

GLOBAL CHILD FORUM IS INITIATED BY H.M. KING CARL XVI GUSTAF AND H.M. QUEEN SILVIA OF SWEDEN

CONFRONTING HISTORY, ENGAGING THE FUTURE

NORSK HYDRO BRAZIL'S JOURNEY TOWARDS SOCIAL SUSTAINABILITY

NO. 3 IN A SERIES OF COMPANY REFLECTIONS FOR THE GLOBAL CHILD FORUM
ON HOW COMPANIES ADDRESS CHILDREN'S RIGHTS AND CHILD-RELATED ISSUES



Promoting digital literacy and addressing issues
affecting children's lives through the use of tablets.
Copyright © 2018 Norsk Hydro ASA



Norsk Hydro entered Brazil in 2011 with a long history of fostering healthy communities that grew up around its operations in Norway. The company therefore had no small sense of the responsibilities of being an actor with an enormous impact on the lives of its workers and neighbours. The difficult history and operating environment of the Amazon region, however, challenge Hydro's commitment to go "beyond compliance" to make a positive difference, particularly with regard to vulnerable populations, including children. Its ongoing efforts to better assess and address its current and potential positive and negative impacts have led to a number of changes in the company's management systems and perspectives. At the programme level, Hydro's interventions that benefit children are progressively more targeted and rigorous, addressing areas that its stakeholders have identified as most important. At a broader level, Hydro is coming to the conclusion that children's rights and child-related issues cannot be addressed through child-focused projects alone (however well implemented), but must be pursued through support for positive systemic change. We see in Hydro's efforts to both respect and support children's rights the salience of the Children's Rights and Business Principles.*

★ Developed in 2012 by UNICEF, the UN Global Compact and Save the Children, the Children's Rights and Business Principles are the first comprehensive set of principles to guide companies on the full range of actions they can take to respect and support children's rights. For more information, see <http://childrenandbusiness.org>

COVER PHOTO

Hydro Alunorte alumina refinery in Barcarena.
Copyright © 2018 Norsk Hydro ASA

CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES IN ACTION

The Children's Rights and Business Principles are a series of ten recommendations that provide a comprehensive framework for understanding and addressing the impact of business on the rights and well-being of children. Throughout this report, examples of the Children's Rights and Business Principles in action will be highlighted.

1 Meet their responsibility to respect children's rights and commit to supporting the human rights of children

2 Contribute to the elimination of **child labour**, including in all business activities and business relationships

3 Provide decent work for **young workers, parents** and **caregivers**

4 Ensure the **protection** and **safety of children** in all business activities and facilities

5 Ensure that **products** and **services** are safe, and seek to support children's rights through them

6 Use **marketing** and **advertising** that respect and support children's rights

7 Respect and support children's rights in relation to the **environment** and to **land** acquisition and use

8 Respect and support children's rights in **security arrangements**

9 Help protect children affected by **emergencies**

10 Reinforce **community** and **government** efforts to protect and fulfil children's rights



Amazon river

MANAUS

Amazon river

PARÁ STATE

BARCARENA

BELÉM

PARAGOMINAS

BRAZIL

BRASILIA

SAO PAULO

RIO

Norsk Hydro (“Hydro”) is a fully integrated global aluminium company. Hydro extracts bauxite from the ground and refines alumina. It produces primary aluminium, rolled and extruded products, serving more than 30,000 customers who use Hydro aluminium for packaging, electronics, automobiles, building and construction, and many other applications. Since a lot of electricity is used to produce the metal, the company is also a major power producer. It relies in particular on hydropower, a renewable source of energy that allows for aluminium to be produced with one-fifth the carbon footprint of the metal produced with the input of coal-powered electricity. Only five per cent of the energy required to produce primary aluminium is needed to re-melt aluminium, and used aluminium can be endlessly recycled without loss in quality. Hydro is therefore also a major player in aluminium recycling. These multi-faceted operations make Hydro the only global company in the aluminium industry that is fully integrated across R&D, product development, the aluminium value chain and markets. To carry out its mission – ‘to create a more viable society by developing natural resources and products in innovative and efficient ways’ – it employs around 35,000 people in 40 countries on six continents.

ENTRY INTO BRAZIL AS PART OF A GLOBAL STRATEGY

Hydro has undergone a number of transformations along the path to its current constitution as a vertically integrated aluminium company with a global footprint. It was founded in 1905 in Norway as a company that extracted nitrogen from the air to produce fertilizer – necessitating also hydro-power expertise and production capabilities. In the 1950s it entered metals production, including increased aluminium production and acquisitions from the 1960s that made it Europe’s largest aluminium producer by 2002. In the 1960s, with Norway’s discovery of commercially viable North Sea oil, it entered the oil and gas business. In the 1990s it expanded its industrial chemicals operations. This continued growth into new markets had benefits, but also costs as mana-

gement found it could not optimize such a diverse business conglomerate. In 1999, then President and CEO Egil Myklebust announced that oil and energy, aluminium and agribusiness would be Hydro’s three global focus areas. But concentration on aluminium would continue. In 2004, the fertilizer business was listed as a separate company, Yara International, the world’s largest fertilizer company. In 2007, Hydro’s oil and gas businesses was spun off and merged with Statoil; in 2008, its petrochemical activities were sold to Ineos. Hydro would from then on be uniquely an aluminium company.

