

**Philippine Stock Exchange  
GUIDE TO PSE SECTOR CLASSIFICATION**

**I. Background**

This document sets out the rules used by the Philippine Stock Exchange (PSE) in classifying listed companies into sectors and subsectors as approved by the PSE Board. This is to provide investors a standard which they can use for evaluating companies engaged into similar economic activities. The classification system shall also be the basis for classifying companies eligible for the sector indices.

The sector classification system used by the Philippine Stock Exchange (PSE) can be traced from the old system used by the Manila and the Makati Stock Exchanges. Companies listed at both exchanges were classified under three sectors, namely: (1) Commercial-Industrial (2) Mining and (3) Oil. When the two bourses unified in 1994 to form the PSE, the same sector classification was adopted and a new sector, the Property Sector, was added. In 1996, the Banks & Financial Services sector was created to represent companies engaged in banking and financial activities. Among the five broad sectors, two have subsector groupings that further classify companies into more specific business activities as shown below:

**Table 1. Old PSE Sector Classification**

<b>Sector</b>	<b>Subsector</b>
Banks and Financial Services	Banks
	Financial Services
Commercial-Industrial	Communication
	Power and Energy
	Transportation Services
	Construction & Other Related Products
	Food, Beverage & Tobacco
	Holding Firms
	Manufacturing, Distribution & Trading
	Hotel, Recreation & Other Services
	Others
Mining	n/a
Oil	n/a
Property	n/a

As a general rule, a listed company was classified by the PSE under the appropriate sector that best describes the company’s primary purpose, as stated in its Articles of Incorporation.

On 02 January 2006, a new sector classification system was implemented by the PSE in line with global standards. Under the new classification scheme, a company was classified according to the business that generates the bulk of its revenue instead of its primary purpose as stated in its articles of incorporation. Under this method, the classification of companies was approached from the consumer's point of view or demand side.

## II. Structure of the Existing Sector Classification System

The current sector classification scheme groups listed companies into six main sectors. These are the Financials Sector, Industrial Sector, Holding Firms Sector, Property Sector, Services Sector and Mining and Oil Sector. Except for the Holding Firms and Property sectors, the main sectors further categorized into subsectors.

**Table 2. Present Sector and Subsector Classification System**

<b>Sector</b>	<b>Subsector</b>
1. Financials	Banks
	Other Financial Institutions
2. Industrial	Electricity, Energy, Power & Water
	Food, Beverage & Tobacco
	Construction, Infrastructure & Allied Services
	Chemicals
	Diversified Industrials
3. Holding Firms	None
4. Property	None
5. Services	Media
	Telecommunications
	Information Technology
	Transportation Services
	Hotel & Leisure
	Education
	Diversified Services
6. Mining & Oil	Mining
	Oil

## III. Classification Guidelines

1. A company shall be classified to the sector and subsector that closely describes the business activity which generates at least 60% or more of the company's revenue.
2. A company engaged in two different business activities shall be classified to the sector that describes the business activity that provides the majority or more than 50% of the company's revenue.

3. A company engaged in three or more different business activities which are substantially of different nature and none of which provides 60% or more of the company's revenue, shall be classified under the Holding Firms Sector.
4. A holding firm with only one subsidiary or affiliate shall be classified according to the business activity of that subsidiary or affiliate.
5. The sector classification of companies undertaking an initial public offering (IPO) shall be determined based on the description of the company's business activities as presented in the prospectus submitted to the PSE.
6. For a company that has changed its core business activity, the Exchange shall take into account relevant disclosures, and the company's plans and prospects as submitted to the Exchange in evaluating its sector classification. A company will be deemed to have changed its core business activity if it no longer sources majority of its revenue from its previous business activity.
7. Starting 2008, companies shall only be eligible to be classified under the mining subsector upon submission of a certified true copy of the Mines and Geosciences Bureau (MGB) approved exploration/construction/utilization work program duly prepared and signed by a licensed mining engineer, geologist or metallurgical engineer as provided in the Philippine Mineral Reporting Code (PMRC).

#### **IV. Sector Classification Review**

The annual and quarterly financial reports and other disclosures of listed companies submitted to the PSE shall be used as the primary source of information when determining the companies' main line of business. The Exchange shall use data covering three (3) consecutive years immediately preceding the date of review as reference, unless a company has disclosed a change in its core business, in which case a shorter reference period may be used.

#### **V. Management of Sector Classification**

A review of the sector classification of all listed companies shall be conducted regularly based on the audited financial reports of listed companies. The results of the regular review shall be published through a memorandum posted on the PSE website.

The Exchange may also conduct interim reclassification of companies arising from significant corporate developments or upon its approval of a written request for reclassification by a listed company.

Any change in the sector classification of listed companies shall also be reflected in the PSE website in under their respective corporate pages.