

## **Institute of Materials, Minerals and Mining (IOM3)**

### ***Update on financial links with fossil fuels and arms corporations, April 2021***

This document provides an update on information gathered for the report, *Irresponsible Science?: How the fossil fuel and arms industries finance professional engineering and science organisations*, published by Scientists for Global Responsibility (SGR) in October 2019. Information sourced from the society's publicly available documents is provided first, followed by commentary by SGR.

### **Investment policy**

The IOM3 does not appear to have introduced an ethical investment policy since the time of the Irresponsible Science report. It does, however, appear to have moved its investment portfolio to a fund with ethical exclusions.

### **Investments**

At 31st December 2019, the IOM3 reported<sup>1</sup> total investments of £9,169,000, including UK equities of £6,309,000, overseas equities of £355,000 and two holdings that represented more than 5% of the portfolio by market value:

Charinco (UK fixed interest common investment fund) £2,309,000

Charishare (UK equities common investment fund) £3,033,000

In July 2020, according to the IOM3 2019 annual report, the Institute completed transition of its investments portfolio to BlackRock Charities Growth & Income Fund, a sustainable investments fund which "aims to provide a return on investment (net of fees) over a period of 5 or more consecutive years through an increase to the value of the assets held and/or income received from those assets whilst adhering to the Fund's environmental, social and governance (ESG) criteria".

On 30th June 2020, the fund excluded<sup>2</sup> companies with any involvement in controversial armaments, companies deriving more than 5% of their annual turnover from military related activity and conventional armaments, companies deriving 10% or more of their annual turnover from thermal coal and tar sands, and companies meeting certain other criteria in pornography, alcohol, high-interest lending, tobacco and gambling.

According to the fund brochure, "in addition to specific sector exclusions, Environmental, Social and Governance (ESG) criteria will be integrated into the investment process and the Fund will also allocate to ESG themes such as renewable energy and social housing."

### **Transparency**

In July 2020, the Institute completed transition of its investments portfolio to BlackRock Charities Growth & Income Fund. It is not completely clear whether this transfer occurred for the entirety of the portfolio but we assume that this will become apparent when the IOM3 releases its annual report for 2020. SGR was unable to ascertain in which fossil fuel companies the BlackRock Charities Growth & Income Fund invests.

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<sup>1</sup>

<https://iom3-sslstaging6.pixl8.london/uploads/assets/e6d9c332-5cc9-437a-a1eb010d67ff8148/AR2019-FINAL-240820.pdf> p78

<sup>2</sup> <https://www.blackrock.com/uk/individual/literature/brochure/cgi-brochure.pdf>

At the time of the *Irresponsible Science* report, SGR was able to obtain data<sup>3</sup> on approximately 44% of the IOM3's investments. Of that, about 9% was invested in companies which were part of the fossil fuel sector and none invested in the arms industry. However, it was difficult to draw conclusions about whether this level was representative of all the investments held in the arms sector, as these corporations tend to be smaller than those in other key sectors, such as energy, finance or communications, and hence do not appear so frequently in lists of 'top' assets.

Since this time, it seems that the IOM3 has ceased its investment in arms companies. It is impossible to tell, however, whether the IOM3 is still investing in any fossil fuel companies. So the transparency of the Institute's individual holdings has dropped from approximately 44% to zero.

Last January, the Charity Commission launched an investigation into factors holding charities back from responsible investments. With regards to transparency, the regulator said<sup>4</sup> that "People place increasing value on transparency, which research shows is a key driver of public trust in charities<sup>5</sup>." Others believe that an increased demand for "transparency, accountability and information about the impact of investments on society" arose after the financial crash of 2008<sup>6</sup>.

### **Corporate Patrons**

IOM3 does not appear to offer opportunities for corporate patrons or sponsors via its webpage. At the time of the *Irresponsible Science* report, the IOM3 offered an Industry Affiliate Scheme but did not list its members. A review of the Industry Affiliate Scheme was listed in the 2019 Annual Report as a major objective for 2020.

The IOM3 has Donations and Sponsorship policies<sup>7</sup>. The donations policy allows the IOM3 to refuse a donation where that donation would conflict with its values and objectives. The sponsorship policy acknowledges that the reputation of an event can be affected by its sponsors and says that the IOM3 reviews sponsors' product portfolios, target audiences and brand values. The policy does not indicate any specific criteria for rejecting sponsorship.

