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INSIGHT

Managing infrastructure safety requires long-term focus

Providing a safe workplace is a primary focus for infrastructure assets and for IFM Investors as an asset owner. This is important because infrastructure environments typically involve interaction between a combination of large civil structures, operating equipment, transportation and a range of people – workers, customers, suppliers, tenants, visitors, and community members.

by Shannon O'Keeffe; Will Phillips and Nicholas Rivera

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INFRASTRUCTURE INSIGHT

For IFM, the safety and wellbeing of people is one of our most important obligations and underpins long-term potential value creation in our assets. Therefore, in complex infrastructure environments, like the ones IFM assets operate in, our commitment to safety must be lived every day.

The main goal of workplace health and safety programs is to reduce injuries, death and hardship for workers, site users, their families, and employers. Developing a cooperative approach to ensuring high levels of safety can also benefit businesses by¹:

- Improving product, process, and service quality
- Enhancing workplace morale
- Improving recruitment and retention standards
- Enhancing the confidence that customers, suppliers, governments and communities have in the way the business is operated (ie. social licence to operate).

The United States' Occupational Safety and Health Administration (OSHA) estimates that the indirect costs of poor workplace safety are at least 2.7 times the direct costs due to:

- Time lost from work stoppages and investigations
- Training and other costs associated with replacing injured workers
- Loss or damage to material, machinery, and property².

Achieving a high level of Occupational Health & Safety (OH&S) within a company requires a shift in company culture, and changes to the behaviours and mindsets of everyone at the site from being reactive, after an injury or illness has occurred, to identifying and fixing issues before they may cause an injury or illness. This requires a commitment to continuous improvement through engagement with

¹ SHPM_guidelines.pdf (osha.gov)

² SHPM_guidelines.pdf (osha.gov)

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multiple stakeholders over extended periods of time to help ensure all those who interact in our workplaces understand our interdependence in achieving safety outcomes.

External factors also present challenges to infrastructure assets maintaining safety standards, as they require both companies and people to adapt to maintain operational resilience. The COVID-19 pandemic, and the increasing frequency and exposure to severe weather events arising from climate change, are both prime examples.

Some of the key themes we believe are impacting the long-term management of safety at global infrastructure assets include:

- Safety is everyone’s responsibility
- Facilitating a consistently strong safety culture across assets regardless of the local context
- Climate change impacts safety
- Technology can enhance safety
- Strong safety cultures can deliver better business performance.



Achieving a high level of OH&S within a company requires a shift in company culture



Safety is everyone’s responsibility

The structure of the workforce employed at infrastructure assets can be complex as there are often different groups of people on site (e.g. employees, contractors, tenants, government agencies such as customs and immigration, customers and other third parties), over whom the asset has varying degrees of control. This can meaningfully affect safety outcomes.

- An asset has significant influence over its directly employed workforce. Safety practices for these workers can be improved directly by the asset and may include cultivating a positive safety culture, enforcing rules on site, providing mandatory training, conducting in-depth reviews and taking remedial action following accidents.
- Contractors and sub-contractors may or may not be directly engaged by the asset. They can be high turnover employees with limited experience of working on site. Their safety approach may rely on the training provided by another party (eg. the contracting company), which may not fully align with the asset’s safety culture and approach.
- There may also be third parties or customers who come on site over whom the asset has no contractual control and who may have had no safety training. For example, customers using a toll road, passengers at an airport or transport company drivers accessing a port.

The second and third categories mentioned above can pose as much of a safety risk – if not a greater one – than the risk associated with direct employees of the asset. For that reason, we dedicate significant effort to mitigating these risks.

Whilst most infrastructure assets develop and disclose safety procedures that apply to all people who may have access to any given site, the key challenge is their application and ensuring those procedures are understood and complied with by everyone. Given the interdependence between parties, a high level of collaboration is required between the stakeholders and the asset owner/operator is pivotal to leading this process. We mitigate this risk in several ways, key amongst them being:

- Training and induction against very clear standards and expectations that

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underpin our culture and work practices.

- B** Collaboration and communication, involving multi stakeholder work committees with a focus on information sharing and problem-solving shared safety opportunities to align safety cultures and expectations.
- C** A keen focus on procurement processes and arrangements to give ourselves, where possible, rights to oversight, supervise, audit and sometimes intervene in circumstances where a third party has failed to meet our safety culture, training and performance expectations.
- D** Where the risk warrants it, we invest in our own additional resources to closely supervise the higher risk activities that we rely on other third parties to perform (eg. major construction projects).

