



## Companies in fragile contexts: Redefining social investment

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*This study grows out of structured reflection with Norsk Hydro (“Hydro”) management and staff and some of their civil society and government counterparts in the state of Pará in the Amazon region of Brazil. It explores the company’s experience since its 2011 acquisition of aluminium-related mining and industrial assets in a region of acute socio-political tension and chronic violence, reaching levels otherwise typically seen only in countries at war. It reports on the company’s successes and challenges within three zones of operation that exhibit distinctive degrees of conflict and complexity. It seeks in particular to understand the company perspective: the lenses the company applies to make sense of the environment around it; how it frames the nature of the challenges; and the governance and management processes through which it plans and implements its responses to perceived obligations, risks and opportunities, internally as well as with other role players.*

*The study concludes that, the more fragile the context, the less meaningful it is to draw boundaries between the company’s operational impacts and the general socio-political conditions around it; inter-dependencies and systems dynamics loom too large. This puts into question much of the conventional thinking and practice on human rights, social, and environmental due diligence with their focus on identification and mitigation of “company impacts”; under conditions of heightened conflict and volatility, the company seems to be obligated to deal with everything around it, or effectively deal with nothing at all. A possible exit from this dilemma – not only conceptual but practical, as the company must in the end navigate its obligations, risks, and aspirations in such a difficult place – may be found in an understanding of barriers to sufficient coalitions for positive social change. This may lead towards a different kind of social investment: one that focuses more intentionally on helping to reinforce the social and political functions that are missing or compromised in the fragile context of which the company is part.*

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## I. The road to Brazil

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 pursue 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 more than 40 countries on six continents.

### I.A. 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 hydropower 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 management 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 refinery has a nominal production capacity of 6.3 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 5000 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.

### **I.B. An evolving social consciousness**

While Hydro had no previous experience in mining, and limited experience with industrial production in the developing world, the company believed that its history of progressively more sophisticated social, labour and environmental, and human rights performance to some extent prepared it to understand and manage these new operations. The extent to which this proved true is explored below; here is laid out the company's journey before its entry into Pará state in Brazil.

To the extent to which both Paragominas and Barcarena are both "company towns" that grew up around the industry built there, Hydro had substantial experience. 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 of in Telemark, Southern Norway. Hydropower plants, a 6000 square meter building housing 120 furnaces, and rail access over difficult terrain all required construction. By 1911, more than 1500 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 needed a fire station, hospital, schools, parks, sports clubs and a library. These and more Hydro provided as the population of Notodden surpassed 10000 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 surfaced 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 prone to the perceptions of the day that labour and management perspectives were opposed.

The 1960s saw a major mind set 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, widened later to 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 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 the company calls “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’.

## **II. Experience in the field**

This passion Hydro intended to take into its operations in Brazil, including the mining town of Paragominas, the pipeline corridor between Paragominas and the smelter in Barcarena, and in Barcarena itself. The company’s experience to date and initial learnings in each of these zones of operation are explored in turn below.

### **II.A. 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 surfaced 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 expansion 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 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 reportedly 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, which, management believes, builds with such "high-touch" initiatives reserves of trust and goodwill with its neighbours that carry over to discussions of safety, maintenance, operations, and environmental compliance.

Yet both at 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. Hydro now supports all of these with greater confidence because of the more rigorous and collaborative programme 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 it all the same sees 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 investments. As in the core business, 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. The municipality is often held up as a model: its ten-time champion “best school meals” source most of their food from local family farms; and its environmental policy has been recognized and adopted by Pará State as a whole. Yet 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 they would need 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 fully 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.

