

**London Borough of Enfield**

**PENSION POLICY AND INVESTMENT COMMITTEE**

**Meeting Date: 23 November 2022**

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**Subject:** Fossil Fuel Exposure Report as of 30<sup>th</sup> September 2022

**Cabinet Member:** Cllr Leaver

**Executive Director:** Fay Hammond

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**Purpose of Report**

1. This report informs Members, the Pension Fund exposure to fossil fuel as of 30 September 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 Investment 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 30<sup>th</sup> September 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.1.4% of Fund value, or c.£19.7m as at 30 September 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 and also lower than the exposure reported by Aon as of 30 June 2022 which was 1.8%, or £26.4m in sterling terms. This period exposure is £6.6m more in sterling terms than the exposure reported as at 31 March 2021 which was 0.9%, or £13.1m in sterling terms.
13. The fossil fuel exposure of equity managers fell over the quarter from 1.9% as at 30 June 2022 to 1.0% at 30 September 2022 or c.£11.1m to c.£6.4m in sterling terms. This was mainly due to the transition to the LCIV Baillie Gifford Paris aligned fund which has eliminated all fossil fuel exposure from this fund amounting to a c.£5.2m reduction in exposure. The exposure of the Blackrock Global Passive fund remained stable over the quarter.
14. The increase last quarter was 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, although this is mainly due 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. However, a granular breakdown of PIMCO holdings was made available this reporting quarter and this has significantly reduced the exposure of the LCIV MAC fund, by c.£3.7m, and the transition to the LCIV Global Alpha Growth Paris Aligned Fund reduced exposure by £5.2m, as the fund had no fossil fuel exposure at quarter-end.
16. Aon will further discuss the process and findings on this work with the Committee at this meeting.

### **Workforce Implications**

17. 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**

18. None

### **Other Implications**

19. None

### **Options Considered**

20. There are no alternative options.

### **Conclusion**

21. 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. 1.4% of Fund value, or c.£19.7m as at 30 September 2022.

22. This period value is lower than the exposure as at 30 June 2022 of 1.8%, or c.£26.4m in sterling terms. But higher than the exposure as at 31 March 2021 which was 0.9%, or £13.1m in sterling terms.

23. As expected, a number of the Fund's managers have zero exposure.

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Date of report 14<sup>th</sup> November 2022

### **Appendices**

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