



A Guide to

# Industry Classification Benchmark (Equity)

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FINANCIALS FINANCIAL SERVICES REAL ESTATE  
INTEGRATED OIL & GAS BASIC MATERIALS RESOURCES  
FORESTRY & PAPER INDUSTRIALS MATERIALS & CHEMICALS  
CONSTRUCTION CONSUMER GOODS AUTOMOBILES  
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SUPPLIES CONSUMER SERVICES RETAIL FOOD & BEVERAGE  
APPAREL RETAILERS TELECOMMUNICATIONS FINANCIAL SERVICES



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Securities

Subsectors

Sectors

Supersectors

Industries

COMPREHENSIVE UNIVERSE

FTSE

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## 1 INTRODUCTION

### 1.1 Overview

Industry Classification Benchmark (ICB) is a detailed and comprehensive structure for sector and industry analysis, facilitating the comparison of companies across four levels of classification and national boundaries. The classification system allocates companies to the subsector whose definition closely describes the nature of its business as determined from the source of its revenue or the source of the majority of its revenue.

### 1.2 FTSE

- 1.2.1 FTSE International Limited (the “**FTSE**”) is responsible for maintaining the ICB, and for the line-of-business classification of all companies within the ICB.
- 1.2.2 ICB will maintain a record of all changes in the classification of companies and is responsible for ensuring the timely publication of all company classification changes.
- 1.2.3 ICB will maintain a schedule of corporate events, which occur between quarterly meetings that may affect the industrial classification of a company.

### 1.3 ICB Advisory Committee

- 1.3.1 The ICB Advisory Committee acts in coordination with FTSE on changes to the ICB structure and its relevance in the market.
- 1.3.2 The ICB Advisory Committee will meet twice annually to review recommendations by FTSE upon all issues concerning the ICB structure or classifications that are referred to it by FTSE according to the ICB rules. The semi-annual meetings will normally be held in the months of May and November.

## 2 CLASSIFICATION OF COMPANIES

### 2.1 Object of the Industry Classification Benchmark

- 2.1.1 The primary purpose of the ICB is to provide a service to investors and other interested persons by grouping companies according to homogeneous Subsectors. Subsectors will be grouped into Sectors in such a way that general industrial and economic themes may be common to all companies in the Sector. The Sectors themselves will be aggregated into Supersectors, which will in turn be aggregated into Industries.

### 2.2 Structure of the Industry Classification Benchmark

- 2.2.1 ICB allocates each company to that Subsector whose definition most closely describes the nature of its business. The titles and definitions of all Subsectors of the ICB are available at [www.icbenchmark.com](http://www.icbenchmark.com)
- 2.2.2 The basic source of information used for the classification of a company shall be its audited accounts and directors' report. Where a company carries two or more classes of business that differ substantially from each other, ICB will base their decision on the accounting segmentation published in the audited accounts and directors' report. Interim statements will not normally be used. Changes in a company's business or structure will be considered under Rule 2.4.1.

### 2.3 New Listings

- 2.3.1 The Subsector classification of a newly listed company will initially be determined by ICB.
- 2.3.2 Where a company disputes the classification, ICB may at their discretion seek additional information from the company or from an authorised representative of the company to provide further evidence of the nature of the company's primary business operations, however all information must be publicly available.

### 2.4 Changes to Classification of a company

- 2.4.1 Where a significant change takes place in a company's structure as a result of a corporate event (such as a merger or demerger), its ICB classification may be reassessed on the basis of financial data formally published by the company. No changes in ICB classification will be made on the basis of non-public information, promises of action, assertions or aspiration of directors, unless these can be substantiated by audited or independently authenticated formal company statements as defined under Rule 2.2.2.
- 2.4.2 Any adjustment resulting from a change in a company's classification under Rule 2.4.1 will be implemented at the same time as the corporate event is completed.
- 2.4.3 A company's classification may also be reviewed by ICB either at their discretion or at the request of the company or professional advisors acting on its behalf.
- 2.4.4 Any adjustment resulting from a change in a company's classification will be announced immediately and be implemented five trading days later and become effective on the next trading day after implementation.

### 3 CLASSIFICATION GUIDELINES

#### 3.1 Basis of Decisions

- 3.1.1 ICB will at all times approach decisions affecting the industry classification of companies with reference to these guidelines.

