

Loyola University of Chicago



# Fortum India: Responsible Leadership in Times of Crisis

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# Fortum India

- Varinder Singh, Chief Manager of Human Resources.
- Founded in 2012 as Fortum's first venture into the solar market
- Actions in India:
  - Develops solar plants
  - Operates EV charging points
  - Achieved breakthrough innovations in the production of biofuels
  - Found ways to mitigate NOx emissions deriving from power plants
- Upholding the core values of the parent company:
  - Curiosity
  - Responsibility
  - Integrity
  - Respect

**Fortum follows and respects the following relevant initiatives and agreements:**

- United Nations (UN) Global Compact
- UN Caring for Climate Initiative
- International Bill of Human Rights
- United Nations Convention on the Rights of the Child
- Core Conventions of the International Labour Organization
- UN Guiding Principles on Business and Human Rights
- OECD Due Diligence Guidance for Responsible Business Conduct
- The ICC Rules on Combating Corruption
- Bettercoal initiative's Code on responsible coal mining
- The Paris Agreement on climate change

# Fortum Oyj

- Energy company based in Espoo, Finland, founded in 1998
- 2021 recorded sales figures of over 112.4 billion Euros
- Employs close to 20,000
- Manages activities in over 40 countries



**3rd largest**  
power generator  
in Europe and Russia



**3rd largest**  
nuclear generator  
in Europe



**3rd largest**  
CO<sub>2</sub>-free power generator  
in Europe



**4th largest**  
gas storage operator  
in Europe

# Case Summary: Timeline

## **EXHIBIT 1: TIMELINE**

1. December 2019: Fortum acquired land in Jaisalmer and commenced solar power plant construction.
2. 24 March 2020: Nationwide lockdown under section 144 announced in India by the government.
3. 25 March 2020: Government of India waived section 144 and related restrictions of lockdown for essential services, including power generation.
4. 11 April 2020: Government of Rajasthan allows 12-hour workday at factories for a period of three months.
5. 15 April 2020: Government of India allows construction of renewable energy projects in the face of extended national lockdown.
6. 20 April 2020: Fortum resumes construction at Jaisalmer site.
7. 30 April 2020: Migrant workers' movement begins from Rajasthan; state of chaos ensues.

# Case Summary: Situation

- 250 MW powerplant in Jaisalmer, Rajasthan
- Power Purchasing Agreement:
  - 18-month deadline
  - Agreed upon energy price
- 800 workers at peak operations with continuous cycling
- Reverse migration crisis
- Registered zero Covid cases until April 2020 on its sites and facilities



# Challenges and Objectives



## Challenges

- Resume or Suspend Construction
- Ensuring employee health and safety at work and at-home
- Eight or Twelve-Hour Workday

## Objectives

- Identify key advantages and disadvantages of each decision
- Provide solutions and recommendations
- Compare our solutions with Fortum India's actions.

# Resume or Suspend Construction



Resume

## Advantages:

- Maintain project schedule
- Employ migrant workers
- Increase profit

## Disadvantages

- International discontent
- Increased materials cost

Suspend

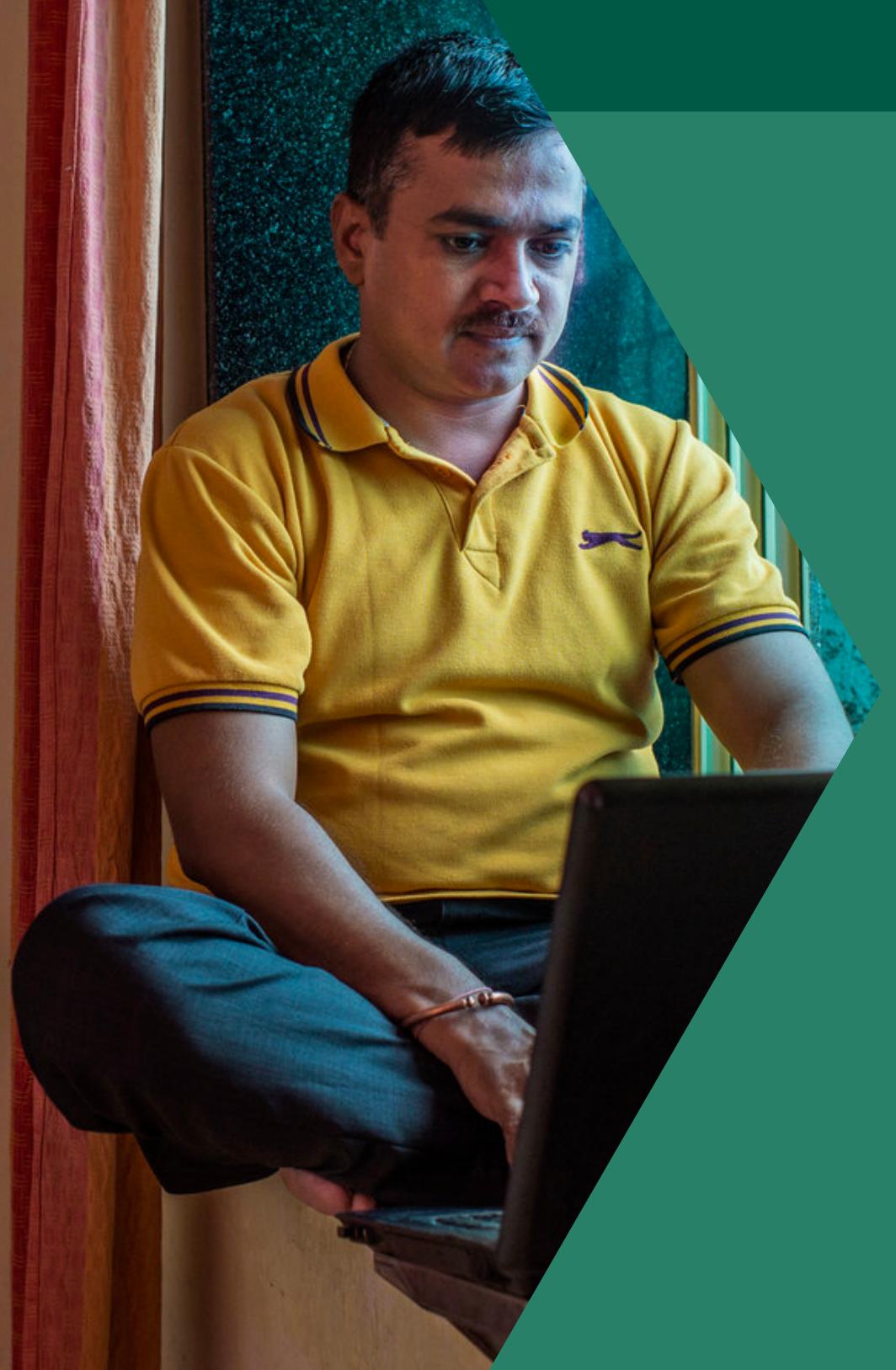
## Advantages:

