We are now Refinitiv, formerly the Financial and Risk business of Thomson Reuters. We’ve set a bold course for the future – both ours and yours – and are introducing our new brand to the world.

As our brand migration will be gradual, you will see traces of our past through documentation, videos, and digital platforms.

Thank you for joining us on our brand journey.
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**INTRODUCTION**

**Thomson Reuters Business Classification**

Thomson Reuters Business Classification (TRBC) is an industry classification system that is owned and operated by Thomson Reuters. The market-oriented system tracks the primary business of a corporation and reflects global industry practices by grouping together correlated companies that offer products and services into similar end markets.

TRBC is used by the investment community for navigation, aggregation and benchmarking. It provides a global standard for intelligently identifying peers, tagging research, aggregating financial content and transforming the torrent of Thomson Reuters news and information into insightful trends. It delivers a solid foundation for aggregating financial ratios, portfolio benchmarking and attribution analysis.

TRBC is the foundation for over 8000 different Thomson Reuters Sector Indices and is available for private benchmarking and sold for use in index computation and ETF construction.

TRBC balances the needs of index construction and information navigation. TRBC has set its granularity level to meet both navigation and benchmarking requirements. The scheme is detailed enough to allow the accurate pinpointing of peers while delivering a stable and useful grouping of constituents to allow benchmarking and index construction across the globe and between multiple periods.

**Market-Based**

TRBC is a market-based classification system. Companies are assigned an industry on the basis of the market they serve rather than the products or services they offer. Market-based classification emphasizes the usage of a product rather than the materials used for the manufacturing process. This is done because the performance of companies is tied to the market that they serve and market based systems allow investors to group companies that share similar market characteristics. For example catering services to airlines are considered airport services rather than restaurants because their financial performance is dependent on the market for airline services.

TRBC is a five level hierarchical structure consisting of (from top to bottom):

- 10 Economic Sectors
- 28 Business Sectors
- 54 Industry Groups
- 136 Industries
- 837 Activities
Regular Revision

Since its introduction in 2004, the TRBC steering group, consisting of internal Thomson Reuters and external business stakeholders, has met regularly to review the structure of the scheme. The 2008 review produced recommendations to revise the scheme, with revisions effective from August 2009. The latest review of the scheme occurred in August 2011 and was made effective in October 2012. The major innovation following the 2011 review was the additional level of granularity provided by the ‘Activity’, making TRBC not only the most comprehensive market based scheme available but also the most detailed. The top level of the schema has remained unchanged. Some revisions were made to levels 2-4 of the schema in order to include ‘Industry Groups’ such as Transport Infrastructure and Collective Investments and ‘Industries’ such as Uranium, Shipbuilding, and Phones and Handhold Devices. A full list of the newly added sectors and industries is available here. Thomson Reuters sector indices are available for all Economic Sectors, Industry Groups and Industries, featuring the most recent schema revision. Thomson Reuters Indices for Activities are available on request. The steering group meets on a quarterly basis to review emerging issues and solicit feedback from the investment community.

Coverage

TRBC is an equity classification system and seeks to cover all companies worldwide that issue equity. Assignments are made at the issuer level and all associated securities have the same assignment by inference.

CLASSIFICATION METHODOLOGY

Overview

TRBC is used to classify companies as a whole. Where organizations have multiple business segments, a representative business is selected according to the largest revenue contribution. The assignment process, detailed below, also considers factors such as profitability, asset utilization, and market perception when appropriate.

Companies are assigned to an Activity, at the lowest level. The Industry, Industry Group, Business Sector and Economic Sector assignments are derived from the classification hierarchy. Each company is represented by one primary TRBC Activity and companies cannot have multiple primary assignments.

Classification Rules

Dominant Segment

Two Business Segments:
A 60% of total revenue threshold is used to assign an industry to companies with two business segments. If neither segment meets the 60% revenue threshold, the criteria is applied first to assets then operating profit.

Three or more Business Segments:
A 51% of total revenue threshold is used to assign an industry to companies with three or more segments. If none of segments meets the 51% revenue threshold, the criteria is applied first to assets then operating profit.

In this context, revenue is defined as net receipts from external customers, inter-segment sales are taken into account if they are a significant distortion to the relative proportions of the of the business segments.

