



Company report review

Hydro Corporate Social Responsibility Report 2003

Maplecroft

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Company report review – Hydro

Hydro is an energy and aluminum supplier with 44,000 employees in more than 40 countries. Hydro is amongst the largest offshore companies in the world, producing oil and gas in Norway, Angola, Canada, Russia and Libya, the Gulf of Mexico and Iran. Hydro published its first CSR Report in 2000.

Hydro's CSR Report 'Invitation to Action' is presented as a 50-page A5 booklet. The first section of the report presents the five basic CSR principles defined in Hydro's Social Responsibility Directive, with examples of related key issues and dilemmas. The second section presents a Framework for Implementing CSR, including approaches to mapping social issues and integrating these into strategy and management systems. Hydro's two main CSR documents, namely the Social Responsibility Directive and Code of Conduct, are included as appendices.

Hydro's annual report is available at <http://www.hydro.com>. The CSR report is available in hard copy – e-mail csr@hydro.com.

A. Basic principles and key issues

In this section, Hydro discusses the key issues related to each of its five CSR principles, namely human rights, sustainability, diversity, dialogue and integrity. For each principle, Hydro first explains why it is important to the business, and also poses two or three relevant business dilemmas, although without any proposed resolution.

- **Human rights:** Hydro selects and briefly discusses a broad range of human rights issues as relevant to its business, including labour standards, child labour, armed security, indigenous peoples and freedom of association. Hydro refers to many of the key international initiatives and guidelines, such as the Universal Declaration on Human Rights, the core conventions of the ILO, the Voluntary Principles on Security and Human Rights and the principles of the UN Global Compact. Amnesty International Norway contributes to human rights education and training at Hydro.
- **Sustainability:** Hydro says it supports a 'mix of social investment types', comprised of both philanthropy and involvement in longer term projects in which the local community is also engaged. Hydro presents a case-study of the Management and Technology Transfer Programme, one of its social projects in Angola, which involves giving young Angolans university scholarships in the UK. (A further eight case-studies are available on Hydro's website.)
- **Diversity:** Hydro aims 'to understand other viewpoints and recognize the intrinsic value of cultural variation' and 'consider the impact of our operations on the cultural heritage of host communities.' Reference is made to the initiatives of a part-owned Brazilian company, MRN, in preserving the lifestyle of an indigenous people in the Amazon.
- **Dialogue:** Hydro emphasizes the importance of dialogue with local communities and employees, particularly in cases where restructuring leads to job losses. A number of such incidents are referred to.
- **Integrity:** Hydro aims 'to be at the forefront in relation to legislation and general developments' in the area of business integrity and transparency. Hydro is 'actively involved' in Transparency International's work to develop principles and guidelines for companies on how to fight corruption. Hydro has established an Integrity Program, including a channel to the head of Internal Audit through which employees can report any concerns.

B. Framework for Implementing CSR

Hydro presents a step-by-step process of identifying CSR in project and business planning. This starts with a preliminary CSR assessment early in the project planning process, normally carried out by a local consultant, to build social

knowledge. On the basis of this general understanding of social issues, social risks particular to the business are then identified, together with mitigating measures, through stakeholder dialogue and benchmarking. Preliminary CSR targets and action plans are set.

The above process is then carried out in a systematic way through a social impact assessment (SIA), with the help of external expertise. The scope of the SIA depends on the activity but might include: stakeholder mapping, impact on direct and indirect employment; impact on local economies; roles and responsibilities of all parties involved; and mitigating measures.

Hydro states that, 'Partnerships with NGOs and other relevant organizations are necessary to get the best possible result.' Hydro outlines a four-step approach in selecting community investment projects, as follows: make a strategic and result-oriented selection; take a systematic approach; make the project sustainable; maintain a local focus.

Mini case-studies outline how Hydro conducted this process in operations in Iran and India.

C. Social Responsibility Directive and Code of Conduct

D. Assurance and verification

Hydro has chosen not to include statistical information or GRI indicators in its CSR Report, which is not assured. There is, however, an auditor's statement which covers the section on 'Society – People – Environment' as presented on pages 28–39 of the Annual Report 2003, and additional information about health, safety and environment performance for 2003, presented on the company's website, under global commitment. The auditor's approach is based on the principles of the international standard ISA 100 issued by the International Auditing and Assurance Standards Board (IAASB). Hydro reports on some of the GRI indicators in a separate document available on the company website, but not in its reports.

Our comments



It is a positive indication of Hydro's commitment to corporate citizenship that it addresses social and environmental issues not only in the present CSR report, but also in its main Annual Report. Hydro's Annual Report describes on the first page the integration of financial, social and environmental goals in the company's approach: 'In Hydro, we intend to build on our tradition of creating value by combining commercial focus with socially responsible business operations... We draw inspiration from our conviction that Hydro's and society's interests are interdependent.'

There are a number of positive aspects to Hydro's CSR Report. First, it is clearly structured, easy to read and of a reasonable length. Second, Hydro attempts to address the materiality of the social issues it addresses by explaining why each of its CSR principles (human rights, diversity and so on) is important to the business. Third, the business dilemmas presented throughout the report are surely an excellent internal training tool and are helpful in illustrating to outsiders the complexity of some of the issues and helping them to understand the company's perspective. Finally, Hydro has formed some notable NGO alliances, such as with Amnesty International and Transparency International, which have special competencies in the area of human rights.

However, the report does not fulfill its potential due to lack of more detailed discussion, particularly with regards materiality of social and environmental issues, business dilemmas and case-studies. The case-studies do not show how the company is grappling with issues that arise at the implementation level. It would be insightful for Hydro to suggest how it would approach the business dilemmas which are left open. Finally, the report should indicate more clearly where statistical information and the company's GRI mapping can be accessed.



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