This focus led Hydro in 2011 to purchase the aluminium-related assets of Vale (the Brazilian mining and metals conglomerate) in the state of Pará, one of Brazil’s northernmost states in the Amazon region. These include a mine in Paragominas with an annual capacity of almost 10 million metric tons of bauxite. The bauxite from Paragominas is transported through Hydro’s 244 kilometre long pipeline to Barcarena. There it is refined (along with bauxite from a mine in Trombetas in which Hydro is a minority shareholder) at the world’s largest alumina refinery, in which Hydro has a 91% stake, Alumina do Norte do Brasil S.A. (Hydro Alunorte). The operation produces approximately 5.8 million metric tons of alumina per year. Hydro is also a 51% shareholder in Alumínio Brasileiro S.A. (Albras), the largest aluminium smelter in South America, which produces upwards of 450,000 metric tons of aluminium each year. Along with its regional administrative centre in Belém, these operations employ more than 5,000 people (including long-term contractors) and account for nearly €400 million in annual revenues. Just as importantly, they provide Hydro’s main source of the raw material bauxite, enabling its global strategy of vertical integration, as well as a critical source of aluminium for its extruded products division.

A COMPANY THAT BUILT BUSINESSES - AND COMMUNITY

From its earliest days building dams to power factories for fertilizer production, Hydro's operations and the communities around it grew together. Its first developments in Notodden and Rjukan were in a rural pocket in Telemark, Southern Norway. Hydropower plants, a 6,000 square meter building housing 120 furnaces, and rail access over difficult terrain all required construction. By 1911, more than 1,500 permanent employees and their families also needed houses, which in turn necessitated streets, water and sewerage systems, electric lights and telephone lines. The community created by Hydro employees also required a fire station, hospital, schools, parks, sports clubs and a library. Hydro provided these and more as the population of Notodden surpassed 10,000 and achieved town status in 1913. Public authorities in and around Hydro would take increasing responsibility for the welfare of their citizens, but almost always in symbiosis with the company. This was often a relatively easy relationship as, for example, the plant manager might also be town mayor or union members the area's representatives to the national parliament. Important issues could almost always be brought up and addressed within the shared values of a "small society" in Norway. Hydro followed this pattern of accompanying a municipality from founding to social sustainability in a variety of locations throughout its first half century.

Yet Hydro would all the same learn over time that it would need to attend to the social as well as physical conditions around its operations. Labour unrest and civic problems exacerbated by in-migration that exceeded available jobs – characterized unsympathetically at first as driven by 'hooligans from Christiania (today's Oslo), trouble makers and Swedes' – disrupted construction. Strikes for an eight-hour work day in 1919 in Notodden and a lock-out at Hydro's Menstad warehouse and shipping facilities in 1931 that risked turning violent when strike-breakers were brought in highlighted that Hydro had not yet fully come to terms with its responsibilities vis-à-vis its workforce. The company was predisposed to the perceptions of the day

that labour and management perspectives were opposed.

The 1960s saw a major mindset shift, however, as Johan B. Holte, managing director of Hydro, declared that 'In a large company such as this, there is always the question of rationalization, increasing efficiency, productivity and profits. But inseparable to these issues are the factors of cooperation, work satisfaction and the best possible utilization of human resources.' Agreements between management and labour included Norway's first productivity bonuses, broadened later to be what Holte would describe as 'a democratization of working life through greater knowledge and better collaboration'.

Environmental issues also came to the fore in the 1960s as civil society advocates around the globe increasingly questioned the impact of industry on the planet. Hydro set up a separate environment department in 1969. Its petrochemicals plant at Rafnes in lower Telemark was the first industrial concession in Norway that took into account an overall assessment of environmental impact on local areas. Remedial work was assessed and undertaken in many Hydro locations, and an environmental ethic was increasingly internalized. By 1993, the "Principles for environmental work in Norsk Hydro" laid down the objectives in this field: 'to make consideration for the environment and for future generations the basis for our operations'. Motivated in part by its difficult experience developing a major mining project in India, by 1999 Hydro's "Focus on the Future" additionally acknowledged and embraced human rights compliance as Hydro increasingly became a global company.

All of these strands of social understanding come together in what is called "the Hydro Way". The contemporary understanding of its stance vis-à-vis the world around it is captured in what Hydro calls its "passion for social commerce". It states that: 'Society is made up of our customers, partners, and the communities we operate in. Our commercial interests and our social responsibilities are one: business and societal needs are inseparable'.

