



## Sectoral classification standards

### Global Industry Classification Standard (GICS)

GICS was developed in response to the global financial community's need for one complete, consistent set of global sector and industry definitions.

GICS is widely recognised by market participants worldwide. It enables meaningful comparisons of sectors and industries globally. GICS is designed to reflect a company's financial performance.

A company is assigned to a single GICS sub-industry according to the definition of its principal business activity. Revenues are a significant factor in determining principal business activity; however, earnings analysis and market perception are also important criteria for classification. In general, a GICS classification will be reviewed when there is a major corporate action that redefines a company's primary line of business; or, annually to ensure that a company has not redefined its line of business.

A company is assigned a classification at each of the four levels of GICS; however, a company may only belong to one group at any level.

### Industry Classification Benchmark (ICB)

In early 2006 Dow Jones Indexes\*\* and FTSE\* created a definitive classification system called the Industry Classification Benchmark (ICB). This replaced the old FTSE classification. ICB is a comprehensive tool for global sector analysis and a relevant and user-friendly classification standard for trading and investment decisions.

The system allocates companies to a Subsector according to the nature of its business. The nature of a company's business is determined by its source of revenue or where it constitutes the majority of revenue.

### Comparing GICS and ICB

GICS	ICB
10 main sectors including:	10 main sectors including:
Energy	Oil and Gas
Materials	Basic Materials
Health Care	Health Care
Industrials	Industrials
Financials	Financials
Information Technology	Technology
Telecommunication Services	Telecommunication
Utilities	Utilities
Consumer Staples	Consumer Goods
Consumer Discretionary	Consumer Services
24 Industry groups (4 digits)	18 Supersectors (4 digits)
67 Industries (6 digits)	39 Sectors (4 digits)
147 Sub-industries (8 digits)	104 Subsectors (4 digits)

Both systems are being used extensively around the world, however GICS dominates in the USA, Canada, the Pacific Rim, and Australia, whilst ICB is more widely used in the UK, Europe, and Africa.

Sectors within Risk101 :

Risk101 supports both GICS and ICB, as well as offering clients the opportunity to create a four-tiered sector system of their own. Once the sectors are on your Risk101 system, portfolios can be sorted according to any of the sector classifications.

\* FTSE is an independent company owned by The Financial Times and the London Stock Exchange. Its sole business is the creation and management of indices and associated data services, on an international scale.

\*\* Dow Jones is traditionally the benchmark by which other business and financial news organisations measure themselves.

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