The example below details how two IFM portfolio companies with port assets enhanced the safety of indirect workers in their operating environment during the COVID-19 pandemic.

Facilitating a consistently strong safety culture across assets regardless of the local context

IFM expects its portfolio assets to set and enforce high safety standards. A key challenge faced by some of our assets

is local environments where the safety culture is not as advanced and where there are multiple language and literacy levels present on site.

For example, developing countries have different levels of maturity in legislating for workplace safety and workers may have less training and education about creating a strong safety culture. In some regions, for example, it is not compulsory for contractors to wear Personal Protective Equipment (PPE) when operating heavy machinery and the required PPE may not be supplied by the employer.

Such divergences in safety maturity across countries present challenges for asset managers with global infrastructure portfolios who want to achieve consistent high safety standards globally. To help overcome this, we believe all infrastructure assets should have a long-term strategy and training program to achieve a high safety culture that may require differentiation from the local environment. Each asset's approach will have similar fundamental steps but should consider the very different starting point they are moving from to inform how best to achieve outcomes. This approach is likely to provide a much better chance of successfully embedding long term changes in behaviour. Over time this should contribute to improving the local workplace culture.



Port Botany

Improving safety during the pandemic

During the COVID-19 pandemic, Australian ports NSW Ports and Port Botany abided by Australian government vaccine mandates for port staff and also worked with local health authorities to offer vaccines to seafarers coming through the port. While NSW Ports did not have direct responsibility for the seafarers employed on ships berthing at either Port Botany or Port Kembla, it recognised the risk posed to and by these workers who had limited access to vaccinations and long waiting times between doses as they were often working on vessels for months at a time.

During 2021-22, NSW Ports helped vaccinate 1,500 seafarers from 85 boats visiting Port Botany, with a similar initiative then rolled out at Port Kembla and provided by health authorities across the country. This initiative helped ensure that vaccinations were available to seafarers who came into contact with the ports. This was viewed as a necessary procedure to maintain workforce safety and help reduce the risk of an outbreak.

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Aleatica safety journey

IFM portfolio company Aleatica owns a portfolio of transportation infrastructure assets in Latin America (Mexico, Peru, Colombia and Chile) and Europe. The company faces safety challenges as legislative, societal and cultural safety standards in Latin America are much lower than those experienced in developed nations. For example, driving under the influence, speeding, and lack of seatbelt usage are prevalent regional behaviours. Aleatica’s safety approach must therefore incorporate stakeholders beyond its own employees.

These underlying challenges were identified at acquisition, and the asset team correspondingly has actively engaged with management to drive improvements since then. Immediate steps were taken during transition to begin the safety journey, including centralising safety accountability under the COO, linking executive remuneration to safety outcomes, and building out the safety function within the company. These early actions provided Aleatica with a baseline from which to seek continuous improvement and pursuit of best practice.

Through the formation of the Safety Steering Committee (“SSC”), which includes representation from IFM, COOs from our portfolio toll roads, and IFM’s senior toll road advisor, Ken Daley, a multi-year Safety First Plan was created which provides

the foundation for our targeted safety program. The Safety First Plan aims to develop a “Safety First” culture within the company, and key programs include Near Miss Reporting, Job Hazard Assessments, Stop Card authority, contractor Mandatory Safety Requirements and site safety tours. These efforts have contributed to a 70% reduction in global Aleatica employee lost time incidents, and an 81% reduction in the Mexican region³.

Beyond the footprint of its own operations, Aleatica’s safety approach extends across stakeholders. Aleatica’s safety plan is guided by an Accident Reduction Program, which is a multi-year initiative to invest in road safety improvements, as well as invest in community initiatives alongside NGOs such as the Mexican Red Cross. In addition, Aleatica inaugurated the Aleatica Safety Foundation, which will seek to partner with the private sector, public sector, and NGOs with an aim to halve roadside fatalities in Mexico by 2030.

