



# Review of fossil fuel exposure

## Quantifying the Fund's holdings

As agreed, we have engaged with each of the Fund's managers to establish the extent of their investment in oil, gas, and coal firms. The aggregate exposure, as expected, remains materially lower than the figures shared by Divest Enfield.

### At a glance...

- The Fund's exposure to fossil fuels – as measured by investment in physical or synthetic debt or equity of a firm which produces, extracts, or explores for oil, gas, or coal as a material part of its business model – is **c.0.9% of Fund value**, or **c.£13.1m** as at 31 March 2021.
  - This compares to the Divest Enfield press release figure as at 31 December 2020 of 2.6%, or £30.0m. A summary of the methodology used by Divest Enfield to arrive at this figure is given in this report.
  - This is lower than the exposure as at 31 December 2020 of 1.1%, or £15.1m in sterling terms. The reduction is largely driven by the Fund's transition to a passive low-carbon equity approach with BlackRock in early 2021, which successfully reduced the Fund's fossil fuel exposure by c.£4.2m.
- As expected, a number of the Fund's managers have zero exposure.

### Divest Enfield/Friends of the Earth methodology

As discussed with you previously, due to the lack of visibility which the report's authors have into the assets of the Fund (and indeed every other LGPS assessed), the methodology used to derive the fossil fuel exposure statistics has been proxied using other sources.

In particular, the authors have used the exposure to fossil fuels – measured by a third party (Carbon Underground 200) based on their own analysis of the world's largest 100 coal and oil & gas producers – in public global benchmark equity and bond indices, and assumed that the exposure of each fund has identical exposure to this area as the public benchmark.

### Why bring you this note?

To provide you with a complete picture of the Fund's exposure to coal, oil, and gas.

### Next steps

- **Now:** Discuss summary data shown in this report;
- **Longer-term:** Consider how this aligns with forward looking approach to Responsible Investment, climate change, and monitoring of the Fund's position.

Prepared for: London Borough of Enfield Pension Fund ("the Fund")

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In other words, each of the Fund's mandates has been assumed to have identical exposure – in allocation terms, and in constituent terms – to coal, oil and gas, based on public equity or bond market index exposure.

The true picture of the Fund's exposure is significantly lower, and varies considerably at mandate level.

## Assessing the Fund's exposure

### What did we ask?

To ensure comparability with the Divest Enfield report, and due to the expected data lag in the Fund's illiquid mandates, we requested data as at 31 March 2021. We asked each of the managers to provide:

- A full breakdown of the Fund's exposure to oil, gas and coal, noting that we were looking to establish the extent to which the Fund is invested in debt or equity of a firm which produces, extracts or explores for oil, gas or coal as a material part of its business model; or, where the fund has any synthetic exposure to the same;
- The weights to specific companies making up this aggregate exposure, along with the names of the companies themselves; and
- The geographic breakdown of this exposure.

Notably, each of the Fund's managers showed awareness of the importance of these issues to the Fund, and to UK pension funds in general. Each manager was open and transparent in their data provision.

### Were there any limitations?

Adams Street, the Fund's private equity manager, provided the requested data but could not disclose individual company names due to confidentiality restrictions. Adams Street were also not able to provide data as at 31 March 2021 as this information was not yet available at time of writing. We have therefore used lagged information as at 31 December 2020 for this mandate.

### Summary of data

The table overleaf illustrates the Fund's exposure at mandate and aggregate level. The appendix breaks down the exposure by geography and company.

A number of mandates hold zero exposure (three of the Fund's equity mandates; and a number of illiquid mandates). The Fund's transition of its BlackRock passive equity assets to a passive low-carbon equity approach with the same manager in early 2021 successfully reduced the Fund's fossil fuel exposure by c.£4.2m in sterling terms.

Due to its ongoing liquidation, York Credit's exposure appears significant at 13.1%, however this is a function of the reducing size of the mandate and in Sterling terms equates to c.£0.8m.

