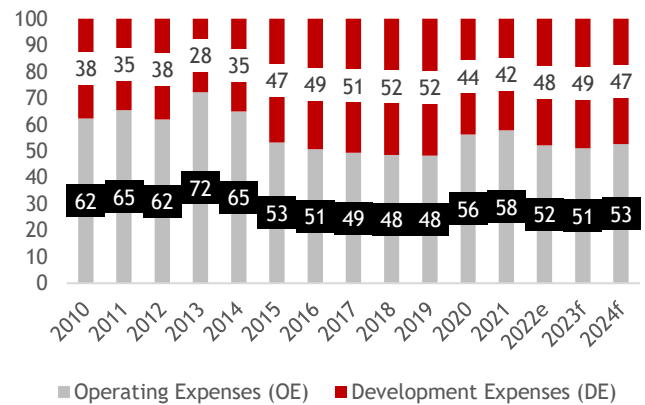
is seen pro-growth and provide significant relief especially with the high cost of living pressure. The budget focuses on basic infrastructure including roads, bridges and water-related projects. Also, the government promote ESG practices among others change of state official cars to electric vehicles starting next year and installation of renewable energy infrastructure via Air Selangor to reduce carbon footprint.

Chart 1: Selangor's Fiscal Performance (RMm & % of GDP)



Source: AG's reports, MIDFR

Chart 2: OPEX vs. DEVEX (% of Total Expenditure)

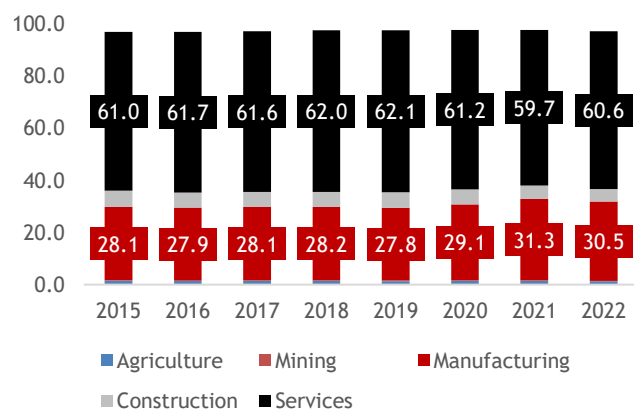


Source: AG's reports, MIDFR

More than a quarter of Malaysia's economy contributed by Selangor. In 2015, Selangor contributed 22.8% to national GDP. After half of decade, the contribution rate has increased to 25.5% by 2022. This ratio is higher than the target rate mentioned in the Midterm Review of 12th Malaysia Plan (12MP) of 25.1% by 2025. Steady economic expansion in Selangor while other states grow at relatively slower pace are the factors contributing to the GDP ratio surge. Since 2016, GDP growth in Selangor outperformed national economic growth. We opine the resiliency of the state economy lies on the strength of its diversified manufacturing sector and huge consumer demand. Judging from the contribution rate, Selangor plays greater role in fueling national growth as well as socioeconomic development.

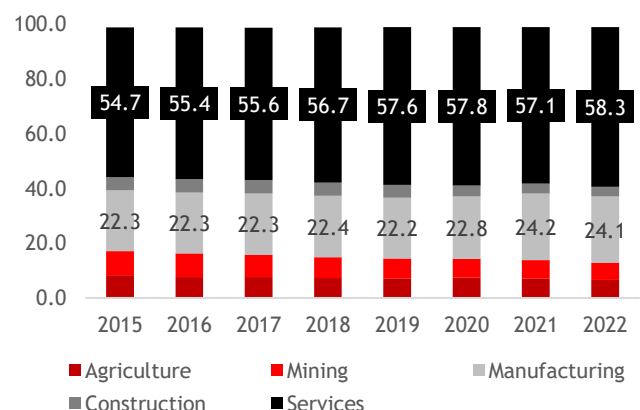
Services and manufacturing are the main anchors. Services sector supported more than 60% of the state economy since 2015. Growing population growth and high-skilled employment are among key fundamentals supporting the services sector as well as overall economy in Selangor. Manufacturing is the second key sector in the state, sponsoring more than one-third of the economy. Construction sectoral share stood at 4.7% while agriculture and mining sectors scored 1.3% and 0.2% respectively in 2022.