These issues represented important, and to some extent surprising, blind spots for large parts of the company. Yet they are more understandable as its entry points into the context are understood. Hydro's first point of reference is its everyday experience of its people in the place they live, work and may have grown up in. Its second point of reference is compliance: in particular, its processes for ensuring that it is living up to its legal obligations within the Brazilian context as set out in relevant law and regulation, the concession agreement it inherited from Vale, and its other agreements with government at different levels. Its third point of reference is social investment intended to make it a better neighbour and more positive presence under its informal commitment to go "beyond compliance". Yet Hydro employees tend to live, work and shop in better neighbourhoods as a result of their stable incomes; compliance has been to a large extent defined by measuring outputs against the four corners of agreements the company has inherited or entered into; and its partnerships for social investment put it in contact with those parts of the system that are working, not those that are absent or severely broken. Even though the company defines its operations fairly broadly to include both strict compliance and social contribution, its focus has been more inward on what it has promised to do with the partners it has, not outward on what for it are the peripheral dynamics of service gaps, domestic violence, growing friction between in-migrants and current residents, or failures in the education system that can only portend future challenges.

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 analysis to understand a challenge and then rely on detailed planning and project management to see a major initiative through – 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, and even if one were right at the time in predicting that these would be sufficient to address the issues identified, 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” when the company is judging primarily on the basis of adherence to a plan agreed to many years ago. Before it could make such a statement, it would need to scan the environment beyond the boundaries of their current engagement and operations to assess its actual direct and indirect impacts on the lives of their neighbours today. It would need to go look outside the formal agreements to reflect on the many commitments the company recognizes as relevant in its human rights and other corporate policies. It would need to accept that the question of whether they were going beyond compliance to “positive social impact” would in all likelihood be answered differently by different constituencies, some of whom would answer with an emphatic yes and some whom may see the company as blind or indifferent to their plight.

These insights have led Hydro to the conclusion 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 effects study 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. This will inevitably require a broader lens on society and a different quality of social engagement.

## **II.B. Fragile 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 Vale 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 that is constrained in its social engagement by the current conflict. It is also a relic of 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 agroforestry 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 on-going financial and social obligations, continue to seek opportunities for its volunteers to lend a hand, and 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.

Even as this new working vision moves delicately forward, however, other dynamics may make it more challenging. Hydro has supported the preliminary feasibility study for FEPASA, a railroad project under consideration for the state of Pará. FEPASA is intended to cover the distance from the south of the state, interconnecting with the North/South federal railroad under construction to Barcarena and the port of Vila do Conde. Based on the current plan, FEPASA will be approximately 1300 kilometers long, including a branch to Paragominas. This railroad would provide an alternative means of transportation of bauxite from Hydro's Paragominas bauxite mine to the Hydro Alunorte alumina refinery. FEPASA would more broadly provide logistical solutions to minerals and agriculture businesses in Pará. Environmental licensing is already being conducted by state agencies, and beyond Hydro, FEPAS has attracted interest from Vale and from logistics companies from Russia, China and Korea; the Brazilian National Development Bank (BNDES) is expected to participate in financing the project. As such, FEPAS is potentially an engine for broader economic growth which Hydro is happy to support.

Yet it is unclear how FEPAS will impact the Quilombola, or Hydro's relationship with them. Increasingly, complaints are being raised that the the government of Pará moved forward with FEPASA planning without the participation of indigenous peoples, Quilombolas, peasants or other communities. Some advocates decry the use of the "discourse of development" to take the riches of the Amazon out of the region while destroying the environment and leaving behind only social and environmental problems, enriching the few, they say, while impoverishing the many. After decades of such "development", they claim, there have been no solutions to land tenure, poor quality of education, urban violence,

assassinations of leaders of social movements or the deterioration of the quality of life in cities. Furthermore, they say, international human rights, including the right to be consulted in ways respectful of traditional people's time frames and decision-making structures under ILO Convention 169, as well as relevant Brazilian laws on public consultation, are being flouted. One organization that has emerged calls itself the Fighting Front Against the Construction of the Pará Railway, evoking the region's history of revolution and violent confrontation.

This underlines the complexity of Hydro's social and economic relationships, particularly with marginalized and vulnerable communities. If appropriate public processes result in sufficient consensus on a plan for FEPAS, for the mitigation of impacts, and for the sharing of benefits and opportunities such as jobs, contracts, and enterprise creation, then Hydro will be supporting a greater public good. But as it stands, the company risks being part of the planning for, and later the economic beneficiary of, a project which many of the poorest and traditionally most marginalized communities claim violate their fundamental human rights. Vale's and now Hydro's experience in Paragominas show that the past needn't necessarily be prologue; but there is currently no indication that the government will engage communities, develop generative plans, or follow through on commitments in ways that make the former, more positive scenario likely. Furthermore, Hydro's support for the FEPAS project while it proceeds against the will of the Quilombola (among others) becomes part of the context of the company's attempts to transform their relationships with communities along the pipeline corridor; the FEPAS project is certainly not one in which Quilombola voices are, as the company purports to advocate for, at the centre of development thinking and planning.

