

Remove the unnecessary uncertainty!

Michael Hall, chief employee representative for Hydro's automotive business at Raufoss, is glad that the decision to sell the operation was reversed and that the company will continue to develop this business at Raufoss. But he is also keen to stress that there is much to learn from the process Automotive has been through.

"You've really got to know what you're doing when you put a business up for sale. We employees felt that there wasn't sufficient understanding for the fact that the automotive industry is extremely concerned with predictability and reliability. When a subcontractor's future is shrouded in uncertainty, the customer puts his foot down. And no new orders come in. This is exactly what we experienced, and it naturally leads to a lot of uneasiness," states Hall.

"Then there's another aspect. A sales process drains the organization of resources. Much of the work done in obtaining documentation has to be carried out locally, and this tends to have a negative impact on production," he adds.

Employees find new jobs

As a union man, and one of two employee representatives on the board of Aluminium Structures at Raufoss, Hall believes that he had good access to information relating to a potential sale. He is also a member of Hydro's corporate assembly.

"I think that the other union reps were also reasonably satisfied with the information they obtained during the process. For the remaining employees it was rather different, as some of the information was confidential. The uncertainty easily leads to speculation about scenarios that are worse than they need be. In such a situation some employees apply for new jobs and we lose people. This is one of the serious aspects of what we've been through," emphasizes Hall.

Job satisfaction

But now the picture looks different. Six months after Hydro decided to continue to develop its Automotive business, Hall says he considers his most important task as employee representative is to help promote understanding for the fact that Hydro really is serious about concentrating on this business area.

"In-house surveys reveal that the employees are happy at their work; the working environment is good and they see challenges in their jobs. But uncertainty about the future does tend to detract from their job satisfaction. We need to do something about this."

Complex business

"Even though management is expressing their willingness to continue to develop Raufoss, we don't have any illusions about this meaning greater investments that can result in improved productivity. The directives we get are about more down-to-earth plans intended to quickly improve our bottom line. But the nature of our sort of busi-

ness is really complex. New orders mean that we incur costs long before we see the revenues coming in," he continues.

The long-term is key

"Upstream, Hydro has a long-term perspective. Our customers also have a long-term perspective. I believe we would be better served if management stated, in even clearer terms, that Hydro has a long-term perspective in our area," he adds.

"We can see that global society is changing. Several of our most important competitors who make aluminium automotive components have recently been exposed to even more dramatic processes. This has given us such a long list of orders that our production capacity is now the bottleneck. Of course, we can also use this as a great example that explains why we have such faith in our future.

As a union man, I am keen to see that the Norwegian state maintains its stake and influence in Hydro. This should help to ensure a long-term approach and is therefore an advantage, both for us working here in the plant and for our customers," says Michael Hall.

“A more attractive metal for the future”

“Hydro’s involvement in countering climate change is based on our recognition of this threat to societies and future generations. It also implies a recognition of joint responsibility: All relevant stakeholders must contribute to take the steps from words to action,” says *Arvid Moss, in charge of Hydro’s central staff for Strategy and Business Development, hereunder Climate.*

“During the past year Hydro has worked systematically to clarify how the climate challenge will affect aluminium as a material and Hydro. We acknowledge that the whole value chain and product life cycle needs to be addressed,” he says.

“As a part of this, new R&D activities have been initiated to make our processes more energy efficient. At the same time we see that aluminium can contribute to reduce overall emissions through its utilization within the transport sector, as vehicles with more alu-

minium will have a lower weight and consume less fuel. Likewise, it is very favourable to increase the degree of recycling of used aluminium”, he says.

“During 2008 we will quantify our ambitions and start to implement measures which over time will improve Hydro’s carbon foot print from our processes,” Arvid Moss underlines.

A new safety drive

Bellenberg, Germany, is a leading Hydro site in a new drive toward world-class safety performance. “Employees are changing their behavior and sharing their knowledge – and getting better at what they do. Getting into the minds of employees is one of the steps in this”, says *Dieter Mick, Bellenberg’s Works Council head.*

“We are going in a new direction with safety,” he says. “We must follow proper safety procedures. However, the change will come from the workers themselves and not from management. We will be able to steer and improve the basics of safety by ourselves.”

Mick is working closely with this cultural change due to his role as employee representative for some 100 colleagues in Bellenberg. The plant has one extrusion press and three automats for thermal break, as a leading supplier of Hydro Building Systems Wicona.

“Workers are now talking more with each other about what they do and how and why they do it, every day. We are doing things before accidents happen. This isn’t about near-miss reports, and it isn’t something that we do on occasion and plan for it, like the traditional safety tools. We are beyond that. We get opinions all the time. Even safe work is feedback. I also feel that this is more motivational than the traditional way we have done things, because of the feedback.”

