

RESPONSIBLE INVESTMENT

Safety is no accident: occupational health and safety practices



Across Quilter we have identified three thematic engagement priorities. This is part of our human rights theme.

Human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination¹.

SDG Alignment



“ *Health is like money; we never have a true idea of its value until we lose it.”*

Henry Wheeler Shaw

We believe that safe working conditions are a critical human right. This engagement aligns to UN SDG 8: promote inclusive and sustainable economic growth, employment, and decent work for all².

Health and safety performance can have a material impact on employees and company operations. The International Labour Organisation (ILO) estimates that there are 2.3 million work-related fatalities every year, corresponding to 6,000 deaths every single day³. The construction industry has a disproportionate number of recorded accidents. In the UK, the Health and Safety Executive (HSE) is the government agency responsible for the enforcement of workforce safety. Over the twelve months to March 2023 the HSE disclosed that 1.8 million people in the UK reported work-related ill health, and that the estimated cost to companies of work-related injury was £7.6 billion⁴. Sadly, the HSE also reports that during that same period, 135 people were killed in work-related accidents in the UK.

¹ United Nations

² [Goal 8: Promote inclusive and sustainable economic growth, employment, and decent work for all \(ilo.org\)](#)

³ [World Statistic \(ilo.org\)](#)

⁴ [Statistics - Work-related fatal injuries in Great Britain \(hse.gov.uk\)](#)

Engagement

This engagement programme targeted our most material holdings across the rail transportation, housebuilder, and utilities industry groups. The nature of work in these industries involves significant amounts of manual labour often at great heights, and operating machinery which in some cases may pose an injury risk. Therefore, we engaged with the following companies: Canadian Pacific, Union Pacific, Persimmon Homes, Taylor Wimpey, and SSE.

The objective was to better understand how investee companies are managing and potentially mitigating health and safety related risks. We have assessed board responsibility, risk mapping, capital investment and executive remuneration incentives in the context of health and safety. We also analysed various industry metrics where disclosed; all of which help us to understand how well the companies are managing health and safety risk. These metrics include reportable personal injuries and train accidents in the transportation industry.

Key findings from our engagement

1 Culture is key:

Culture was trumpeted as a key differentiator of safety performance. In the transport industry, Canadian Pacific and Union Pacific have credited training and board oversight as some of the core components of their safety culture. Union Pacific established a Safety and Service Quality Committee last year to drive the company's strategic goal of world class safety. The company's Remuneration Committee also made the decision to include health and safety targets as part of its executive remuneration. Canadian Pacific introduced a 'home safe' programme which involves training employees on best practice health and safety.

Similar approaches to culture and board oversight are being taken in the Utilities sector. Companies such as SSE have a Safety, Sustainability, Health, and Environment Advisory Committee (SSHEAC). This committee meet on a quarterly basis with the Chief Executive, to discuss key safety and health issues affecting each business area, and forthcoming legislation. The committee members are also required to visit operational sites and provide reports at quarterly meetings. In contrast to the transport industry, companies in the housebuilder sector like Taylor Wimpey, do not consider executive remuneration targets a core component to building a robust health and safety culture. This is because it does not believe there should be a reward for ensuring the safety of all employees.

2 Risk-mapping - safety environments are more challenging in different geographies:

For companies with large global footprints, safety environments are more challenging in different geographies. Canadian Pacific has found Canada has one of the best performing rail networks in terms of rail accidents, whilst the US and Mexico perform less well in global rankings. The company did not note any significant divergences in operational performance or approaches in the US, as Canadian Pacific has been present in the country for some time. However, Mexico performs worst out of the three, as there are higher rates of injury and rail accidents in the country. The company is in the process of outlaying additional capital expenditure in the region to improve rail infrastructure, as well as rolling out training programs.

Persimmon uses its risk-mapping reports to prevent incidents. These are produced every two months and enable the company to monitor trends and identify recurring issues. The recent findings have shown the incidents tend to be spread across the business and are mainly due to human error when operatives are not following the company's policies and standards. Taylor Wimpey has a similar approach; it uses historical data to educate ground workers and supervisors on key areas of concern from previous years. This risk-mapping has enabled the company to identify small cuts to ground workers as being the most common injury. To support these workers, the company has made manual handling guides available at all sites.

3 Technology and capital expenditure:

Technological innovations are crucial in the advancement of safety standards. This has been particularly found with training and the use of artificial intelligence. A core component of SSE's commitment to safety is its training programme. The company completed a pilot of its new immersive training experience in 2022 and has since launched this programme for all employees and contractors working on operational roles. This training is expected to improve safety standards and is based on neuroscientific principles which support long-term learning. An emerging technology which will improve safety standards across the housebuilder industry is the use of artificial intelligence for scaffold inspection. Taylor Wimpey explained this technology is still in its infancy, and it is expected to provide insights on whether scaffolds have been assembled to required standards.

| Company Name | Industry | Health & safety expenditure |
|---|----------------|--|
| Canadian Pacific | Transportation | CPKC expects spending in this category to typically sit at 50-60% of annual capital expenditure. Its total capital expenditure for the financial year 2023 was \$2.5 billion. |
| Union Pacific | Transportation | Over the last five years, its average expenditure on track replacements, technology and infrastructure has been \$1.9 billion per annum. |
| Class 1 railroad companies have disclosed significantly higher expenditures on health and safety, given the more capital-intensive nature of their business. | | |
| Persimmon | Housebuilder | Occupational health and safety expenditure was not disclosed. However, the company spent £46 million on fire safety on affected buildings in 2023. |
| Taylor Wimpey | Housebuilder | Occupational health and safety expenditure was not disclosed. However, the company has set aside a provision of £245 million in 2023, for the cost to remediate buildings in line with current safety standards. |
| The primary focus is on resolving cladding issues. | | |
| SSE | Utilities | The company only disclosed its commitment to a £2.5 million investment in the Faskally Safety Leadership Training Centre in Perth. |

Summary:

The information gathered from these discussions has been used to establish best practice health and safety standards. As we have engaged with companies across multiple industry groups, the approaches to health and safety have varied. However, there are noticeable trends with some companies performing better than peers. Notwithstanding the cladding issues, Taylor Wimpey is an example of such company as it has not been involved in a major occupational health and safety related controversy in over a decade. It has achieved this through its health and safety training programme, regular communication with the board and CEO, and an effective whistleblower process. Another example is Canadian Pacific. The company finished 2023 with the lowest Federal Railroad Administration (FRA) reportable train accident frequency among Class 1 railroads (large companies). This was driven by its robust safety culture, attained through its 'home safe' programme.

A notable gap from this engagement programme was the lack of available metrics for tracking employee health and wellbeing. Across all industries, there was a focus on tracking safety performance through metrics such as the total recordable injury rate. This led to a greater focus on employee safety, as there is better transparency for assessing performance. Taylor Wimpey raised this concern with construction teams suffering long-term health issues such as hearing loss and, in some cases, people over the age of 50 are unable to work at sites. This is not being captured by the health and safety metrics disclosed on annual reports. However, some companies such as SSE have set a commitment to improving employee wellbeing through benefits such as mental health seminars, providing sanitary products, and establishing a community of wellbeing champions across the business.



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