### **II.C. 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.

Barcarena having an intentional homicide rate – almost 50 per 100000 inhabitants per year – that makes it one of the most dangerous cities in the world in which to live. It is more violent than war-affected countries such as Somalia or South Sudan, and many multiples above the average of 8 violent deaths per 100000 people per year that the World Bank reports for fragile and conflict affected countries taken as a whole. These dynamics are not isolated to the industrial area of Barcarena; the situation in Pará State as a whole is almost equally grave. It is also getting progressively worse: An already elevated violent death rate of 10.8 per 100000 per year for the state in 1999 is now almost four times as high. The rate for the country as a whole has reached, on average, seven murders per hour. Furthermore, organised crime and drug violence do not seem to be driving these shocking numbers to the extent generally assumed. Some research points to a “culture of violence” in which disputes with neighbours or spouses lead to murder; the World Bank listed the most significant factors in rising murder rates as growing numbers of young males, worsening income inequality and rising high school dropout rates. Impunity arising from lack of law enforcement also matters: whereas roughly 90% of murders are solved in the UK and about 65% in the US, only about 5-8% are solved in Brazil. The government seemingly tolerates and deprioritizes violence, making true development impossible and the future bleak for many.

While murder rates are a good marker of the severity of the crisis in Brazil and Pará State, they are not the only indicator of acute socio-political tensions. 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 Movimento dos Trabalhadores Rurais Sem Terra (MST, or Landless Peasants Movement) and derivative groups emerged from communist thinking informed by this history. They are still prominent in people's minds and the political landscape, calling 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 already 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 many 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 being carried into the schools means that many teachers are afraid to teach, and students unable to learn.

In Barcarena, Hydro finds itself entangled in these long-standing and deeply entrenched conflict dynamics. Around its industrial operations are environmental buffer zones which are 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. But still others are opportunists who claim land which they in turn rent to vulnerable families, or who go into 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 who are 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 right monitoring group. But the failure to find a political solution to the land issue means that the results of its efforts are often 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 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 relocation of over 900 families from occupied land, the government (other than the special police) was entirely absent – even social services feared to become 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 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 social change. It may also be the sign of connections being drawn implicitly in at least some people's minds 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; a recent multi-day blockade, for example, was organized by a movement seeking compensation for environmental damage they believe is caused by the multinationals operating in the municipality. Hydro is economically at the centre and a symbol of a system that many people experience as frightening and unjust. The company's own practices, which they believe are respectful of people and the environment, have not proven sufficient to disentangle it from dynamics by which, many apparently believe, Hydro benefits while others suffer.

#### **II.D. Expanding the scope of 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), that 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 that is well-liked by community members. But it is hard to draw the thread between the way the programme recruits and involves youth to the espoused purpose of reducing the rates of violence in the schools; by rewarding good school performance, it is in some ways geared towards those easiest to reach rather than those most at risk. In fact, institutional 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 at a different scale and scope – one big enough to measurably effect pressing social problems. It is currently completing the concept development and basic engineering study to establish a waste management facility as part of 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 give it the tools it needs to be more realistic both about expectations of what can be achieved, and the time and resources needed to be invested to achieve it.

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 enabler to make gas-based fuel available to Pará State, and, as noted above, contributions to the study for a railway system in the State that would serve both Hydro and other commercial and 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 industrialized city, Barcarena is not necessarily a poor municipality; indeed, 'too much money' may underpin some of the cronyism and corruption that the city 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 the 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 catalyse 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 its own agreement, rather than cooperating in stakeholder mapping, analysis of cumulative impacts, or joint planning to address common concerns.

