

This document is intended to provide guidance to users of SuperSwitch or others following Market Forces' work in this area on how we identify and classify companies relevant to the fossil fuel sector.

Market Forces classifies members of the S&P ASX300 index according to their fossil fuel exposure on an ongoing basis. Index constituents are correct as at 30 October 2015.

Market Forces firmly believes that the time for engagement with those companies with substantial involvement in fossil fuel extraction – pure play companies – has passed. Our suggested approach is divestment. For diversified companies and those companies providing essential services to pure play companies, divestment must be the response where the outcome of engagement is not satisfactory.

Category	Definition	Suggested Response	Index Weight	Sector	Companies
Tier 1	Substantial involvement in fossil fuel extraction. These companies have the highest exposure to carbon risk and are unlikely to be able to sufficiently diversify in the short term.	Divestment	4.22%	Energy – Coal	Whitehaven Coal Ltd
				Energy – Oil & Gas	AWE Ltd Beach Energy Ltd Caltex Australia Ltd Drillsearch Energy Ltd Far Ltd Karoon Gas Australia Ltd Oil Search Ltd Origin Energy Ltd Santos Ltd Senex Energy Ltd Sino Gas & Energy Holdings Ltd Sundance Energy Australia Ltd Woodside Petroleum Ltd WorleyParsons Ltd

Category	Definition	Suggested Response	Index Weight	Sector	Companies
Tier 2	<p>Significant fossil fuel exposure including infrastructure, utilities, transport and diversified companies where fossil fuels constitute a relatively minor part of revenue or net asset value.</p> <p>These companies have significant exposure to carbon risk but should be engaged to reduce that risk through the sale of assets or finding alternative sources of revenue. In the event that inadequate action is taken to move fossil fuels from their asset bases and portfolios, divestment becomes the suggested response.</p>	Divestment / Engagement	17.55%	Consumer Staples	Wesfarmers Ltd
				Energy	Liquefied Natural Gas Ltd
				Financials	Lend Lease Group Macquarie Group Ltd
				Industrials	Asciano Ltd Aurizon Holdings Ltd Downer EDI Ltd Mineral Resources QUBE Holdings Ltd Seven Group Holdings Ltd Transfield Services Ltd
				Materials	Alumina Ltd BHP Billiton Ltd Orica Ltd Rio Tinto Ltd South32 Ltd Syrah Resources Ltd
Utilities	AGL Energy Ltd APA Group DUET Group Energy World Corporation Ltd ERM Power Ltd				

Category	Definition	Suggested Response	Index Weight	Sector	Companies
Tier 3	<p>Indirect fossil fuel exposure. These companies provide services to the fossil fuel industry including financing, insurance, construction and engineering.</p> <p>These companies should be engaged and encouraged to find alternative sources of revenue. Should there be inadequate evidence that these companies are reducing their support for the fossil fuel industry consistent with action to avoid catastrophic climate change, or mitigating risks resultant from high exposure to fossil fuel projects or companies, divestment should be considered.</p>	Divestment / Engagement	32.24%	Financials	AMP Ltd ANZ Banking Group Commonwealth Bank Australia National Australia Bank Ltd QBE Insurance Group Ltd Westpac Banking Corp
				Industrials	ALS Ltd Cardno Ltd CIMIC Group Ltd Monadelphous Group Ltd RCR Tomlinson Ltd UGL Ltd
				Materials	Incitec Pivot
				Telecommunications	M2 Group Ltd
				Utilities	Ausnet Services Ltd Spark Infrastructure Trust

Companies that are members of the index that do not appear above are considered fossil fuel free. Companies outside the S&P ASX300 index should be classified according to the definitions provided above.

DISCLAIMER: The information provided in this document does not constitute financial product advice. The information is of a general nature only and does not take into account an individual’s financial objectives, situation or needs. It should not be used, relied upon, or treated as a substitute for specific professional advice. Market Forces recommends individuals obtain independent professional advice before making decisions in relation to their own particular requirements or circumstances. Market Forces is a nonprofit environmental advocacy project and an affiliate of Friends of the Earth Australia.