Chart 3: Selangor GDP Structure by Sector (% GDP)



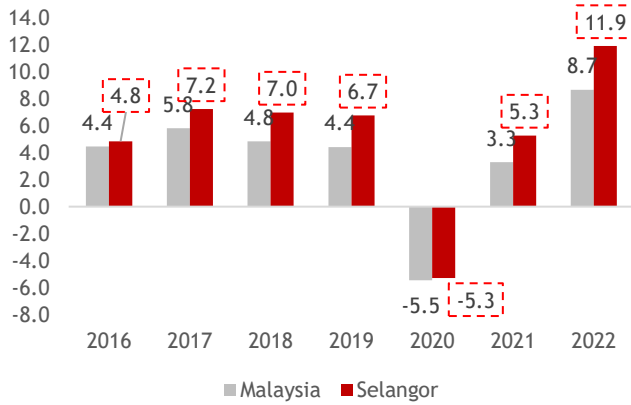
Source: DOSM, MIDFR

Chart 4: Malaysia GDP Structure by Sector (% GDP)



Source: DOSM, MIDFR

Chart 5: Selangor vs. Malaysia GDP (YoY%)



Source: DOSM, MIDFR

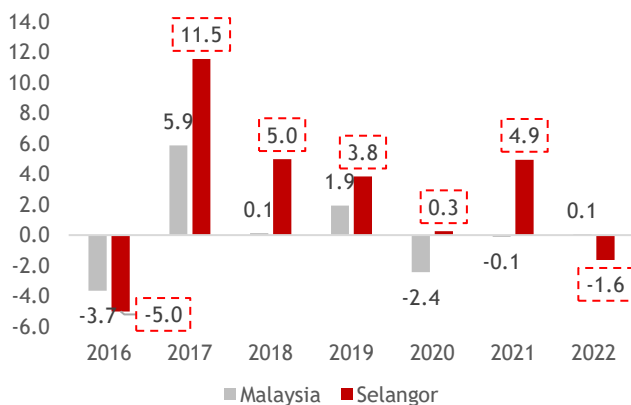
Chart 6: National GDP Contribution by State (% of GDP)



Source: DOSM, MIDFR

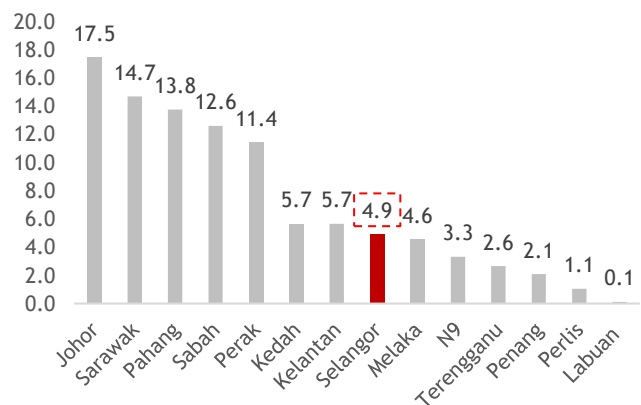
Selangor top in construction, manufacturing and services sectors. The uptick of Selangor economic contribution to Malaysia is in line with its strong key sectors. Selangor’s construction, manufacturing and services sectors are the largest contributor to Malaysia economy in accordance to each sector. Selangor’s manufacturing constituted about 32.2% in 2022 (2015: 28.8%) of national factory output, the highest ever recorded. E&E and Optical products represented 30.6% of Selangor’s manufacturing output, followed with Oils & Fats by 16.5%, Petrochemicals, Rubber & Plastic products by 15.7% and Transport Equipment & Other Manufacturing by 15.2%. Construction in the state represented 34.1% in 2022 (2015: 30.1%). Selangor’s services sector contributed 26.5% in 2022 (2015: 25.5%), the highest ever registered. Distributive Trade, Food Beverages & Accommodation contributed 37% of the services output, followed with Utilities, Transport & Storage and ICT by 29.6%, and Finance, Insurance, Real Estate & Business Services by 18.2%. Selangor ranked 8th with 4.9% national contribution in agriculture sector, improved from 4.2% in 2015. As for mining sector, more than 95% of national output produced in Sabah, Sarawak and out-of-state areas.