### **Education programmes**

It is not possible to access the bulk of the IOM3's educational materials without registering as a teacher. The Armourers and Brasiers Sixth Form Materials Prize is still co-sponsored by Tata Steel, which is a world top 35 coal corporation, in terms of reserves (CO2 emissions equivalent).<sup>8</sup>

### **Events sponsorship**

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<sup>3</sup> [https://www.sgr.org.uk/sites/default/files/2019-10/9-Institute\\_of\\_Materials\\_Minerals\\_and\\_Mining.pdf](https://www.sgr.org.uk/sites/default/files/2019-10/9-Institute_of_Materials_Minerals_and_Mining.pdf)

<sup>4</sup>

<https://charitycommission.blog.gov.uk/2020/01/15/how-do-charities-approach-investing-in-line-with-their-purpose-and-values-we-want-to-know-and-we-want-to-help/>

<sup>5</sup>

<https://www.gov.uk/government/news/regulator-publishes-new-research-into-factors-the-public-associate-with-trustworthy-charities>

<sup>6</sup>

<https://www.cazenovecapital.com/sysglobalassets/wmmediaassets/uk/charities/documents/reports/intentionalinvestingreportpdf.pdf>

<sup>7</sup>

<https://www.iom3.org/uploads/assets/7bdda852-7bf0-4849-8b163f20d7c28b79/IOM3-Donations-and-Sponsorship-Policies.pdf>

<sup>8</sup> [https://www.sgr.org.uk/sites/default/files/2019-10/Fossilfuel%2Barms\\_corporations.pdf](https://www.sgr.org.uk/sites/default/files/2019-10/Fossilfuel%2Barms_corporations.pdf)

The IOM3 does not appear to have any forthcoming events sponsored by fossil fuel or arms companies.

### **Environmental policy**

The IOM3 sustainability policy<sup>9</sup> introduced in November 2018 states that “Our vision is guided by a commitment to the 17 United Nations Sustainable Development Goals (UN SDGs), to champion them to our members and stakeholders, and to operate by them as an organisation throughout our business operation.”

The policy says that the Institute “will set SMART objectives in relation to this policy and report on progress in its annual report”.

SGR could not find these SMART objectives in the 2019 annual report (or on the institute’s website).

### **Other relevant information**

The IOM3 has renamed its Oil and Gas Division as the Energy Transition Group<sup>10</sup>.

The IOM3 offers an “Introduction to Oilfield Metallurgy” - specialist metallurgical training for those working in the oil and gas sectors.

According to the 2019 annual report, the IOM3 “supports professionals in materials, minerals and mining to become heroes of the transition to a low-carbon, resource efficient society, not villains.”

The IOM3 has signed the Pledge to Net Zero<sup>11</sup> and so has committed to:

1. Set and commit to deliver a greenhouse gas target in line with either a 1.5°C (encouraged) or well below 2°C climate change scenario – covering buildings and travel as a minimum.
2. Publicly report greenhouse gas emissions and progress against this target each year.
3. Publish one piece of research/thought-leadership each year on practical steps to delivering an economy in line with climate science and in support of net zero carbon. Alternatively, signatories may choose to provide mentoring and support for smaller signatory companies in setting targets, reporting and meeting the requirements of the pledge.

One of the IOM3’s objectives is to “support people within the materials, minerals and mining sector to face some of the societal challenges we face today such as climate change”.

According to the IOM3’s strategy for 2020-2022, the Institute has “already started to increase its visibility and its activities in support of the positive role of professionals in materials, minerals and mining in the transition to a low-carbon, resource-efficient society”.<sup>12</sup>

The IOM3 Code of Conduct<sup>13</sup> says that members should always be aware of the overriding responsibility to the public good: “A member’s obligations to the client and other stakeholders can never override this, and members should not enter undertakings which compromise this responsibility. The ‘public good’ encompasses care and respect for the environment, and for

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<sup>9</sup>

<https://www.iom3.org/uploads/assets/34b04487-5458-4bce-9419a559e388269a/IOM3-Sustainability-Policy.pdf>

<sup>10</sup> <https://www.iom3.org/group/energy-transition-group.html>

<sup>11</sup> <https://www.pledgetonetzero.org/>

<sup>12</sup>

<https://www.iom3.org/uploads/assets/105cc61d-2bd1-4f91-b3fcd2056f52cf6d/IOM3-Corporate-Strategy-2020-22-V2-Ir.pdf>

<sup>13</sup> <https://www.iom3.org/membership/become-a-member/code-of-conduct.html>

humanity's cultural, historical and archaeological heritage, as well as the primary responsibility members have to protect the health and wellbeing of present and future generations."