10% Significance

Business Segments must have 10% of revenues or higher to be considered significant in the calculation process.
Assignment of Activities

Once a 4th level Industry assignment is made using the above rules, if a company is completely focused on one 5th level Activity, the Activity is subsequently chosen within the 4th level dominant segment. A company’s business segments are first looked at to see what the dominant Industry is. Then, the Dominant Activity within that business segment is examined.

Revenue, Assets and Profitability

Revenue is the preferred metric and is used in the majority of assignments. However, there are types of companies and situations where assets and profitability are taken into consideration when making assignments.

- Start-up and development phase companies may have little revenue, e.g. early stage biotechnology firms; therefore assets can be a used to determine the dominant sector.

- Profitability fluctuates from period to period, hence is not used as a primary method to classify companies as it would result in a high degree of volatility in assignment. However, long-term trends in profitability are a useful indicator of the importance of a sector in an entity. For example, an industrial manufacturer may have large revenues in a low profitability OEM business and low revenue, highly profitable services business. Close analysis of business strategy together with profitability provides a classification that better reflects the company’s sensitivity to its primary market.

Market Perception

Market Perception is based on the following criteria:

- The business strategy of the company. A company may provide additional detail on the revenue drivers behind each business segment, have plans to divest or treat as non-strategic a particular business unit or simply group itself with peers. This information is taken into account when making an assignment that is not purely on financial information.

- Local market perception. Particularly for diversified businesses and holding companies, our local experts gauge the degree to which market participants perceive a company to be influenced by their operations within a particular end market.

Growth Perspective

If a company enters a new business segment and shows enough growth prospects to indicate dominance within the next few years, the new segment may be selected as the primary business. Company growth will be compared to the segment's revenue growth over the last 5 years to determine the extent of its prospects.

TRBC Collection Process

Thomson Reuters has decades of experience in creating information from data and has a worldwide operation that is unparalleled in the scope of content collected and sophistication of operation. The collection, storage and delivery of business critical information are core competencies of Thomson Reuters.

Frequent Review

Every company in the TRBC universe is reviewed at least annually to determine if the assignment remains valid or whether the company’s business model and/or business segments have changed in importance either organically or through acquisition/divestment. Over 60,000 companies are therefore reviewed every year by our dedicated content operations. Our analysts review the detailed financials of each business segment, update company descriptions, and review any corporate activity that may have impacted company operations.
Primary Sources

Industry assignments are made only after review of official sources, normally company annual financial reports. Thomson Reuters has agreements with over 130 disclosure authorities worldwide to receive financial reports as they are filed. These documents are processed and delivered to the TRBC team together with prioritization based on market capitalization.

Local Expertise and Language Skills

Operations are based in New York, Beijing, Manila, Bangalore, Gydnia, Exeter, and Nicosia. This provides round the clock coverage and local market and language capabilities that are essential to ensuring accurate industry assignments.

Reuters Fundamentals Business Segment Data

The TRBC team is supported by the highly regarded Reuters Fundamentals content operation which provides detailed business segment financial breakdowns for the entire TRBC coverage universe.

Sophisticated Alerting Mechanism for Corporate Actions

The TRBC team monitors press releases, Reuters News, and uses Thomson Reuters Comprehensive Deals, Significant Developments, and Corporate Actions services to ensure all corporate activity that could impact industry assignment is considered.

TRBC monitors changes of business in a company over time, where all businesses are evolving due to internal and external factors. Transformations may be caused by a new technology or method of business. Two types of changes are:

- Internal Organic Growth
- External Mergers, Acquisitions and Divestitures

Thomson Reuters monitors any internal business transformation on every financial reporting period using financial statements, which may be annual, semi-annual or quarterly. On the other hand, external M&A activities are monitored using press releases and other media reports. Internal growth is tagged with the fiscal period-end date and each external transformation is timed with an effective activity date.

To effectively monitor the changes in businesses, the changes in economic structure should also be taken into consideration. For example, new Information Technology developments have brought significant changes for both consumers and businesses. The schema of TRBC should reflect the economic structure at the time. In order to establish a valid economic structure at a time, TRBC is frequently reviewed every 12 to 18 months.

When there is a change in the TRBC of a company, the old classification is automatically stamped with an ending date a day before the effective date of the new TRBC. However, this ending date is not specifically set in the TRBC database when a company becomes defunct, such as with an acquired company. In this case, the ending date will be calculated from the general company status.
FOR FURTHER INFORMATION

Websites

http://financial.thomsonreuters.com/trbc

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