Hydro has tried 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 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 – none currently do take part – and the mere availability of a table for dialogue has proved insufficient to catalyse much concrete action. Participants want to make it work, but report being frustrated with the lack of clarity about the IDF’s role and functioning.

### **III. Reflections on a path forward**

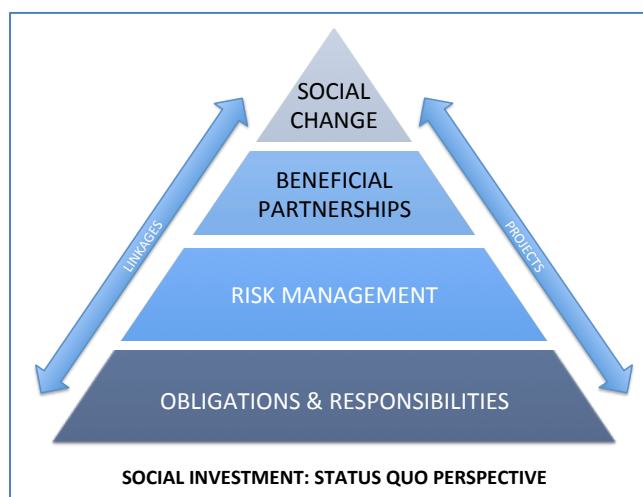
Hydro’s experience is likely to be typical of other companies that enter fragile and complex environments with good intentions backed up by significant resources, both human and financial. They start from a more enlightened understanding of business in society, captured in this case by “the Hydro way” that by every indication has broad buy-in across levels and functions of the company. They enter a context of significant socio-political tension and tangible risk, obviously tied in some way to great human suffering, such as the acute levels of violence in Pará State. They undertake a portfolio of initiatives that individually may be, in terms of the company’s monetary and staff commitment, minor (e.g., a financial

contribution to the table tennis club), major (e.g., the conversion to gas power that will help bring gas infrastructure to the region) or in between (e.g., the waste management facility for Barcarena). Cumulatively they represent a significant budget line, level of management and staff energy, and reputational commitment to social performance, meant to ensure that the company is making life better and not worse for people in a difficult place.

Yet Hydro's efforts do not add up to the positive social change to which they aspire. The company finds out that, despite its degree of planning, agreement with government authorities, and attentiveness to implementation of plans as promised, entire neighbourhoods go without social services, some women face shocking levels of abuse, and many children still exit the education system unprepared for the workforce or further education; this as Hydro experiences in Paragominas, a company town. It sees its initiatives thoughtfully designed to re-orient working relationships with groups such as the Quilombola threatened by the acts and omissions of the government with which the company is associated on separate issues in different places; this as Hydro experiences with the FEPAS development and its potential impact on Hydro's commitment to put communities at the centre of development planning along the pipeline. It finds its attempts to help address violence in the schools only unenthusiastically embraced by some of its partners; this as Hydro experiences in Barcarena.

### **III.A. Making sense of a complex and volatile context**

Hydro has a pressing need to make sense of this complex and often enough volatile context in order to make more effective and certain progress towards its social performance goals in Pará State. These are some extent thought about implicitly as a hierarchy: it must meet its obligations under international standards, national law, and the specific agreements into which it has entered; it has a business imperative to manage technical, financial, legal, operational and reputational risks from social discord and outright conflict; where possible it prefers to develop mutually beneficial partnerships that help others while meeting a business need; and it aspires to contribute to positive social change, both at the individual level as citizens and neighbours, and at the organisational level by attempting to operate in ways that achieve a greater good.



