



## ECRI SPONSORS' CALLS TO ADDRESS COVID-19 VIRUS 2020 ISSUES AND BEST PRACTICES

**Initial Call: Friday, March 13, 2020**

**Update Call: Friday, March 20, 2020**

### **Call 1 Attendees:**

3/13/20: Zahi Ghantous (CCC), Andreas Soellner (Linde), Ryan Loughins (Arcadis), Mayank Agarwal (Air Liquide), Greg Ramsay (Hatch), Jon Nield (ECRI)

3/20/20: Zahi Ghantous (CCC), Duncan Hyde (Arcadis), Jon Nield (ECRI)

### **Call 2 Attendees:**

3/13/20: John Bauer and Karen Furlani (Jacobs), Jamie Reekie (Wood), Tom Roell and Gary Adams (Parsons), Finlay Mclay and Borys Yarosh (SNC Lavalin), Jon Nield, John Ruckert, and Xanthe Larsen (ECRI)

3/20/20: Mayank Agarwal (Air Liquide), John Bauer and Karen Furlani (Jacobs), Tom Roell and Gary Adams (Parsons), Jon Nield, John Ruckert, Greg Amparano, and Xanthe Larsen (ECRI)

### **Main Risks Identified:**

- Business continuity impact due to mass communication of virus to staff
- Adequacy of FM clauses to allow full recovery of cost and time impacts
- Challenge of managing projects in the field featuring FIFO (fly-in, fly-out)
- Travel restrictions imposed at country level (e.g. USA, many Gulf countries) – impacting staff movement/rotation cycles on construction sites
- Construction camp hygiene
- Some clients deciding to postpone/shut-down projects in delivery
- Supply chain disruption and dislocation, particularly in China, Italy and Spain
- Isolated sites – stage entry with 14-day quarantine as a work around for new employees coming on sites
- Some clients playing hardball: “stick to the contract/meet the schedule”
  - Clients pushing to continue construction even in areas with high transmission – government guidelines on staffing/shutdowns lacking making this a difficult landscape to navigate.
  - Some clients viewing their own personnel as non-essential but still requiring construction to proceed.
  - Very aggressive approach to the contract. Should all level out.
- Remote/hardship contracts involving rotational cycles: client mandating extension of current cycles due to ‘local requirements/state of emergency’, meaning those at job site being required to stay and work longer cycle whilst those on leave cycle staying away longer and not being paid ==> major IR process implications.
- Civil unrest – currently viewed as ‘low’ but will easily escalate as/when workers not paid, especially in those countries where Governments are not making commitments to support economy.

### Mitigation Already in Effect for Sponsors:

- Company-imposed travel bans on all non-essential travel
  - Personal travel is restricted with same parameters (CDC Guidelines for Levels 2 and 3 countries).
- Ban on staff attendance at meetings/conferences with > 50 people.
- Close contact being maintained with customers/clients and suppliers.
- Established BC plans being revisited, validated, updated.
- Focus on older staff at higher risk.
- Workshare/work-transfer arrangements under review to help manage home office situation.
- Trialing of entire teams working from home.
- Keep on top of general advice coming from authorities/governments – everyone on top alert.
- Quarantining of staff for 14-days where known they have been in contact with virus carriers.
- Active review and enactment of FM clauses along with compliance with notification requirements.
  - Schedule relief but not cost – communication with the customer is essential to address the cost impact.
- More specialized and regular cleaning/disinfecting of the workplace.
- Huge amount of internal communications – on-line, videos.
  - Project and program managers and dealing with employees.
  - WPS codes at project level specific to virus.
- No more hand-to-hand/face-to-face greetings.
- Restrictions on visitors entering the workplace – strict imposition of 24-hr notice requirement.
- China operations and manufacturing now seen to be starting to pick up again – 6-day week working to help catch-up; office working only with special permission (i.e. where access to specialized software is required).
- Full day allocated to proving BC measures for remote working.
  - High technology (AutoCAD) poses a challenge to support.
- Odd/even day/week attendance at offices.
- New proposals: standard clause introduced to take account of virus as COVID-19 is no longer ‘unforeseen’.
- Single risk ID number introduced for all projects within portfolio to allow easier summarizing from discrete project level of assumptions, costs, and contingencies to build up to enterprise level – are there any huge variances and explanations for these?
- Middle East – stringent travel restrictions implemented weeks ago, now applied to other impacted countries.
- Pandemic Disease Response Plans with operations update calls.
- Identify critical construction activities and delineate from non-essential.
- Reclassify local employees as “local resources” to avoid transferring employees in/out of country to service existing projects.
- Back office in India – asking suppliers for support/outsourced service providers – emphasis on executing projects.

