



UN Global Compact Communication on Progress Norsk Hydro ASA – June 2005

Hydro was among the first companies to sign up as member of the Global Compact in 2000. Hydro's CEO Eivind Reiten emphasizes in Annual Report 2004 that our support of the UN Global Compact principles on human rights, international work standards, anti-corruption efforts and the environment are fundamental to our approach to social responsibility. We have integrated the principles into our policies and practices and operationalize them through the development of guidelines, reporting, training, and workshops.

In addition to our participation in the Global Compact, we also take active part in the Global Compact Nordic Network.

To highlight in more detail how we follow up on the 10 Global Compact principles, we have prepared a more specified Communication on Progress. In addition we refer to our Annual Report 2004.

Human Rights

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2

Make sure that they are not complicit in human rights abuses.

Commitment

Hydro endorses the principles laid down in the Universal Declaration of Human Rights, and regards the declaration as an essential part of the ethical foundation for our company. Our Social Responsibility policy states that we are committed to ensure that all our activities are conducted in accordance with basic human rights standards. Insight and knowledge shall be made available to relevant staff, and training in cross-cultural understanding shall be provided when appropriate. Hydro will not discriminate on the basis of gender, religion, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age or political opinion. We recognize the intrinsic value of the different cultures in which we operate, and will act with care and respect when we enter areas with an indigenous population or other minorities.

The use of armed security guards is necessary in some countries. This may imply challenges with respect to human rights. Therefore, Hydro has endorsed the Voluntary Principles on Security and Human Rights.

Systems

- We realize that it is not enough merely to endorse the principles. We must understand human rights, and the importance of upholding them. In consequence, we have collaborated with Amnesty International Norway since 2002. Amnesty shares information and experience with Hydro employees, and discusses human rights issues with Hydro management at various levels, including top management and our CEO. At the same time the collaboration provides Amnesty with insight into the challenges and dilemmas that an international company may face. An e-learning system on human rights developed by Amnesty International Norway is made available to all Hydro employees on our intranet. Since 2002 we have supported Amnesty International Norway with 1 million NOK annually.
- Human rights are an important aspect of our Hydro Integrity Program. The program is an extensive effort to systematically ensure compliance with our corporate social responsibility (CSR) policy, legislation, and our voluntary commitments. Our work with the integrity program started in 2004 and will be launched in autumn 2005.
- Respect for human rights shall, with other CSR issues, be an integrated part of project planning and execution, from idea generation to completion of a project. Human rights are also addressed in the annual business planning process. All Hydro units are expected to carry out a risk analysis and include necessary targets and actions in their business plans.

- We systematically perform country and project specific risk analysis, especially focused on human rights, before we embark on large new investment projects, enter new countries or extend our business to other regions in countries where we are already present.
- The Voluntary Principles on Security and human rights are followed up in order to monitor compliance.

Actions in the reporting period

- Hydro has contributed to the various hearings in relation to the UN Draft Norms on Business and Human Rights. We have expressed support for the development of an internationally binding set of rules for how companies shall relate to human rights, but have emphasized that ambitions should be realistic, i.e. that compliance with the rules, as well as monitoring and sanction mechanisms should be feasible in practice.
- The information booklet “Corporate Social Responsibility - Invitation to Action”, where human rights are one of the main topics, was published and distributed throughout the company in 2004. The booklet has also been made available externally.
- In connection with the development of the Hydro Integrity Program we have carried out a survey to determine critical areas related to the implementation of human rights throughout the entire organization.
- Human rights issues have been systematically addressed in all country risk analysis and project specific social impact assessments.
- Potential human rights challenges have been given particular attention in Hydro’s major/new projects, for example in the project planning process of an aluminum smelter in Qatar.
- A project has been launched to ensure the implementation of our human rights principles in the procurement and contracting part of our value chain.
- We have examined our limited use of security forces to ensure that we are upholding compliance with the Voluntary Principles on Security and Human Rights.
- Human rights have been regularly addressed in Hydro’s training programs.
- Hydro has had frequent discussions with Amnesty International Norway, who participated in several workshops and training sessions on various management levels including top management and our CEO.
- Hydro has published an appeal by Amnesty International Norway against death penalty of a young Iranian woman on our intranet, giving employees the opportunity to directly support the campaign.
- Hydro Corporate Management Board expressed its concern internally and externally regarding human rights violations in one of the countries where we operate. We have a close dialogue with Norwegian authorities on human rights issues in particular countries, and urged them to address this issue towards the respective government. As a result of

pressure from various stakeholders, a death penalty has been postponed and the case is up for reconsideration.