This sense making is in the first instance enormously difficult. These motivators of social performance are inter-related (and to be optimized, must intentionally be): It does not disparage the genuine effort and good will of Hydro employees when they volunteer hands-on help to build a community centre, for example, to acknowledge that this also builds

reserves of trust and goodwill that will reduce risks should something go wrong in a Hydro operation; nor does it diminish the extra mile Hydro walks to ensure that the school programmes it helps develop are of maximum benefit to students to note that support for them is rooted in compliance obligations. Yet, as illustrated below, their frames of reference, key logics, desired end states, driving questions, and operational imperatives may be distinctive one from the other:

### SENSE-MAKING IMPERATIVES IN FRAGILE AND CONFLICT PRONE ENVIRONMENTS

MOTIVATION	Obligations and responsibilities	Socio-political risk management	Mutually beneficial partnerships	Positive social change
KEY LOGIC	Governance	Cost / benefit analysis	Shared value strategies	Ethical inquiry
END STATE (Illustrative)	Broad consensus that we meet our obligations and responsibilities	Complexity diminishes; success is ever easier and more predictable	Optimized, “win-win” relationships with different actors and sectors	Human security, human development, and peaceful change
KEY ANALYTIC QUESTIONS FOR THE FRAGILE OR CONFLICT PRONE ENVIRONMENT (Illustrative)	Is there common understanding of the standards to which others may hold us? Is there broad agreement on the boundaries of our responsibilities? Are we meeting them?	How strong are our reserves of trust and good will? Who opposes us to advance their interests? Who protects us to advance their interests? What are the collateral risks?	Where could we or others adapt systems, processes, operations or business models in ways beneficial to each others? What are the structural and practical impediments? Are we a partner of choice?	Are we content with the world around us? Are we the neighbours and citizens we aspire to be? What are the boundaries of our agency? Can and will we be courageous?

	If not, are we moving sufficiently fast to remedy?	Have we optimized risk mitigation investments?		
<b>KEY CAPACITIES TO ANSWER THE KEY ANALYTIC QUESTIONS (Illustrative)</b>	Technical knowledge Data collection and analysis Trusted party verification Accountability mechanisms Dispute resolution	Context and conflict analysis Role player ID and interest mapping Option costing and risk / benefit analysis	Imagination Entrepreneurship Technical skills Planning skills Partnership skills	Empathy Technical expertise Political capital Organising skills Consensus building skills M&E

This diverse range of analytic needs is itself challenging, both from a capacity and from a management perspective. Hydro managers report that bringing each individual social investment project into a rigorous results-based monitoring and evaluation framework, for example, was itself a task of analysis and planning; and they reflect that there are few ways of knowing with any certainty whether, even with all this effort, they have prioritized the most important risks and opportunities at all. Yet these analyses must all be done well, and they must be cumulative, to provide a sound foundation for planning and action that ensures compliance, mitigates risks and achieves positive change in a fragile or conflict-prone environment. As noted above, Hydro's growing understanding of the gaps in its knowledge and understanding underlies the comprehensive process of renewed environmental and social impact analysis the company is undertaking.

Additionally, it can quickly be seen from this disaggregated framework that it is insufficient for the company alone to have the capacity to ask and answer these questions. As Hydro has learned through the experience of protests over water pollution, whether it believes the company is environmentally compliant is neither here nor there to those who have no independent means of verification and harbour deep reserves of mistrust; the fact that companies, universities, and the federal government may rely on different data only confounds the challenge. The government may only change its strategy towards community consultation and engagement around FEPAS when it and other commercial partners fully analyse and internalize the financial, technical and reputation risks they face. Shared value opportunities can only be identified and optimized with common understanding of the sustainable economic opportunities in the local economy. And one can only be good

neighbours with shared empathetic understanding of each other's fears and aspirations. These and other examples highlight the compelling need for shared perspectives and answers across a broad range of issues and role players. Yet the experience of Hydro with the Intersectoral Dialogue Forum in Barcarena, for example, demonstrates that how to make this happen is far from obvious.

### **III.B. Lack of boundaries between the company and the conflict**

The comprehensiveness of the required analysis and the degree to which understanding must be shared between diverse and often conflicting role players underlines an additional challenge: the seemingly complete lack of boundaries on which the company can rely. Physical boundaries, such as the environmental buffer zones around its industrial operations, are regularly transgressed. This is tied to the lack of historical boundaries: the land on which Hydro Alunorte and Albras sit were allocated by the military government to Hydro's predecessor, Vale, without regard for specific local land claims or the age-long interplay of land and social conflict more generally, casting the shadow of the past into the present. There are few relationship boundaries: to the extent that the company tries to support the public administration, so it can do better, Hydro will inevitably be associated with the government when people protest its indifference to people's rights and concerns. Boundaries of facts and figures seem to make little difference; Hydro is included by activists in the club that threaten the environment against whom the action, whatever its own current practices may be. There also appear to be few issue boundaries: teachers not getting paid will result in a blockade in front of Hydro Alunorte's gate.