- Eliminate contagion risk
- Time for pandemic research
- Deliberate response

## Disadvantages

- Sunk costs from idle plant
- Continued reverse migration
- Threat to workers

# Ensuring Worker Health and Safety



## At Work

### Advantages:

- Retention and satisfaction
- Plant safety
- Uphold company values

### Disadvantages

- Project expenses
- Uncertainty of future

## At Home

### Advantages:

- Pandemic protection
- Goal assurance
- Improving CSR

### Disadvantages

- Distraction for workers
- High costs

# Eight or Twelve-Hour Workday



Eight

## Advantages:

- Worker productivity
- Labor relations
- Flexibility

## Disadvantages

- Larger workforce
- Employment expenses
- Greater contagion risk

Twelve

## Advantages:

- Smaller workforce
- Less wage competition
- Lower contagion risk

## Disadvantages

- Violates Fortum Code of Conduct
- Worker health and well-being
- International disapproval

**S**  
**(Strengths)**

Twelve-hour workday reduces labor costs associated with higher expenses such as PPE and benefits

Eight-hour workday increases productivity with lower shift durations.

At-home worker safety decreases off site exposure, as well as on-site spread of the virus.

Suspending construction during the pandemic can help the company gather more data in terms of exposure and time.

**W**  
**(Weaknesses)**

Twelve-hour workday presents health and safety concerns for workers and risks of worker error with chance to hurt project completion

Eight-hour workday creates a higher number of workers on payroll, increasing employment and training related costs.

At-home worker safety incurs added costs and decreases focus on the project on-site.

Having worker safety on site can become expensive and raise project expenses.

**O**  
**(Opportunities)**

Twelve-hour workday provides individual migrant workers more opportunities to have the income to support themselves and their family

Eight-hour workday maintains company values of responsibility and respect for workers while giving more flexibility to cover shifts.

At-home worker safety increases production and corporate CSR.

Worker safety on site is attractive for employees and lead to higher employee retention in the long run.

**T**  
**(Threats)**

Twelve-hour workday could be cause for international criticism impacting stock price

Eight-hour workday causes higher risk for virus outbreaks and decreases worker safety.

At-home worker safety causes unneeded distractions and cuts into the budget of the project, creating a system totally reliant on independent workers' actions.

Fortum India might face international brand criticism for not being reliable in foregoing construction especially if other company plants continue operations

## Proposed Solutions:

# Resume Construction

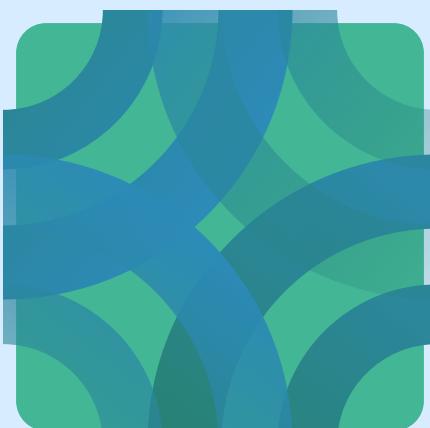
- Suspending construction would not allow for the completion of the Power Purchasing Agreement at the agreed-upon terms
  - Price
  - Deadline
- The government of India's decision to allow the construction of renewable energy projects is a signal to get back to work
- Uphold stringent health and safety standards for their on-site operations
- Provide ample support and care for their workers at home
- Secure jobs with a stable income can outweigh health risks for migrant workers during a pandemic



