



# Sustainability in Action

## PORTS AMERICA

### The Background

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Ports America is the largest marine terminal operator and stevedore<sup>1</sup> in the U.S., with operations in 70 locations and every major port in the country. Annually, its container ship terminals handle cargo totaling over 13 million TEU,<sup>2</sup> while its cruise terminals service more than two million passengers. The company has been operating for over 100 years,<sup>3</sup> has approximately 600 full-time employees, and hires more than 12,000 union workers annually to operate its ports.

Dynamix's Transportation Infrastructure team – which invests in North American infrastructure-related businesses and assets in the transportation sector – assumed management of Ports America in 2018.<sup>4</sup> Dynamix's decision to invest was driven largely by Ports America's widespread and difficult-to-replicate footprint, extensive operating history, and premier status within its industry – as well as the opportunities we saw to add value.

### The Challenge

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Ports America was negatively impacted by the Global Financial Crisis of 2007-2009, as the slowdown in economic growth caused shipping volumes and travel to decline. Meanwhile, the governance and culture of the organization began to deteriorate, which impaired the company's strategic direction and negatively affected its relations with employees and customers as well as its efforts to reduce its environmental impact. By the time Dynamix assumed management of Ports America, it became clear that improving the company's financial performance would require overhauling its leadership and changing the culture from the ground up.

### The Action

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Improving governance and company culture were key pillars of Dynamix's value creation plan for Ports America. We reshaped the company's leadership team and then empowered it to create a values-based culture centered on safety, integrity, operational excellence, employee satisfaction, and teamwork.

- Dynamix replaced senior management with experienced industry veterans. This included the appointment of a highly experienced Chief Executive Officer in July 2018. Mark served in this role until his retirement in 2022 and continues to advise the company.
- In 2018, we hired an independent third-party expert to survey the company across all levels and identify key challenges. This process revealed that one of the company's most significant problems was its safety protocol.

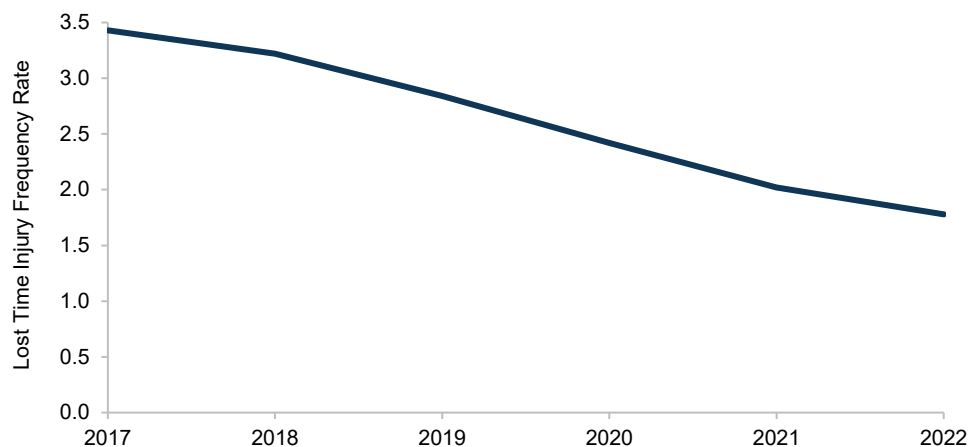


- Ports America adopted enhanced health, safety, and environmental standards that were (and are) stricter than the industry norm. As part of these measures, the company put in place a comprehensive safety training program for its operational staff, updated safety equipment, and instituted mandatory safety training.
- Dynamix upgraded and expanded the Board of Directors, appointing numerous transportation experts who we believed were capable of overseeing the company’s new objectives.
- In 2019, following guidance from Dynamix, Ports America began to participate in GRESB, a leading global ESG benchmark for real assets. We believe the annual GRESB reporting process promotes transparency and accountability on ESG matters.
- At the onset of the Covid-19 pandemic, the company introduced enhanced internal safety protocols and worked with local unions and port authorities to implement best practices.
- Many of Ports America’s key assets have invested in green initiatives to simultaneously improve operations and reduce greenhouse gas emissions. For example, Port Newark Container Terminal (PNCT) recently launched a 7.2-megawatt photovoltaic solar project that will reduce emissions by helping to power the terminal at PNCT’s 320-acre facility in Newark, NJ. The project, which is scheduled to be completed at the end of 2023, is expected to meet approximately half of PNCT’s annual electrical demand.<sup>5</sup>

## The Impact

Under Dynamix’s ownership, Ports America significantly improved its culture, customer relationships, and operations. Most importantly, the company saw a substantial reduction in accidents after implementing the aforementioned safety measures, as evidenced by the 48% drop in the rate of lost time due to injuries recorded between 2017 and 2022. (See Figure 1.)