Finally, there appear to be no boundaries to the company's responsibility. Hydro accepts the IFC Performance Standards, for example, as a "touchstone" for its social performance, and these will be specifically binding when the company receives IFC or Equator Bank project finance or equity investment. Yet these are breathtakingly broad in a context like Pará State where so much has gone so wrong for so long. The company assumes responsibility for "any change" that impacts on surrounding communities and workers; it is responsible for direct, indirect and cumulative impacts; and it is responsible for ensuring that "costs of economic development do not fall disproportionately on those who are poor or vulnerable". Furthermore, there are no limits to its potential investment: "A company is required to



invest sufficient management sponsorship and human and financial resources ... on an ongoing basis to achieve effective and continuous environmental and social performance”.

Indeed, the more fragile the context, the less meaningful it appears to draw boundaries between the company’s operational impacts and the general socio-political conditions around it. Inter-dependencies and systems dynamics loom too large. This puts into question much of the conventional thinking and practice on human rights, social, and environmental due diligence with their focus on identification and mitigation of identifiable “company impacts”. The differential impact of Hydro’s presence and operations in Paragominas and Barcarena suggests that the company’s presence and operations will tend to reinforce the system: in Paragominas, having a greater tendency to build on municipal and social strengths; and in Barcarena, seemingly a magnet for the conflict and violence around it. In either case, it is hard to put one’s finger on what exactly is or is not a company impact. Particularly under conditions of heightened conflict and volatility, the company seems to be obligated to deal with everything around it, or effectively deal with nothing at all.

This is an intensely pressing and practical challenge, as the company must in the end navigate its obligations, risks, and aspirations in such a difficult place, despite the many ways that it becomes entangled in the conflict dynamics of the place – and recognizing that it is first and foremost a large private enterprise in the global economy. As noted, the company entered Pará with good intentions backed up by significant resources and skills. Yet and still, it is regularly accused of not meeting its obligations or living up to its responsibilities. It faces substantial socio-political risks, ranging from operational disruption by regular protests in front of its gate, to international reputation risk, to risk of complicity in human rights violations, for example, each time the police confront land invaders. Those in association with the company, from its employees living under dangerous conditions to its contractors subject to extortion to local residents of a growing urban area not receiving adequate public services, face many, more serious, risks. And for as much good as its projects have demonstrably done for those they touch, no one within the company is tempted to believe that they have identified all of the opportunities for shared value creation, or that they have meaningfully altered the fundamental dynamics, for example, of the violence that permeates society.

### III.C. Reframing the meaning of social investment

Finally, to the extent to which there is limited consensus around what the crucial questions are and what their answers should be, no project of the company at any scale will have much of a chance of altering underlying socio-political dynamics for the better. The company, like many others in Pará and elsewhere, has asked stakeholders what is wrong, and generated a list of symptoms, for example, poor education, violence, HIV/AIDs, or weak public administration. This leads to projects and programs to “do something” about these problems, as seen in the company’s substantial portfolio of initiatives. Yet this rarely produces wholly satisfactory results. Sound educational work undertaken with local authorities at lower school levels, for example, is undermined by the lack of engagement by state authorities at the high school level, contributing to grievances around local hiring. There may be insufficient institutional reach, for example, to the entire neighbourhoods of Paragominas not receiving social services. This leaves some of the most vulnerable unprotected, even as mitigating the direct and indirect impacts of in-migration to a mining town remains a company obligation. Uneasy alliances are created when role players disagree with each other, as when Hydro finds itself supporting Quilombola agency along the pipeline corridor, but unintentionally aligned with the government against it around FEPAS. And even large-scale projects, such as the water treatment plant in Barcarena, fail when there is lack of accountability by others. Palliative assistance may be provided, but the system has not changed where there is insufficient collective understanding or shared vision to underpin effective action. No number projects at any scale, either for impact mitigation or to make a positive social contribution, would seem to be sufficient to achieve any substantial progress towards either operational stability for the company or to peaceful development for the people around it.

