

London Borough of Enfield

PENSION POLICY AND INVESTMENT COMMITTEE

Meeting Date: 5 October 2022

Subject: Fossil Fuel Exposure Report as of 30th June 2022

Cabinet Member: Cllr Leaver

Executive Director: Fay Hammond

Key Decision: []

Purpose of Report

1. This report informs Members, the Pension Fund exposure to fossil fuel as of 30 June 2022 comparing this outcome to the 31 March 2021 fossil fuel exposure analysis carried out by the Fund Investment Consultant (Aon).
2. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

Proposal(s)

3. Pension Policy and Investments Committee are recommended to note the contents of this report and the attached Appendix 1.

Reason for Proposal(s)

4. The report informs the Pension Policy and investment Committee of the overall fossil fuel exposure of the Enfield Pension Fund as at 30th June 2022.

5. Relevance to the Council's Corporate Plan

6. Good homes in well-connected neighbourhoods.
7. Build our Economy to create a thriving place.
8. Sustain Strong and healthy Communities.

Background

9. Aon was commissioned to analyse the exposure to fossil fuels (in % and £ terms) at mandate and aggregate level. It is understandable that there might be some mandates, who would have zero exposure as a function of their

investment process and philosophy, whilst other mandates may have greater-than-benchmark exposure.

10. To do this work, Aon liaise with the Fund's managers to provide them with the relevant data (intention being to have a comparable and consistent basis). The information was then reviewed for comparability and any gaps, providing this to the Committee with a reasonable summary in aggregate.
11. 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.1.8% of Fund value, or c.£26.4m as at 30 June 2022.
12. Comparing this period value to the Divest Enfield press release figure as at 31 December 2020 of 2.6%, or £30.0m is lower but higher than the exposure reported by Aon as of 31 March 2022 which was 1.2%, or £17.9m in sterling terms and has doubled the exposure reported as at 31 March 2021 which was 0.9%, or £13.1m in sterling terms.
13. The equity asset class was one of the main driver of the increase with the exposure increasing by 0.9% or c.£4.4m in sterling term due to outperformance of energy stocks over the quarter leading to increased weightings of these holdings by equity managers.
14. The increase was also driven by a 1.2% average increase in fossil fuel exposure from the bond holdings over the quarter, amounting to an increase of c.£3.6m in sterling terms, though this is mainly attributable to the lack of availability of a granular sector breakdown of the PIMCO fund which was added to the LCIV MAC Fund over the quarter.
15. Aon will further discuss the process, findings of this work with the Committee at this meeting.

Workforce Implications

16. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

Property Implications

17. None

Other Implications

18. None

Options Considered

19. There are no alternative options.

Conclusion

20. 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 – was c.1.8% of Fund value, or c.£26.4m as at 30 June 2022.
21. This period value has doubled the value of exposure found and stated as at 31 March 2021 which was 0.9%, or £13.1m in sterling terms.
22. As expected, a number of the Fund's managers have zero exposure.

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Date of report 14th September 2022

Appendices

Appendix 1 – Enfield Pension Fund Exposure to fossil fuels as of 30 June 2022