### **SGR comments**

SGR acknowledges that IOM3 does not appear to invest in arms companies or the most carbon-emitting fossil fuel companies and has a sustainability statement.

SGR has continuing concerns, however, on the following aspects.

#### *Transparency*

SGR was unable to ascertain the fossil fuel companies in which the BlackRock Charities Growth & Income Fund invests.

SGR was unable to ascertain whether IOM3's educational materials are sponsored by arms or fossil fuel companies.

#### *Financial links to corporations*

IOM3 may have investments in fossil fuel companies through the BlackRock Charities Growth & Income Fund.

IOM3 has confirmed financial links with the following companies in the fossil fuel sector in the form of accepting sponsorship for educational materials:

- Tata Steel

According to the Transition Pathway Initiative<sup>14</sup>, the long-term ambitions of Tata Steel and many other fossil fuel companies do not align with a pathway that would limit global warming to 2°C or below. (Please see the SGR document *Data on fossil fuel companies* for further details<sup>15</sup>.) The goal of the UN's 2015 Paris Agreement is "to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels"<sup>16</sup>.

What's more, Tata Steel and many fossil fuel companies have not committed to meeting the rigorous criteria set by the Science Based Targets Initiative<sup>17</sup> for emissions reductions, which numerous other leading corporations have signed up to. (Please see the SGR document *Data on fossil fuel companies* for further details<sup>18</sup>.) Until fossil fuel companies meet the criteria of the Science Based Targets initiative and have set targets to limit their emissions by 2050 in line with a 1.5 or 2°C limit to warming, we are urging thought leaders such as the IOM3 to divest from these companies and so keep up the pressure on them.

Although the IOM3 does not invest in arms companies or the most carbon-emitting fossil fuel companies, the Institute has not committed to an ethical investment policy that excludes these areas from investment in the future. Since the release of the Irresponsible Science report, several of IOM3's peers – academic bodies, learned societies and professional institutions in other subject areas – mentioned in the report have tightened up their policies on fossil fuels and arms. For example, the Geological Society introduced investment policies that exclude arms and the most

<sup>14</sup><https://www.geolsoc.org.uk/~media/shared/documents/policy/Statements/responsible%20investing%20draft%20graphics%20v35.pdf?la=en>

<sup>15</sup> [https://www.sgr.org.uk/sites/default/files/2021-06/Data\\_on\\_fossil\\_fuel\\_companies.pdf](https://www.sgr.org.uk/sites/default/files/2021-06/Data_on_fossil_fuel_companies.pdf)

<sup>16</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

<sup>17</sup> <https://sciencebasedtargets.org/>

<sup>18</sup> [https://www.sgr.org.uk/sites/default/files/2021-06/Data\\_on\\_fossil\\_fuel\\_companies.pdf](https://www.sgr.org.uk/sites/default/files/2021-06/Data_on_fossil_fuel_companies.pdf)

carbon-emitting fossil fuels – thermal coal and tar sands, whilst the Energy Institute brought in an investment policy that excludes arms and presses for alignment with Paris goals.

As a signatory of the Pledge to Net Zero<sup>19</sup>, IOM3 is in a strong position to set an example to others by expanding its pledge to commit to deliver a greenhouse gas target in line with either a 1.5°C (encouraged) or well below 2°C climate change scenario – and to include its investment portfolio and any sponsors of its educational materials within this commitment.

The British Psychological Society, Royal College of Physicians, British Medical Association, the Royal College of General Practitioners, the Faculty of Public Health, the Royal College of Emergency Medicine and the Royal College of Paediatrics and Child Health have all now fully divested from fossil fuels, are in the process of doing so, or have committed to do so. The British Medical Association took the lead, beginning its journey back in 2014. All these organisations also exclude investment in arms companies.