Chart 7: Selangor vs. Malaysia Agriculture GDP (YoY%)



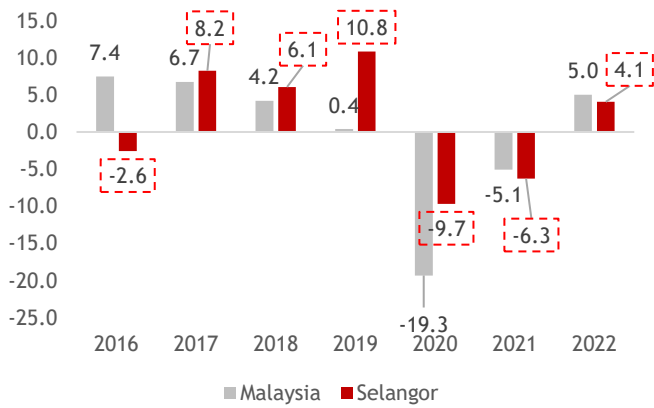
Source: DOSM, MIDFR

Chart 8: Contribution by State (% of Agriculture GDP)



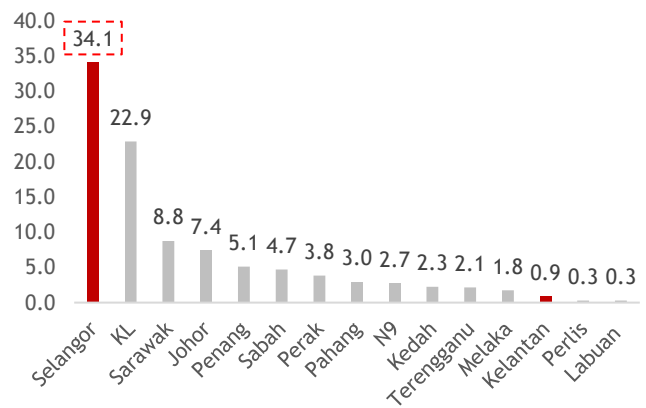
Source: DOSM, MIDFR

Chart 9: Selangor vs. Malaysia Cons. GDP (YoY%)



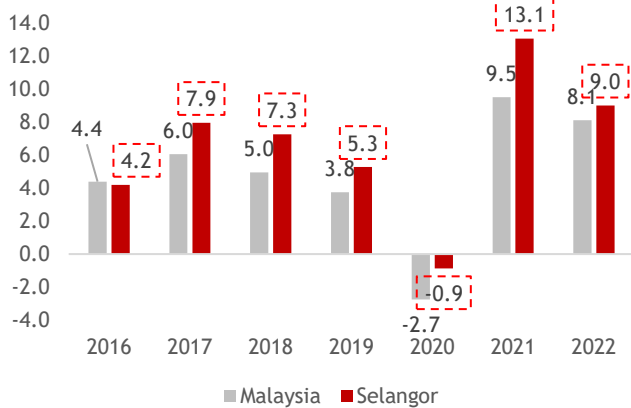
Source: DOSM, MIDFR

Chart 10: Contribution by State (% of Construction GDP)



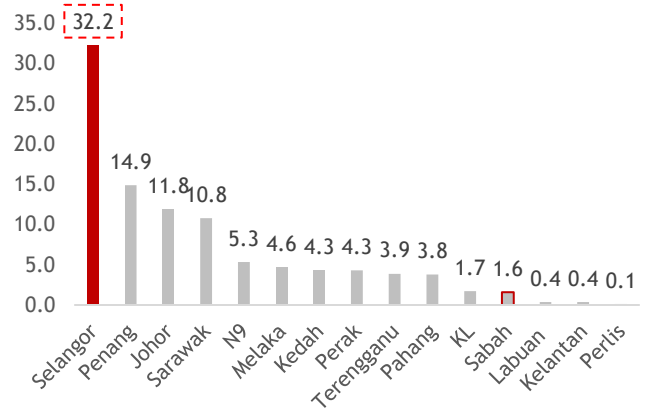
Source: DOSM, MIDFR

Chart 11: Selangor vs. Malaysia Mfg. GDP (YoY%)



