

# G4S



G4S has significantly improved its health and safety standards and performance. It has come a long way to achieve this since EOS began engaging with the company in 2009 on health and safety management.

## Background

The nature of G4S services means its workforce is exposed to high security risks, in particular armed attacks and road traffic incidents. How the company manages people and health and safety risks, both for employees and inmates, is central to the company's long-term success and licence to operate. Poor health and safety can lead to substantial reputational, financial and operational risks.

In its 2008 annual report the company reported 54 fatalities – a number which further increased to 76 in 2011. These high numbers caused us to initiate engagement with the company on this issue and set an objective to ensure that the health and safety record, specifically non-attack fatalities, follows a sharply declining trajectory.

## Our engagement

EOS at Federated Hermes first raised concerns regarding the high number of fatalities with the senior independent director/ deputy chair in 2009 following the publication of its 2008 fatality rate. We reiterated our concerns again in 2011 at a corporate social responsibility (CSR) update, in 2012 in a meeting with the senior independent director and in 2015 with the CSR committee chair where we were alarmed by the number of road traffic-related fatalities, which had remained high and more or less constant over the previous three years.

We have since engaged with the company on the issue each year, raising our concerns and encouraging quick progress at the most senior levels including with the CEO, chair and CSR committee chair as well as the group health and safety director. We probed on progress to date, asking for updates on the roll-out of the health and safety programmes. We also pressed for robust CSR data collection and enhanced disclosure on fatalities and injury rates.

## Sustainable Development Goals



Engagement objective

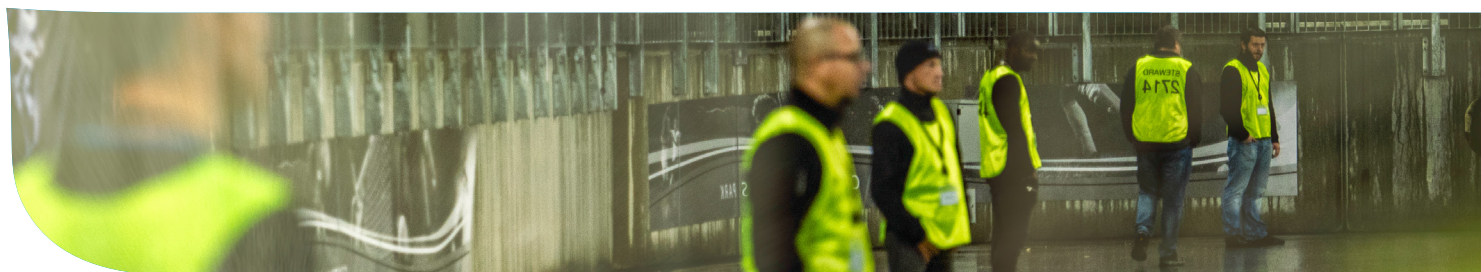
**Social:**

Labour rights

**G4S operates as a global integrated security company specialising in the provision of security services. The group has two business segments, security solutions and cash solutions through which it offers manned security, risk consulting, care and justice services, building systems technology and cash management solutions to various industries in over 90 countries. G4S is one of the largest private sector employers in the world, with over 558,000 employees. As part of its care and justice services, the company manages four prisons in the UK.**

Our engagement with the company also recently covered environmental and social data collection, board composition, human rights in high-risk environments, living wage and risk management. We conducted a site visit to the Bridgend prison in 2019 as part of our engagements on human capital and past controversies relating to the company's custodial services.

**We have since engaged at the most senior levels including with the CEO, chair and CSR committee chair as well as the group health and safety director.**



## Changes at the company

Since we began our engagement with G4S, the company has made significant improvements to its health and safety management and this has been reflected in its performance on the issue as set out the chart below<sup>1,2,3</sup>.