More generally, SGR has concerns about investments in and financial ties to fossil fuel companies by professional science and engineering organisations such as IOM3 for these reasons:

- Professional science and engineering organisations have considerable influence with politicians and the public and it's crucial that they put in place robust science-based targets and plans that are compatible with the goals of the Paris Agreement - and end lobbying behaviour that could undermine it - particularly in the year that the UK is hosting the next round of the COP climate negotiations;
- As the UK Health Alliance on Climate Change<sup>20</sup> puts it, “engaging with companies whose business model relies on fuel extraction is of limited use—only divestment will stop extraction”. Worldwide, according to the Alliance, over 1,000 organisations with £7 trillion assets have committed to divesting from fossil fuels and instead investing in climate solutions<sup>21</sup>. Research indicates that divestment reduces the price of fossil fuel shares. According to a team at the University of Waterloo in Canada<sup>22</sup>, “lower share prices increase the costs of capital for the fossil fuel industry, which in turn decreases their ability to explore new resources and exploit proven resources”. The greater the likelihood of these fossil fuel resources staying in the ground, the more likely we are to meet the international climate change targets agreed under the Paris Agreement in order to prevent potentially catastrophic climate change;
- In order to keep to the below 2°C target, only one-fifth of known fossil fuel reserves can be burned, putting these assets at risk of becoming stranded<sup>23</sup>. The fraction is even smaller when considering how to meet the 1.5°C target. According to the UK Health Alliance on Climate Change, fossil fuels are an increasingly risky investment and fossil fuel free indexes equalled or outperformed unsustainable alternatives for 5-10 years. “Divestment announcements by prominent investors signal financial risks to the market, which in turn depress share prices,” say the University of Waterloo researchers. “Therefore, divestment announcements can have a measurable impact on the fossil fuel industry.” Shell said in 2018

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<sup>19</sup> <https://www.pledgetonetzero.org/>

<sup>20</sup> [ukhealthalliance.org/divestment](https://ukhealthalliance.org/divestment)

<sup>21</sup> <https://www.divestinvest.org/11-trillion-counting-divestinvest/>

<sup>22</sup> <https://theconversation.com/how-divesting-of-fossil-fuels-could-help-save-the-planet-88147>

<sup>23</sup> [https://www.banktrack.org/download/unburnable\\_carbon/unburnablecarbonfullrev2.pdf](https://www.banktrack.org/download/unburnable_carbon/unburnablecarbonfullrev2.pdf)

that divestment had become a material risk to its business<sup>24</sup>. In 2020 fund manager CCLA, which invests on behalf of charities including Church of England dioceses and IOP, dropped its investments in oil giants Shell and Total<sup>25</sup> for financial reasons. On January 27<sup>th</sup> 2021, ratings agency S&P warned 13 oil and gas companies, including Royal Dutch Shell and Total, that it is considering downgrading their credit ratings. The agency has increased its risk rating for the oil and gas sector as a whole from “intermediate” to “moderately high” because of the move away from fossil fuels, poor profitability and volatile prices, according to news reports<sup>26</sup>;

- Many fossil fuel companies are relying on carbon capture technology and nature-based solutions being deployed at a huge scale to offset their planned emissions<sup>27</sup>. Heavy reliance on the global scale deployment of carbon capture and storage technologies is misplaced given the lack of progress in this area for the last 20 years. According to an international group of 41 scientists and academics<sup>28</sup>, such technologies are “expensive, energy intensive, risky, and their deployment at scale is unproven. It is irresponsible to base net zero targets on the assumption that uncertain future technologies will compensate for present day emissions”;
- Use of fossil fuel sponsors for educational materials is likely to alienate young people and present them with difficult ethical choices, particularly given the high participation in the Youth Strike 4 Climate movement.

For those keen to retain support for the energy sector, there are plenty of companies that are much more progressive than fossil fuel companies in which to invest. For example, Orsted (formerly DONG, Danish Oil and Natural Gas) has shifted from being a fossil fuel dominated company to one heavily focused on renewable energy. Similarly, some large German engineering companies, such as Siemens and E.ON, have also made major shifts away from fossil-fuel related work.

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<sup>24</sup>

<https://www.theguardian.com/commentisfree/2019/oct/13/divestment-bank-european-investment-fossil-fuels>

<sup>25</sup> <https://www.divestinvest.org/church-of-england-fund-drops-remaining-fossil-fuel-investments/>

<sup>26</sup>

[https://www.theguardian.com/business/2021/jan/27/rating-agency-sp-warns-13-oil-and-gas-companies-they-risk-downgrades-as-renewables-pick-up-steam?CMP=Share\\_iOSApp\\_Other](https://www.theguardian.com/business/2021/jan/27/rating-agency-sp-warns-13-oil-and-gas-companies-they-risk-downgrades-as-renewables-pick-up-steam?CMP=Share_iOSApp_Other)

<sup>27</sup> <https://insideclimatenews.org/news/16072020/oil-gas-climate-pledges-bp-shell-exxon/>

<sup>28</sup> <https://www.climatechangenews.com/2020/12/11/10-myths-net-zero-targets-carbon-offsetting-busted/>