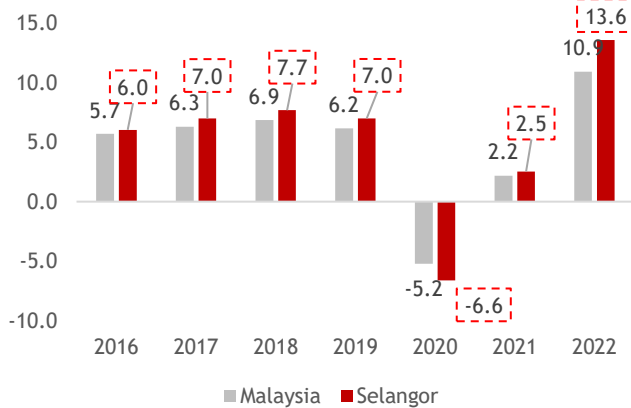
Source: DOSM, MIDFR

Chart 12: Contribution by State (% of Mfg. GDP)



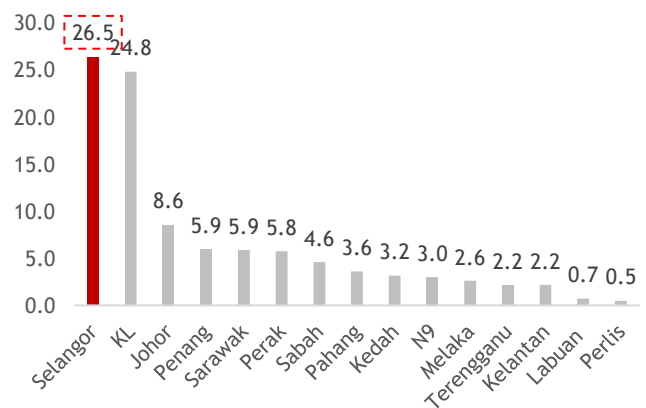
Source: DOSM, MIDFR

Chart 13: Selangor vs. Malaysia Services GDP (YoY%)



Source: DOSM, MIDFR

Chart 14: Contribution by State (% of Services GDP)

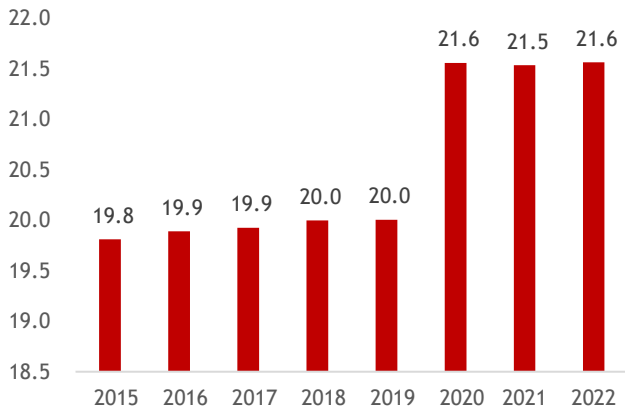


Source: DOSM, MIDFR

One fifth of Malaysia's population resides in Selangor. Ascending from 19.8% in 2015 to 21.6% in 2022 of Malaysia's population, Selangor saw +1.9% population growth per annum against Malaysia's +0.7%. The faster population growth pace in Selangor can be attributed by the steady expansion of state economy. Selangor is also better regarding the job market, given that the unemployment rate is lower than national level since 2016. Household income level in Selangor is more than 50% higher than the national level. Post-pandemic (2019-2022) CAGR for the household income showed that Selangor increased strongly by +6.5% per annum as compared to +2.5% for Malaysia.

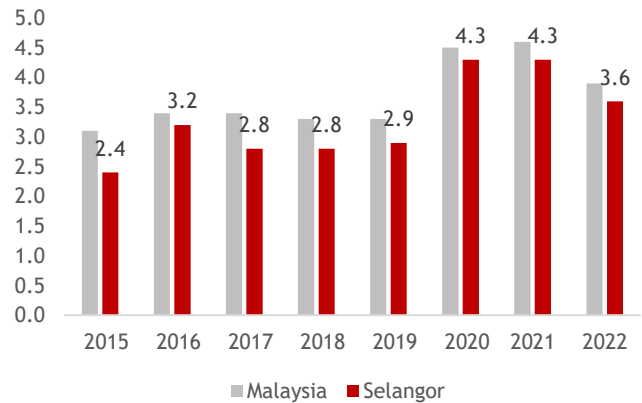
Consumer-oriented industries to benefit greatly from Selangor. By state GDP perspective, the services sector dominated at 60.6%. Selangor also is the largest contributor of national services sector at 26.5%, the highest rate ever recorded. High population size, lower jobless rate and richer household income are key supportive factors for the state economy particularly for the consumer-oriented industries. Not just the population, one-fifth of Malaysia’s shopping complex area covered in Selangor, 22.6% in 2022.