## Proposed Solutions:

# Ensure Worker Health and Safety

- The assurance of safety for workers should be at the forefront of Fortum India's agenda upon resuming construction both on-site and at home.
- Reduce physical contact
  - Fortum should have non-essential, such as white-collar workers, work from home
  - Offer continued assistance through the "Fortum WeCare" program
  - Staggered arrivals
- Continue Covid Task Force:
  - Provide updated COVID information
  - Contact Tracing
  -
- Provide Personal Protective Equipment including masks and gloves
- Continue work with Non-Government Organizations to ensure safe living conditions for migrant workers



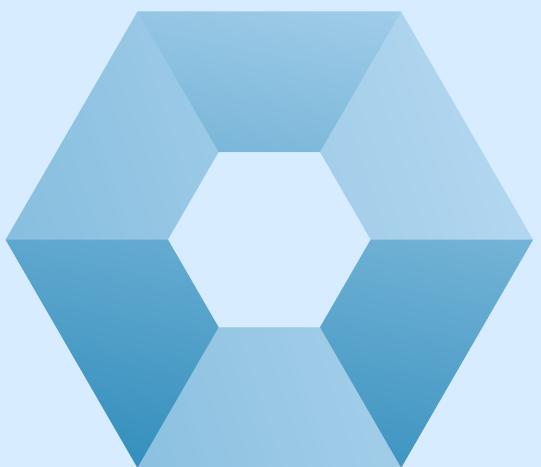
## Proposed Solutions:

# Eight-Hour Workday

- Run three shifts a day allowing for constant operations
- Aligns with Fortum Code of Conduct
- Construction work is incredibly taxing leading to safety concerns with fatigued workers
- Construction is outside subjecting workers to the extremities of the Indian climate
- Creates more employment opportunities for migrant laborers

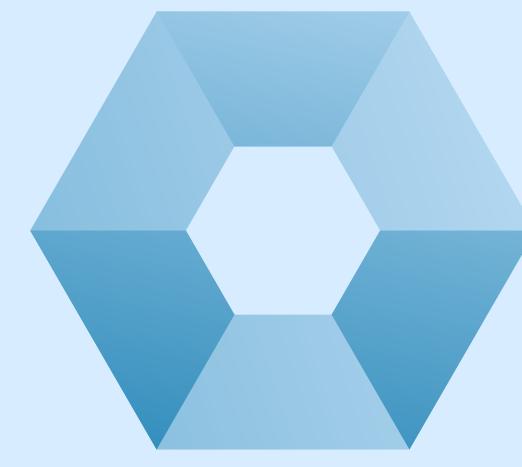


# Fortum's Actions



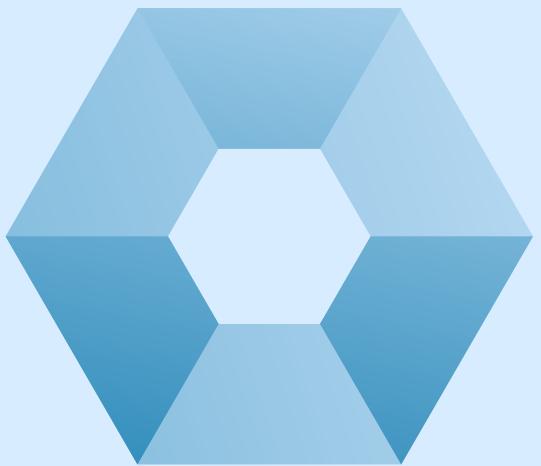
## COVID Task Force

- Security
- Healthcare
- Communications
- Risk and Compliance



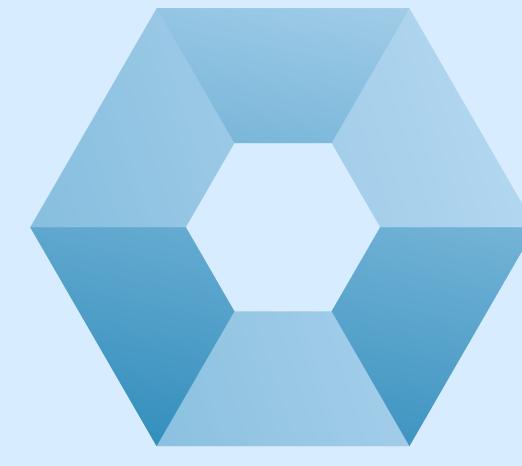
## On-Site

- Staggered arrivals including breaks and lunch hours
- Maintaining physical distance
- Encouraging face masks
- Organizing enhanced cleaning



## Personal Protective Equipment

- Hand disinfectants
- Face masks
- Protective gloves
- Disinfectant cleaning wipes



## Divestment

- In 2021 sold the plant to Acxis
- Use the money for new energy projects
- Continuing production of solar projects in India

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