3 PROVIDE DECENT WORK

Hydro's support for vocational training is an example of Principle 3: All businesses should provide decent work for young workers, parents and caregivers. Quality education and relevant vocational training are of particular importance.

AT HOME IN PARAGOMINAS

By the time the bauxite mine in Paragominas was first developed by Hydro's predecessor Vale in 2007, more modern conceptions of mining-community relations were increasingly well developed among the major extractives companies. Paragominas, which had been for the most part a sleepy agricultural crossroads, benefited from the understanding among the company, government, and civil society that the town would change and grow profoundly as the result of the nearby mine. Assessments brought to light the likely impacts, and plans were developed for their mitigation, with Vale's social contributions defined as part of the licensing process. These included construction projects for schools, clinics and sports facilities in anticipation of population growth; improvements in the equipment of municipal government; the establishment of a technical school run on a commercial basis that could serve current and future mine employees as well as other employers; the "Mão Amiga" programme for outreach to migrants to the area; funding for an HIV/AIDS centre; and support for a variety of other projects put forward by the municipality based on its own assessments, a number of which were directed towards the benefit of children.

Taking over from Vale in 2011, Hydro felt itself to be on somewhat familiar territory that some characterized as feeling 'not so very different from Norway'. The mine had supported significant infrastructure expansions and improvements. Now the municipal government had an explicit development model with goals to be environmentally sustainable, socially just and economically viable. The town administration

took its responsibilities seriously, with reasonably clear local priorities and plans that Hydro could embrace as part of its compliance obligations. Hydro inherited popular projects that included teacher training and environmental education in primary schools. It also underwrote an after-school project in a centre for

vulnerable children – in partnership with the trade union Industri Energi and local authorities – using iPads to promote digital literacy and stimulate learning.

Hydro also introduced a number of employee volunteer programmes that brought the company and the community closer together. Rather than simply paying for the construction of one community centre, for example, Hydro employees volunteered their time and skills to build it with their own hands. In the programme most popular with Hydro workers, they read with young learners in library spaces supported by the company. These initiatives have multiple benefits: to the children who participate in them; to Hydro employees who feel a renewed sense of purpose and commitment (Hydro management estimates that participation in a community service event has a three-month impact on employee morale); and to the company, who builds with such "high-touch" initiatives reserves of trust and goodwill with its neighbours that carries over to discussions of safety, maintenance, operations, and environmental compliance.

Yet at both the corporate headquarters level and within Hydro Brazil there was a sense that these legacy programmes were not all they could be. In many cases the perceived social benefits of the programmes were largely untested: the number of students who were reported as "benefiting" from environmental education, for example, was the result of a simple multiplication of the number of teachers who had taken the training times the number of students in their classrooms. Hydro began to apply a results based management framework to all of the social initiatives in which it took part, introducing more deliberate planning (including

stakeholder engagement), monitoring and impact analysis. Important questions began to emerge. Would either the municipality or the company advance their goals of environmental sustainability if students were simply the recipients of didactic instruction? The vision of the environmental education programme took on sharper focus: students who could critically read and evaluate complex information, and then put that information into practical application in their daily lives as “conscientious citizens” and “multipliers of action” in their families and communities. This required new materials, new pedagogy, and new ways of evaluating learning, all of which Hydro could support with greater confidence because of the more rigorous programme thinking and planning.

In another case, as Hydro and its partners evaluated the programme most commonly called “the iPad project”, it became apparent that the content of the digital literacy programme had been relatively unilaterally determined by the external partners, without due consideration for the Centre, the children who are the focus of its programmes, or their needs. A far more pressing priority than mathematics enrichment, for example, was consciousness around issues of children’s rights for vulnerable children themselves, from sexual exploitation and physical abuse to child labour. It was also posited that the personal and interactive platform the iPads provided would be particularly suited to introducing children to topics around which there might be shame or embarrassment. By coordinating the iPad applications – customized for different age groups – with interactions with professional staff supervising the programme, it is now believed that children will more readily report risks or harm and receive appropriate social



intervention. Structured reporting every two months keeps lines of communication open between the application developer, programme staff, and the Secretariat of Social Assistance. Hydro’s new approach has moved the initiative from an “iPad project” to one that uses appropriate technology to protect and support vulnerable children.

Through these reasonably straightforward and positive experiences in programme re-design, important lessons and principles emerge for Hydro that are at the same time rooted in its own corporate journey. One is that, if indeed “business and societal needs are inseparable”, the company should bring its best business thinking to its social invest-

1 RESPECT AND SUPPORT CHILDREN'S RIGHTS

Hydro’s enhanced social assessment processes are an example of Principle 1: All businesses should meet their responsibility to respect children’s rights and commit to supporting the human rights of children, including through human rights due diligence.



