

6. Engineering Council

6.1 Aims and policies

The Engineering Council is the “regulatory body for the UK engineering profession”. It “sets and maintains internationally recognised standards of professional competence and commitment.” [1]

While it is not itself a body with individual professional members, the Engineering Council grants licenses to professional institutions^a to assess candidates for professional engineer or technician status. [2] The council is primarily funded by annual registration fees of engineers and technicians, which are collected by these institutions.^b [3]

The origins of the Engineering Council date back to the foundation of its predecessor organisation, the Joint Council of Engineering Institutions, in 1964. The Engineering Council itself was established in 1981. After a review, due to concerns about its internal organisation, the Engineering Council was split in 2002 into the Engineering Technology Board – now known as EngineeringUK – and the Engineering Council UK – now the Engineering Council. [4]

The Engineering Council is responsible for professional standards while EngineeringUK has the role of promotion of engineering. There are of strong links between the organisations, for example, through its financing, trustees and sharing of resources. [3]

Statement of purpose and values

The council’s vision and mission, as stated in a recent annual report, [3] is as follows:

“Vision:

That society continues to have confidence and trust in the engineering profession.”

“Mission:

To maintain internationally recognised standards of competence and commitment for the engineering profession, and to license competent institutions to champion the standards for the deliverance of public benefit.”

This report later goes on to state:

“What we do:

- *Develop and maintain common professional standards for engineering competence and commitment*

^a Eight of these organisations covered in this report. These are: BCS - The Chartered Institute for IT; Energy Institute; Institute of Materials, Minerals and Mining; Institute of Mechanical Engineers; Institute of Physics; Institution of Civil Engineers; Institution of Engineering and Technology; and the Institution of Structural Engineers. [2]

^b The fees are then remitted to EngineeringUK who then make a grant back to the Engineering Council. This situation is further explored below and in the case study on EngineeringUK. [3]

- *License professional engineering institutions to professionally develop and assess engineers and technicians against the common standards*
- *Maintain the national Register of professionally registered engineers and technicians*

“Why we do it:

- *To safeguard the public”*

“How we do it:

- *Self-regulation by peer review”*

Environmental policy

The Engineering Council has laid out guidance on environmental protection and sustainability for engineers and technicians. [5] In short, this states that:

“Professionally registered engineers and technicians are required to carry out their work in a way that contributes to sustainable development, as outlined in the UK Standard for Professional Engineering Competence (UK-SPEC).”

The guidance sets out six principles, each of which is elaborated upon in the document:

1. *Contribute to building a sustainable society, present and future*
2. *Apply professional and responsible judgement and take a leadership role*
3. *Do more than just comply with legislation and codes*
4. *Use resources efficiently and effectively*
5. *Seek multiple views to solve sustainability challenges*
6. *Manage risk to minimise adverse impact to people or the environment*

6.2 Investments

Size and location of funds

The Engineering Council had investments worth approximately £1.6 million according to a recent annual report. [6] These were all invested in the ‘Baring Targeted Return Fund’ and the top 10 investments by this fund are listed in table 6.1, based on data listed publicly on the asset management company’s website. These 10 were mainly investments in other funds, which made the process of tracking corporate investments more complex. We were able to obtain a breakdown of the top 10 corporate investments for four of these funds – and this data is shown in tables 6.2a-d. For the ‘Mayfair Property Fund’, we give a summary of its relevant investment activity below. The funds listed as ‘US Index Linked 3.375%’ and ‘Mexico 10.00% 05.12.24’ were government bonds, and hence not held in the arms or fossil fuel industry. The ‘Source Phys Mkts Secured Gold Lkd Nts’ was an investment in gold, so again not held in the industries under investigation here. Unfortunately, we were unable to unambiguously identify the final two funds - ‘Babson Cap GL Umb US HY Bd Comp X USD Dis’ and ‘MINI MSCI EM 06 17 (ICE)(LG)’ - so no further information is provided in this report on these.