- Project and Enterprise Risk Level:
  - Escalated to executive team/group risk committee then established working group chaired by health and safety team and pushed through Bus.
    - Business impact analysis – target initial geographic “hot spots” and produced overall risk assessment shared with Board and included in Annual Report.
    - Business Continuity Plan (BCP) – gathering information, identifying gaps, and prioritizing additional resources and controls.
- Need to manage project portfolio case-by-case/contract-by-contract – every contract is bespoke.
- Cash management in both short and medium term – major focus – tough 2-4 months ahead.
- Government commitments of financial support under evaluation in all relevant countries – need to clearly understand procedural and administrative requirements.
  - DOE – awaiting official guidance – teleworking, which costs are reimbursable.
- With staff offsite – services and support (controls, contract administration), moving to a more frequent level of reporting (weekly instead of monthly, for example).
- Certain hiring freezes are in place with exceptions for client critical staffing needs.
- Softening of application of employment rules in certain jurisdictions such as California – legal restrictions against allowing hourly employees to work remotely is not being adjusted to meet the needs of the situation.
  - Companies need to enact explicit instructions for timecards, lunch breaks, etc.

**Contemplated Additional Steps/Issues Under Consideration:**

- Should E&C companies seek insurance cover in future to protect against time variable cost risks due to schedule impact?
- Risk Management: consider whether to take as Enterprise or Project – how to assign contingency for risk impacts of COVID-19?
- Classified personnel in US – work at home isn’t feasible so seeking solutions
- Employees with jobs that are shut down – how to handle and compensate?
- Extent actively looking at supply chain resilience – a “Plan B”
- No Sponsors reported confirmed cases within their companies
  - Evaluation process for mitigating/quarantine for exposure – proximity, amount of time – what are the criteria and process?
- How to report the risk publicly? Look at other industries with international operations? Is E&C unique?
- Staff cost mitigation measures (where staff cannot perform work or no longer required to do so):
  - Salary deferrals and reductions?
  - 1-day per week to be worked for free?
  - Enforced taking of annual leave
  - Extended unpaid leave – potentially?
  - Allow accrual of 80 hours of negative paid time off (PTO) to allow for time away from a slowed project.
  - [“Men save mode”] + critical activities for certain essential projects.

- Anticipate further area/regional/city lock-downs (as seen in China, Italy, Spain, France, Canada, possibly U.S.) over the coming days/weeks – businesses need to prepare for associated impacts
- Mitigation measures being focused on:
  - Contract and relief review is being undertaken
  - Communication guidance needed to instruct PMs and other personnel on how to engage with clients, subs; work with insurers to provide notices and confirm coverages.
  - Important to demonstrate mitigations in place to ensure can avail of contractual rights.
  - Concerns relating to concurrency – client reaction is concurrent delay assertion.

#### **Effect on ECRI/Sponsor Meetings:**

- Timing of planned ECRI events – training sessions, SIG meetings, sponsor meetings – London risk course scheduled for end March is being postponed; timing of mid-year sponsor meeting to be debated by ECRI executive w/c March 16; **decision now taken and communicated to postpone mid-year sponsors meeting** .
- BC Planning to be added as topic for forthcoming sponsor meetings.
- Mega Projects SIG Meeting is scheduled for May 13 – will be maintained for now.
- **Houston risk course in May postponed.**
- **Recent events highlight relevance and importance of ECRI and Sponsor involvement – including ability to have such discussions in a client-free environment. Little opportunity to have this type of peer to peer communication elsewhere – important to address crises such as COVID-19 but also the ongoing risk-transfer E&C faces.**
  - **Need to continue to recruit new Sponsors by existing Sponsors; CCC has been highly engaged on this front; Greg Amparano to work to engage with Fluor.**

#### **Actions/follow-up:**

- Follow-up call in 1-weeks' time to be set up – JCN – **complete.**
- Check whether Hatch's action plan can be shared with sponsors – GR
- Employees with jobs that are shut down – best practices as how to handle and compensate? – JCN to send out this question to Sponsor group – **complete: responses/inputs a work-in-progress**
- **All sponsors are encouraged to contribute and share relevant info (like the McKinsey and ACCI documents forwarded by Greg R.) – All**
- **All sponsors and ECRI members to encourage more sponsor participation in this initiative – All**
- **Helpful information, guidance, white papers received by ECRI will be uploaded to ECRI Sponsor Only portion of the website – JN**
- **Jon, Sara and/or Tom to discuss with Katherine Davisson at WEF how WEF can help identify and disseminate E&C industry sustainability measures along with efforts to educate/balance risk allocation with clients.**