Norsk Hydro employees working as volunteers in a community project.
Copyright © 2018 Norsk Hydro ASA

ments. As in the core business, a deep understanding of the context, meaningful and concrete performance objectives, professional planning, clear accountability for implementation, and monitoring to see if plans are being followed and if plans, once implemented, are having the intended results all play important roles in positive change in the lives of children. Another lesson is in the importance of transparent processes, broad engagement of experts and affected communities alike, and a commitment to listening – not just “gathering input”, but a true “democratization ... through greater knowledge and better collaboration” that allows those closest to the problems and the solutions to shape the path towards positive change.

This more rigorous programming, monitoring and evaluation regime is starting to reverberate beyond the project level. Conversations around the different projects

and with a broad range of stakeholder groups have exposed difficult realities in Paragominas. Although the municipality is often held up as a model – from its ten-time champion “best school meals” that source most of their food from local family farms, to its environmental policy which has been recognized and adopted by Pará State as a whole – there are still many unserved, vulnerable families and children. In at least some parts of the city, violence against women is reported at crisis levels. Entire neighbourhoods go without basic social services because the population has grown faster than the delivery footprint of the social services agency. Disconnects between the primary school system administered by the municipality and the secondary school system administered by the federal government mean that even students who start with a strong foundation may exit the school system

without the skills needed to work with Hydro or other employers of choice. It turns out that the impact assessments and mitigation plans developed by Vale and the responsible authorities did not entirely account for the developments of Paragominas in the past ten years around the mine. These include greater than anticipated in-migration by unskilled job seekers, and gaps between municipal, state and federal programmes and funding (due in part to Brazil's fiscal crisis) that leave vulnerable families and children of a growing municipality still at risk.

A lesson for Hydro has been that the kind of engineering planning appropriate to capital-intensive projects such as the mine – where it is typical to frontload and then rely on detailed analysis and planning – is less appropriate to the social sphere. Even if one conducts a comprehensive social assessment and agrees with authorities on clearly defined social contributions by the company, unanticipated challenges will emerge as the situation on the ground changes. Company managers now reflect that, however positive its intentions and significant its constructive engagement, it is hard to claim with any confidence that Hydro is going “beyond compliance” to exert “positive social impact” when they are judging primarily on the basis of adherence to a plan agreed to many years ago. Such a statement would require an assessment of actual direct and indirect impacts on the lives of its neighbours today in light of the many commitments the company recognizes as relevant in its human rights and other corporate policies.

Although the experience in Paragominas is largely positive, it has shown Hydro that there is much greater need for dynamic assessment and adjustments in planning and engagement to ensure that the company is aware of, and taking responsibility for, issues to which its presence and operations may have at least in part contributed. The company has therefore launched a comprehensive process of renewed environmental and social impact analysis in and around its Pará State operations. While in the first instance this will be a one-time baseline assessment, it is the beginning of a process, they say, of bringing the entirety of Hydro's social impact and engagement into a framework of ongoing, results-based management.

FROM TRANSACTIONS TO TRUST ALONG THE PIPELINE

Between the mine outside of Paragominas and the refinery in Barcarena, Hydro's pipeline carries bauxite slurry largely invisibly past dozens of smaller communities along its 244 kilometre route. Yet constructive relationships with these neighbours are critical for access to land, environmental monitoring, pipeline operations and maintenance, transmission line maintenance, and implementation of pre-existing development agreements. Some of these are Quilombola communities, which require a differentiated relationship because of their distinctive rights as a traditional people. Among other issues, Hydro is struggling with a perhaps ill-advised but still binding agreement negotiated by Vale. It promised stipends which amounted to salaries for members of a number of Quilombola families who were considered particularly impacted by the pipeline location until such time as a mutually agreeable economic development plan could be negotiated. Since there is little individual incentive to give up the stipend, no agreement has been reached, and the courts have required Hydro to continue payments for the time being.

This outcome could be seen merely as an unfortunate but – in the context of a \$3 billion capital project – reasonably insignificant negotiating mistake. But Hydro Brazil believes that it needs to be seen in its wider context. The failure to reach a broader development agreement has direct negative impacts, as it creates tensions between members of the community who receive the stipends and those who don't, and between those who would benefit from a broader economic development agreement and the company, which is constrained in its social engagement by the current conflict. It is also a relic of a time when Brazilian companies often enough tried to buy their way out of conflict to move their projects forward. A pattern emerges in which communities see a company primarily as a source of extractive benefit, and a company paternalistically provides largely short-term benefits to meet the perceived needs and demands of its stakeholders. No one is necessarily asking what sustainable economic development

would look like, or how the parties could best partner to achieve it. This is bad, Hydro believes, for companies and communities alike.