<i>Baring Targeted Return Fund – assets</i>	<i>% of total investments</i>
Baillie Gifford Japanese Fund	6.9
Mayfair Property Fund	6.2
US Index Linked 3.375% 15.04.32	5.9
Baring Europe Select Trust	5.4
Babson Cap GL Umb US HY Bd Comp X USD Dis	4.7
Source Phys Mkts Secured Gold Lkd Nts	3.8
Mexico 10.00% 05.12.24	3.8
MINI MSCI EM 06 17 (ICE)(LG)	3.7
Neuberger Berman High Yield Bond Fund	3.5
M&G Investment Management Corporate Bond Fund	3.3
<i>Total</i>	<i>47.2</i>

Table 6.1 – Top 10 investments by fund held by the Engineering Council [6]

<i>Investment asset</i>	<i>% of fund total</i>
SoftBank	5.1
Start Today	3.5
Sumitomo Mitsui Trust	3.5
INPEX [F]^c	3.3
Nintendo	3.1
Yaskawa Electric	3.1
Misumi	3.0
Kubota	3.0
Keyence	2.8
Rakuten	2.7
<i>Total</i>	<i>33.2</i>

Table 6.2a – Top 10 investments of the Baillie Gifford Japanese Fund [7]

<i>Investment asset</i>	<i>% of fund total</i>
Temenos Group	1.7
Recordati S.P.A.	1.6
ASM International	1.6
DSV	1.5
IMCD N.V.	1.5
Elior	1.5
Telenet Group	1.4
Teleperformance	1.4
Christian Hansen Holding A/S	1.4
SPIE SA	1.4
<i>Total</i>	<i>15.0</i>

Table 6.2b – Top 10 investments of the Baring Europe Select Trust [8]

^c [A] indicates companies which, in this report, are categorised as being part of the arms industry. [F] indicates companies which, in this report, are categorised as being part of the fossil fuel industry.

<i>Investment asset</i>	<i>% of fund total</i>
HCA Holdings Inc	2.7
Ally Financial Inc	2.4
Valeant Pharmaceuticals	2.2
Sprint Corp	2.2
Frontier Communications	2.1
NRG Energy Inc [A]	1.9
SFR Group SA	1.8
Charter Communications	1.7
RR Donnelley & Sons Co	1.7
EP Energy [A]	1.5
<i>Total^d</i>	<i>20.0</i>

Table 6.2c – Top 10 investments of the Neuberger Berman High Yield Bond Fund [9]

<i>Investment asset</i>	<i>% of fund total</i>
AT&T	2.9
Microsoft	2.9
Lloyds Banking Group	2.8
Verizon Communications	2.8
Bank of America	2.3
European Investment Bank	2.1
HSBC	2.1
Aviva	1.9
Orange	1.7
Legal & General Group	1.6
<i>Total</i>	<i>23.1</i>

Table 6.2d – Top 10 investments of the M&G Corporate Bond Fund [10]

The Mayfair Capital Property Income Trust for Charities was invested in commercial property. The fund had various policies regarding responsible property investment, and these cover areas such as the exclusion of properties with poor environmental stewardship (for example, a lack of measures to reduce energy consumption and/or reduce waste sent to landfill), [11] as well as the exclusion of certain industries. A recent policy document [12] gives further detail:

“Our Ethical Policy is also of key importance as we will not purchase investments where an unacceptable level of the tenant’s income is derived from non-ethical sources and these include:

- *Alcohol production or consumption*
- *Gambling*
- *Manufacture or sale of armaments*
- *Manufacture or sale of tobacco products*
- *Pornography or the sex industry*

^d Rounding means these figures do not exactly add up to the total.

These areas are reviewed from time-to-time by us as Manager of PITCH and also by the Fund's Investors Committee."

Hence the fund's ethical policies restricted property investment in key areas of concern for this report, namely corporations manufacturing or selling armaments and those using energy inefficiently. However, there were no specific restrictions on dealings with the fossil fuel industry.