Performance in the reporting period

- We have not experienced any breaches of our human rights policy, and we have no investigations going on alleged human rights abuse.
- To our best knowledge, we have not participated in any business making us complicit in human rights abuses.
- We have no reported cases on discrimination of employees or potential employees.
- We have no reported cases on maltreatment of indigenous population or other minorities.
- We have no reported incidents related to the use of armed security.

Labor standards

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

The elimination of all forms of forced and compulsory labour;

Principle 5

The effective abolition of child labour; and

Principle 6

Eliminate discrimination in respect of employment and occupation.

Commitment

Our labor standards are expressed in our People Policy, Health, Security, Safety and Environment Policy, Code of Conduct and in our Social Responsibility Policy. .

We regard the rights of our employees as fundamental, and engage in constructive and open dialogue with them and their representatives. Hydro supports the principle of freedom of association and the right to collective bargaining. Our employees are fully entitled to be – or refrain from being – union members and to be represented in collective bargaining agreements. In countries where these rights are restricted, Hydro supports the establishment of alternative fora to uphold employees right to influence their work situation. Hydro has a long tradition of cooperation with employees' organisations.

We do not permit child labor, and will normally not engage children under the age of 16 in our operations. If the child has the right to schooling, play, rest and family life, limited exceptions may be made if this is clearly in the best interests of the child. This is in line with Save the Children's guidelines.

Hydro is committed not to employ forced labor.

Maximum working hours for employees shall normally not exceed 48 hours and 12 hours of overtime per week, including 24 hours continuous rest. Hydro employees are protected against dismissal as a result of pregnancy and care for newborn babies.

We believe it is important that the organisation at all levels represent diversity in respect of experience, age, gender and cultural background. We are committed to increase the number of women in management positions.

Hydro shall give all employees fair treatment. We do not accept any form of harassment or discrimination on the grounds of gender, religion, race, national or ethnic origin, cultural background, social class, handicap, sexual orientation, marital status, age or political opinions. Appointments, promotions, training and remuneration are therefore based on qualifications such as education, experience and results.

Systems

- We promote diversity through our leadership planning process, in our recruitment to management programs and our employee performance and development process.
- Training is provided in a number of areas, including values, management, health, safety and environment. . We also offer a broad range of information and training options on the intranet, to which approximately 60 percent of our employees have access.
- We have systems in place to collect grievances and complaints to ensure that workers can raise their concerns in confidentiality. These systems include a whistle-blowing channel Corporate policies are available on the intranet. Information about them are distributed to all employees in appropriate languages.
- Hydro Monitor is the organizational survey tool used in Hydro. It provides us with a broad perspective on the organization, and enables us to identify where we are making progress, and where further action is required.
- We systematically involve the employees' organisations at an early stage in connection with restructuring processes
- Labor standards are systematically addressed in country and project specific risk analysis and in project development and implementation.

Actions in the reporting period

- We have carried out a survey to ensure compliance with both our policy on child labor and on forced labor throughout the company.
- A brochure – “You and Hydro” has been distributed to all employees in Hydro, describing the basic rights and responsibilities of employees. The brochure is available in 14 languages, covering local languages of 99 percent of the employees.
- Roll out of Hydro Monitor started in 2004, including 20 percent of the employees. By the end of 2007 all employees shall be included.
- The information booklet “Corporate Social Responsibility - Invitation to Action”, which addresses among other CSR issues labor standards, has been distributed throughout the company and was also made available externally.
- Hydro takes part in the Confederation of Norwegian Business and Industry's Female Future program, which has the objective of increasing the proportion of women in management and on boards of directors.
- Potential labor standard challenges have been especially addressed in project development and implementation, for example in the project planning process of an Aluminum smelter in Qatar and Aluminum plant in China.

- An internal project was launched to ensure implementation of our CSR principles, among them good labour standards, in our supply chain management processes.
- Labor standards as part of Human Rights are addressed in Hydro's Training Programs.
- Through the company's leadership planning process, we seek to identify women candidates for management positions.
- Hydro has tried to find alternative solutions to lay-offs through voluntary schemes and support systems.

Performance in the reporting period

- To the best of our knowledge we do not employ children under the age of 16 in our organization.
- We do not employ forced labor.
- We have no reported cases on discrimination of employees.
- In the Norwegian part of Hydro, the proportion of female managers increased in 2004 from 17 to 18 percent, while the proportion of women overall is 21 percent. Our reporting for other countries is as yet incomplete, but we have nevertheless identified a need to promote greater diversity. In 2005 we will continue our efforts to further increase the diversity of our organization.
- In 2004 Hydro was awarded the Norwegian organisation "Management, Equality, Diversity" prize for promoting women in management. The award was presented by then Minister of Trade and Industry, Mr. Ansgar Gabrielsen.