In the pipeline area and elsewhere, Hydro is working to change this dynamic. One programme it supports is a “casa familiar rural”, or rural family home. This association supports rural Quilombola communities with insight about agro-forestry systems and agricultural innovation projects. Its schools work on a special model that emerged in Brazil that allows students to move back and forth between residencies at the school and their homes, applying lessons learned to their farming even as they advance their basic education. If successful, it will provide growing economic opportunities for young people that respect their communities’ traditional connection to the land. These should be sustainable well beyond the lifespan of Hydro’s pipeline obligations.

This project unfolds within the context of increased engagement with the Palmares Cultural Foundation, the legally recognized umbrella organization of the Quilombola. The goal is to ensure that their voices are at the centre of development thinking and planning. As a land lessee and neighbour, Hydro will of course have ongoing financial and social obligations, will continue to seek opportunities for its volunteers to lend a hand, and will otherwise stay engaged around issues of mutual concern. But the goal, says Hydro management, is to move the company out of the centre of a conversation focused primarily on what the company will or won’t provide to what it believes is a more appropriate role as a trusted partner supporting the Quilombola’s own plans and aspirations for their children’s futures. Hydro realizes that this is a change in perspective and role that must be negotiated with other stakeholders. It has therefore sought the assistance of Renascer, an organization with conflict mediation skills and strong ties to traditional communities.

2 ELIMINATE CHILD LABOUR

Hydro’s support for young farmers is an example of Principle 2: All businesses should contribute towards the elimination of child labour, including through programmes to promote youth employment, skills development and job training opportunities for young workers

OPERATING IN THE SHADOW OF THE PAST IN BARCARENA

The experiences and lessons of Paragominas and the pipeline corridor are put into yet sharper relief by Hydro’s experience in Barcarena, site of its refining and smelting operations, geographically isolated from but still within the metropolitan area of Belém, capital of Pará State. As in Notodden in Norway, the contemporary town exists largely because of the establishment there in the 1980s of what have been, since 2011, Hydro’s operations; even as other companies have established their manufacturing and logistics operations around the deep water port, Hydro remains the dominant economic force. Unlike its Norwegian counterpart, Barcarena remains plagued by socio-political and socio-economic challenges of daunting proportions.

Questions of land, economic justice and violence have shaped the Barcarena region for generations. As early as 1835, Belém was at the centre of one of the first popular revolutions against the Portuguese in the New World. Indigenous peoples, escaped slaves, and others called for independence in response to extreme poverty, hunger and disease. The response to the uprising was deadly, with estimates that government-aligned forces massacred more than 20% of the population in their brutal suppression of the revolt. Successive waves of Jesuit missionaries, agriculturalists and industrialists encroached on indigenous landholdings within Pará State largely with impunity; the industrial zone of Barcarena was founded on land allocated by Brazil’s military dictatorship with scant regard for local claims. Political movements such as the

8 SCRUTINIZE SECURITY ARRANGEMENTS

Hydro's third party monitoring arrangement is an example of Principle 8: All businesses should respect and support children's rights in security arrangements. This includes human rights due diligence with particular attention to any adverse impact on the rights of children.

Movimento dos Trabalhadores Rurais Sem Terra (MST, or Landless Peasants Movement) and derivative groups emerged from communist thinking that informed this history. They still call on people to "invade, resist, and fight" for land, human rights and development. They are often enough met with violent attacks by ranchers and others.

As in other places in the world in which significant economic resources are poured into an existing conflict-ridden area, industrial development can make an already difficult situation worse. Landlessness and chronically high rates of unemployment mean that there have always been far more job seekers than jobs in Barcarena. Sensitive ecosystems are threatened, and slums grow as migrants attempt to secure a foothold. Children in outlying areas are recruited into dangerous work, including the collection of fruit bundles for palm oil production. Young men without strong social ties are drawn to drug and other criminal gangs that provide jobs, excitement and a sense of identity, rationalised in part by the economic injustices around them.

Ministry of Health data suggest that nearly 40% of pregnancies are among teenage girls, with a growing number among those age 15 and younger, condemning both mothers and children to difficult futures. Despair leads many to drug use, with easy availability of crack cocaine fuelling criminality and violence. These circumstances being present in the schools means that many teachers are afraid to teach, and students unable to learn. These dynamics contribute to Barcarena having an intentional homicide rate – almost 50 per 100,000 inhabitants per year – that makes it one of the most dangerous cities in the world in which to live. Such violence, both physical and structural, makes true

development impossible and the future bleak for many of Barcarena's children.

In Barcarena, Hydro finds its own operations entangled in these long-standing conflict dynamics. Around its industrial operations are buffer zones meant to separate people from the risks of particulate matter in the air or of industrial accidents, as well as to

maintain a balance of natural habitat around developed areas. These unoccupied zones are particularly attractive for land invasion. Some people participate for political reasons, others because they need land to live on. Still others are opportunists who claim land which they in turn rent to vulnerable families, or who engage in the "invasion business" – occupying land, taking payment to leave, and going on to the next land invasion. Hydro works with a special division of the police trained to de-escalate conflict when it becomes necessary to relocate people for health, safety or operational reasons, and provides relocation services to a place of the displaced family's choice. The company is proud to have introduced the first third-party monitoring of these efforts by an independent human rights monitoring group. But the failure to find a political solution to the land issue means that the results of its efforts are frequently temporary: land is often enough re-occupied.