In summary, the Baring Targeted Return Fund (BTRF), in which the Engineering Council was invested, was very diversified. It invested in a range of other funds, which included corporate equities/ stocks, as well as government bonds and commodities. The information presented in this section on eight of these assets shows where approximately 24% of the Engineering Council's portfolio was invested. Of that, less than 1% was invested in arms companies, while approximately 1% was invested in the fossil fuel industry.

General investment policy

The Engineering Council's investment policy as stated in a recent annual report and financial statement [3] is as follows.

"The Trustees considered the most appropriate policy for investing funds and agreed that a mix of equity based trusts, gilts and cash holdings best met the Engineering Council's requirements for both income and capital growth. The Engineering Council's investment policy is based on securing low-risk investment with easily liquidated assets. In 2010, following a formal tender process the Trustees appointed Baring Asset Management Limited as fund managers. The Barings Targeted Return Fund invests across asset classes and through both direct holdings as well as in-house and third party funds. The Targeted Return Fund does not invest directly in companies which manufacture tobacco products. Additionally, Barings' own range of pooled funds does not invest in prostitution or pornography stocks."

Ethical investment policy

As stated in the Engineering Council's general investment policy above, the fund in which the council was invested did not invest directly in tobacco companies, while its fund managers' own pooled funds did not invest in prostitution or pornography stocks. In addition, one of the funds – the Mayfair – had further ethical exclusions, including the arms industry. However, we did not find a specific ethical investment policy followed by the council, although some investment decisions did clearly have ethical restrictions.

6.3 School education programmes

The Engineering Council itself does not carry out school education programmes. This function is left to EngineeringUK, with which the council has close links. EngineeringUK is examined in appendix 7.

6.4 Events and sponsorship

The Engineering Council also does not run its own events. Again, this is covered by the work of EngineeringUK.

6.5 Corporate membership

The Engineering Council does not run a corporate membership scheme.

6.6 Other corporate links

From our survey of materials published by the Engineering Council, the body does not appear to receive income from advertisements, for corporations or any other organisation.

6.7 Overall assessment

Reviewing the information in this case study, we have given the Engineering Council the assessment as shown in tables 6.3a and b.

	<i>Investments</i>	<i>School education programmes</i>	<i>Events</i>	<i>Other</i>
Involvement with arms corporations	Low	-	-	-
Involvement with fossil fuel corporations	Low	-	-	-

Table 6.3a – Corporate involvement ratings for the Engineering Council

	<i>Ethical issues covered in this study</i>
Positives	<ul style="list-style-type: none"> • Comprehensive environmental guidance provided for the engineering profession
Negatives	<ul style="list-style-type: none"> • No ethical investment policy • Some investments in arms and fossil fuel corporations

Table 6.3b – Positives and negatives for the Engineering Council

The Engineering Council did not carry out activities in many of the areas of interest to this study, hence table 6.3a includes many blanks. It did, however, hold investments and so this was a key focus of this case study.

In terms of transparency, the council provided information about the fund in which all its investments were held. From the publicly accessible data published by that investment fund we were able to determine where 24% of the finance was held. While this was higher than the level found in most of the other case studies, it was still disappointingly low. In addition, we found no evidence that the Engineering Council had a clear ethical investment policy, simply adopting those of the funds in which it was invested.

Regarding investments in the arms industry, we estimated that less than 1% of the known holdings were in this area. While this was encouraging, the limited data coupled with the lack of a clear ethical policy related to such investments meant that the extent of the links to that sector could be significantly higher.

Regarding investments in the fossil fuels industry, we estimated that about 1% of the known holdings were in this area. Again, the fact that there was no information on the bulk of the investments coupled with the lack of a clear ethical policy in this area meant that it could be significantly higher.

Much more positively, the Engineering Council has laid out comprehensive environmental guidance for the engineering profession. It is disappointing, though, that this does not extend to an ethical investment policy either for itself or for other professional bodies.

References

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