Environment

Principle 7:

Businesses should support a precautionary approach to environmental challenges;

Principle 8:

Undertake initiatives to promote greater environmental responsibility; and

Principle 9:

Encourage the development and diffusion of environmentally friendly technologies

Commitment

Hydro's ambition is to demonstrate courage, foresight, respect and a strong sense of responsibility for people and the environment. Hydro will be in the forefront in environmental care and industrial safety.

Our Health, Safety and Environment (HSE) policy covers all HSE aspects, applies to all parts of the value chain, and all our other activities;

- Extraction and procurement of raw materials
- Transport and storage
- The technical and operational integrity of our production systems
- Handling and use of products
- Waste disposal, reuse and recycling
- Acquisitions, mergers, investments, divestments, closures, commercial agreements, modifications and development of new products and processes.

Our HSE policy is mandatory for all consolidated group companies and for all joint ventures where Hydro is the operator or has an ownership interest of more than 50%. For joint ventures where Hydro has an ownership interest of 50% or less and for contractors and suppliers we shall exert our influence to produce consistency with this policy.

In respect for the value of the earth and the resources it provides, Hydro is determined to work ambitiously, through continuous improvement, for low environmental impacts. We will design our products, develop and use technology to produce minimum adverse effect on the environment, making efficient use of energy and resources.

We are committed to be in the forefront of development of frameworks, reducing our own emissions and developing sustainable energy and materials systems.

When acquiring or entering into commercial agreements with companies that are far from our standards, we shall set ambitious goals to ensure significant improvements in their environmental performance.

We will systematically seek to deepen our understanding of environmental risks and effects of our activities, promote transparency and publicize our environmental goals and report on status and progress in a dialogue with our stakeholders.

We will continuously work to reduce environmental impacts and risks related to our activities, and contribute to sustainable products and production in a life-cycle perspective.

If accidents occur, we shall be prepared to do the utmost to prevent environmental damage.

Systems

- All our activities shall be in compliance with statutory requirements and Hydro requirements. Production sites shall be in compliance with the ISO 14001 standard or equivalent.
- We shall achieve our goals through the systematic management of environmental risks and opportunities, and the development of and adherence to a common environmental management system built on good practice and experience.
- Hydro encourages the use of nationally and internationally recognised standards, guidelines, procedures and acceptance criteria. If needed, sector specifications are established for issues not covered by such.
- Hydro has an in-house database system for emissions and waste inventory that also include data for energy and raw material use. This database is centralized and is accessible by individual operations throughout the organisation.
- Policies on climate change and biodiversity have been developed.
- Hydro introduced an environmental index in 2003 to be used for target setting at all levels within the aluminium business area.
- Hydro performs Environmental Impact Assessments (EIA) for all major projects, or when relevant for other reasons.

Actions in the reporting period

Several actions have been taken in order to improve environmental performance.

- Policies/management systems:
- A policy on Biodiversity was finalised in 2004.
- Hydro is involved in several projects aiming at safeguarding biodiversity. Through our minority shares in bauxite mining and alumina production, we are an active partner in the restoring and preservation work done in Brazil and Jamaica. Hydro is also a member of OGP and IPIECA and through this membership, we support the recommendations from the Energy and Biodiversity Initiative (EBI).
- Energy projects:

- Hydro is involved in wind and wave power projects and in trials involving hydrogen as an energy carrier. In 2004, Hydro finalized two projects regarding wind power (Havøygavlen and Utsira). Hydro has recently signed an agreement to buy a 50 percent stake of Scira, a UK-based wind power group established to develop wind power in the UK. Hydro. Through the last years, Hydro has delivered hydrogen fuel stations to Reykjavik in Iceland and to Hamburg and Berlin in Germany.
- We constantly strive to develop new technology, both in-house and in collaboration with other oil and gas companies, for the production of electricity and hydrogen from natural gas.
- Upgrading of hydropower plants have resulted in up to 15% increased production capacity without increasing the water throughput.
- Emissions/discharges:
- We have continued to develop our production methods and products to ensure that emissions and discharges throughout the lifecycle are as low as possible.
- Reduced emissions of fluorocarbons from aluminium smelter are planned from 2006, when SF6 will be replaced as blanket gas in magnesium casting.
- Hydro has introduced purification technology and other measures over the years that have resulted in major reductions in emissions and discharges.
- Planned measures, some of which have been implemented, will reduce damage to the marine environment from our oil and gas installations by 80% in 2005, compared to 2002.
- Hydro has decided to close down Söderberg processes (processes for primary Aluminium production) within 2006 due to environmental causes.
- Hydro has developed a new smelter technology that is the industry's benchmark regarding energy use and emissions.
- In 2004, it was decided to construct a new chlorine plant at Rafnes, Norway, which will result in considerable environmental improvements through reduced energy consumption and emissions/discharges.
- Greenhouse gas emissions:
- We are involved in international efforts regarding greenhouse gas emissions in order to develop global frameworks based on flexible mechanisms, such as trading with emissions quotas.
- We have taken the expected CO₂-charge into consideration in all major investments, and applied foresight in our choices of solutions with lower emissions of greenhouse gases.

