

S&P Global Market Intelligence

Standardization Methodology

S&P Global Market Intelligence employs a comprehensive standardization methodology for its financial data to ensure consistency, accuracy and comparability across different companies, sectors and regions. This process is critical for analysts, investors and other stakeholders who rely on S&P's data for decision-making, benchmarking and performance analysis.

1. Data Collection and Aggregation

- **Sources:** S&P Global collects financial data from various sources, including company filings (10-Ks, 10-Qs, etc.), earnings reports, regulatory submissions and market data feeds. These sources provide raw financial data, including income statements, balance sheets, cash flow statements and other financial metrics.
- **Aggregation:** The data is aggregated into S&P Global's databases once collected. This involves gathering data from different markets, industries and regions.

2. Normalization of Financial Data

- **Accounting Standards:** Companies worldwide use different accounting standards, such as Generally Accepted Accounting Principles (GAAP) in the U.S. and International Financial Reporting Standards (IFRS). S&P Global normalizes these differences by adjusting financial metrics to a common framework. This may involve reclassifying certain items on financial statements or making adjustments to ensure comparability.
- **Currency Adjustments:** Financial data is often reported in different currencies. S&P Global converts all financial data to a common currency, typically the U.S. dollar, using prevailing exchange rates. This standardization is essential for comparing companies across borders.

3. Adjustments for Nonrecurring Items

- **Nonrecurring and Extraordinary Items:** Companies may report nonrecurring items, such as one-time gains or losses, restructuring charges or extraordinary items. S&P Global standardizes data by adjusting or excluding these items to provide a clearer view of a company's core operating performance. This adjusted data is often used to calculate normalized earnings metrics.
- **Consistent Treatment:** S&P ensures these adjustments are applied consistently across all companies, allowing for a fair comparison.

4. Data Quality Control

- **Validation:** S&P Global employs rigorous data validation processes to ensure accuracy. This includes automated checks for inconsistencies, outlier detection and manual reviews by financial analysts.

- **Corrections and Updates:** If discrepancies are found, S&P Global updates and corrects the data, ensuring that users always have access to the most accurate and up-to-date information.

5. Global Consistency

- **Cross-Border Comparability:** One of the key goals of S&P Global's standardization process is to allow investors to compare companies across different countries and regions. By standardizing financial data according to consistent global methodologies, S&P Global enables cross-border investment decisions and global portfolio management.

6. Continuous Improvement

- **Ongoing Methodology Updates:** As financial reporting standards evolve and new financial instruments emerge, S&P Global continuously updates its standardization methodologies. This ensures the data remains relevant and accurate in a changing financial landscape.

In summary, S&P Global's financial data standardization methodology involves meticulously normalizing data across different accounting standards, adjusting for nonrecurring items, standardizing industry-specific metrics and ensuring global comparability. This rigorous approach allows users to confidently rely on S&P's data for in-depth analysis and decision-making.