



# 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.1.2% of Fund value**, or **c.£17.9m** as at 31 March 2022.
  - 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 December 2021 of 0.9%, or £13.7m in sterling terms. The increase was largely driven by a 3.2% average increase in fossil fuel exposure from the hedge fund holdings over the quarter, amounting to an increase of c.£2.3m in sterling terms.
- 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

Date: 31 March 2022

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?

We requested data as at 31 March 2022. 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 2022 as this information was not yet available at time of writing. We have therefore used lagged information as at 31 December 2021 for this mandate.

For the Diversified Liquid Credit fund ("DLC") we have used data on the Short Dated Credit ("SDC") managers, with underlying holdings in Asset Backed Securities ("ABS") managers Janus Henderson and Schroders sector attribution is not available and therefore omitted from this report. We will work with the managers over time to improve the availability of data. Due to the relatively small position sizes of the unclassified holdings this will have a negligible impact on exposure of the DLC.

Q1 2022	Market Value (£m)	Percentage (%)	Fossil fuel exposure (%)	Fossil fuel exposure (£m)
<b>Equities</b>	<b>656.9</b>	<b>43.0</b>	<b>1.0</b>	<b>6.7</b>
BlackRock Global Passive	256.2	16.8	0.5	1.4
Trilogy Global Unconstrained*	0.8	0.1	N/A	N/A
MFS Global Unconstrained	154.3	10.1	0.0	0.0
London CIV Baillie Gifford	108.5	7.1	4.9	5.3
London CIV JP Morgan	32.3	2.1	0.0	0.0
London CIV Longview Partners	104.8	6.9	0.0	0.0
<b>Private Equity</b>	<b>118.3</b>	<b>7.7</b>	<b>2.5</b>	<b>2.9</b>
Adams Street**	118.3	7.7	2.5	2.9
<b>Hedge Funds</b>	<b>66.7</b>	<b>4.4</b>	<b>8.6</b>	<b>5.7</b>
York Distressed Securities	3.0	0.2	49.6	1.5
Davidson Kempner International***	32.5	2.1	4.1	1.3
CFM Stratus***	31.3	2.0	9.4	2.9
<b>UK Property</b>	<b>94.0</b>	<b>6.2</b>		
Blackrock	42.2	2.8	0.0	0.0
Legal & General	42.4	2.8	0.0	0.0
Brockton	9.4	0.6	0.0	0.0
<b>PFI &amp; Infrastructure</b>	<b>73.5</b>	<b>4.8</b>		
IPPL Listed PFI****	50.0	3.3	0.0	0.0
Antin	23.5	1.5	0.0	0.0
<b>Bonds</b>	<b>325.7</b>	<b>21.3</b>	<b>0.8</b>	<b>2.5</b>
BlackRock Passive Fixed and Index-Linked Gilts	92.4	6.0	0.0	0.0
Western Active Bonds	96.4	6.3	0.4	0.4
Insight Absolute Return Bonds	32.4	2.1	0.9	0.3
London CIV Multi-Asset Credit	55.9	3.7	2.4	1.4
Diversified Liquid Credit	48.7	3.2	1.1	0.5
<b>Inflation protecting illiquids</b>	<b>122.0</b>	<b>8.0</b>		
M&G Inflation Opportunities	83.5	5.5	0.0	0.0
CBRE	38.4	2.5	0.0	0.0
<b>Cash</b>	<b>71.2</b>	<b>4.7</b>		
Enfield Cash	71.2	4.7	0.0	0.0
<b>Total Assets</b>	<b>1528.2</b>	<b>100.0</b>	<b>1.2%</b>	<b>17.9</b>

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

\*\*Data as at 31 December 2021, as 31 March 2022 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 these managers.

## Summary of data

The table on the page prior 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 fossil fuel exposure of the hedge fund managers increased from 5.4% to 8.6% over the quarter or from £3.4m to £5.7m in sterling terms. The main contributor to this increase was CFM Stratus which increased exposure from 6.4% to 9.4% over the quarter and being responsible for £1.1m of the total increase in fossil fuel exposure. This increase was caused by a general increase in the quantity of positions held with direct exposure to fossil fuels. Due to its ongoing liquidation, York Credit's exposure appears significant at 49.5%, however this is a function of the reducing size of the mandate and in Sterling terms equates to c.£1.5m.