Chart 15: Selangor Population (% of Total Population)



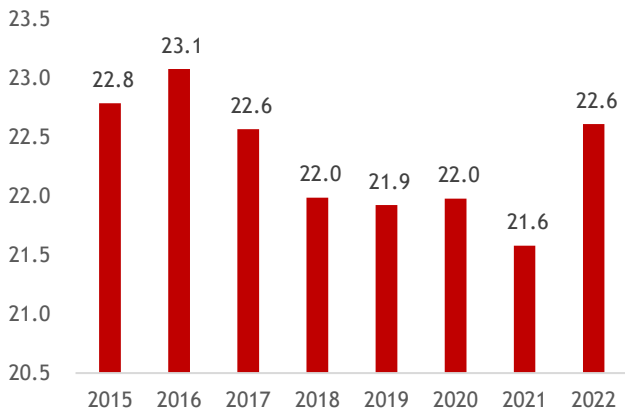
Source: DOSM, MIDFR

Chart 16: Jobless Rate Selangor vs. Malaysia (%)



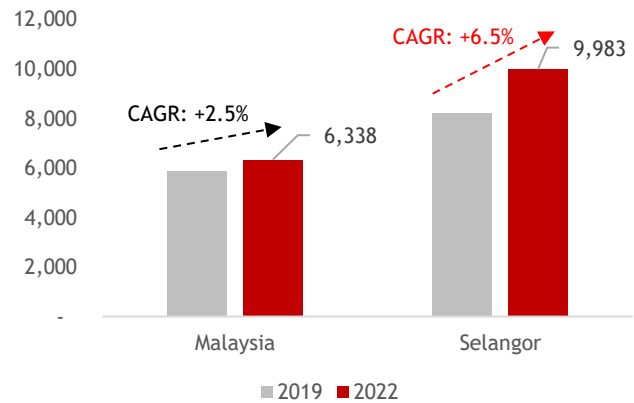
Source: DOSM, MIDFR

Chart 17: Selangor’s Shopping Complex (% of Total Area of Malaysia)



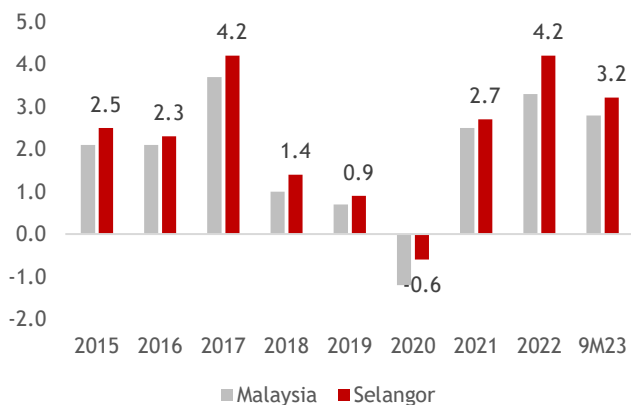
Source: DOSM, MIDFR

Chart 18: Household Income Selangor vs. Malaysia (RM per month)



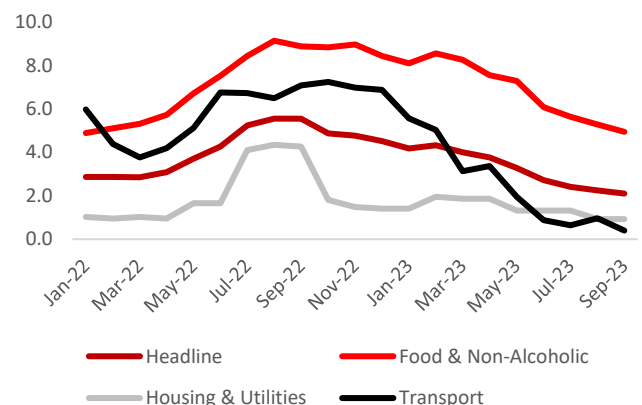
Source: DOSM, MIDFR

Chart 19: Selangor vs. Malaysia CPI (YoY%)