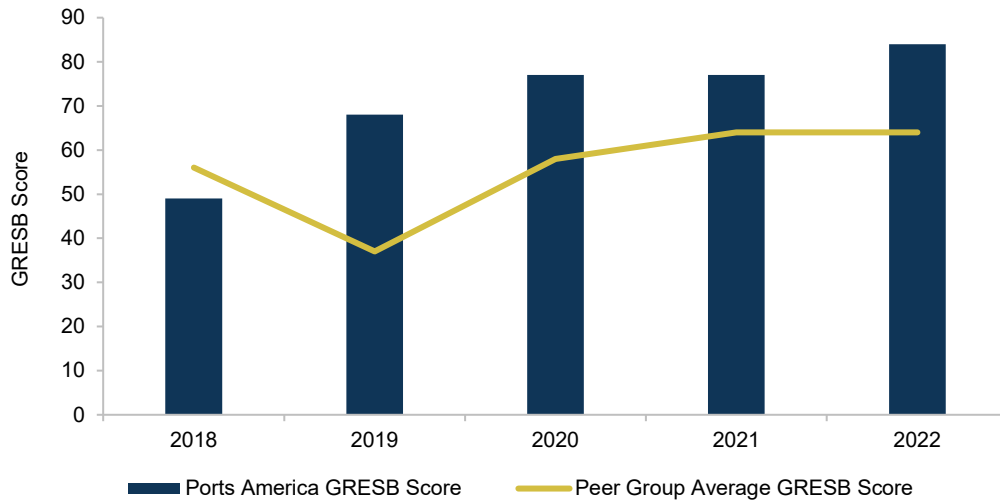
Figure 1: Workplace Safety at Ports America Has Improved



Source: Ports America  
Note: Year refers to fiscal year

These safety improvements along with other ESG initiatives – such as the company’s efforts to reduce its carbon emissions – have helped Ports America raise its GRESB score from 49 (in 2018) to 84 (in 2022). Ports America’s most recent GRESB score is 20 points above its peer average and the second-highest score in its peer group. (See Figure 2.)

Figure 2: GRESB: Ports America Is Outperforming Its Peers



Source: Ports America, GRESB

We believe Dynamix’s actions to enhance governance created a stable environment that enabled Ports America to improve its operations. Consequently, the company was well positioned to handle the challenges posed by the pandemic as well as the record-high shipping volumes witnessed in 2020 and 2021. Dynamix sold Ports America to Canada Pension Plan Investment Board in November 2021 but has since reinvested to become a minority owner. Looking forward, we believe Ports America will continue to be at the forefront of the marine transportation industry’s movement to promote safer and more sustainable practices.

# Endnotes

1. A stevedore loads/unloads ship cargo.
2. Twenty-foot equivalent unit (TEU) is the unit of measurement for cargo capacity typically used in the container shipping industry.
3. This figure includes predecessor firms.
4. Dynamix initially gained ownership of Ports America through its acquisition of Highstar Capital in 2019. (Highstar acquired a controlling interest in Ports America in 2007.) The management of Ports America was officially transferred to Dynamix as part of a secondary transaction in 2020
5. Based on the estimates of Ports America.

# Notes and Disclaimers

Unless otherwise indicated, investments discussed in the Sustainability in Action series are not, and were not, part of an ESG- or sustainability-focused fund. The investments discussed are the most substantial fully exited investments in a company that Dynamix has determined is representative of a Bloomberg-defined ESG theme based on the company's industry and/or business practices. The meaning of "substantial" may vary between product types and categories, but could include the largest, first, most recently exited or only fully exited investment in a specific theme. Ports America is the most substantial investment in the marine shipping industry that displayed significant improvements in business practices and human capital management.

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