The company often confronts such situations with minimum government support. The federal and state governments face fiscal and political crises that make it convenient to downplay or ignore social problems. The Barcarena city administration is still only in the early and tentative stages of emerging from decades of mismanagement, corruption, and complicity in corporate indifference to social, economic and environmental imperatives. Confronted by many competing priorities, officials can fall into the trap of dealing with crises and pursuing politically expedient approaches, rather than seeking sustainable solutions. Trust levels between government and the people are low, and conflict levels high. In a recent effort that resulted in the peaceful

Hydro Alunorte alumina refinery in Barcarena.
Copyright © 2018 Norsk Hydro ASA



relocation of over 900 families from occupied land, the government (other than the special police) was entirely absent – even social services feared becoming involved, despite the presence among the families of many vulnerable children.

Hydro is directly impacted by conflict and underdevelopment in Barcarena in many additional ways. Because Hydro is the dominant employer, virtually all of the violence touches a Hydro employee, a family member, or neighbour. It is impossible, Hydro managers say, for this pain not to follow employees to the workplace, affecting productivity and safety; it is their children who are at risk. Particularly smaller-scale contractors and suppliers are subject to criminal extortion, and the company's own security-related costs are high. Municipal conditions also make it harder for Hydro to attract and retain the quality of staff it needs. While a perceived lack of local recruitment creates resentment and spurs protests, the best students 'get an education and move south' to more attractive opportunities, while the poor reach and quality of municipal education means that, in a recent local recruitment drive, only 7 out of 200 applicants could pass the language test.

Most any civic issue – from the non-payment of teachers' wages to contested changes in motorcycle taxi regulations – can turn into a blockade of Hydro's gate and become the company's problem. This is in part a tactical move by protesters who know that a shutdown of smelter operations will get the government's response. But Hydro managers also admit that it may be a sign that confidence in the company is so low that it is seen by many people more as a useful hostage than as a partner in creating social change. It

may also be a sign of the connections being drawn implicitly in the minds of some between the conditions of their lives and the mismanagement of the aluminium-driven growth in Barcarena that lies, at least in part, at the root of many contemporary challenges.

REDEFINING SOCIAL INVESTMENT

As in Paragominas, the introduction of a results-based management framework to Hydro's social investments has helped the company confront important realities. In some cases a programme is sound. The tennis table project it supports – which is the only Pará training centre that is recognized by the Brazilian Table Tennis Confederation – in fact increases access of children and teenagers to the sport, promoting social inclusion for underprivileged youth. But it is run at a scale – just a few dozen youth – that makes it difficult to imagine that it is a meaningful factor in broader-based social change. In other cases the entire programme logic needed to be rethought. A programme that has often been held out as a marquee initiative of the company includes a youth football team, Alunorte Rain Forest (ARF), which represents Pará State and Hydro at the Norway Cup. It turns out to be a youth enrichment programme that is valuable to the children it serves and well-liked by community members. But it is hard to draw a direct line between the way the programme recruits and involves youth to the espoused purpose of reducing the rates of violence in the schools; it is in some ways geared towards those who are easiest to reach rather than those most at risk. In fact, institu-

tional support for the aspects of the programme most directly related to violence reduction – including support for "culture of peace" programmes and mediator training for teachers – has been so low that it is hard to collect meaningful data on their effectiveness or ineffectiveness.

Such reflections have encouraged Hydro to think about its social investments

9 PROTECT IN EMERGENCIES

Hydro's work to better connect its social programmes to violence reduction outcomes is an example of Principle 9: All businesses should help children affected by emergencies. This includes making a positive contribution to sustainable peace and development.

Alunorte Rain Forest (ARF) youth football team, which represents Pará State and Hydro at the Norway Cup.
Copyright © 2018 Norsk Hydro ASA



on a different scale and scope – one big enough to measurably affect pressing social problems. It is currently completing the concept development and basic engineering study to establish a waste management facility as part of a new landfill in partnership with the municipality. The landfill will serve the city's growing population, while the waste management facility will be a step towards broad-based recycling in Barcarena. It will also support the organization of, and dignified work and income generation for, Barcarena's "catadores" (garbage scavengers) and their families. With the aid of social service professionals, special provisions will be made for children under 18 suspected to be working on and around the landfill. The company's new planning and evaluation framework gives it the tools it needs to be more realistic, both about expectations of what can be achieved, and the investment of time and resources needed to achieve them.