From this sombre realisation comes, perhaps, a more hopeful insight. In a fragile and conflict affected context, the root cause of persistent instability and hampered development may not necessarily be a lack of resources invested in answers to social problems. The problem – whether violence, or the education crisis – is not the problem *per se*; the problem may be better understood as the inability to build sufficient coalitions for sustained positive change. Indeed, in related research that looked across cases where

companies successfully acted intentionally to dampen drivers of conflict or support dynamics for its peaceful resolution, it was not the projects companies sponsored that affected change. Rather, it was the conversations they were able to catalyze that resulted that seemed to capture the potential for private sector peacebuilding. For example, a company used its broad access to key people – national and local, insiders and outsiders, powerful and vulnerable – to get all together in the same room; a company used its social capital to help strengthen the agency of the marginalized, giving them platforms for their voices to be heard; and a company helped to create forums for information sharing and mutual accountability around community violence prevention. A project may have created an excuse for people to come together, and the resources the company provided may have made that possible, but it was the interaction at the table that constitutes the seeds of systems change.

Echoes of these themes can be heard in Hydro's success with lower cost, high impact projects – such as the reading rooms or building of the community centre – that through close human interaction all the same had a high impact on trust and good will. At the same time, Hydro's experience with the Intersectoral Dialogue Forum, along with the experience of many other champions for dialogue, makes clear that positive interactions among diverse and often enough conflicting role players are not enough, in and of themselves, for change to happen when parties exit the meeting room. This appears to have a variety of reasons particular to the fragile and conflict prone environment, as experienced by Hydro:

- Legacy-based trust and relationship issues, between the company and surrounding communities, between the people and their government, between indigenous communities and ranchers, and so on.
- A rumor rich and data poor environment, for example, with no broadly believable data on levels of water pollution or its sources.
- Lack of common understanding of rights and responsibilities, for example, the degree and nature of consultation required with traditional communities around FEPAS.
- Perspectives and actions limited by role or mandate, for example, social services agencies in Paragominas that may not have good data on populations outside their service footprint.

- Lack of adequate voice or power by vulnerable groups, for example, those blockading Hydro's gate to get government's attention.
- Defensiveness under attack, for example, government in Barcarena that feels it just needs more time to clean up problems of the past.

In the face of these challenges, dialogue processes must do more than build interpersonal relationships or mutual understanding among those already willing to come to the table. They must facilitate changes in power relationships and institutional arrangements that in turn change the way society assesses, values and distributes costs, risks and benefits of community membership, making collaboration more attractive than conflict.

Hydro increasingly recognizes that the social and political functions critical for societies to come together around fairer and more just action appear to be missing or compromised within the communities of Pará and the state as a whole. The company is, among other initiatives, exploring ways to improve the institutional structures of the Intersectoral Dialogue Forum (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. The most basic definition of "social" is "of or relating to society": relationships between the individual and the group, and its organisation. Whatever the specific form the IDF takes, it is increasingly clear to Hydro that positive contributions to the peaceful development of Pará will require investment not only in social service projects, or in physical infrastructure. It will require truly "social" investment in the socio-political infrastructure necessary to build greater consensus, overcome political barriers, and generate sustainable momentum for positive change.

## IV. Conclusion: Para siempre

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.

Yet given the toxic mix of bad actors who capitalize on fragility for corrupt or criminal aims, failures of government policies and services, in-migration that always exceeds employment creation, and the likely cumulative impacts of 20 or more companies poised to enter Barcarena in particular under a regime of weak regulatory enforcement, it is on some days hard to see the exit path from conflict and fragility in Pará. For the most vulnerable and marginalized it may be a question: Para siempre? Will things ever change?

Hydro now sees 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 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. Social sustainability, after all, is about how power and resources are developed and shared in society.

Hydro management acknowledge that these are serious challenges. It understands that people will not believe it 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’. 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 are 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.

## About the author

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