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INSIGHT

Advancing inclusion and diversity in infrastructure

As part of the growing awareness that social factors present risks and opportunities for companies and investors, infrastructure managers cannot ignore the potential benefits of embedding I&D considerations in asset management activities.

by **Nicole Zhang & Nicholas Rivera**

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INFRASTRUCTURE INSIGHT

The body of research evidencing I&D as a powerful driver of business growth and performance continues to grow.¹ I&D has been increasing in prominence as a sustainable investment theme in major public markets globally for over a decade², and private market investors are increasingly following suit.³

Constrained labour market conditions in major economies around the world mean businesses are facing an ever-growing challenge of recruiting and retaining staff. Beyond these challenges, global sustainability issues, like income inequality and climate change impacts on communities and workers, present challenges that require innovative solutions.

Infrastructure managers and their portfolio companies are not immune to the business risks that this challenging environment creates. We see potential benefits for a sharper focus on I&D and opportunities

for managers to work closely with portfolio company boards and management teams to mature I&D strategies.

I&D as a driver of business performance and long-term resilience

The incorporation of I&D considerations in business and investment activities is recognised as both a risk mitigant and a value driver.¹

Applying an I&D lens to core business activities like recruitment and retention can support access to an expanded talent pool and help to attract and retain people with diverse skills, perspectives and ideas, leading to new ways of thinking in an organisation. This diversity of thought supports more innovative thinking and better decision-making, which correlates with more competitive business performance.¹

By nature, core infrastructure assets, »

¹ McKinsey & Company May 2020 Diversity wins: How inclusion matters. Accessed 10 Dec. 2022 <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

² 30% Club has grown to become a network of more than 1,000 board chairs and CEOs of some of the world's biggest public companies since 2010 as per website accessed 11 Dec. 2022 <https://30percentclub.org/what-is-the-30-club/>

³ EY Dec 2021 Can PE win deals if it doesn't deal with DE&I? Accessed 10 Dec. 2022 https://www.ey.com/en_eg/private-equity/can-pe-win-deals-if-it-doesn-t-deal-with-dei; New Private Markets DEI in private markets.: the state of play. Accessed 10 Dec. 2022 (subscription wall) <https://www.newprivatemarkets.com/dei-in-private-markets-the-state-of-play/>

Supporting the local economy and minority-owned businesses

The Indiana Toll Road in the US relies on local vendors and suppliers for materials and equipment used to operate and maintain the roadway. It sees its work with local businesses as a way to invest in local jobs and strengthen surrounding communities. The toll road allocates a portion of its budget to working with local enterprises certified by the state as Minority-, Women-, Veteran-, and/or Disabled-owned businesses – known as XBEs - with the aim of strengthening its impact and establishing a wider expectation of inclusivity in communities; nearly US\$7.0m was allocated in 2022.



such as toll roads, airports and utilities, provide essential services that underpin the smooth running of communities and economies. These assets can have a symbiotic relationship with the communities they serve. For example, employees and contractors are often hired within local communities. We see opportunities to embed I&D considerations in the management of external relationships, such as those with suppliers and other community stakeholders, to help create commercial benefits, strengthen reputation and social licence, and contribute to local community resilience.

A fundamental starting point for cultivating diversity of thought is to

consider whether workforce demographics, particularly at executive and board levels, represent the community in which an asset operates and or serves. Achieving this can help ensure that stakeholder needs and wants are represented at the decision-making table. I&D strategies, therefore, often focus on gender, race and ethnicity, but can also consider variables such as socio-economic status, ability, neurodiversity and sexual orientation, among others. For some companies, it is relevant and important to consider the intersectionality of these variables; for example, women of colour and women with a disability, who face compounded challenges.⁴



Increasing female representation on boards

Managers can demonstrate a commitment to I&D at the highest levels of an organisation by making a conscious effort to improve female board representation in portfolio companies. An example of this is an IFM-driven step change improvement in female representation across the boards of our global and Australian infrastructure portfolio companies from 19% in 2017 to 28% in 2022, driven largely by IFM increasing the female representation of its asset board nominees from 18% to 28% in the same period.