Yet Hydro is also learning that it faces more than problems of scale, scope and proper execution. Indeed, the company has undertaken larger and potentially much more impactful projects, including steps to replace fuel oil at Alunorte with natural gas that should act as an enabler to make gas-based fuel available to Pará State, as well as contributions to the study for a railway system in the State that would serve both Hydro and other development needs. The company, however, proceeds with caution. Another major project was the development and construction of a water treatment plant handed over to the City of Barcarena. Yet the water plant is no longer operational because of improper maintenance and operation, a monument to lost opportunity. As an indu-

strialized city, Barcarena is not necessarily a poor municipality; indeed, 'too much money' may underpin some of the cronyism and corruption that the city has experienced. But observers note that there often appears to be a lack of political vision to tackle the city's most pressing problems in meaningful ways, and a lack of capacity to follow through.

Similarly, there are any number of civil society groups organised around a variety of pressing social issues – land reform, women's empowerment or the environment, for example – and Barcarena's different neighbourhoods. These groups are good at bringing attention to issues, and many do heroic social work with limited budgets. But they typically lack the scale, sophistication or cohesion necessary to shape municipal policy and action or to catalyze broad-based coalitions for systemic reform. Legacy issues may also make it hard for Hydro or other companies to engage with them. "The main challenge is trust", say managers. People may believe, for example, that the water is contaminated and that the company is at fault. Different reports from different sources – the companies, universities, or the federal government, for example – tell people different stories, and it is hard to establish the real facts in ways credible to all. More broadly, there is a 'haunting' legacy of corporate complicity in poor planning, government mismanagement and indifference to the suffering of the most vulnerable that needs to be overcome. There is also the problem of parochialism as each of 20 or more major companies engages with the municipality one on one to negotiate individual agreements, rather than cooperating in stakeholder mapping, analysis of cumulative impacts, or joint planning to address common concerns.

Hydro is taking steps to overcome, on the one hand, distrust of its intentions and actions, and on the other, lack of a sufficiently coordinated approach across government, civil society and companies. It participates in, and provides primary financial support to, the Intersectoral Dialogue Forum (IDF) of Barcarena. The IDF was

10 WORK WITH COMMUNITY AND GOVERNMENT

Hydro's work with the IDF is an example of Principle 10: All businesses should reinforce community and government efforts to protect and fulfil children's rights. This includes working in cooperation with governments, civil society and children.

7 ENVIRONMENT AND LAND USE

Hydro's environmental commitments are an example of Principle 7: All businesses should respect and support children's rights in relation to the environment and to land acquisition and use. This includes supporting children's rights in relationship to the environment where future generations will live and grow.

launched at the behest of the public prosecutor in the wake of an environmental incident (not involving Hydro) as a mechanism to allow communities to bring their concerns directly to companies. It is hoped that it can grow into a space for civic-minded collaboration to help address Barcarena's many challenges. But maintaining the participation of other companies has proved difficult; the mere availability of a table for dialogue has proved insufficient to catalyse much concrete action. Participants want to make it work but are frustrated with the lack of clarity about the IDF's role and function.

Hydro is exploring ways to improve the institutional structures of the IDF, which may need to include stakeholder mapping, outreach capabilities, capacity-building functions, collaborative data gathering and analysis to assess cumulative impacts and collective opportunities, project planning, monitoring and evaluation support, and conflict resolution capabilities. Whatever the specific form it takes, it is increasingly clear that positive contributions to the lives of children and other vulnerable citizens of Barcarena will require investment not only in social service projects or physical infrastructure, but in the socio-political infrastructure necessary to build greater consensus, overcome political barriers, and generate momentum for change.

PARA SEMPRE

Hydro Brazil's lessons to date and aspirations for the future are captured in its promise to the people of Pará State: "Para Sempre", or Pará, forever. This is both a statement of an intention to stay engaged for a very long time, and a promise to take a long-term – even inter-generational – view in its planning, operations and social engagement. The

company understands that people will not believe it merely based on what it says. Rather, it must tell its story 'through the way we treat our employees, build relationships, run our operations, support local development, respect the environment, and honour traditional communities'.

This perspective explains in part why Hydro finds itself so often working on child-related issues, even though it has few of the typical motivations of companies for intense engagement around children's rights; Hydro does not make products specifically for children, for example, and doesn't have a high risk of child labour in its supply chain. Through its collaborations with Save the Children, Hydro has learned that children's rights and child-related issues are an entry point for talking about the wider landscape sustainability issues, whether human rights, migration, or water and air quality. In a low trust environment in which Hydro can sometimes still be perceived as an outsider, 'there is nothing more common or powerful than a bond over children'; and services to children can become a 'door opener' to broader family and community support.

