



**SUMMARY
REPORT - HIGH
LEVEL HUMAN
RIGHTS
OBSERVATIONS**

**HYDRO CSR ASSESSMENT
BRAZIL 2014**

About DIHR

The Danish Institute for Human Rights is Denmark's National Human Rights Institution. As part of its legal mandate DIHR can engage directly with private actors. The purpose of this engagement is to address the positive and negative human rights impacts of business operations around the world. DIHR strives to publicly disseminate knowledge based on experiences gained in corporate engagement projects in order to advance human rights in the wider corporate sector. Being an impartial, independent National Human Rights Institution DIHR does not offer public endorsements of specific corporate actors.

About Hydro and human rights

Hydro is a global aluminium company with production, sales and trading activities throughout the value chain, from bauxite, alumina and energy generation to the production of primary aluminium and rolled products as well as recycling. Based in Norway, the company has 13,000 employees involved in activities in more than 50 countries on all continents. Rooted in more than a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of our customers. Hydro is committed to support the principles set out in the Universal Declaration of Human Rights, the UN Global Compact and ILO's eight core conventions.

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INTRODUCTION AND METHODOLOGY

This report summarises the human rights specific observations made by the Danish Institute for Human Rights (DIHR) during the CSR assessment process of Hydro in Brazil conducted in November 2014.

BACKGROUND AND CONTEXT

In 2011-2012 the DIHR performed a human rights risk assessment and policy/procedure gap analysis for Hydro. This process resulted in the development of an action plan on human rights for Hydro. In October 2013 DIHR and Hydro met to discuss the status of implementation of the action plan, including how to engage on next steps.

Areas for further follow-up and engagement included:

- Phase 1: A high-level evaluation of Hydro's due diligence mechanisms: A desktop evaluation should be performed of the current system and indicators for Hydro's human rights due diligence in order to follow up on activities to implement a human rights action plan.
- Phase 2: Top-down risk assessment in Brazil: A top-down risk assessment should be performed at Hydro's head office in Oslo to discuss the human rights risks in the Brazil operations. This process should include a review of current policies and procedures.
- Phase 3: Impact assessment on site in Brazil: The site assessment should be performed with the aim of identifying adverse as well as positive human rights impacts of Norsk Hydro operations focusing in particular on community perceptions of Norsk Hydro. It is expected that the results from this impact/perception study will provide Norsk Hydro with a baseline in order to plan for mitigating adverse community impacts, maximizing positive impacts and furthermore improving local community relations.

In the spring of 2014 DIHR conducted a high-level assessment of the current systems and indicators for human rights due diligence as a follow up from the 2012 action plan.

In June 2014 DIHR facilitated a top-down impact assessment at the Hydro head office in Oslo to identify key concerns and issues for Hydro operations in Brazil. The Brazil human rights impact mapping workshop was attended by participants from Hydro HQ and Brazil as well as facilitators from DIHR.

In November 10-20 2014 DIHR participated in a CSR assessment of Hydro's operations in Brazil.¹ This report consists of key human rights observations from the CSR assessment. This report:

- Summarizes the main outcomes of the assessment process;
- Provides advice to Hydro on taking an open-ended approach to human rights due diligence. This includes implementing a mix of measures to integrate human rights within the different areas of concern in the Brazil operations.

METHODOLOGY

On November 10-20 2014 DIHR participated in a CSR assessment of Hydro's operations in Brazil and met with Hydro employees, contractors as well a pre-selected group of external stakeholders. The scope of the assessment included Hydro's operations in the Pará state, including:

- The Hydro headquarters in Belém for the bauxite and alumina business areas
- The Paragominas bauxite mine and the bauxite slurry pipeline
- The Alunorte alumina refinery, the Albras aluminium smelter and the CAP alumina refinery project in Barcarena

Hydro's CSR assessment team consisted of HSE/CSR and Communications experts both from Corporate and local staffs. The DIHR representatives were part of the assessment team.

Multiple semi-structured interviews were conducted with:

- Hydro management
- Hydro staff units, including: CSR, HSE, Security, HR, Legal, Operations
- Hydro workers and workers representatives (at least two workers from each site, including meetings with the key labour unions)
- Contractor workers (at least two workers from each site)
- Representatives of local government (representing the areas of social affairs, agriculture, industry)
- Representatives of the local communities (representing some of the Quilombola communities and civil society at large)

¹The DIHR team included Rajiv Maher, Senior Advisor, and Cathrine Bloch Poulsen-Hansen (Advisor).

The interviews were organised by Hydro Brazil. The full assessment team participated in the interviews with management, staffs, representatives of local government and local communities.