The fossil fuel exposure of all other asset classes remained broadly similar to the previous quarter although both the Insight and Western bond funds reported reductions in exposure of 0.7% and 0.3% respectively since 31 December 2021.

## 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") requested that Aon also provide a version of this report that can be published. Therefore, we will also provide alongside this report a high-level summary report with manager-specific data removed that can be shared publicly.

In addition, and as previously noted, 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) as part of implementing the revised investment strategy.

# Further detail – geographic exposure



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

Q1 2022	Market Value (£m)	Percentage (%)	Fossil Fuel exposure %	North America	UK	Europe (ex. UK)	Other
<b>Equities</b>	<b>656.9</b>	<b>43.0%</b>					
BlackRock Global Passive	256.2	16.8%	0.5%	0.4%	0.0%	0.2%	0.0%
Trilogy Global Unconstrained*	0.8	0.1%	N/A				
MFS Global Unconstrained	154.3	10.1%	0.0%				
London CIV Baillie Gifford	108.5	7.1%	4.9%				4.9%
London CIV JP Morgan	32.3	2.1%	0.0%				
London CIV Longview Partners	104.8	6.9%	0.0%				
<b>Private Equity</b>	<b>118.3</b>	<b>7.7%</b>					
Adams Street**	118.3	7.7%	2.5%	1.7%	0.1%	0.6%	0.0%
<b>Hedge Funds</b>	<b>66.7</b>	<b>4.4%</b>					
York Distressed Securities	3.0	0.2%	49.5%	48.4%		1.1%	
Davidson Kempner International***	32.5	2.1%	4.1%	1.6%	0.6%	1.3%	0.6%
CFM Stratus***	31.3	2.0%	9.4%	5.4%	1.6%	2.1%	0.3%
<b>UK Property</b>	<b>94.0</b>	<b>6.2%</b>					
Blackrock	42.2	2.8%	0.0%				
Legal & General	42.4	2.8%	0.0%				
Brockton	9.4	0.6%	0.0%				
<b>PFI &amp; Infrastructure</b>	<b>73.5</b>	<b>4.8%</b>					
IPPL Listed PFI****	50.0	3.3%	0.0%				
Antin	23.5	1.5%	0.0%				
<b>Bonds</b>	<b>325.7</b>	<b>21.3%</b>					
BlackRock Passive Fixed and Index-Linked Gilts	92.4	6.0%	0.0%				
Western Active Bonds	96.4	6.3%	0.4%			0.4%	
Insight Absolute Return Bonds	32.4	2.1%	0.9%		0.5%	0.4%	
London CIV Multi-Asset Credit	55.9	3.7%	2.4%	1.6%	0.7%	0.1%	0.0%
Diversified Liquid Credit	48.7	3.2%	1.1%	1.0%			0.1%
<b>Inflation protecting illiquids</b>	<b>122.0</b>	<b>8.0%</b>					
M&G Inflation Opportunities	83.5	5.5%	0.0%				
CBRE	38.4	2.5%	0.0%				
<b>Cash</b>	<b>71.2</b>	<b>4.7%</b>					
Enfield Cash	71.2	4.7%	0.0%				
<b>Total Assets</b>	<b>1528.2</b>	<b>100.0</b>	<b>1.2%</b>				

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

\*\*Data as at 31 December 2021, as 31 March 2022 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.

