

FTSE Russell announces enhancements to its Industry Classification Benchmark (ICB) following Market Consultation

- Realignment designed to better meet investor practices
- Real Estate to be added as newly created 11th ICB Industry
- Telecommunications expanded to reflect the continuing significance of the industry globally and the evolution of the Telecommunications-Media-Technology (TMT) segment

FTSE Russell, a leading global multi-asset index, data and analytics provider, has announced structural updates to its Industry Classification Benchmark (ICB), a globally recognised standard, operated and managed by FTSE Russell for categorising companies and securities. The enhancements result from the recent Market Consultation to align ICB with current industry practices and incorporate features from the Russell Global Sectors (RGS) scheme. The new ICB structure will be effective after market close on December 31, 2018. The transition dates for individual FTSE Russell index series will be announced by June 2018.

A well-constructed industry classification system is used by investment professionals to accurately track drivers of a company's revenues over time. Under ICB, each company is allocated to the subsector that most closely represents the nature of its business, which is determined by its primary source of revenue and other publicly available information. Approximately 100,000 equity securities worldwide are currently classified by the ICB system, providing a comprehensive data source for global industry analysis for the investment community and others.

As industries evolve, a classification scheme needs to adapt to reflect those changes. Subsequently, following the Market Consultation, the key changes to ICB include:

- **Addition of Real Estate** as the 11th ICB Industry (segmented out of the ICB Financials Industry)
- **Expansion of the ICB Telecommunications Industry** to include Telecommunications Equipment (from the Technology Industry) and Cable Television Services (from the Media Sector)
- **Adoption of Consumer Discretionary and Consumer Staples Industries**; currently, ICB groups companies by Consumer Goods and Consumer Services at the Industry level
- **The ICB Oil and Gas Industry will be renamed Energy** and be grouped at the Sector level as Renewable Energy or Non-Renewable Energy
- **ICB will add 57 Subsectors bringing the total to 171** (from 114) and will update definitions accordingly
- **The ICB numeric code system has also been redesigned** to support future enhancements and ICB's expansion beyond the current coverage of ~100,000 equity securities

As a percentage of market cap weight of the FTSE Global All Cap Index, the new ICB Real Estate Industry comprises 4%, or US\$2 trillion in investable market cap, and the remaining weight of ICB Financials comprises 20%, the largest ICB Industry in the index based on preliminary analysis of constituents as of June 30, 2017.



Dr. Christian Bahr, Head of Market Data & Analytics at SIX Swiss Exchange and member of FTSE Russell Industry Classification Advisory Committee said: “FTSE Russell has undertaken a significant and comprehensive enhancement of its industry classification framework following a market-wide consultation. FTSE Russell is not only bringing the best of breed to investors with this alignment, but it is also reflecting the evolution of industries and laying a critical foundation for future classification expansion.”

Dominique Moerenhout, CEO, European Real Estate Association (EPRA) said: "REITs continue to grow globally as they provide investors stable long-term dividend income streams. FTSE Russell's elevation of Real Estate as its 11th ICB Industry is timely, as the listed real estate industry is growing strongly and is increasingly viewed as an investment asset class in its own right."

Philip Lawlor, Managing Director, Global Markets Research, FTSE Russell said: “The telecommunications industry continues to be a critical force for growth, innovation and technology-led disruption. The upcoming enhancements to the ICB Telecommunications Industry reflect the evolution of telecommunications conglomerates, taking into account the influence of media, the evolution of cable television service companies, and the convergence of fixed-line and mobile telecommunication businesses.”

Additional details regarding the changes, rationale and implementation timing are available at www.ftserussell.com

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For further information:

Global Media

Ed Clark	+44 (0)20 7797 1222
Mark Benhard	+1 212 314 1199
	newsroom@lseg.com

Regional Contacts

Hong Kong: Fennie Wong	+852 2164 3267
Sydney: Laura McCrackle	+61 2 8823 3526

Notes to editors:

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