



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.1.0% of Fund value**, or **c.£14.7m** as at 30 June 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 higher than the exposure as at 31 March 2021 of 0.9%, or £13.1m in sterling terms. The slight increase is largely driven by the BlackRock passive low-carbon equity fund, which had increased exposure of c.£1.2m over the period. It is important to note that the value of the Fund's assets in this fund increased over the quarter, as a result of market movements.
- 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")

Prepared by: Aon

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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 30 June 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 30 June 2021 as this information was not yet available at time of writing. We have therefore used lagged information as at 31 March 2021 for this mandate.

CQS have included companies in their 'fossil fuel' subset that may not be directly affiliated with oil, gas or coal production. An example is Delta Air Lines, which is a transportation company. LCIV have advised us that this is because the underlying data is sourced from MSCI, who have tagged these securities with the notation 'Fossil Fuel – Any Ties'. We have avoided removing any of these companies to minimise any risk involved in manipulation of data, however acknowledge this is a limitation of reporting ESG holdings and overall Fossil Fuel exposure may be slightly overstated as a result of the CQS holdings.

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 BlackRock passive low-carbon equity fund had increased exposure of c.£1.2m over the period. Although this increase looks significant, it only represents an increase of c.0.5% of carbon exposure over the quarter. We expect this value to

fluctuate through time and overall fossil fuel exposure is still significantly lower than a non-adjusted market capitalization approach.

Due to its ongoing liquidation, York Credit's exposure appears significant at 34.7%, however this is a function of the reducing size of the mandate and in Sterling terms equates to c.£1.0m.

Q2 2021	Market Value (£m)	Percentage (%)	Fossil fuel exposure (%)	Fossil fuel exposure (£m)
Equities	646.8	44.3		
BlackRock Global Passive	236.7	16.2	1.0%	2.4
Trilogy Global Unconstrained*	0.8	0.1	N/A	N/A
MFS Global Unconstrained	151.0	10.3	0.0%	0.0
London CIV Baillie Gifford	124.5	8.5	3.1%	3.9
London CIV Longview Partners	96.7	6.6	0.0%	0.0
London CIV JP Morgan	37.1	2.5	0.0%	0.0
Private Equity	97.5	6.7		
Adams Street**	97.5	6.7	2.3%	2.3
Hedge Funds	63.1	4.3		
York Distressed Securities***	3.0	0.2	34.7%	1.0
Davidson Kempner International	30.9	2.1	2.1%	0.6
CFM Stratus***	29.2	2.0	4.4%	1.3
UK Property	80.3	5.5		
Blackrock	36.8	2.5	0.0%	0.0
Legal & General	35.6	2.4	0.0%	0.0
Brockton	7.9	0.5	0.0%	0.0
PFI & Infrastructure	71.6	4.9		
IPPL Listed PFI****	48.3	3.3	0.0%	0.0
Antin	23.3	1.6	0.0%	0.0
Bonds	287.6	19.7		
BlackRock Passive Fixed and Index-Linked Gilts	93.1	6.4	0.0%	0.0
Western Active Bonds	106.7	7.3	1.1%	1.2
Insight Absolute Return Bonds	32.0	2.2	0.6%	0.2
London CIV Multi-Asset Credit	55.8	3.8	3.3%	1.8
Inflation protecting illiquids	110.5	7.6		
M&G Inflation Opportunities	79.0	5.4	0.0%	0.0
CBRE	31.5	2.2	0.0%	0.0
Cash	101.8	7.0		
Enfield Cash	101.8	7.0	0.0%	0.0
Total Assets	1459.0	100.0	1.0%	14.7

*Given immaterial holding amount, assumed to be zero.

**Data as at 31 March 2021, as 30 June 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.

Q2 2021	Market Value (£m)	Percentage (%)	Fossil fuel exposure %	North America	UK	Europe (ex. UK)	Other
Equities	646.8	44.3					
BlackRock Global Passive	236.7	16.2	1.0%	0.7%	0.0%	0.3%	0.0%
Trilogy Global Unconstrained*	0.8	0.1	N/A				
MFS Global Unconstrained	151.0	10.3	0.0%				
London CIV Baillie Gifford	124.5	8.5	3.1%	0.5%	1.6%		1.0%
London CIV Longview Partners	96.7	6.6	0.0%				
London CIV JP Morgan	37.1	2.5	0.0%				
Private Equity	97.5	6.7					
Adams Street**	97.5	6.7	2.3%	1.6%	0.1%	0.6%	0.0%
Hedge Funds	63.1	4.3					
York Distressed Securities***	3.0	0.2	34.7%	33.4%		1.3%	
Davidson Kempner International	30.9	2.1	2.1%	1.1%	0.7%	0.3%	
CFM Stratus***	29.2	2.0	4.4%	2.5%	0.0%	1.2%	0.7%
UK Property	80.3	5.5					
Blackrock	36.8	2.5	0.0%				
Legal & General	35.6	2.4	0.0%				
Brockton	7.9	0.5	0.0%				
PFI & Infrastructure	71.6	4.9					
IPPL Listed PFI****	48.3	3.3	0.0%				
Antin	23.3	1.6	0.0%				
Bonds	287.6	19.7					
BlackRock Passive Fixed and Index-Linked Gilts	93.1	6.4	0.0%				
Western Active Bonds	106.7	7.3	1.1%			0.4%	0.8%
Insight Absolute Return Bonds	32.0	2.2	0.6%		0.6%		
London CIV Multi-Asset Credit	55.8	3.8	3.3%	1.6%	1.1%	0.6%	0.0%
Inflation protecting illiquids	110.5	7.6					
M&G Inflation Opportunities	79.0	5.4	0.0%				
CBRE	31.5	2.2	0.0%				
Cash	101.8	7.0					
Enfield Cash	101.8	7.0	0.0%				
Total Assets	1459.0	100.0	1.0%				

*Given immaterial holding amount, assumed to be zero.

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Underlying geographic split has been estimated using currency where appropriate.