Though there is a long journey ahead, the impact of this broad safety program has the potential to be profound, improving the safety of Aleatica employees and contractors by elevating safety standards and practices, customers, and communities through investment and direct engagement, and improving the practices and aspirations of other companies operating in places like Mexico.⁴

Aleatica



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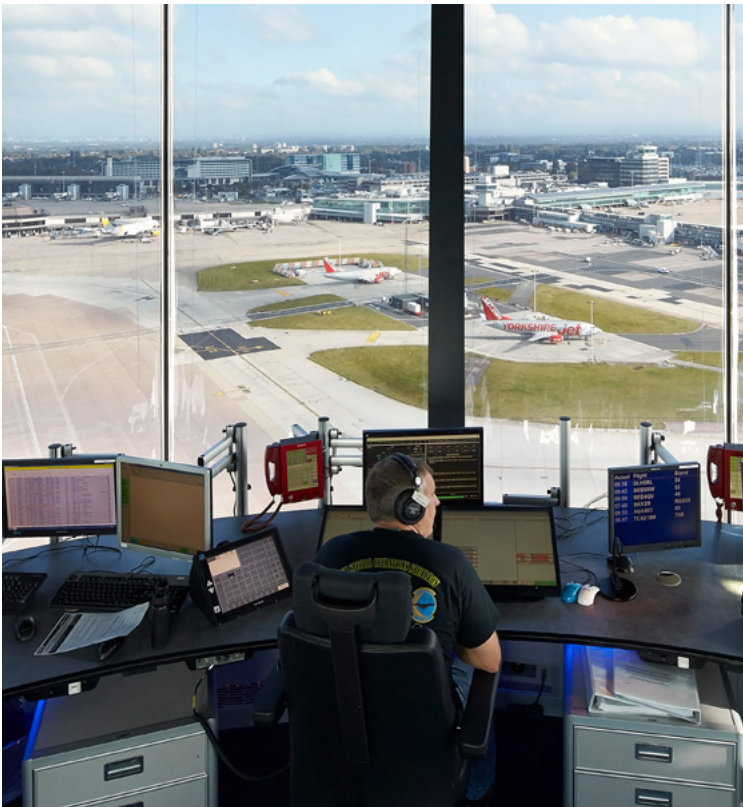
³ 2022 figures vs. 2018 acquisition

⁴ Aleatica management have evidence that the enhanced safety practices implemented with contractors in Mexico have been replicated at non-Aleatica worksites.

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Dramatic technological changes are providing the potential for a step change in the way infrastructure safety is managed.



Manchester Airport

Climate change impacts safety

Climate change is increasing the severity of weather events that can physically affect infrastructure assets. In response, assets are having to adjust their risk management and existing controls to help ensure they can continue to operate at the same level safely.

For infrastructure asset managers, this means adapting existing assets so that they can withstand more damaging and frequent extreme weather events and making sure that new infrastructure is built with climate considerations in mind. This is in line with the ninth UN Sustainable Development Goal to build resilient infrastructure.

Advances in computer modelling are helping infrastructure assets address potential weather impacts that pose risks

to the safety of the working environment. For example, ports may consider implementing technology that models how and where heavy winds impact containers on site. This would allow them to proactively address any heightened safety risks from container falls, as winds become increasingly severe due to climate change, and a one-in-100-year storm could become one-in-ten-year event.

Technology can enhance safety

The current era of dramatic technological change provides the potential for a step change in the way safety is managed across infrastructure assets. This is because technology can create new ways of implementing and monitoring safety behaviours and can, at times, help prevent safety incidents from occurring.

Smart electronic monitoring systems are used to improve security and safety across many of our airports, for example, by helping identify anomalies in passenger movements through terminals which could be connected with suspicious activity.

Intelligent transport systems (which can include a combination of technologies such as road sensors, electronic signs, variable speed signs, automatic lane management/closure systems, electronic signage, CCTV cameras) can significantly enhance safety on our roads. This was demonstrated when Indiana Toll Road implemented edge-computing from California-based Extreme Networks Inc. to reduce the number of traffic incidents on the route by 30%.

Other examples of safety-enhancing technologies across our infrastructure assets include the use of drones to monitor key electricity grid assets and the use of infrastructure monitoring sensors to indicate major changes to elevated road structures.

Strong safety cultures can deliver better business performance

Whilst investments in safety help improve the overall physical and psychological wellbeing of workers, customers and others who rely on our infrastructure, they can also safeguard returns for investors by helping to ensure that capital is proactively invested in prevention, rather than paid in fines, compensation and repairing damage.

A safe workplace is one that values its workers – workers who know they are valued are more engaged and higher engagement can translate into stronger business and investment performance.

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