⁴ LeanIn.Org and McKinsey &Company, 2022, Women in the Workplace. Accessed 10 Dec. 2022 from <https://leanin.org/women-in-the-workplace/2022>

Fostering inclusion among employees and customers

UK-based water management company Anglian Water offers employees the option to swap Christian religious bank holidays for a religious festival from their faith. The company launched training to help road and footpaths-works staff to understand mobility challenges of sight-impaired people. It also funded British Sign Language training for 40 employees to support communication with deaf and hard of hearing customers. The Indiana Toll Road has rolled out



Anglian Water

similar American Sign Language training for customer-facing employees to support a better and safer service for its deaf and hard of hearing toll road customers.

The power of diversity in workplaces and communities is enabled by cultivating inclusive workplaces and communities. This requires strategies, policies and practices that foster belonging and connectiveness for employees and community members who use or are impacted by an asset.

I&D maturity in infrastructure: the data versus insights

While it is difficult to assess the maturity of I&D across the infrastructure asset class, consideration of gender representation is one way to start building a macro picture. Women are underrepresented in key infrastructure sectors such as oil and gas; water utilities and construction.⁵ This can be largely attributed to common occupations in the sector, such as engineering, for example, which is traditionally male-dominated, and remains so.⁶

We believe I&D maturity is best assessed across a range of organisational and demographic indicators at board, executive and whole-of-organisation levels. Due to the distinct characteristics of each asset, including location, sector, number of sites and staff and staff demographics, this is best done on an asset-by-asset basis.

For managers, a portfolio-wide approach with an asset-specific focus can help advance I&D maturity. The starting point is collecting data that can inform the development of asset-specific I&D plans that are regionally and culturally relevant and aim to advance I&D maturity from their current level.

The availability of existing useful data varies across companies. Privately held companies have historically not been subject to the same expectations of sustainability or ESG disclosure as public companies. Further, smaller operating companies, for example, may not have dedicated resources or processes to collect and track demographic and other data about its workforce; however, steps to improve organisational understanding are key to helping ensure that future I&D improvements are data-driven and supported by organisational insights that enrich decision making action.



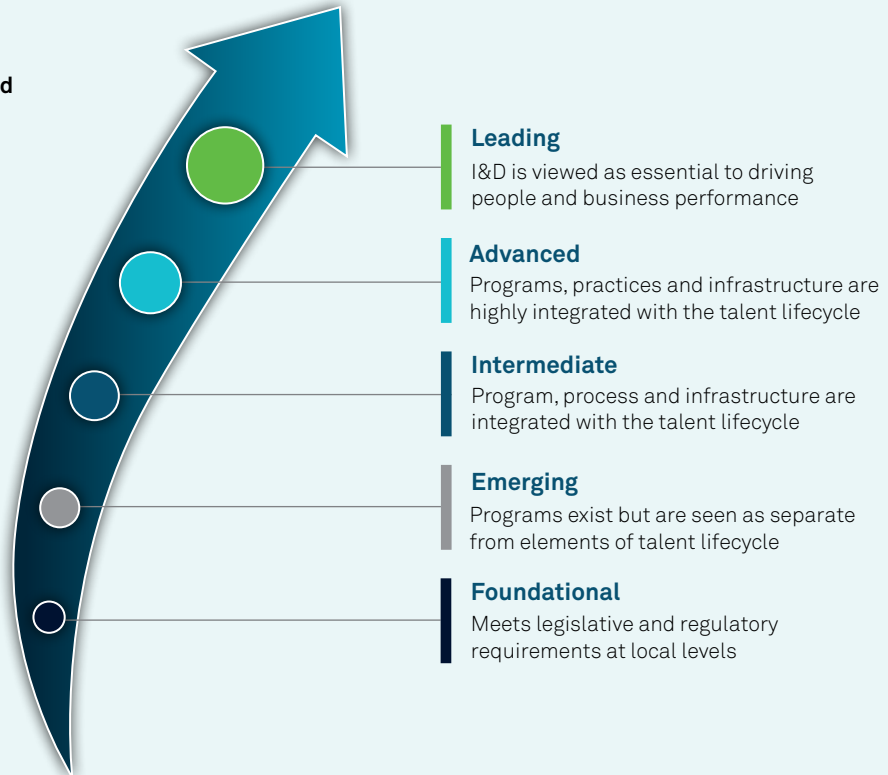
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⁵ World Petroleum Council and Boston Consulting Group, Dec 2021, Untapped reserves 2.0 Driving Gender Balance in Oil and Gas. Accessed 10 Dec. 2022 from <https://www.bcg.com/publications/2021/gender-diversity-in-oil-gas-industry>; Infrastructure Australia, Oct. 2021, Infrastructure Market Capacity. Accessed 10 Dec 2022 from <https://www.infrastructureaustralia.gov.au/sites/default/files/2022-02/Infrastructure%20Market%20Capacity%20report%2020220201.pdf> World Bank. 2019. Women in Water Utilities: Breaking Barriers. World Bank, Washington, DC. Accessed 10 Dec. 2022 from <https://openknowledge.worldbank.org/bitstream/handle/10986/32319/140993.pdf?sequence=9>