In a complex environment such as the Amazon region of Brazil, where plans seem easily derailed and unintended consequences abound, investments in children also seem to have a particularly sound risk/reward ratio: once critical thinking skills, an understanding of rights and duties, or a sense of civic purpose have been instilled, social capital has been dependably built for the future. As Hydro implements "Para Sempre", managers believe that attentiveness to the lives of children today and tomorrow therefore provides a

distinctive lens on society – one that can help provide internal discipline to the company as it plans, implements, monitors and evaluates current and potential positive and negative impacts on the society around it.

Commentators observe that the full implications of “Para Sempre” will be challenging, as true social sustainability will require major changes in society’s institutions and structures. There is an economic dimension, requiring a shift in Pará State away from the historical dependency on external agendas and business cycles – in which foreign investors may have seen the local population at best as a labour input to extract products for export and at worse as an obstacle to their growth – to the centrality of local plans for human development against which external actors and their agendas will be measured. There is also a political dimension, requiring the power of governments and of companies to become more ‘permeable’ and subject to influence. The vulnerable and disadvantaged of Pará State will need not only to be acknowledged and heard, but to achieve agency to shape plans, assess progress, and demand accountability. In other words, they warn that social sustainability is about how power and resources are developed and shared in society.

Hydro management acknowledge that these are serious challenges. But they also make a few observations.

First, the company is no stranger to ambitious goals. In 2014, it announced its intention of becoming carbon-neutral from a life-cycle perspective by 2020 – the only actor in its industry with such a climate target. It will increase recycling volume from 138,000 tonnes post-consumed scrap in 2016 to 250,000 tonnes in 2020. “We are doing this because it is the right thing to do, but also because we believe we are building a competitive advantage”, said President and CEO Svein Richard Brandtzæg. Similarly, it sees that social sustainability – as challenging as it is – will be a source of competitive advantage into the future.

Second, the changes that are indicated have precedents in Hydro’s history and culture. To arrive where it is today, Hydro had to move from treating organized labour as the opponent across the table to understanding its workers as valued partners at the table. It

had to embrace environmental and safety practices not as compliance issues or business costs, but as affirmatively useful disciplining mechanisms that helped the company become less wasteful, more efficient, and ultimately more profitable. These changes all required shifts in cultures and values, the introduction of systematic approaches, openness to learning and change, and the building of new capabilities, partnerships and opportunities for leadership by others. The move from community relations based on compliance and risk management to the realization of the full implications of business and societal needs being truly ‘inseparable’ may not be so different.

Finally, Hydro management are clear that inertia is not an option; ‘it is important to act, even if we make mistakes’. It is common in the health, safety and environment arena to hear someone say, ‘If you think safety is expensive, try an accident.’ Similarly, ‘If you think social sustainability is expensive, try a blockade at the gate, or a violent neighbourhood’.

Virtually every hydropower project in Brazil has been cancelled or significantly delayed because of community issues; the role of mining in the Brazilian economy is under serious political question as the perception persists that it is about “taking out”, not “investing in”. Violence reduction, corruption, income generation, land claims and other issues intimately tied to the future of Pará’s children will be put on Hydro’s agenda because they are on society’s agenda. Hydro can’t fix them alone; but it must, through its advocacy, action and support for others, become a better catalyst for systemic change.

This case story was written by Brian Ganson of the Africa Centre for Dispute Settlement for the Global Child Forum. It draws from information provided by Norsk Hydro and public sources. All quotations unless otherwise indicated are from Hydro management interviews and company documents.

Please cite as Global Child Forum, 2018, *Confronting History, Engaging the Future: Hydro Brazil's journey towards social sustainability*. Stockholm: Global Child Forum.

The case may be freely copied and distributed with proper acknowledgement.



www.globalchildforum.org
f *globalchildforum* **t** *@GCForum*



INITIATED BY H.M. KING CARL XVI GUSTAF AND H.M. QUEEN SILVIA OF SWEDEN

GLOBAL CHILD FORUM

FOUNDED IN 2009 BY THE SWEDISH ROYAL FAMILY, GLOBAL CHILD FORUM IS A LEADING FORUM FOR CHILDREN'S RIGHTS AND BUSINESS DEDICATED TO INNOVATIVE THINKING, KNOWLEDGE-SHARING AND NETWORKING. WE BELIEVE IN THE POWER AND RESPONSIBILITY OF BUSINESS, WORKING IN PARTNERSHIP WITH ALL PARTS OF SOCIETY, TO CREATE A PROSPEROUS, SUSTAINABLE AND JUST SOCIETY FOR THE WORLD'S CHILDREN.

IN ADDITION TO OUR FORUMS, GLOBAL CHILD FORUM DELIVERS RESEARCH PERSPECTIVES, BEST PRACTICES AND RISK ASSESSMENT TOOLS DESIGNED TO UNLOCK OPPORTUNITIES FOR BUSINESS TO INTEGRATE CHILDREN'S RIGHTS INTO THEIR OPERATIONS AND COMMUNITIES.

FOR MORE INFORMATION, PLEASE VISIT: WWW.GLOBALCHILDFORUM.ORG
