



Global Policy/Procedure

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Internal

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Corporate Social Responsibility in the supply chain

Changes from last revision:

Minor updates to reflect revised Directive and new procedure “Integrity Risk Management of Hydro’s Business Partners including Agents and Consultants”

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 5.1 of Global Directive NHC-GD09 Hydro’s Social Responsibility.

2 Scope of application

This Procedure applies to all Hydro wholly owned companies and employees worldwide. For legal entities where Hydro holds directly or indirectly less than 100 percent of the voting rights, Hydro representatives in the boards of directors shall act in compliance with this Procedure and endeavour to implement the principles of Integrity Risk Management of Hydro’s Business Partners including Agents and Consultants in the respective legal entity

3 Roles and responsibilities

Hydro’s management shall ensure that the objective of this procedure is satisfied.

Line management is responsible for the implementation of this procedure, documentation and for ensuring that all relevant personnel are trained in the Hydro policies and supplier management processes.

Corporate CSR’s role is to offer advice and to provide the on-line solutions and tools required. Corporate CSR shall on request from the relevant business unit ensure that relevant personnel involved in the procurement processes (including quality controllers/ inspectors) receive appropriate training in CSR principles, processes and requirements.

4 Risk assessment and pre-qualification of suppliers

All business partners shall be risk assessed. Based on the assessment and segmenting suppliers into CSR risk categories, more detailed risk assessments and a plan for supplier engagement shall be developed for suppliers categorized as “high risk”. The outcome shall be documented.

The nature and extent of the risk assessment will vary with the size and risk profile of the matter at hand. The integrity risk management process, which can be done as part of a pre-qualification process, is described in NHC-GP09-02 Integrity Risk Management of Hydro’s Business Partners including Agents and Consultants.

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5 Supplier Code of Conduct

Hydro has implemented a Supplier Code of Conduct (“**Code**”). The Code replaces entirely the Supplier Declaration.

The Code is implemented into Hydro’s supply chain activities in two ways:

5.1 Tender/bid processes

The Code shall be attached to all tender/bid documents, regardless of value, criticality and type of contract/deliverable. The text in Appendix 2 of procedure “GP09-01 Corporate Social Responsibility in the supply chain” shall be included in the tender/bid instructions. If there is a form of pre-qualification process for the tender/bid in question, the Code and relevant text can be included in such process as an alternative.

Guidance relating to optional text and how to evaluating tenderers’/bidders’ responses to the text is also set out in Appendix 2 of this procedure.

5.2 Contracts with supply chain business partners

The Code shall be attached to all contracts with supply chain business partners, regardless of value, criticality and type of contract/deliverable, and is to be made binding through clauses to be included in such contracts, as set out in Appendix 3 of this procedure. ‘Supply chain business partners’ means all suppliers of goods and services, including contractors, consultants and agents. Guidance relating to requests by supply chain business partners to deviate from and/or amend such clauses can be found in Appendix 3 of this procedure.

5.3 Exceptions

The use of the Supplier Code of Conduct is not required for minor one-off purchases, such as purchase of office equipment, external speakers, educational services, food, flowers, hotel rooms and other minor consumables with no direct link to products or services we provide to our customers. Furthermore, the following categories of suppliers shall be exempted from the requirement of using the Supplier Code of Conduct; credit rating firms, standard bank and financial service providers, health-care providers, airlines, public utility companies and suppliers of standard off the shelf IT software.

6 Supplier engagement

6.1 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).

6.2 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. Corporate CSR shall receive a copy of the plan.

Re-evaluation of risks shall take place periodically in accordance with the risk mitigation action plan. 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.

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7 Implementation

7.1 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.

7.2 CSR in business area and sector management meetings

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

7.3 Sharing of CSR information

Risk assessment, segmentation of suppliers and plans for supplier engagement shall be documented and reported.

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 in the Procurement Network. Such information shall be shared by using the Procurement Information Base (PIB).

7.4 Local procedures

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.

8 Appendices

Appendix 01 – Supplier Declaration

9 References

- NHC-GD09 Hydro's Social Responsibility
- NHC-GP09-02 Integrity Risk Management of Hydro's Business Partners including Agents and Consultants
- NHC-[TBA], Guideline for non-financial compliance
- NHC-GD11 Procurement Governance