The interviews with workers and worker representatives were performed by DIHR without Hydro assessment team participation. Workers were chosen at random from lists that were provided to the assessment team. Interviews were held one-on-one with an equal distribution between Hydro and third-party employees. Interviewees included white and blue collar, women, men, unionized and non-unionized. During the interviews, employees received an explanation about the assessment process. It was also explained to the employees that any information provided by workers would remain anonymous in the report.

The scope of the assessment was on the actual and potential human rights impacts of Hydro, assessing the following key areas structured around the Hydro CSR strategy: Human Rights, Stakeholder Engagement and Supply chain Management.

Human rights	Stakeholder engagement	Supply chain management
<ul style="list-style-type: none"> • Child labour • Forced labour • Freedom of association • Working hours • Wage systems • Minority rights • Employment practices • Privacy • Harassment • Leave • Use of contractor & temporary workers • Housing welfare program • Security forces • Grievance mechanisms 	<ul style="list-style-type: none"> • Mapping and dialogue • Community impact • Capacity Building/Social investment 	<ul style="list-style-type: none"> • Supply chain & Suppliers and Agents • Costumers and use
Integrity and anti-corruption		

<ul style="list-style-type: none"> • System • Anti-corruption procedures • Corruption + facilitation payment • Anti-corruption risk assessment • Gifts & hospitality • Tax havens & blacklisted companies • Awareness raising
Other
<ul style="list-style-type: none"> • HSE • Environment

LIMITATIONS

This summary report provides an overview of human rights related observations made during the CSR assessment. Thus, the report should not be seen as representing a full human rights impact assessment, and should not limit the scope of any such future assessment. Rather, the observations in the report can be used to add a human rights perspective to existing CSR efforts by Hydro Brazil.

While there was a clear openness and support for the assessment process DIHR was unable to meet with some important stakeholders, including some of the Quilombola communities as well as representatives from the Ministerio Publico. These meetings could have added important information to the overall assessment. In addition it should be noted that Hydro staff attended the interviews with community members and government representatives, which may or may not have influenced the views expressed.

Other limitations pertaining to our methodology involve the general nature of our findings based on limited numbers of interviews at a specific period of time. On average we interviewed 4 – 6 people from each stakeholder group which may not be representative of the whole group. In addition, we should point out that our assessment was not longitudinal in nature and therefore our findings relate and are limited to the specific period of time we conducted our research, that being November 2014.

SUMMARY OF ASSESSMENT RESULTS

The following section provides a summary of key observations made during the assessment and recommendations for follow-up. The observations were chosen based on the potential severity and the scope of the actual or potential human rights impacts they relate to.

General observations

The assessment process made it clear that the Hydro Corporate and Brazil CSR strategies pertaining to human rights are understood by most of management and staffs across Hydro's Brazil operations. When the assessment was performed, there had been a number of very positive improvements to the internal coordination and structuring of CSR efforts. This made it possible for the CSR units at the sites to support better planning and measurement of impact through various projects and initiatives.

However, the assessment found that more specific thinking and initiatives around Hydro's human rights policy at the operations level is needed. There was some confusion in terms of understanding the distinction between respecting and promoting human rights. It is recommended that Hydro clarify what efforts are linked to addressing the potential negative impacts of Hydro and the efforts that are focused on positively promoting human rights enjoyment in the communities. This will lead to a more structured approach to human rights due diligence and impact mitigation as well as help projects and efforts to contribute to beyond respecting human rights towards the actual realization of rights.

Further to this, there have been a number of positive developments to integrate CSR into the various business assurance processes. Hydro should continue these efforts and try to identify gaps in its current processes.

It should be noted that Hydro's aluminium assets in Brazil was acquired from Vale in 2011. In this context Hydro is experiencing a number of legacy issues. These issues are both of a legal and reputational nature. It is important for Hydro to continuously address these issues.

Hydro has taken a number of steps to improve access of communities and employees to mechanisms for raising grievances. More work can still be done to increase the trust needed in order for the mechanisms to be functional for the intended audience.

Recommendations:

- Hydro Corporate and Hydro Brazil should continue the work on advancing, elaborating and incorporating the “do no harm” element into their CSR efforts, specifically ensuring that continuous consideration of its human rights impacts is being made by its CSR teams
- Hydro Corporate should support the Hydro Brazil CSR teams in further integrating human rights considerations in their processes. This includes providing further signalling and guidance on key human rights related risks and concerns that they should be aware of in the operations.
- The project management system at the local level should be subjected to a gap analysis to identify where human rights considerations – and other CSR related issues – could be better integrated and supported. This includes an assessment of what is currently managed well and what could be improved.
- Hydro Brazil should put in place efforts to further ensure the trust and support for the grievance mechanisms.