Q1 2021	Market Value (£m)	Percentage (%)	Fossil fuel exposure (%)	Fossil fuel exposure (£m)
<b>Equities</b>	<b>605.3</b>	<b>43.4</b>		
BlackRock Global Passive	220.6	15.8	0.5%	1.2
Trilogy Global Unconstrained*	0.8	0.1	N/A	N/A
MFS Global Unconstrained	140.4	10.1	0.0%	0.0
London CIV Baillie Gifford	116.2	8.3	3.3%	3.9
London CIV JP Morgan	35.9	2.6	0.0%	0.0
London CIV Longview Partners	91.3	6.5	0.0%	0.0
<b>Private Equity</b>	<b>92.0</b>	<b>6.6</b>		
Adams Street**	92.0	6.6	2.1%	1.6
<b>Hedge Funds</b>	<b>64.6</b>	<b>4.6</b>		
York Distressed Securities***	6.0	0.4	13.1%	0.8
Davidson Kempner International	30.2	2.2	2.6%	0.8
CFM Stratus***	28.5	2.0	4.2%	1.2
<b>UK Property</b>	<b>78.6</b>	<b>5.6</b>		
Blackrock	36.2	2.6	0.0%	0.0
Legal & General	34.5	2.5	0.0%	0.0
Brockton	7.9	0.6	0.0%	0.0
<b>PFI &amp; Infrastructure</b>	<b>69.4</b>	<b>5.0</b>		
IPPL Listed PFI****	48.6	3.5	0.0%	0.0
Antin	20.8	1.5	0.0%	0.0
<b>Bonds</b>	<b>281.8</b>	<b>20.2</b>		
BlackRock Passive Fixed and Index-Linked Gilts	91.8	6.6	0.0%	0.0
Western Active Bonds	103.5	7.4	1.1%	1.2
Insight Absolute Return Bonds	31.9	2.3	2.8%	0.9
London CIV Multi-Asset Credit	54.7	3.9	2.5%	1.4
<b>Inflation protecting illiquids</b>	<b>106.3</b>	<b>7.6</b>		
M&G Inflation Opportunities	78.6	5.6	0.0%	0.0
CBRE	27.7	2.0	0.0%	0.0
<b>Cash</b>	<b>96.9</b>	<b>6.9</b>		
Enfield Cash	96.9	6.9	0.0%	0.0
<b>Total Assets</b>	<b>1395.0</b>	<b>100.0</b>	<b>0.9%</b>	<b>13.1</b>

\*Given immaterial holding amount, assumed to be zero.

\*\*Data as at 31 December 2020, as 31 March 2021 data not available at time of writing.

\*\*\*Figures only consider long positions within funds; these funds also have short positions.

\*\*\*\*At time of writing we have not received information from the manager.

## Next steps

As illustrated in this paper, the Fund's holdings in oil, gas and coal are lower than the public press release, as a function of the methodology used to derive the press release figures.

The Pension Policy & Investment Committee ("PPIC") has recently agreed a revised investment strategy following a detailed strategy review exercise. As part of implementing the revised investment strategy, the PPIC will have the ability to identify opportunities and integrate ESG views within a range of areas including fixed income and infrastructure (e.g. renewables).

# Further detail – geographic exposure



The table below summarises the geographic breakdown of the Fund's holdings in oil, gas and coal.

Q1 2021	Market Value (£m)	Percentage (%)	Fossil fuel exposure %	North America	UK	Europe (ex-UK)	Other
<b>Equities</b>	<b>605.3</b>	<b>43.4</b>					
BlackRock Global Passive	220.6	15.8	0.5%	0.37%	0.00%	0.16%	0.00%
Trilogy Global Unconstrained*	0.8	0.1	N/A				
MFS Global Unconstrained	140.4	10.1	0.0%				
London CIV Baillie Gifford	116.2	8.3	3.3%	0.76%	1.57%		0.99%
London CIV JP Morgan	35.9	2.6	0.0%				
London CIV Longview Partners	91.3	6.5	0.0%				
<b>Private Equity</b>	<b>92.0</b>	<b>6.6</b>					
Adams Street**	92.0	6.6	2.1%	1.04%	0.05%	0.87%	0.11%
<b>Hedge Funds</b>	<b>64.6</b>	<b>4.6</b>					
York Distressed Securities***	6.0	0.4	13.1%	12.40%		0.70%	
Davidson Kempner International	30.2	2.2	2.6%	1.50%	0.10%	0.60%	0.40%
CFM Stratus***	28.5	2.0	4.2%	1.26%	1.27%	0.99%	0.64%
<b>UK Property</b>	<b>78.6</b>	<b>5.6</b>					
Blackrock	36.2	2.6	0.0%				
Legal & General	34.5	2.5	0.0%				
Brockton	7.9	0.6	0.0%				
<b>PFI &amp; Infrastructure</b>	<b>69.4</b>	<b>5.0</b>					
IPPL Listed PFI****	48.6	3.5	N/A				
Antin	20.8	1.5	0.0%				
<b>Bonds</b>	<b>281.8</b>	<b>20.2</b>					
BlackRock Passive Fixed and Index-Linked Gilts	91.8	6.6	0.0%				
Western Active Bonds	103.5	7.4	1.1%		0.38%		0.75%
Insight Absolute Return Bonds	31.9	2.3	2.8%	0.89%	0.62%	1.33%	
London CIV Multi-Asset Credit	54.7	3.9	2.5%	0.92%	1.30%	0.14%	0.11%
<b>Inflation protecting illiquids</b>	<b>106.3</b>	<b>7.6</b>					
M&G Inflation Opportunities	78.6	5.6	0.0%				
CBRE	27.7	2.0	0.0%				
<b>Cash</b>	<b>96.9</b>	<b>6.9</b>					
Enfield Cash	96.9	6.9	0.0%				
<b>Total Assets</b>	<b>1395.0</b>	<b>100.0</b>	<b>0.9%</b>				

\*Given immaterial holding amount, assumed to be zero.