Numbers may not sum due to rounding

# 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 2022.



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*		AIL DLC*	
PEMBINA PIPELINE CORP	0.08	BHP Group	2.32	Next Decade LLC	48.30	Shell	0.60	BP PLC	1.42	Total Capital Intl	0.38	Ithaca Energy	0.49	Ithaca Energy	0.39	Enterprise Products Operating LLC	0.20
NESTE	0.18	Reliance Industries Ltd	2.55	Cecon ASA	1.10	NOT DISCLOSED	0.50	Marathon Petroleum Corp	0.81			Wintershell Dea	0.42	PRAIRIE ECI AC-Term Loan	0.32	EnLink Midstream Partners LP	0.13
CAMECO CORP	0.25			MILLENNIAL ENERGY VENTURES, llc	0.10	Forsight	0.30	Neste Oyj	0.71					Summit Midstream Hold	0.24	Petroleos Mexicanos	0.11
						Temex	0.30	Valero Energy Corp	0.68					Technip Fmc Plc	0.21	Energy Transfer LP	0.10
						Citgo	0.20	Phillips 66	0.64					Pioneer Nat Res	0.18	Occidental Petroleum Corp	0.10
						NOT DISCLOSED	0.20	Exxon Mobil Corp	0.63					Tallgrass Energy Partne	0.17	EQT Corp	0.10
						NOT DISCLOSED	0.20	Marathon Oil Corp	0.28					Chesapeake Energy	0.16	Plains All American Pipeline LP / PAA Finance Corp	0.08
						NOT DISCLOSED	0.20	TotalEnergies SE	0.26					Tervita Corp	0.14	Ovintiv Exploration Inc	0.05
						NOT DISCLOSED	0.20	Equinor ASA	0.25					Buckeye Partners Lp	0.07	5.125 CHENIERE CORP CHRISTI HD 30-JUN-2027	0.05
						NOT DISCLOSED	0.10	Koninklijke Vopak NV	0.21					Cgg Sa 7.75% 01Apr27 REGS	0.07	5.875 CHENIERE CORP CHRISTI HD 31-MAR-2025	0.04
						NOT DISCLOSED	0.10	PBF Energy Inc	0.19					Cgg Sa 8.75% 01Apr27 144a	0.07	6.950 OCCIDENTAL PETROLEUM CORP 01-JUL-2024	0.04
						NOT DISCLOSED	0.10	OMV AG	0.19					Nabors Industries I	0.05	7.000 CHENIERE CORP CHRISTI HD 30-JUN-2024	0.03
						NOT DISCLOSED	0.10	Antero Resources Corp	0.19					Neptune Energy Bond	0.04	Plains All American Pipeline LP / PAA Finance Corp	0.03
						NOT DISCLOSED	0.10	Subsea 7 SA	0.16					Tulow Oil Plc	0.03	EQM Midstream Partners LP	0.02
								HF Sinclair Corp	0.14					BP Capital Markets	0.02	Energy Transfer LP	0.02
								Hess Corp	0.13					Occidental Petroleum Cor	0.02		
								Repsol SA	0.12					Occidental Petroleum Corp	0.02		
								Chevron Corp	0.12								
								Imperial Oil Ltd	0.11								
								Enbridge Inc	0.11								
								Tenaris SA	0.10								
								Suncor Energy Inc	0.10								
								Halliburton Co	0.10								
								SPDR S&P Oil & Gas Exploration &	0.09								

						Production ETF														
						Aker Solutions ASA	0.09													
						Ultrapar Participac oes SA	0.09													
						Clean Energy Fuels Corp	0.08													
						Cheniere Energy Inc	0.08													
						MEG Energy Corp	0.07													
						Internation al Petroleum Corp/Swe den	0.07													
						Denbury Inc	0.07													
						Parkland Corp	0.07													
						APA Corp	0.06													
						Canadian Natural Resources Ltd	0.06													
						Green Plains Inc	0.06													
						Oneok Inc	0.06													
						Saras SpA	0.06													
						EOG Resources Inc	0.05													
						Inpex Corp	0.05													
						Delek US Holdings Inc	0.05													
						Peabody Energy Corp	0.04													
						Murphy Oil Corp	0.04													
						Targa Resources Corp	0.04													
						ConocoPhi lips	0.04													
						Diversified Energy Co PLC	0.03													
						PetroChin a Co Ltd	0.03													
						John Wood Group PLC	0.03													
						Champion X Corp	0.03													
						Centennial Resource Developm ent Inc/DE	0.02													
						Kinder Morgan Inc	0.02													

\*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, CFM and AIL). We are happy to share the full data if required.

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