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Corporate Procedure

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Corporate Social Responsibility in the supply chain

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Corporate Social Responsibility in the supply chain

1 Objective

The objective of this procedure is to ensure implementation of Hydro's Corporate Social Responsibility (CSR) principles in the supply chain in accordance with article 3.6 of Corporate Directive 12.

2 Validity

This procedure is valid for all consolidated group companies and for all joint ventures where Hydro is operator. For other joint ventures where Hydro has an ownership interest this procedure should be used as a guideline.

3 Responsibility

Hydro's management shall ensure that the objective of this procedure is satisfied. Line organizations are responsible for the implementation.

4 Description

4.1 Pre-qualification of suppliers

Hydro's CSR principles shall form an integral part of the pre-qualification process. This shall be achieved by:

- Requesting bidders to respond to a questionnaire that includes questions related to the CSR principles included in the Supplier Declaration, ref. Appendix 01,
- When a response to the questionnaire is such that additional information is required, bidders shall be requested to supply information/ documentation confirming the supplier's commitment to CSR principles or equivalent,
- Considering to use external companies to assess suppliers where appropriate and cost effective.

4.2 CSR contract requirements

Contracts between suppliers and Hydro shall as a general rule incorporate contractual commitments reflecting the CSR principles contained in the Supplier Declaration. If this is not possible a signed copy of the Supplier Declaration shall be obtained from the supplier. As a general rule Hydro shall endeavor to ensure that all contracts include auditing rights also covering CSR matters covered by the contracts or the Supplier Declaration.

The above shall apply to procurement with a total contract value above US\$3 million, to frame agreements with an estimated yearly value above US\$3 million and to all procurement, irrespective of value, in high risk countries and/or for procurements that are of high strategic importance. In construction contracts and contracts in high risk countries, supplier shall be required to implement the CSR principles in their own contractual relations with sub-contractors and sub-sub-contractors etc

A High risk country is defined as either:

- A country scoring lower than seven on the Corruption Perception Index published by Transparency International each year, or

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- A country with a current overall risk trend of “High” or above on Maplecroft’s human rights risk indices.

Each business area shall use its best efforts to ensure that the suppliers accept the CSR principles as described above. However, failure by a supplier to accept Hydro’s CSR principles (whether in the contract or otherwise) is not by default a reason to abandon business with the relevant supplier. If such situation occurs, a second attempt to include Hydro’s CSR principles shall be made by approaching supplier’s management. If the CSR principles are still not accepted, the facts and risks associated with each individual case shall be assessed, evaluated and concluded by line management after consultation with the central CSR staff preferably prior to contract award.

4.3 CSR audits/ reviews

Audits or reviews shall be performed to check suppliers’ compliance with the principles. Such audits or reviews shall if possible be coordinated and conducted jointly with other audit processes (e.g. procurement, quality and/or HSE audits).

4.4 Follow-up of non-compliance in supply chain

In case Hydro becomes aware of non-compliance with the CSR principles in the supply chain, the relevant first level supplier shall be contacted to discuss possible mitigating actions and an action plan shall be established containing list of non-compliance issues, mitigating actions and a plan for follow up. If after a reasonable amount of time the supplier shows no willingness to improve, the line management shall evaluate whether it is appropriate to take additional contractual actions.

4.5 Contact persons in business units

Each business unit shall appoint person(s) with responsibility for procurement activities as point of contact for issues related to CSR in the supply chain. The central CSR staff shall on request from the relevant business unit ensure that such persons and other relevant personnel involved in the procurement processes (including quality controllers/ inspectors) receive appropriate training in CSR principles, processes and requirements.

4.6 CSR in business area and sector management meetings

CSR in supply chain shall, as part of the broader compliance system ([ref. Guideline for non-financial compliance](#)), be on the agenda on a regular basis in business area and sector management meetings.

4.7 Sharing of CSR information

To ensure effective compliance in high risk regions, each business unit is responsible for sharing information regarding prequalification, evaluations, audits and other relevant CSR issues with other business units as applicable. Such information shall be shared by using the Procurement Information Base (PIB).

4.8 Implementation

To ensure that CSR requirements are satisfactorily implemented in the supply chain, each business area is responsible for incorporating requirements following from this procedure into local procedures and best practices if deemed necessary.

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5 Appendices

Appendix 01 – Supplier Declaration

6 References

- (1) NHC-CD12, Hydro's Social Responsibility
- (2) NHC-CD05-02, Guideline for non-financial compliance