\*\*Data as at 31 December 2020, as 31 March 2021 data not available at time of writing.

\*\*\*Figures only consider long positions within funds; these funds also have short positions

\*\*\*\*At time of writing we have not received information from the manager.

Underlying geographic split has been estimated using currency where appropriate.

# Further detail – company breakdown

The table below summarises the stock-level % exposure provided by the relevant managers, where this was disclosed, as at 31 March 2021.



BlackRock Global Passive*		London CIV Baillie Gifford		York Distressed Securities		DK Internat.		CFM Stratus*		Western Active Bonds		Insight Absolute Return Bonds		London CIV Multi-Asset Credit*	
KONINKLIJK E VOPAK NV	0.03	RELIANC E INDS.	0.99	Next Decade LLC	10.00	Forsight energy	0.40	China Coal Energy Co Ltd	0.02	BHP	0.75	Orano	1.33	Pioneer Nat Res 0.25% 15May25	0.13
NESTE	0.12	EOG RES.	0.76	MILLENNIAL ENERGY VENTURES, llc	1.80	NOT DISCLOSED	0.30	BP PLC	0.24	Total Capital Intl	0.38	BP	0.62	BP Capital Markets 4.25% 2027 PERP	0.07
CAMECO CORP	0.16	BHP GRP.	1.57	Cecon ASA	0.70	NGL Energy partners	0.30	China Petroleum & Chemical Corp	0.03			Oneok	0.61	Bp Capital Markets Ameri 3.194% 06Apr25	0.04
PEMBINA PIPELINE CORP	0.18			ARQ Limited	0.30	Citgo	0.20	Equinor ASA	0.05			Parkland	0.28	Cheniere Energy Partner 4.5% 01Oct29 WI	0.04
				Samson Investment Co	0.30	Navios	0.20	PetroChina Co Ltd	0.07					Enegean Israel Finance 5.375% 30Mar28	0.03
						Nynas	0.20	Petroleo Brasileiro SA	0.26					Enegean Israel Finance 5.875% 30Mar31	0.05
						NOT DISCLOSED	0.10	Repsol SA	0.35					Enegean Israel Finance Lt 4.5% 30Mar24	0.04
						Consol energy	0.10	Royal Dutch Shell PLC	0.91					Emlink Midstream LI 5.625% 15Jan28 144A	0.03
						Eneos	0.10	Suncor Energy Inc	0.04					Ithaca Energy North 9.375% 15Jul24 REGS	0.31
						Enegean	0.10	China Oilfield Services Ltd	0.03					Ngl Energy Operating 7.5% 01Feb26 144A	0.06
						Moss creek	0.10	Halliburton Co	0.65					Occidental Petroleum Corp 3.2% 15Aug26	0.03
						NOT DISCLOSED	0.10	NOV Inc	0.02					Petrobras International F 6.25% 14Dec26	0.03
						Pemex	0.10	Subsea 7 SA	0.08					Petroleos Mexicanos 2.75% 21Apr27 EMTN	0.05
						PGS	0.10	TechnipFMC PLC	0.12					Petroleos Mexicanos 3.75% 21Feb24 EMTN	0.05
								Tenaris SA	0.48					Repsol Intl Finance 4.247% PERP	0.07
								Devon Energy Corp	0.09					Shell International Fin 2.375% 06Apr25	0.04
								Enerplus Corp	0.08					Vine Energy Holdings 6.75% 15Apr29 144A	0.13
								Inpex Corp	0.03					EG Group Limit-Facility B (EU:2944_P	0.10
								Marathon Oil Corp	0.06					EG Group Limit-T/L USD:3708_P	0.04
								PrairieSky Royalty Ltd	0.06					EG Group Limit-Term Loan B (G:2942_P	0.63
								Range Resources Corp	0.02					EG Group Limit-T/E 2L:3709_P	0.19
								Santos Ltd	0.03					PRAIRIE ECI AC-Term Loan:3204_P	0.19
								Woodside Petroleum Ltd	0.04						
								Cosmo Energy Holdings Co Ltd	0.02						
								ENEOS Holdings Inc	0.02						
								HollyFrontier Corp	0.04						
								Marathon Petroleum Corp	0.12						

\*Due to large number of holdings, we have only included the most significant holdings and have excluded those that are less than 0.02% (for BlackRock, London CIV Multi-Asset Credit and CFM). We are happy to share the full data if required.

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