⁶ World Economic Forum, Insight Report, Global Gender Gap Report 2020 Accessed 16 Dec 2022 from https://www3.weforum.org/docs/WEF_GGGR_2020.pdf

FIGURE 1 I&D MATURITY CURVE

Key considerations in an I&D maturity assessment rubric include strategy and policy, reporting, external relationships, employee engagement, leadership accountability and accreditation or external recognition.



Source: IFM Investors

Recommended focus areas for improved I&D in infrastructure

- **Invest in diversified talent pools** to help gain access to a broad range of talent, help ease labour constraints, and enable I&D permeation throughout the entire organisation as talent matriculates into more senior roles.
- **Develop policies and programs that support inclusion**, particularly those focusing on mental health and wellbeing, to help attract, retain, develop and support a diverse workforce, supported by senior leadership and the board of directors.
- **Measure employee satisfaction and engagement** to help monitor the success of I&D programs and strategies.
- **Expand I&D focus to external stakeholders** with the aim of contributing to customer access and social and economic resilience of the local community in which an asset operates and or serves.



Actively embracing I&D in decisions can contribute to the health of the broader social and economic systems in which infrastructure assets operate.

As part of the growing awareness that social factors present risks and opportunities for companies and investors, infrastructure managers cannot ignore the potential benefits of embedding I&D considerations in asset management activities, as this article has outlined. Beyond supporting better business and investment performance, actively embracing I&D in decisions can also contribute to the health of the broader social and economic systems in which infrastructure assets operate and depend upon to prosper now and in the future.

Developing diverse talent pipelines

Applying an I&D lens to developing talent pipelines can help relieve labour constraint challenges, build a more diverse workforce and boost the economic participation of underrepresented or marginalised groups in the community, as demonstrated by the following portfolio company examples:

- **Manchester Airport Group** in the UK established the Manchester Airport Academy in partnership with Trafford College. The Academy aims to help unemployed local residents of 16-plus years of age to gain skills and employment at the airport.
- **Airport Development Group (ADG)** in Australia is supporting education and career pathways through its Indigenous Training Academy in Darwin. The academy delivers nationally-recognised qualifications in hospitality and tourism, offering pathways for employment with ADG and its partners within the airport's precinct.
- In 2018, Australia's **Port of Brisbane** launched a cadetship program to promote women's participation in its Marine Operations business unit. The paid training program provided cadets with 'sea time' required to gain qualifications and offered working hours compatible with non-work commitments. The program has helped to challenge perceptions of careers for women in the maritime industry. Female representation in the unit has increased from 1.9% to 10.9% in the four years to December 2022.



Manchester Airport Group



Port of Brisbane

Investing in retention yields positive outcomes

In 2018, Conmex (one of Aleatica's Mexican business units) undertook a deep dive into its relatively high turnover rate of female toll collectors. Key concerns included working hours misaligned with school hours - an obstacle for women juggling a primary caregiver role - as well as unsuitable washroom facilities.

The company responded with allowances for flexible work arrangements and upgraded washrooms. Toll booths were also subject to an ergonomic upgrade.

As a result of these improvements and more conscious recruiting practices, female representation across the toll collector workforce increased from 7% in 2014 to 63% in 2022.. The company noted a correlation between increased female representation and efficiency and customer service improvements across the toll collection operational area.

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