#### 3.2 Allocation of Companies to Subsectors

- 3.2.1 A company will be allocated to that Subsector of the ICB whose definition most closely coincides with the source of its revenue or the source of the majority of its revenue.
- 3.2.2 Segmental reporting normally discloses revenue before tax, minority interests, extraordinary items and interest earned or incurred. Unless there is audited evidence that any of these items is specifically attributable to a class of business for which revenue is disclosed, it will be disregarded in assessing the sources of revenue. Where any part of the company's business is to earn interest or incur interest, or interest expenses are central to the business, then such interest shall be taken into account in determining the company's business.
- 3.2.3 A company which has businesses in two or more Subsectors is allocated to that Subsector which provides the largest part of the revenue as indicated by the latest available report and accounts, subject to 3.2.2 above.

A company engaged in businesses in three or more Subsectors, but within a specific industry, will normally be classified as General Mining, Diversified Industrials, Multi-utilities or Specialty Finance.

A company engaged in businesses in three or more Subsectors that are in two or more Industries, will normally be classified as a Diversified Industrials.

A company engaged in three or more classes of business within the Industrials Industry that differ substantially from each other, no one of which contributes 50% or more of revenue nor less than 10%, will normally be classified as Diversified Industrials. If there is a contribution of over 50% from any other one Industry group, the subsector of that Industry group with the highest revenue will be assigned to the company.

- 3.2.4 ICB will seek to maintain stability in the classification of companies by disregarding what they consider to be temporary fluctuations in the fortunes of individual businesses.

#### 3.3 Industry Sectors

- 3.3.1 ICB will normally seek to avoid the maintenance of Sectors or Subsectors containing a single company.

#### 3.4 Changes to the Industry Classification Benchmark

- 3.4.1 Changes to the structure of the ICB will be evolutionary. Any changes to the ICB structure (Subsectors, Sectors, Supersectors or Industries) shall take place with a minimum of six months notice. These changes will be determined by ICB and will be based on long-term trends, rather than what they consider may be temporary fluctuations within individual industries.

### 4 INDUSTRY CLASSIFICATION PERIODIC REVIEWS

#### 4.1 Periodic Reviews

All classifications of the companies will be reviewed on an annual basis

Coverage: all companies in the ICB global universe file as of February.

Review Procedures: the industrial classification of each company will be determined by analysing the financial reports based on the rules under Rule 3.0 of the Classification Guidelines.

Announcement and Implementation: periodic changes to the industry classification of a company will be announced on the last trading day during the month of August and will be implemented five trading days later and become effective on the next trading day after implementation.

In exceptional cases FTSE in consultation with the ICB Advisory Committee can classify companies on the basis of either the immediate end use of the product or the industrial process used.

### 5 APPEALS

#### 5.1 Appeals against an ICB Classification

- 5.1.1 A company (or professional adviser acting on behalf of the company) may appeal against its classification on two grounds:
- (a) that ICB acted outside the Industry Classification Benchmark Rules; or
  - (b) that the ICB, when reaching their decision, failed to take into consideration a substantial and material fact of relevance or took into consideration an irrelevant fact.
- 5.1.2 Appeals must be made in writing to ICB. Appeal decisions will be heard by the FTSE Policy Group and are final. There will be no reconsideration within one year unless new published, publicly available reports and accounts become available.

## Appendix 1: Procedure for Reclassification Requests

### 1.0 Requests from companies to be reclassified

- 1.1 ICB will review all such cases, where either ICB believes a company should be reclassified; the change(s) will be implemented five trading days later and become effective on the next trading day after implementation.
- 1.2 Companies (or their professional advisors) may request that their classification is reviewed. Requests should be made in writing (letter, fax, e-mail) to one or both of the following:

FTSE Committee Secretary  
FTSE  
12<sup>th</sup> Floor  
10 Upper Bank Street  
Canary Wharf  
London  
E14 5NP

+44 (0)20 7866 1810  
+44 (0)20 7866 8958 (fax)  
[icb@ftse.com](mailto:icb@ftse.com)

- 1.3 Companies should include a breakdown of their revenue by business activity based on publicly available information.



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