Source: DOSM, MIDFR

Chart 20: CPI Major Components in Selangor (YoY%)



Source: DOSM, MIDFR

RS-1: The Anchor for Selangor State Economy. RS-1 is a development plan for the state of Selangor to chart its path towards achieving a smart, liveable and prosperous state for the next five years from 2021. The blueprint has four strategic

themes (1) Economy, (2) Social, (3) Sustainability and (4) Governance with 261 initiatives. Under Theme-1 Economy, there are nine focus sectors including ports & logistics and aerospace. Carey Island development and Selangor International Aero Park in Subang are among gamechangers set in the development plan under the first theme. Under Theme-2 Social, there are six focus areas including affordable housing. Rumah Selangorku Program: Rumah Idaman & Harapan to be included. Under Theme-3 Sustainability, there are five focus areas among others low carbon state, water management and resilience & disaster management. Among strategies under sustainability is to develop GHG inventory & low carbon cities capacity building for every local authority and integrated solid-waste management center with a waste-to-energy treatment plant.

Table 1: Rancangan Selangor 1 – Framework

Theme 1: Economy	Theme 2: Social	Theme 3: Sustainability	Theme 4: Governance
9 Focus Sectors	6 Focus Areas	5 Focus Areas	5 Focus Areas
<ul style="list-style-type: none"> • Ports & Logistics • Tourism • Digital Economy • Aerospace • Automotive • Electrical & Electronics and Machinery & Engineering • Halal Industry • Life Sciences • Agrotechnology 	<ul style="list-style-type: none"> • Income Generation and Social Welfare • Special Focus on Target Groups • Women, Family and Community • Affordable Housing • Public Health • Education 	<ul style="list-style-type: none"> • Resilience and Disaster Management • Water Management • Low Carbon State • Waste Management • Biodiversity and Natural Resources 	<ul style="list-style-type: none"> • Strategic Alignment of Goals and Policies • Managing Performance and Accountability • Agile Public Workforce • Revenue Sustainability • Technological Transformation

Source: SELANGOR STATE GOVERNMENT, MIDFR


State Budget 2024 and RS-1 to boost Selangor's GDP growth above +4.5% in 2024. Under the RS-1, the state government of Selangor predict average annual growth rate for the period of 2021-2025 is +6.5~7% per annum. The forecast rate is much higher than 12MP-MTR forecast rate of +4.7% for 2023-2025 and +6.2% for 2021-2025. With various pro-growth initiatives, we are optimistic of the ability of the golden state of Selangor to expand beyond +4.5% in 2024. In addition, the RS-1 targets are crucial for the state as well as Malaysia due to the golden state economic size. The themes, strategies and targets will shape the new landscape for the state economy and beneficial for Malaysia's macroeconomic performances and financial market. 

Table 2: List of Selangor Budget 2024 Initiatives & Incentives

Sector	Measures	Remarks
Consumer	<ul style="list-style-type: none"> • RM1m for Selangor Jobs & Skills Council • RM40m to increase food supply between 3-6 months • RM10m for development of "Klusterisasi Tanaman" and downstream products and the use of technology in agriculture industry • Food Security Project under SABDA (Sabak Bernam Development Area) <ul style="list-style-type: none"> ○ Development of downstream seafood & agrofood products in Sungai Lang ○ Seafood Landing Complex in Sekinchan 	<ul style="list-style-type: none"> • This is in line with the Federal Government's target to create more high-paying jobs, positive for the broader economy. • This will contribute towards improved food security, offer more jobs and investment opportunities in the agrifood industry. • Development of downstream products will reduce dependency on food imports. • Increased agricultural productivity, not bound by limited new lands for agriculture use. • Offer 3,000 jobs for locals for fish farming, downstream food projects. • Positive impact for eco-tourism in Sekinchan.