Working conditions for contracted labour

The assessment process indicated that there are a number of potential challenges when it comes to labour standards for sub-contractors of Hydro Brazil, specifically pertaining to their remuneration, working hours, health and safety. Since the compliance with Hydro Corporate contract-requirements concerning human rights and labour standards hinges on the ability of contract managers and 1st tier contractors to monitor compliance and address non-compliances, these functions need to be adequately resourced in the budgeting and contracting phases.

Recommendations:

- Hydro Corporate and Hydro Brazil management should budget the tendered projects so that there are adequate contract management resources to follow up on 1st tier compliance such as with additional questionnaires to suppliers and on-site audits where the level of risk is raised. Hydro Brazil management should also place additional requirements, including monitoring and training of higher risk suppliers and contractors issues related to human rights.
- Hydro Brazil should implement a training programme for contractors and sub-contractors and/or include a labour standards module into HSE trainings and briefings for workers.

Community engagement and dialogue

Hydro has few significant direct impacts to the communities along the pipeline and the city of Paragominas, which is located 25km from the mine. A few landowners own land surrounding the mine. According to Hydro management this is not an issue as people seldom reside on this land.

The one major impact from the perspective of one community group relates to the very existence of the pipeline and transmission lines in what they consider to be their land. Both transmission lines and pipeline appear not to be welcome by some Quilombola families who experience the pipeline and transmission towers and lines passing through their land. Though this issue is one of legacy from Vale and is being addressed via the legal department we would advise for more coordination and communication between the CSR, Operations and Legal departments on this particular issue.

In Paragominas Hydro has a well acknowledged social programme for dealing with the indirect impact of inward migration. The joint programme with the municipal government on providing shelter and food to destitute newly arrived migrants for one month while they search for work and a bus ticket to return home in the event of not finding employment is highly commended by local authority interviewees and ourselves.

In addition, Hydro has programmes helping communities near the pipeline and in Paragominas enjoy certain human rights mainly with regards to education and income generation activities.

In Barcarena, more systemic processes for identifying and managing impact is needed. There appears to be a number of collective impacts relating to road safety and environmental impacts to the surrounding communities near the industrial zones where Alunorte and Albras are located together with other large plants and new port constructions. The main perceived impacts seems to revolve around dust and to the roads due to traffic congestion which is a frequent occurrence.

While it is acknowledged by the municipal government that many of the local settlements should not be there and instead be resettled to a new resident zone far from the industrial area, Hydro should attempt to address any environmental and social impacts in the meantime before such resettlement takes place. There also seems to be a sound understanding from civil society and community leaders that the government and not the private sector aluminium refineries hold the primary responsibility for resolving the lack of access to potable water and to sanitation, poor roads, excessive heavy traffic and other social impacts.

Recommendations:

- Paragominas and pipeline:
 - Hydro Brazil should have an integrated strategy process regarding the legal conflict between Vale and the Quilombolas in a holistic manner in order to try to resolve the situation. This is already a part of the CSR action plan for Brazil.
- Barcarena (Alunorte and Albras):
 - Hydro Brazil should do consultation and dialogue with the fence-line communities (Vila Nova, Itupanema and Vila do Conde) on a more frequent and regular basis. Main aims would be to inform these communities of current CSR activities, listen to them for their perspectives on needs and development preferences, and learn about any on-going impacts.
 - Hydro Brazil should leverage its influence on the local municipal government on behalf of the local community's main human rights and social related grievances (such as around water, roads, resettlement). A key opportunity is via the Inter-sectorial Forum. However, in order for this to be successful the municipal government and the elected councillors must also commit to their participation.
 - Hydro Brazil should persuade other businesses to also partake regularly at the Inter-sectorial forum.

FROM RECOMMENDATIONS TO ACTION

Since the CSR assessment process, Hydro has been working on integrating the recommendations into action plans.

While some findings were new to Hydro, many aspects were already in the process of being managed through dedicated actions and efforts on the ground. Hydro has worked on reflecting and integrating recommendations into the CSR strategy process on Corporate and local levels. In Brazil the recommendations from DIHR have been included into ongoing action plans for 2015, and will also be input into the 2016 enterprise risk mapping and business planning process.

The outcome from the assessment has been very positive, and has provided Hydro Brazil with a basis to work more systematically on Human Rights. The observations and recommendations from the Brazil assessment have been considered at the management level of Hydro through a number of initiatives. This includes the process for developing the revised CSR strategy for Hydro Corporate as well as planning for a handbook on human rights due diligence.