- Hydro was active in the development of the GHG-Protocol (by WBCSD/WRI), and participated in the project management team and as core advisors through many years.

Performance in the reporting period

- Hydro has worked systematically for many years in order to reduce environmental impacts from our operations. This has resulted in significant improvements regarding emissions and discharges. Please refer to the environment section on the Hydro website and the following links for details:
 - [Greenhouse gas emissions](#)
 - [Resource use and waste production](#)
 - [Environmental profile - Oil & Energy](#)
 - [Environmental profile - Aluminium](#)

Anti-corruption

Principle 10

Businesses should work against all forms of corruption, including extortion and bribery.

Commitment

Integrity and transparency are highly emphasized principles in Hydro. We are to be honest and fair in all our dealings, and we shall not allow engagement in either bribery or other types of corruption. This is stated in our Social Responsibility Policy and Code of Conduct.

The company's Code of Conduct shall ensure that everybody acting on behalf of the company abides by applicable laws, and behaves in an ethically acceptable manner. Our Code of Conduct has been approved by the Board of Directors and applies to the members of the Board, all employees, and Board members of all subsidiaries.

We have taken part in developing Transparency International's Business Principles for Countering Bribery, and have endorsed them as voluntary commitment.

We have also endorsed the Partnering Against Corruption Initiative (PACI), an initiative of the World Economic Forum in partnership with Transparency International.

Systems

- In 2004 we started developing the Hydro Integrity Program, which focuses on anti-corruption work in Hydro. It includes an analysis of critical areas, development of routines and guidelines where necessary, training, and follow-up measures.
- Employees are encouraged to discuss their concerns, and take up any breaches of the Code of Conduct with their superiors. A whistle-blowing channel is available to all employees if they do not find it suitable to take up the matter with their own line manager.
- We systematically perform country risk analysis on countries we consider entering. These analyses also cover the country's corruption level and potential challenges related to transparency and integrity.
- Corruption risk analysis and mitigation are an integrated part of project planning and execution, from idea generation to completion of a project.
- Corruption risk and transparency issues are addressed in the annual business planning process. All Hydro units are expected to carry out a risk analysis, and include necessary targets and actions in their business plans.

Actions in the reporting period

- Integrity and anti-corruption were main topics at the annual President's Meeting, Hydro Summit covering top 200 management in Hydro, and other company events. Anti-corruption work has been put high on the agendas of line managers throughout the company.

- The work plan for the Hydro Integrity Program has been presented to and endorsed by Hydro's management and board. The process of implementing the program throughout the organization has started.
- In connection with the Hydro Integrity Program we have carried out a survey to assess corruption risk and determine critical areas throughout the company.
- Specific guidelines and routines have been developed. These are described in the Hydro Integrity Program Handbook, which will be issued in 2005.
- The information booklet "Corporate Social Responsibility - Invitation to Action", where anti-corruption and transparency is one of the main topics, has been distributed throughout the company and was made available externally.
- Information about anti-corruption and integrity is included in the brochure "You and Hydro", which was distributed to all employees.
- We continued our cooperation with Transparency International Norway, its international secretariat, and also joined the "Global Corporations for Transparency Initiative". In 2005 we supported Transparency International with 750.000 NOK.
- We continued to serve on the Steering Committee of "The Business Principles for Countering Bribery". We have contributed to the further development of the "Guidance Document" to expand the reach of the principles, and thus contribute to the global fight against corruption.
- We joined the organization TRACE, which specializes on countering corruption in transactions involving agents and intermediaries. This collaboration gives us access to expertise on important issues for the Hydro Integrity Program.
- We have implemented extensive measures to ensure compliance with the Sarbanes-Oxley Act.
- Corruption risk and mitigation measures have been especially focused upon at all stages of our capital value process, from business development activities to project execution. Numerous country risk analysis and partner/license due diligence with particular focus on corruption and transparency issues have been conducted. Specific measures to handle critical issues have been implemented.
- Hydro launched an internal project to implement transparency and anti-corruption requirements in our supply chain management.
- Corruption and transparency were regularly addressed in Hydro's Training Programs. Transparency International Norway has participated in several training sessions.

Performance in the reporting period

- We have no reported cases on corruption or bribery and have not been under any investigation of such sort.
- 60 managers participated in an internal anti-corruption workshop organized by TRACE.