	<ul style="list-style-type: none"> • RM3m for Advancing the Halal Industry 	<ul style="list-style-type: none"> • Widening focus of coverage for the Halal Industry to encompass fashion, pharma, and recreation
	<ul style="list-style-type: none"> • Promoting micro-entrepreneurship <ul style="list-style-type: none"> ○ “Dana Usahawan Mikro Selangor” to provide startup capital for at least 100 micro-entrepreneurs ○ Training, promotion, and development allocation for micro-entrepreneurs 	<ul style="list-style-type: none"> • This will help to contribute the development of MSMEs, and to increase MSMEs’ contribution to the national economy.
	<ul style="list-style-type: none"> • RM3.3m for “Program Liga Usahawan Wanita” and strengthening “Selangor Youth Community” 	<ul style="list-style-type: none"> • To encourage assistance at the community level including at the startup level, financial management, and marketing effort.
	<ul style="list-style-type: none"> • RM1m for “Roda Dahrul Ehsan (RiDE)” 	<ul style="list-style-type: none"> • Extending the KWSP contribution and cash assistance coverage beyond p-hailing and into e-hailing
	<ul style="list-style-type: none"> • RM1m for creative economy 	<ul style="list-style-type: none"> •
	<ul style="list-style-type: none"> • Courses, workshops and training for vulnerable groups such as elderly, handicapped, B40 and ex-convicts 	<ul style="list-style-type: none"> • This will involve proactive efforts and collaboration with government agencies.
	<ul style="list-style-type: none"> • RM0.5m for financial security (or safety net) for retirement 	<ul style="list-style-type: none"> • On top of the small provision, no clear target on the number of people who will benefit from this initiative.
Property & REITs	<ul style="list-style-type: none"> • E-auctioneer system 	<ul style="list-style-type: none"> • Adoption of this system by mid-2024 will improve management of auctioneer’s application and license renewal.
	<ul style="list-style-type: none"> • Kita Selangor Rail Network in West Selangor 	<ul style="list-style-type: none"> • If approved, more new areas will be opened along the railway in West Selangor to northern area, bordering Perak.
	<ul style="list-style-type: none"> • RM2m for “Lembah Klang Raya” (or Mega Klang Valley) 	<ul style="list-style-type: none"> • To rejuvenate 4 major cities in Selangor for a more sustainable living, including preparation for an ageing population and smart city implementation.
	<ul style="list-style-type: none"> • RM220m for “Skim Smart Sewa” 	<ul style="list-style-type: none"> • Adding another 810units to the scheme
Telecommunication & ICT	<ul style="list-style-type: none"> • RM2m for the development of Lembah Klang Valley (or Mega Klang Valley) <ul style="list-style-type: none"> ○ Installation of twin digital system to simulate traffic management, natural disaster, development process and building design as well as planning permit ○ To be first Low Carbon City in Malaysia 	<ul style="list-style-type: none"> • Business opportunities for digital and ICT services providers as the government wants to be more digitally equipped in its administration to better manage issues and challenges in Klang Valley development. • The Selangor government’s intention to push for reduced emission in Klang Valley. •
	<ul style="list-style-type: none"> • RM1m for e-sport development 	<ul style="list-style-type: none"> • Expanding “Selangor Cyber Games” and initiating the e-Sport League in every district
	<ul style="list-style-type: none"> • RM1m to set up Selangor Centre for Artificial Intelligence 	<ul style="list-style-type: none"> • To ensure the state is able to realise the opportunities within the industry and harness the spillover effects
	<ul style="list-style-type: none"> • RM2m for drone technology development, through cooperation between state GLC, SELATI, and Turkish Aerospace (TUSAS). 	<ul style="list-style-type: none"> • Selangor wants to become main player and regional hub for the drone development industry.
	<ul style="list-style-type: none"> • RM3.3m for efforts including digitalizing special tourism clusters and virtual tourism 	<ul style="list-style-type: none"> • Digitalising special clusters in the north and south like Sabak Bernam and Sepang • Developing virtual tourism using digital twin technology
Transport, Logistics & Ports	<ul style="list-style-type: none"> • RM8m for Selangor Aviation Show 	<ul style="list-style-type: none"> • Boost to the security & defense industry as well as aviation business as well as the drone development.
	<ul style="list-style-type: none"> • Selangor Aero Park (SAP) in IDRIS 	<ul style="list-style-type: none"> • Support for the aerospace industry such as MRO, installation and manufacturing, excellence centre, competent talents, research centre etc.
	<ul style="list-style-type: none"> • RM5m for Smart Selangor Bus 	<ul style="list-style-type: none"> • Increased investment into the state transport system to encourage use of public transport.