G4S health and safety data	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fatalities	54	36	59	76	59	55	41	46	47	25	24	20
Attack			30	28	18	17	14	17	20	8	14	9
Non-attack			15	18	20	17	8	9	10	6	3	4
Road traffic incidents			14	30	21	21	19	20	17	11	7	7
Lost time incidents (per 1k employees)								8.5	7.7	6.7	6.6	5.7

In 2011 the company placed increased value on its impact on wider stakeholders by enhancing its board-level governance, upgrading its CSR committee to a full board committee comprising a number of experienced non-executive directors, having previously been a sub-committee to the audit committee.

In 2013, the company launched its road safety programmes, Driving Force Rules, through an initial pilot in seven countries that included training, checklists, and basic driver evaluation. This programme was then implemented globally in 2014. That year, it also introduced mandatory health and safety training for senior leaders and management staff<sup>4</sup> and commenced regular updates to the board on health and safety performance.

In 2015, the company started to disclose its lost-time injury rate, after we pressed for robust CSR data collection across the group. In 2016 the CEO introduced monthly performance reviews with the regional heads and the central executive team and for the first time, the executive team receive a report on every fatality within 24 hours of occurrence. The company also introduced health and safety control self-assessments as part of the group's risks and compliance process and implemented performance objectives related to health and safety for the leadership management group.

Fatalities decreased significantly in 2017 across all categories following the sustained programme of improvements in health and safety policies, practices and training performance. Notable progress has been made on road-related incidents resulting from the road safety programmes started in 2013 and non-attack fatalities also decreased from 20 in 2012 to four in 2019.

The improvement in the lost time incidence rate, from 8.5 per 1000 employees in 2015 to 5.7 in 2019, is also notable.

This was driven by progress in specific high-risk regions where reviews of fatalities have been carried out by health and safety experts along with local management to address causes of incidents, raise awareness and share good practices.

**In 2015, the company started to disclose its lost-time injury rate, after we pressed for robust CSR data collection across the group.**

### Next steps

We believe that the company's efforts to improve its health and safety standards and performance are commendable. However, given the nature of the business, there will always remain a significant risk of health and safety incidents so we will continue to monitor the company's performance and seek continuous improvement, including attack related fatalities and improvement in disclosure specifically providing a breakdown of the metrics per region and more leading health and safety indicators. We also continue our engagement on other areas including human capital reporting, human rights and the Living Wage accreditation.



**Claire Gavini**  
Engagement  
EOS

<sup>1</sup> G4S Annual Reports 2008-2018

<sup>2</sup> Since 2013, G4S has not incorporated suicides into its published figures, in line with health and safety reporting norms

<sup>3</sup> The injury rate in 2015 covered approximately two-thirds of the business. This has expanded year on year which, alongside health and safety performance improvements, will have had an influence on the reduction. The injury rate covers 100% of managed businesses in 2019.

<sup>4</sup> <https://www.g4s.com/social-responsibility/securing-our-people/health-and-safety>

## Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns, and to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes now form the international business of Federated Hermes. Our brand has evolved, but we still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important new strategies from the entire group.

## Our investment and stewardship capabilities:

- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by four decades of experience
- **Private markets:** real estate, infrastructure, private equity and debt
- **Stewardship:** corporate engagement, proxy voting, policy advocacy

## Why EOS?

EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of public companies. EOS is based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

For more information, visit [www.hermes-investment.com](http://www.hermes-investment.com) or connect with us on social media:



For professional investors only. This is a marketing communication. Hermes Equity Ownership Services ("EOS") does not carry out any regulated activities. This document is for information purposes only. It pays no regard to any specific investment objectives, financial situation or particular needs of any specific recipient. EOS and Hermes Stewardship North America Inc. ("HSNA") do not provide investment advice and no action should be taken or omitted to be taken in reliance upon information in this document. Any opinions expressed may change. This document may include a list of clients. Please note that inclusion on this list should not be construed as an endorsement of EOS' or HSNA's services. EOS has its registered office at Sixth Floor, 150 Cheapside, London EC2V 6ET. HSNA's principal office is at 1001 Liberty Avenue, Pittsburgh, PA 15222-3779. Telephone calls will be recorded for training and monitoring purposes. EOS000617. 0008744 05/20.