“People have been used to getting direction from above and, consequently, have been less encouraged to finding safe solutions. The behavior-based (BBS) tool is renewing the system”, says Mick. “It’s perfect to improve a safety level that is already high level, but we need time to raise the awareness of the workers. They got used to safety as a line responsibility. So I think it will take some time and encouraging coordinators to make it run well. If we get it to the point, where everyone “likes” behavior-based safety, it will run itself without any orders”.

”Never become self-satisfied!”

Since the OECD anti-corruption convention was adopted in 1997, there have been major changes in the legal environment around industry’s way of doing business. Bribes, which at one time even benefited from tax reductions, have been criminalized, and such crimes are subject to prosecution in the company’s home country.

“North America has 40 years experience of anti-corruption regulations. However, when monitoring how efficiently such regulations are working, USA is not at the top of the list in TI’s Bribe Payers’ Index, for several reasons. One is that there exists some evidence of the use of external agents, whose payments the company involved says it “knows nothing about”. There is a perception that too often business is closing its eyes to the activities of intermediaries... At the top of the list, when it comes to integrity and ethical conduct, we find the Scandinavian countries”, comments Jermyn Brooks.

Jermyn Brooks leads the development of the Business Principles for Countering Bribery (BPCB) initiative, which were introduced by Transparency International (TI). He is also a board member of PACI, which requires business to sign up to its anti-bribery principles. It was initiated by World Economic Forum.

“Most important is the tone from the top – that there is a culture for integrity”, Brooks says. “That commitment is certainly there in Hydro. But that alone is not enough.”

“You also need detailed procedures to prevent corruption, money laundering and cartels, all reflecting the specific nature of your business. Such policies must be implemented through communication and training so every member of staff will understand the message. And you should report publicly what you are doing.”

Improvement through monitoring

Brooks also points at the need to continue to check that these systems are really working. “Such monitoring can be done by auditors or the legal department and presented as a report to the board or its auditing committee. External evaluators can further improve the company’s standards and their credibility”.

“It’s a great comfort when business partners obtain information about a company’s standards,” he adds.

“Overall a significant shift”

According to Jermyn Brooks the change in attitudes and practise within OECD countries have gradually also affected companies in non-OECD countries and their commitment to high ethical standards. Overall there is a significant shift. Boards are much more aware of the value of high integrity standards. Public opinion is becoming more aware and less likely to tolerate breaches of such standards. And CEOs no longer say in public that they have “just done what they have to do” to win a contract.

According to Jermyn Brooks a good due diligence system for evaluating other companies can also include involving others to assist. “In some countries it’s difficult to know the level of local standards. You might even experience that you are told by the authorities that you have to use certain agents. Then it is important to understand how they operate and evaluate whether or not you can cooperate with them”.

The danger for any company...

“The danger for any company is that it can become self-satisfied – and relax. We strongly recommend that self-monitoring is kept up. To remain fresh it can take up special issues, review particular areas and ask more detailed questions: How are you dealing with gifts, hospitality, and facilitation payments? Are proper approval processes in place? Never become self-satisfied!” says Jermyn Brooks.

Stade – an example of cooperation

“Hydro has proven outstanding cooperation, engagement and transparency in managing the change for the workforce and the site as such here in Stade,” said *Margrit Wetzel, member of the German Bundestag*, one year after the last extrusion billet was cast at the Elbewerk. Hydro closed the plant due to high power prices. But there is a life afterwards.

On 20 December 2007, three prominent members of the 16-strong advisory board for Hydro’s scheme to create business and find jobs for the affected Stade workforce, made their feedback public in a press conference together with Hydro. They not only lauded the EUR 38 million social plan package that was financed by Hydro, but also the way in which Hydro managed and contributed to the restructuring process.

Gunter Armonat, former head of the District Council: “This effort was really worthwhile! Your openness in taking care of people’s fears and needs has been splendid. I appreciate how we first debated the problems very openly, if not aggressively – to find then exemplary ways of cooperation in finding opportunities to secure a future after the aluminium era in Stade. Today, also empowered by various other positive frame conditions, the chances for development here on the banks of the Elbe appear to be excellent.”

SPD-politician Margrit Wetzel underlined: “Hydro has managed to completely dismantle the barriers of distrust we initially set up

against them – and turn the situation around completely. Hydro communicated well with all the parties involved and has maintained complete transparency at all times, informing us about all the different matters in this complex issue. Thank you again!”

In 35 years of primary aluminium production, in which a total of 2.2 million tonnes were produced, the Stade plant at times created employment for more than 500 people. By the end of 2006, 410 were still affected by the shutdown. One year later, 111 employees are still waiting for their next job opportunity, while being qualified and supported as employees in a transfer company. “This service will continue for one more year with another transfer company. 50 will actually make use of it,” said Irmtraud Pawlik, spokesperson for the management board of Hydro Aluminium Deutschland.