Construction	<ul style="list-style-type: none"> • RM3m to conduct feasibility study for “Kita Selangor Rail Network” in West Selangor 	<ul style="list-style-type: none"> • To cover study on services, rel, types of locomotive and interconnection to existing network
	<ul style="list-style-type: none"> • RM3m for Safe Walkway/Pedestrian Walk project in Shah Alam city centre 	<ul style="list-style-type: none"> • Improve the existing walkways including lighting, ventilation and safety aspects. • We expect this safe walkway concept would be adopted at more constituencies in Selangor to encourage use of public transport
	<ul style="list-style-type: none"> • RM145m for all road projects 	<ul style="list-style-type: none"> • Increased connectivity will provide multiplier effects to the local economic activities
	<ul style="list-style-type: none"> • RM16.45m for non-physical works, as part of road development programme, including: <ul style="list-style-type: none"> ○ RM5m for slope repair ○ RM4.5m for road upgrades ○ RM0.5m for initial works and appointment of consultant for traffic study ○ RM0.6m to gazette state roads ○ RM3.6m for installation of street lights and traffic lights ○ RM2.25m to improve road safety 	<ul style="list-style-type: none"> • Complementing the modern road infrastructure, improved coordination for better traffic management would help to improve traffic flow.
	<ul style="list-style-type: none"> • RM12.6m to construct bridges and overpass 	<ul style="list-style-type: none"> • To cover for 3 ongoing projects
	<ul style="list-style-type: none"> • RM29.9m to support new road constructions 	<ul style="list-style-type: none"> • This will further improve connectivity to new areas.
	<ul style="list-style-type: none"> • RM68.2m to handle increased traffic and traffic problems at existing roads 	<ul style="list-style-type: none"> • There is opportunity cost to longer traffic congestion. Addressing this (and improved connectivity, in general) will promote greater economic activities.
	<ul style="list-style-type: none"> • RM24m for Selangor Penyayang Project for paint and repair works of mid-to-low cost apartments 	<ul style="list-style-type: none"> • Business opportunities for small contractors in Selangor
	<ul style="list-style-type: none"> • RM65m for flood mitigation project, river basin development, drainage system, hydrology and water resources work, and beach development 	<ul style="list-style-type: none"> • Selangor government will work closely with the Federal Government to expedite flood mitigation works, involving estimated RM3b allocation for Selangor
	<ul style="list-style-type: none"> • RM300m (through PFI) for utility infrastructure i.e. connecting water pipeline from Klang to Pulau Indah. 	<ul style="list-style-type: none"> • To ensure better facilities and infrastructure to support business operations in industrial parks like Selangor Bio Bay.
Healthcare	<ul style="list-style-type: none"> • RM4m for rural infrastructure development 	<ul style="list-style-type: none"> • Upgrading old infrastructure and providing community centers and social amenities • Improving connectivity between rural and urban areas including paved roads, solar-powered street lights, and solar panels for electricity generation in rural areas
	<ul style="list-style-type: none"> • RM5m for “Bantuan Sihat Selangor” BSS 	<ul style="list-style-type: none"> • Cash aid of up to RM5K for treatment of NCDs, transportation and medical equipment
	<ul style="list-style-type: none"> • RM35m for “Program Iltizam Selangor Sihat” ISS 	<ul style="list-style-type: none"> • Providing coverage for 100K policyholders and 150K registered family members
	<ul style="list-style-type: none"> • RM1.5m for “Program Iltizam Selangor Sihat Penjawat Awam” (ISSPA) 	<ul style="list-style-type: none"> • To benefit public servants Grade 44 and below
	<ul style="list-style-type: none"> • RM3.2m for “Program Selangor Saring” and “Saringan Kanser” 	<ul style="list-style-type: none"> • Screening coverage for NCDs and common types of cancer
	<ul style="list-style-type: none"> • RM5m for “Skim Rawatan Jantung Negeri Selangor” 	<ul style="list-style-type: none"> • Up to RM50K for heart treatment for those eligible

Source: SELANGOR STATE GOVERNMENT, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology