

Eirin Heddeland

## Transnational corporations (TNCs) as development actors: Investing in social corporate responsibility for the sake of doing 'good'?

A critical assessment of Norsk Hydro's use of corporate social responsibility; the actions and reactions of Norsk Hydro in the aftermath of the Alunorte crisis in February 2018 in Barcarena, Brazil.

Master's thesis in Globalization and Sustainable Development  
Supervisor: Sarah Khasalamwa-Mwandha



Evandro Chagas Institute



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May 2019

Norwegian University of Science and Technology  
Faculty of Social and Educational Sciences  
Department of Geography





## SUMMARY

This thesis analyzes transnational corporations (TNCs) as development actors focusing on the Norwegian based transnational aluminum corporation, Norsk Hydro and their extractive mining operations in Brazil. It explores the activities of Norsk Hydro, which have been linked to three illegal emission and leakages from their aluminum refinery Alunorte on 16<sup>th</sup> to 18<sup>th</sup> February 2018, in Barcarena, Brazil.

Thus, the thesis investigates the reactions and actions of the corporation in the aftermath of the Alunorte situation through Reactive-Defensive-Accommodative-Proactive (RDAP)-scale. Using the stakeholder theory, it also examines the change in the stakeholder relations with a specific focus on the local community in the aftermath of the Alunorte crisis, and how this has altered their corporate social responsibility (CSR) strategy. The thesis uses a document analysis method based on Hydro's annual reports 2016-2018 complemented with other secondary literature such as newspaper articles, organization reports and press releases covering the crisis.

The rhetoric of responsible capitalism of Hydro towards local community in Barcarena and Pará is investigated, through analyzing the reactions and actions of the corporation in the aftermath of the Alunorte situation. This thesis demonstrates that Hydro needed to go through all phases of the RDAP-scale to reach a proactive stance to local community. Further, analyzing the annual reports 2016-2018, it shows how large investments in local community happened only after the crisis. Consequently, CSR functions as an essential Public Relations (PR) strategy for mending broken reputations and relationships.

After the admittance of the leakages pertaining to the Alunorte situation, the corporation took on moral obligations towards the local community. Ensuring that some share of the company's profits was dedicated to support community development, such as the *Sustainable Barcarena Initiative (SBI)*. Nevertheless, not accounting for their ethical obligations of mitigating or compensating for whatever loss or damage that affected the local community, as a consequence of their mining operations. There was little focus on improving the local environment particularly in such as water purification. Consequently, the societal impact gained importance while the environmental hardly was focused on.

Merely taking on their moral obligation such as providing capacity building, education and food coupons, and not their ethical responsibility, ensuring a viable local environment, supports the argument that TNCs solely take a proactive stance to powerful stakeholders. In this case, the most powerful stakeholder was the local community. In the long run, the damage of the local environment also affects the welfare of the local community. Indicating that the profit motive of TNCs is not compatible with social welfare and environment. Based on the initiatives after the Alunorte crisis, the local community development was prioritized which is good, however, the water contamination and pollution caused by the leakage was not addressed. Therefore, the thesis highlights, that the CSR initiatives address the moral obligation of sharing company profits with the community as resource owners. However, they fail to meet the ethical obligation of mitigating the environmental impacts.

**Keywords:** Transnational corporations, corporate social responsibility, local community, mining industry

# SAMMENDRAG

Denne oppgaven analyserer transnasjonale selskaper (TNCs) som utviklingsaktører gjennom å se på det norske transnasjonale aluminiumsselskapet Norsk Hydro og deres utvinningsaktiviteter i Brasil. Mer spesifikt utforsker oppgaven Hydro sitt aluminiumsraffineri Alunorte i byen Barcarena, Pará, som i perioden 16 til 18 februar 2018 var ansvarlig for tre ulovlige utslipp og lekkasjer.

Avhandlingen undersøker reaksjonene og handlingene til selskapet i etterkant av Alunorte-situasjonen ved bruk av Reactive-Defensive-Accommodative-Proactive (RDAP)-skalaen. Ved hjelp av interessenteorien (Stakeholder theory) undersøker den også forandringen i interessentrelasjoner med lokalsamfunnet i Barcarena og delstaten Pará i etterkant av Alunorte-krisen og hvordan dette har bidratt til endringer i Hydros samfunnsansvar (CSR) strategi. Oppgaven bruker dokumentanalyse basert på Hydros årsrapporter 2016-2018, komplementert med annen sekundær litteratur som avisartikler, organisasjonsrapporter og pressemeldinger med dekning av saken.

Oppgaven undersøker retorikken Hydro har brukt som ansvarlig aktør i lokalsamfunnet i Barcarena og Pará etter lekkasjene. Ved å undersøke reaksjonene og handlingene til selskapet etter Alunorte-situasjonen viser oppgaven at Hydro måtte gå gjennom alle fasene av RDAP-skalaen for å adoptere en pro-aktiv holdning til lokalsamfunnet. Videre avdekker analysen av årsrapportene 2016-2018 at store investeringer til lokalsamfunnet først kom etter krisen hadde skjedd. CSR i etterkant av lekkasjen fungerte som en viktig PR-strategi for Hydro, for å fikse ødelagte rykter og relasjoner.

Som følge av Alunorte-situasjonen tok Hydro moralske forpliktelser overfor lokalsamfunnet, ved å sikre at en del av selskapets fortjenester nå er dedikert til å støtte lokal samfunnsutvikling som for eksempel the *Sustainable Barcarena Initiative (SBI)*. De tok likevel ikke ansvar for etiske forpliktelser, som å dempe eller kompensere for tap eller skader på lokalmiljøet som følge av deres gruvedrift. Samfunnsmessig konsekvenser fikk høy betydning, mens miljø konsekvensene som vannkvalitet knapt ble fokusert på.

Hydro tok kun ansvar for moralske forpliktelser, som utdanning, kapasitetsbygging og matkupper. Etiske forpliktelser, som å sikre et levedyktig lokalmiljø, ble ikke tatt hensyn til. Dette forsterker argumentet om at TNCs utelukkende tar en pro-aktiv holdning til interessenter med stor påvirkningskraft. I dette tilfellet var den mektigste interessenten lokalsamfunnet. I lengden påvirker derimot lokalmiljøet velferden til lokalsamfunnet, og dette kan indikere at profittmotivene til TNCs som Hydro ikke er compatible med samfunns- og miljøutvikling. Initiativene som fulgte etter Alunorte krisen er gode og støtter samfunnsutvikling, men forurensning av vann og miljø som fulgte av lekkasjen ble aldri adressert. Denne oppgaven fremhever dermed at CSR-initiativene tar opp moralske forpliktelser ved å dele selskapets fortjeneste med lokalsamfunnet som ressurseiere. Imidlertid mislykkes de i å oppfylle den etiske forpliktelsen det er å redusere miljøbelastningen.

**Stikkord:** Transnasjonale selskaper, samfunnsansvar, lokalsamfunn, gruveindustri

## DECLARATION OF ORIGINALITY

I, Eirin Heddeland, do hereby declare that this thesis entitled *Transnational Corporations (TNCs) as development actors: Investing in corporate social responsibility for the sake of doing 'good'? A critical assessment of Norsk Hydro's use of corporate social responsibility; the actions and reaction of Norsk Hydro in the aftermath of the Alunorte crisis in February 2018 in Barcarena, Brazil* is my own research work. The research was conducted in the spring semester of the academic year 2019 under the supervision of Associate Professor Sarah Khasalamwa-Mwandha from the department of Geography, at Norwegian University of Science and Technology (NTNU), in Trondheim, Norway.

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Trondheim, Norway

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## **ABBREVIATION**

ABES	BRAZILIAN SANITARY- AND ENVIROMENTAL ORGANIZATION
BRL	BRAZILIAN REAL
CEO	CHIEF EXECUTIVE OFFICER
CSR	CORPORATE SOCIAL RESPONSIBILITY
DNB	DEN NORSKE BANK
DRS2	ALUNORTE'S NEW BAUXITE RESIDUE DEPOSIT AREA
FDI	FOREIGN DIRECT INVESTMENT
FLASCO	THE LATIN AMERICAN FACULTY OF SOCIAL SCIENCE
GDP	GROSS DOMESTIC PRODUCT
GRI	GLOBAL REPORTING INITIATIVE
IBAMA	BRAZILIAN INSTITUTE OF ENVIROMENT AND RENEWABLE NATURAL RESOURCES
IEB	EDUCATION IN BRAZIL
NGO	NON-GOVERNMENTAL ORGANIZATION
NOK	NORWEGIAN KRONE
NRK	NORSK RIKSKRINGKASTING
NTNU	NORWEGIAN UNIVERSITY OF SCIENCE AND TECHNOLOGY
PR	PUBLIC RELATIONS
PRIO	PEACE RESEARCH INSTITUTE OSLO
RDAP SCALE	REACTIVE-DEFENSIVE-ACCOMODATIVE-PROACTIVE SCALE
SBI	SUSTAINABLE BARCARENA INITIATIVE
SEMAS	THE SECRETARIAT OF ENVIROMENT AND SUSTAINABILITY
SWG	SERVICE WORKS GLOBAL
TAC	TERMS OF ADJUSTED CONDUCT
TC	TERMS OF COMMITMENT
TNC	TRANSNATIONAL CORPORATION

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# 1. INTRODUCTION

This thesis investigates the transnational corporation Norsk Hydro's actions and reactions following three illegal emissions of wastewater from their Alunorte alumina refinery in Barcarena, Pará, Brazil in February 2018. It studies the way corporate social responsibility is used to mend the relationships with the local community. Consequently, aiming to examine on what grounds transnational corporations as development actors do 'good' by their stakeholders.

## 1.1. BACKGROUND OF THE STUDY

Transnational corporations<sup>1</sup> (TNCs) is one of the most important economic links between countries today. The corporations play a vital role in organizing the production process globally, placing their affiliates cross-country under common corporate governance systems. Combining both production activities located in different countries, as well as internalizing a large span of international transactions that otherwise would have taken place in the market. In developing countries, the foreign direct investment<sup>2</sup> (FDI) provided by TNCs can affect economic and industrial development positively and negatively. Contributing to economic and technological growth as well as social development, host countries welcome corporations and their FDI as an important source of development (Hansen & Rugraff, 2014).

TNCs may also bring developing countries on the path of dependency and the adverse effect on the host country's social and ecological environment should not be underestimated. Defined by the United Nations (UN) Brundtland Commission, in 1987, sustainability is *meeting the needs of the present without compromising the ability of future generations to meet their own needs* (UN, 1987, p. 41). TNCs has been known to devalue the importance of this in host countries. Issues like provoking social disruption, dumping of inappropriate technology and waste and badly affecting the environment, health and safety conditions has been seen where TNCs are present in developing countries (Hansen, 1996). It is important to note the

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<sup>1</sup> The technical definitions of TNC is a for-profit enterprise with two basic characteristics. First, it engages in enough business activities outside the country of origin making it financially dependent on operations in two or more countries. Second, its management decisions are made based on regional or global alternatives (Greer & Singh, 2000).

<sup>2</sup> FDI is, according to the International Monetary Fund and OECD, direct investment with the aim of holding a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise) (Duce, 2003, p. 2).

corporation's role in development, as activities of northern TNCs in developing countries can have adverse effects on local community and environment in host countries.

Increased pressure towards businesses pursuing sustainable practices has led transnational corporations towards corporate social responsibility (CSR) and sustainability reporting. This has made them increasingly important players in international development in the last decades. They appear as a movement promising to mobilize the global reach and resources of TNCs in the service of local development and social improvement. The idea is to bring big business more closely into the development process, as actors and architects of local, national and global responsibility. Moskowitz (2011, pp. 1-2) brings forward this new humane face of capitalism where TNCs have 'cleaned up their act', as corporations get the possibility to work as a guardian of social order and the administrator of a new global moral authority. They are, according to this, becoming responsible and caring corporations where their power is valued according to their status as champions of sustainable development (Moskowitz, 2011, pp. 1-2). The power gained by marketing themselves in this way can justify TNCs spending on CSR and sustainability reporting.

This change CSR has brought with it is important to note, as it alters the way TNCs are perceived as global actors as well as how they can shape the development agenda. The rise of CSR has established TNCs as more the solution to the challenges of global poverty than the cause. It has become a vital mechanism for corporations, both in the international sphere of global governance as well as within the national and local context. Reinventing corporate structures, reproducing and extending their authority, over social, moral and economic order (Moskowitz, 2011). As CSR has gained momentum over the past decade, and as it recruits support from an extensive and varied group of actors, it has become a platform where corporations can take an increasingly active role in setting and implementing the development agenda at a global level (Moskowitz, 2011).

In the forefront of the sustainability movement are the companies which previously has been the very symbol of irresponsible capitalist exploitation, the extractive industries. Those very same companies who were known to be the brutal money makers have emerged today as leaders of the CSR cause. This has been done in the wake of a series of scandals surrounding allegations of irresponsible exploitation of people and resources through the past century. Such as Rio Tinto's illegal uranium mining in Namibia (Vidal, 2014), Anglo American's exploitation of the black workforce in apartheid South Africa (Hammond, Cooper, & Van-Staden, 2017), British Petroleum's involvement with paramilitary outfits in Colombia (Carson, Gatton, Vázquez, & O'Kane, 2015) and Shell's complicity in the oppression of the Ogoni in Nigeria

(UNPO, 2009). Nevertheless, this range of environmental and social irresponsibility has made way to a decade of initiatives aimed at making the mining business, not only socially responsible, but ‘sustainable’ (Moskowitz, 2011).

Nevertheless, CSR of mining companies is still considered to be more of the reactive approach rather than proactive, and often as an attempt to pacify social resistance to mining projects (Mutti, Yakovleva, Vazquez-Brust, & Di-Marco, 2012). Critics are working hard to expose the gaps between the rhetoric of responsible capitalism and the truth between corporate irresponsibility, ranging from the wrongful definition of local community to claiming ‘false dependency’ by holding the company at the heart of the community (Jenkins, 2004) (Moskowitz, 2011). It is powerful for TNCs to be defined as development actors. CSR enables corporations to tap into a wealth of social expertise, political agency and even financial resources, as multilateral development agencies and state governments look to corporations as initiator of development assistance. Corporations enlisting the energies of different actors with potentially divergent interest in the business worlds, such as non-governmental organization (NGO), community leaders and low-wage workers. All in the name of CSR, social problems are re-framed in a way aligning with the agendas of corporations and making them responsive to the interest of big business (Moskowitz, 2011).

*“The main reason a corporation adopts CSR is to contribute to a better society and cleaner environment”*. Govindan, Kannan, and Madan (2014, p. 214), in the abovementioned quote, states that the essence of CSR for TNCs is to do ‘good’. It should be questioned whether TNC’s status as responsible and caring corporations is colored by ‘greenwashing’, the expression of environmental and social concern only as a cover for products, policies or activities. That TNCs use this newly gained interest in development and environment as deceptive advertising and public relation (PR) strategies initially intended to increase sales rather than informing customers. Only presenting the sustainability and CSR reporting that benefits the corporation (Lyon & Maxwell, 2011).

Transnational corporations, and especially the mining industry has over the last decades showed a new willingness towards sustainability through CSR. Consequently, they have gained a new role as development actors in developing countries. Can CSR be said to be, as Moskowitz (2011, p. 21) described, *“the long-awaited magic bullet to poverty”*, where corporations takes responsibility where the state fails to deliver social improvement? Or is it more like critics suggests, corporate irresponsibility hidden behind rhetoric of responsible capitalism (Moskowitz, 2011, p. 21)?



## 1.2. ABOUT THE STUDY

On 16<sup>th</sup> February 2018, and the two following days the Pará region in Brazil, where the city of Barcarena is located, suffered severe flooding as a result of extreme rainfall. This culminated to flooding of the Hydro-owned alumina refinery Alunorte. Quickly after the flood, complaints from local community nearby the facility reported polluted drinking water and environment. On 20 February the Brazilian research institute Evandro Chagas, on behalf of the government, acted on this and conducted several tests in and around the Alunorte area. The authorities ordered several interventions against the refinery while reviewing the situation, the most devastating being the restriction of the Alunorte production embargo to 50 percent as well as an embargo on their new bauxite residue deposit area (DRS2). As a consequence, Alunorte's primary bauxite source Paragominas and Hydro's part-owned subsidiary Albras aluminum plant also reduced their production by 50 percent (Hydro, 2019b).

22 February, Evandro Chagas concluded in their report that Hydro had polluted the environment around their refinery. Norsk Hydro, on the other hand, denied the allegations stating no leaks had come from their Alunorte facility. Almost three weeks after the flood, on 11 March, their communication director Halvor Molland changed the response and admitted that it had in fact been conducted illegal emissions of untreated rainwater from the refinery. The Brazilian authorities had been informed about this, but the information was not shared with the local community. According to him the reason they had denied it for three weeks was that these were 'controlled' emissions and not 'uncontrolled' (Ramnefjell, 2018). Conclusively, Hydro had conducted several emissions of untreated rainwater to relieve the treatment plant both during and after the heavy rainfall.

The corporation agreed to having conducted illegal emission but not to be responsible for polluting the local environment. Hydro's chief executive officer (CEO) stated, "*there is no indications or proof that Hydro Alunorte had contaminated the local environment in Barcarena*" (Dagenborg & Solsvik, 2018, p. 1). To prove this, they hired the consultant firm Service Works Global (SWG) Services to challenge the Evandro Chagas report. This firm, financed by Norsk Hydro, arrived to Barcarena 7 March, several weeks after the rainfall and conducted their own tests. The report concluded that there had been no dangerous emissions caused by Hydro's Alunorte refinery following the flooding in February (Eraker & Sachse, 2018). On 9 April, at the same press conference as SWG Services announced Hydro's innocence in polluting the local environment, Hydro proposed *the Sustainable Barcarena Initiative (SBI)*. Allocating 100 million Brazilian reais (BRL) to support local community in

Barcarena over a period of ten years. This had the aim of starting initial operations from 2019 lasting until 2029 (Hydro, 2018a). Hydro denied the accusations of polluting the environment of the local community, but heavily invested in local community as a consequence of the leak. The Alunorte crisis raised questions of the accountability of Hydro as a TNC, denying emissions, before returning on their word. In addition, questioning the neutrality of it all when the corporation did not accept the government officials reports and conclusions.

More investments towards local community and CSR in Barcarena followed rapidly after the admittance of Hydro's emissions. The most important deal, said to be a milestone in solving the shutdown, was signed, on 5<sup>th</sup> September 2018 by Alunorte and the state government of Pará. These two deals entailed one *Terms of Adjusted Conduct (TAC)*, which focused on the company operations and contained some technical improvements, revisions and studies amounting to BRL 60 million. On top of this, BRL 65 million was allocated to provide food coupons for families living in the area around the polluted river Murucupi. Hydro and Alunorte would also pay fines compensating victims in the local communities around their facility because of the incident in 2018, but also for one happening in 2009<sup>3</sup>, amounting to BRL 33 million.

The deal also entailed an important social deal called *Terms of Commitment (TC)*. Hydro committed themselves to invest BRL 150 million to projects supporting sustainable development in defined local communities close to Alunorte. Amongst others, the refinery will build and donate houses and related infrastructure to state authorities in Pará. The authorities in Pará will be responsible for further allocating and handling the Hydro-provided infrastructures and houses. This was in addition to *the Sustainable Barcarena Initiative*. To sum up, Hydro had, as a consequence of the Alunorte crisis, invested BRL 240 million to Barcarena and the Pará region alone in social development (Hydro, 2018d) (Hydro, 2018a). To give a better understanding of the situation I created an overview of the Alunorte situation using Hydro (2018f) *Timeline and Overview of the Alunorte situation*, as seen in figure 1.

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<sup>3</sup> Hydro was in 2012 fined BRL 17,1 million for a waste-water leak in 2009. Under Alunorte's former owner, Vale, a heavy rainstorm made the Alunorte refinery flood and colored the nearby river Murucupi red of bauxite mud. In the aftermath 6000 lawsuits was filed against the refinery from individuals in and around the Barcarena area. Hydro, at the time, refused to pay arguing it was not their facility at the time (Falch-Nilsen & Tomter, 2012).

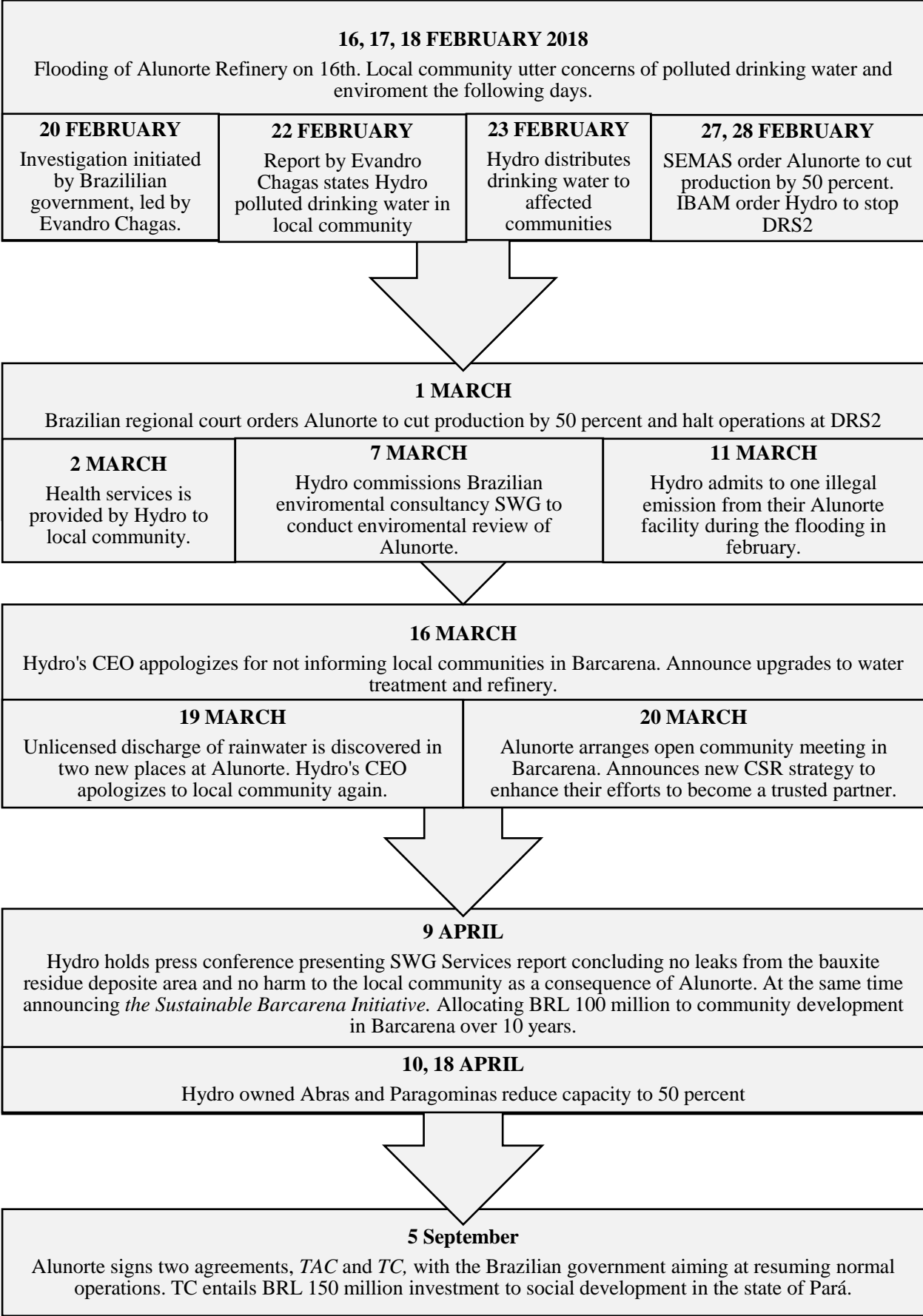


Figure 1: Overview of the Alunorte situation.

Source: The author

### **1.3. PROBLEM STATEMENT**

This thesis assesses Norsk Hydro's actions and reactions following the Alunorte crisis. It also analyzes how Norsk Hydro has changed its perception of local community as a stakeholder and their use corporate social responsibility practices in response to the situation.

The handling of the crisis shows a change of strategy, as the corporation clearly stated they had conducted no emissions, before later withdrawing these statements. Following this, they continued denying making harmful emissions discarding the official government reports stating otherwise. To raise their own point, they hired their own consultants to conduct tests challenging the already published governmental reports supplied.

Following the crisis and the admittance of the emission, Hydro stated their engagement to local community and CSR. The investment to the local community of Barcarena amounted to BRL 100 million over a 10-year period to the *Sustainable Barcarena Initiative*, in addition BRL 150 million to supply community and housing development in the Pará region. This shows a newly found dedication to the stakeholder local community. It is interesting to see how a situation like the Alunorte crisis can change stakeholder importance, and how CSR can be used as a tool aiming to repair TNCs reputation.

### **1.4. RESEARCH QUESTIONS**

**Research question 1 (RQ1):** What are the reactions and actions of Norsk Hydro following the Alunorte crisis from February 2018 to the announcement of the Technical and Social Agreement in September 2018?

**Research question 2 (RQ2):** Through analysis of Hydro's CSR strategy, how and why has their perception of local community changed since the Alunorte crisis?

### **1.5. STUDY AREA**

This study relies mainly on secondary data sources. Looking at documents regarding the actions and reactions of Hydro and local community concerning the Alunorte crisis in Barcarena, Brazil, in February 2018. In addition, evaluating the change of interest towards local community as a stakeholder, and the use of CSR to realize this.

The timeline analyzed is from the start of the crisis on 16<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> February 2018, until the signing of the *TAC* and *TC* deal, known as a milestone for Alunorte resuming normal operation, on 5<sup>th</sup> September 2018. During these months Hydro had several changes of strategy,

both in reactions and actions towards the crisis as well as towards local community as a stakeholder.

The method of research is document analysis with the main documents being annual reports from Hydro, official statements and press releases. In addition to these, supplementary documents such as reports from government institutions and NGOs is used as well as newspaper articles. The main data sources of this thesis are listed in figure 2, sorted into the categories *historical background, methodological framework and analysis.*

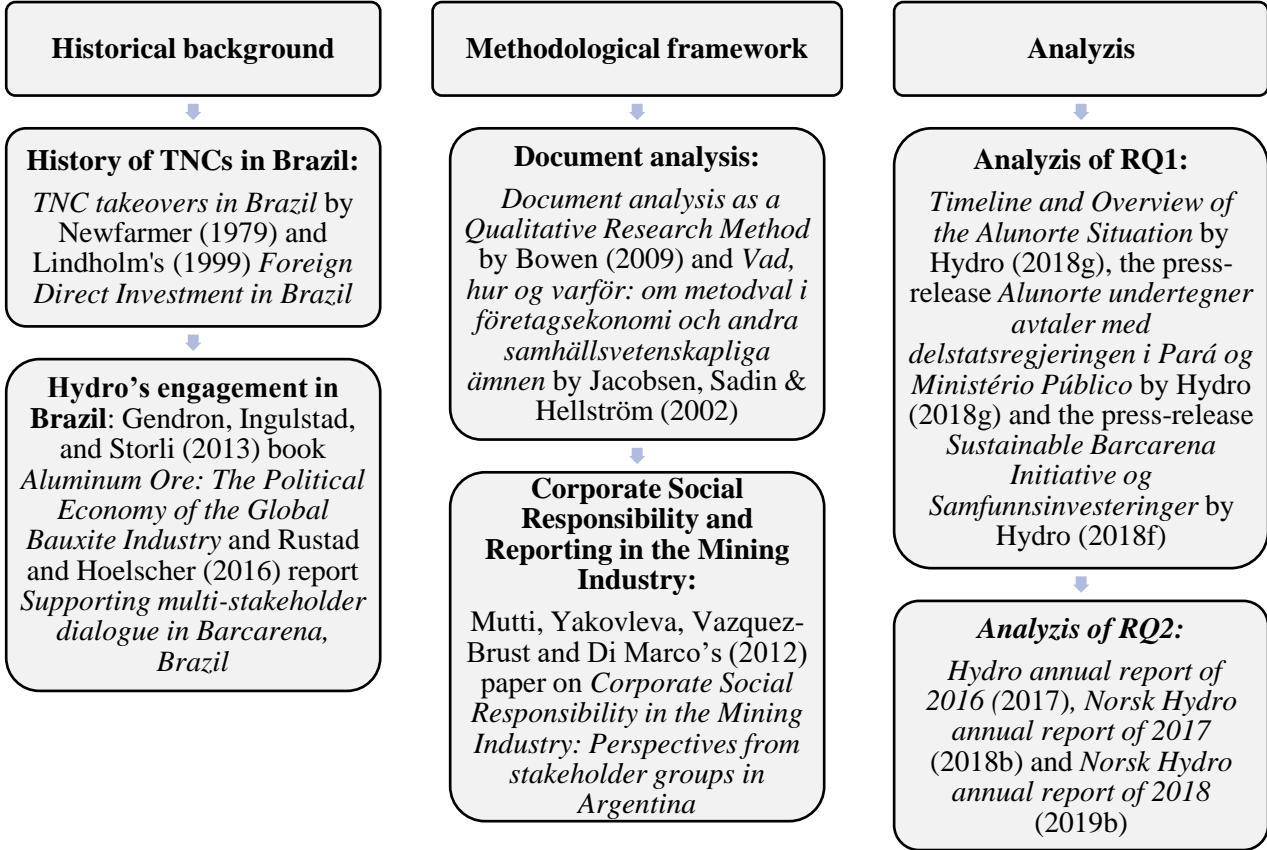


Figure 2: Main data sources of the thesis  
 Source: The author

### 1.6. OBJECTIVE OF THE STUDY

Hydro is an interesting case, and I would like to investigate how they have handled this from the start of the Alunorte crisis in February 2018 until the signing of the deal aiming to resolve the crisis in September 2018. The corporation underwent a transformation from denying all accusations to admit having conducted three illegal emissions from their Alunorte facility. Following this, investing heavily in the local community of Barcarena and the Pará region. I

aim to critically assess how Hydro uses corporate social responsibility (CSR) to mend the relationship with the local community in Barcarena in a time of a companywide crisis, which affects both their economy as well as their reputation.

## **1.7. MOTIVATION FOR THE STUDY**

At the time of the crisis in February 2018, I had recently moved to Brazil to work as a sustainability manager for Hostelling International. Hearing that the well-known Norwegian corporation Norsk Hydro had deliberately discarded wastewater from their Alunorte alumina refinery hit me hard. This case engaged many Brazilians, as they felt, like many times before, they had been stepped on by large TNCs polluting their land and exploiting their local communities. The reaction from the Brazilians made an impact on me as a Norwegian, triggering an interest to look closer at the consequences of foreign investments in Brazil.

I saw an opportunity to investigate the actions and reaction of Hydro, from a more neutral and academic point of view. This thesis, I believe, will contribute to advocating transparency in CSR and reporting practices and show that it is ultimately unsustainable for corporations to pursue a reactive approach. Consequently, urging that a proactive CSR strategy, doing more than is required, should be implemented as a norm for transnational corporations.

## **1.8. ORGANIZATION OF THE THESIS**

This thesis is organized in eight chapters. Chapter 1 provides an introduction giving a general presentation on the discussion of TNCs as development actors and how the extractive industries have been known as pioneers at CSR. It questions whether the intent behind mining corporation's CSR is to do 'good' or if it can be said to be a form of 'greenwashing'.

The method and theory used in this thesis are found in chapter 2 and 3. This thesis apply the Reactive-Defensive-Accommodative-Proactive (RDAP) Scale and the Stakeholder theory as explained in chapter 2. Chapter 3 is methodological framework, containing the discussion of document analysis, a method used in this thesis. It also has a section named *Corporate Social Responsibility in the Mining Industry*, giving an important explanation to the vital challenges when working with such secondary sources as CSR Strategy and reports published by TNCs.

Chapter 4 and 5 gives an historical context to FDI and TNCs in Brazil. Chapter 4 provides a historical perspective of transnational corporations in Brazil. Supplying important background information on how TNCs have gained important bargaining power in the country. It shows a Brazilian government and elite, more focused on the economic benefits of FDI than the societal

and environmental degradation such investments can be a consequence of. Chapter 5 speaks of Norsk Hydro's engagement in Brazil. Explaining the history of the corporation up to the acquisition of Alunorte in 2010. Continuing, how the city of Barcarena has developed as well as how Hydro has developed with it. Screening Hydro in the role of the reluctant development actor in the region, as they have taken little responsibility considering they are the largest operator in Barcarena.

The analysis section of the thesis is found in chapter 6 and 7. Through RDAP-Scale, chapter 6 analyze the Alunorte crisis with Hydro's actions and reactions from 16<sup>th</sup> February 2018 until 5<sup>th</sup> September 2018. Showing an important turn in strategy, from a reactive strategy with the corporation denying spillage accusations, to a proactive stance when the business aimed at support local community. Chapter 7 analyzes Hydro's CSR changes through their annual reports 2016, 2017 and 2018. Looking at the change in Hydro's perception of the stakeholder local community in the aftermath of the Alunorte crisis, and how they used CSR to mend the relationship with this stakeholder.

Conclusively, chapter 8 will address the question of who Hydro is as a development agent in the region. First, screening the corporation as a reactive development agent, to then question whether the corporation have developed as a proactive development agent after the Alunorte crisis. A big limit to the research is the lack of empirical data, and some interesting further studies is the, seemingly, change of bargaining power between the Brazilian government and Hydro as a TNC after the Alunorte crisis. Further, to investigate what the real reason behind this CSR towards community development projects in Barcarena and Pará is. The recommendations for this thesis are to promote a more transparent assessment and evaluation of the reasons and approaches TNCs have to CSR during environmental and societal crisis situations. Advocating a greater transparency of motivation in CSR and reporting in the mining industry.

## 2. THEORY

The theory used in this chapter is divided in two parts. Research question 1 is analyzed through the Reactive-Defensive-Accommodative-Proactive (RDAP) Scale. This gives the thesis some indications and explanations to why Hydro acted and reacted as they did in the aftermath of the Alunorte crisis. It also provides a possibility to analyze Hydro's newly found dedication towards CSR in a time of crisis. The stakeholder theory is applied on research question 2. This theory shows how corporations rate their stakeholders and how some stakeholders can gain more power than others. By applying this theory, it gives the researcher the option to investigate how the relationship between Hydro and the stakeholder local community has changed because of the Alunorte crisis.

### 2.1. THE REACTIVE-DEFENSIVE-ACCOMODATIVE-PROACTIVE SCALE

An important indication to firm's dedication towards social corporate responsibility is found in their social corporate responsiveness (CSR2) (Elijido-Ten, 2014). CSR2 can be looked at as a strategy on the reaction/response that firms take on concrete social issues. The discussion about this was brought to the table in the 1970's by Sethi (1975). He argued CSR2 was CSR divergent because the responsiveness referred to the adaptation of corporate behavior to social needs. In comparison with CSR, it is possible to state that this does not discuss ethics and social responsibility. Instead it constitutes concrete reactions to social responsibility or social issues. It can range from zero response to a proactive response (Kuběnka & Myšková, 2009).

It can be useful to analyze management strategies or posture toward a particular stakeholder group concerning one or more stakeholder issues. One way to research the responsiveness of a firm is looking at the Reactive-Defensive-Accommodative-Proactive (RDAP) Scale. This approach is explained and summarized in figure 3. Archie Carroll (1979), Wartick and Cochran (1985) used the terms *reactive*, *defensive*, *accommodative*, and *proactive* to characterize corporate strategy or posture toward social responsiveness. It can both be a trajectory of responses to different situations, but also used as a continuum where business evolve in this manner through a certain situation.

*Reactive* firms do not take their responsibility seriously and often aim at doing less than required. These are most likely to act solely for the fear of negative publicity. *Defensive* firms tend to admit their responsibilities but only to do the least required. Those known to be more



progressive than the other two categories are *accommodative* firms. They do all that is required. *Proactive* firms are the industry leaders that paves the way with new and innovative solutions, doing more than required and anticipating their responsibilities. Numerous scholars have hinted that in adopting the RDAP model to understand corporate social responsibilities the essential characteristics of firms often fits in each profile. Corporate social and environmental responsiveness can be said to range on a continuum from reactive stance, doing nothing until you have to, to a proactive posture, taking the stance of being ahead of the pact (Elijido-Ten, 2014).

### **The Reactive-Defensive-Accommodative-Proactive (RDAP) Scale**

Rating	Posture or Strategy	Performance
1. Reactive	Deny responsibility	Doing less than required
2. Defensive	Admit responsibility but fight it	Doing the least that is required
3. Accommodative	Accept responsibility	Doing all that is required
4. Proactive	Anticipate responsibility	Doing more than is required

*Figure 3: The Reactive-Defensive-Accommodative-Proactive (RDAP) Scale.*

*Source: Clarkson (1995, p. 109)*

Making the RDAP Scale more applicable in terms of concepts of stakeholder relationships and responsibilities, two extra elements are added, *posture or strategy* and *performance*. These additions provide a way of characterizing a company's *posture or strategy* toward the management of stakeholder issues. *Performance* applies a measure of stakeholder satisfaction by evaluating the data concerning the actions and record of the company of the management of particular stakeholder issue and the levels of responsibility that the company has assumed or defined. These two definitions become important elements in applying a measure to evaluate the level of responsibility that a company demonstrates in its management of stakeholder relationship and issues (Clarkson, 1995).

Jenkins suggested additional framework to put social reactions by corporations into. Many annual reports as well as sustainability reports, even with their mainly positive and upbeat tones, omit areas of conflicts where they appear. However, as badly managed disputes can reduce the legitimacy of a company's activities in the eyes of the community and wider society, corporate reporting is often used as a form of impression management to enhance and maintain reputation and present the company's own version of events. Four broad legitimacy threat strategies listed is; *Informing stakeholders about intended improvements in performance*;

*Seeking to change stakeholders' perceptions of the event; Distracting attention away from the issue; Changing external expectations about its performance* (Jenkins, 2004).

There are also three protective strategies for impression management; *Excuses*: The actor tries to deny responsibility for an action he admits is wrong; the best excuses are those that attribute failure to external, uncontrollable or unintentional causes. *Justification*: The actor accepts responsibility but denies that the act was bad or unintentional. *Apology*: the actor admits blameworthiness for an undesirable event but attempts to convince the audience that the event should not be considered a fair representation of 'what things are really like' (Jenkins, 2004).

## **2.2. STAKEHOLDER THEORY**

Corporate social responsibility, coined by Berle and Means, two Harvard university professors in their book *The Modern Corporation and Private Property* (1933) has developed as a business approach and tool aiming to contribute to sustainable development by delivering economic, social and environmental benefits to all stakeholders of a business (Mutti et al., 2012). A stakeholder implies the party whose interest is directly or indirectly affected by the company's action, such as government officials, employees, indigenous groups and the local community. This is different from a shareholder, which is a person or business who has invested services or shares in the enterprise and therefore expects businesses to create increased wealth for them (Şenerroğlu, Abdülkadir, & Ahmet, 2016).

Since the Earth Summit in 1992, the CSR field quickly expanded putting pressure on business and industry to be socially responsible and actively contributing to sustainability and development (Govindan et al., 2014). It is now a norm for business to have a CSR policy and many claim it acts as a key concept in modern competitive business as it increases sales revenue, capital share and improves customers' perceptions of a business (Govindan et al., 2014). TNCs, nevertheless, generally states that their main reason for adopting CSR policies are to contribute to a better society and cleaner environment (Govindan et al., 2014). The stakeholder theory is useful in challenging such statements, as it puts the idea of CSR, stakeholders and their importance for the corporation into a framework. Screening the reactions and actions taken by TNCs regarding CSR can give indicators to where the 'real' motivation lies. This framework gives the author possibilities to detect and discuss why corporations like Hydro, quickly after a scandal, such as the Alunorte situation, find capital to fund large social development programs.

CSR assigns a role for business in the development sphere to contribute to their stakeholders but placing some realistic limits that allow business to continue engaging in

growing their markets satisfying their shareholders but also aiming to satisfy their stakeholders. This new demand on business is that they pursue their activities with a broader awareness of the system they are operating in, with thoughtful consideration and meaningful action toward environmental and social issues. It entails working and influencing such as human rights, labor rights, environmental responsibility, and anti-corruption (Ging, 2012). It can also involve local economic development, education and capacity building. Consequently, TNCs CSR can interfere in issues governments in host countries is supposed to be responsible for, like education. This leads TNCs to gain a very important role in communities where they are present (Carroll, 2009). To a varying degree, many companies construct their own meaning of community, which not necessarily fit with the lived experience of the people in question (Jenkins, 2004). Instead of identifying the community based on their complex realities, the definition can stem from preferring to identify the community in relation to themselves, holding the company at the heart of the community (Jenkins, 2004).

Stakeholder theory aims to articulate an important question in a systematic way: which group of stakeholders are deserving or requiring management attention, and which are not? The concept of stakeholders has become embedded in management scholarships and thinking since the release of, *Strategic Management: A Stakeholder Approach*, by Freeman (1984). This thesis applies a normative theory of stakeholder identification, aiming to explain logically why managers consider specific classes of entities as stakeholders, and how they decide who is the most important stakeholder (Mitchell, Agle, & Wood, 1997). The stakeholder approach is very relevant to discussions and critical analysis of how CSR policies address main issues affecting sustainability in developing countries, such as environmental deterioration, social vulnerability and inequality. It is especially useful when exploring sustainability challenges in the mining industry. In particular a large body of research has been devoted to analysis of motivations, evolution and consequences of environmental strategy (Mutti et al., 2012).

Stakeholder theory states that firms are responsible for delivering benefits to all their stakeholders instead of only to shareholders and customers. The broad view of stakeholders are defined by Freeman as “*any group or individual who can affect or is affected by the achievement of the organization’s objectives (1984, p. 46)*”. This thesis aim to define it in the more narrow way as *the individuals and constituencies that contribute, either voluntarily or involuntarily, to firms’ wealth-creating capacity and activities and are therefore its potential beneficiaries and/or risk bearers* (Mutti et al., 2012, p. 213). This defines the word stake as only something that can be lost, and leads to a stakeholder being someone who holds a legitimate claim and has a stake in what is happening, regardless of their power to influence the firm or the legitimacy

of their relationship to the firm (Mitchell et al., 1997). Four basic components of stakeholder theory identified that are relevant to analysis of CRS in developing countries is: *flows of benefits and potential threats between companies and stakeholder; varied and discrepant issues or interests; (3) stakeholder networks and roles; and stakeholder engagement* (Mutti et al., 2012, p. 213).

Beginning on *flows of benefits and potential threats between companies and stakeholder*. A firm can be described as a system of stakeholder groups that are linked by a complex set of relationships. Each has different rights, objectives, expectations and responsibilities and provides a specific resource or contribution to the firm. A firm's performance will be threatened if these resources and contributions are withdrawn or become too costly. In this way, a firm's survival and continuing success depends on the ability of its managers to create adequate wealth, value or satisfaction for those who belong to each stakeholder group. If one or more stakeholder groups are sufficiently dissatisfied and leaves the system, the firm can in worst case collapse. In particular, companies are to a greater extent aware of the resources that communities can use if they are disgruntled with the firm. For example their ability to block local resources or the capacity to affect the image of a company through partnership with global NGOs (Mutti et al., 2012, pp. 213-214). Firms has both *implicit* and *explicit* contracts with stakeholders. Stakeholders with an *implicit* contract will expect the firm to provide specific compensation for the benefit or contribution they believe they are providing to the firm. If these expectations are not satisfied, these stakeholders may become litigious and ensure, by legal or other means, that the firm fulfils its duties which then lead to the contract being made *explicit*. To avoid this, the firm will attempt to meet its *implicit* claims on a voluntary basis, usually by designing a CSR program. In this way CSR can be viewed as a set of actions and principles implemented to satisfy *implicit* contracts (Mutti et al., 2012, p. 214).

*Varied and discrepant issues or interest* discuss the limited financial resources that are available to corporations to meet stakeholders' *implicit* claims. These claims grow rapidly, especially in developing countries, where CSR policies of TNCs have a tendency to fill huge voids in welfare systems. Identifying relevant stakeholders and their claims is a vital first step in the design of policies to meet stakeholder claims. The list of potential stakeholders has grown greatly in the past decades, ranging from such as indigenous groups, local community, NGOs and environmental organization. It should be said that this also makes it challenging for companies to generate long-term social and economic benefits for all stakeholders. The challenge continues as there is also often conflicting interests between different stakeholders,

which means that the satisfaction of one stakeholder group may take place at the expense of another's wellbeing (Mutti et al., 2012, p. 214) (Mitchell et al., 1997).

*Stakeholder network and roles* describes how even though companies have a wide range of stakeholders, these are generally organized in informal or formal networks sharing common influence strategies born of similar needs, resources or beliefs. Firms do not perceive and respond to stakeholder pressures one by one. Each corporation a given industry interacts with a particular configuration of stakeholders' networks, where social, political and economic structures determine the patterns of the different relationships. Understanding how these networks are constructed is the first step in the alignment of CSR programs with stakeholder expectations. If a company is committed to improving the quality of life of communities in a sustainable way, it needs to utilize a stakeholder management model that employs a holistic perspective for responding to stakeholder networks and influence strategies (Mutti et al., 2012, p. 214).

*Stakeholder engagement*, points to the involvement of stakeholders. It has been made a crucial distinction between what is called *the management of stakeholders* and *stakeholder management* in firms' strategies for stakeholder engagement. *The management of stakeholders* is mainly a morally neutral practice that assumes that relationships with stakeholders must be arranged in ways that support specific interests of the company and puts forward a more 'manipulative' strategy aimed at convincing or guiding stakeholders to align themselves with the company. This is a perspective mainly linked with 'amoral' or 'strategic' CSR. On the other hand, *stakeholder management* is based on a change in management philosophy that involves the inclusion of stakeholder interests in the firms' processes of strategy-making and execution. Aiming simultaneously at current business success and the long-term survival of the company, this approach has a moral motivation, based on the rightful consideration and integration of stakeholder interests into business decision making. When the interests of various stakeholder groups vary, the key to settling those disagreements lies in identifying which social and environmental approaches allow a better use of a company's resources and have a better set of impacts on the interests of the different stakeholder groups. Even those companies who have 'moral' CSR orientation may be distrusted by other stakeholders because of ingrained beliefs, framing CSR as 'greenwashing', manipulative and strategic (Mutti et al., 2012, pp. 214-215).

### **3. METHODOLOGICAL FRAMEWORK**

This study relies on secondary data sources with no empirical data. Through two sections, this chapter will explain the methodological framework. The first section *Document analysis* discusses the decision of using document analysis as a method. Explaining how using this method allows me as a researcher to critically analyze Hydro's reactions and actions in the aftermath of the Alunorte crisis. As well as to study Hydro's annual report for changes towards local community as a stakeholder. This chapter also contains the section *Corporate Social Responsibility and Reporting in the Mining Industry*. Elaborating on reasons why the mining industries has been pioneering the CSR field. CSR reporting and strategies have been used by mining corporations, to make their own definition of community as well as creating 'false dependencies' towards TNCs in local communities (Mutti et al., 2012). This is an important framework to discuss as this thesis is about Hydro's reactions and actions to the Alunorte crisis, and their use of CSR in crisis situations.

#### **3.1. DOCUMENT ANALYSIS**

Document analysis is a systematic procedure for reviewing or evaluating documents, both printed and electronic material. It entails following a certain path towards a goal, where the path is gathering and analyzing documents and the goal is to find answers in them. These texts could be interviews, observations, letter, diaries, books or reports. (Johannessen, 2016). "*Exploring a text often depends as much on focusing on what is said, and how a specific argument, idea or concept is developed, as well as focusing on what is not said*", as said by Tim Rapley (2007, p. 111). This procedure allows for scanning of a certain type of documents looking for other purposes than the immediate finding, opening for different meaning of these texts. As with other analytical methods in qualitative research, document analysis requires examination and interpretation of data to give it meaning, gain understanding, and develop empirical knowledge. Documents can be referred to as 'social facts', which are produced, shared, and used in socially organized ways (Johannessen, 2016). This research method is particularly useful in qualitative case studies, as case studies are known as intensive studies producing rich descriptions of a single phenomenon, event, organization, or program (Bowen, 2009).

To be able to allocate these 'social facts' it is important to have a good analytic procedure. In document analysis this entail finding, selecting, making sense of, and synthesizing data contained in texts. Documents used for systematic evaluation as part of a study can take

different forms and be found in anything from libraries, newspapers, archives or online sources. These type of analysis produce data, such as excerpts, quotations or entire passages, and are then organized into major themes, categories and case examples or specifically through content analysis (Bowen, 2009). This study investigates Hydro's press releases and their annual reports of 2016, 2017 and 2018, along with newspaper articles written on the development and consequences of the Alunorte situation in February 2018. These documents are then categorized using the RDAP Scale and Stakeholder theory and analyzed to create new meaning.

Documents serves a wide range of purpose as part of an undertaking research, as it can provide, amongst other, important background information and historical insight. This helps the researchers understand the historical roots of specific issues and indicates the conditions that infringed upon the phenomena currently under investigation (Bowen, 2009). To gain a better understanding of how transnational corporation has developed through history in Brazil, Newfarmer (1979) and Lindholm (1999) were two important contributors. Continuing, Hydro's investments in Brazil, Gendron, Ingulstad, and Storli (2013) book *Aluminum Ore: The Political Economy of the Global Bauxite Industry* and Rustad and Hoelscher (2016) report *Supporting multi-stakeholder dialogue in Barcarena, Brazil* were the most vital sources of information on Hydro's history in bauxite and alumina mining as well as their stakeholder engagement towards local community in Barcarena prior to the 2018 Alunorte crisis.

This research consists of secondary data, as the information was not directly gathered from the source. It is important to note that these kinds of documents initially have been made for another purpose than of this research. Documents such as the annual reports of Hydro are a way for businesses to convey their message to a larger crowd. It is also widely used as a publicity document, giving organizations a platform to promote themselves (Jacobsen, Sandin, & Hellström, 2002). On these grounds, it is important to know the audience it is aimed for, and the purpose it holds so that the content of the texts can be rightfully analyzed. This also challenge the selectivity, partiality and bias in organizational reporting. As organizations can decide what is included, how it is phrased and who it speaks to. This makes it essential to substitute the reports with documents that can provide a more nuanced picture of such reporting (Jacobsen et al., 2002).

Supplementary research data regarding similar topics, like mining business and CSR is important as it includes valuable addition to the knowledge base. It is vital to browse documents similar to the topic in some way, whether it is from a different country or have a slightly change of focus (Bowen, 2009). In this particular research, Mutti, Yakovleva, Vazquez-Brust and Di Marco's (2012) research on mining in Argentina has been essential. This article has been used

to point to methodological issues on bridging mining and CSR in developing countries. Argentina and Brazil are very different countries in terms of culture and language. However, they also have clear similarities regarding economy and societal problems. I, as a researcher, see this article as a good indication to what the major concerns are in mining and CSR also in Brazil.

The researcher is expected to demonstrate objectivity and sensitivity in the selection and analysis of data from documents (Bowen, 2009). Document analysis involves skimming, reading and interpreting. It is an iterative process combining elements of content analysis and thematic analysis. Content analysis is the process of organizing information into categories related to the central question of the research. Thematic analysis is a form of pattern recognition within the data, with emerging themes becoming the categories for analysis (Bowen, 2009). In this specific research, it means combining both official documents from Norsk Hydro and newspaper articles, supplementing them in a thematical analysis using the RDAP-Scale and the stakeholder theory. The process involves a careful, more focused re-reading and review of the data (Bowen, 2009). By using this framework, it gives the researcher the possibility to ask questions of both the actions and reactions of Hydro following the crisis as well as what kind of development actor they are in the Barcarena region.

The stage of evaluating and analyzing the data is vital. It is also the assignment of the researcher as an analyst to determine the relevance of different documents to the research problem and purpose. Further, that it fits with the content of the conceptual framework of the study (Bowen, 2009). In the analysis of Hydro's reactions to the Alunorte situation, *Timeline and overview of the Alunorte situation* published by Hydro (2018f) as well as their press releases *Alunorte undertegner avtale med delstatsregjeringen i Pará og Ministério Público*<sup>4</sup> (Hydro, 2018a) and *Sustainable Barcarena Initiative og Samfunnsinvesteringer*<sup>5</sup> (Hydro, 2018e) has been important sources. These have been investigated with supportive newspaper articles and interviews about the crisis in the newspapers *Dagens Næringsliv*, *NRK*, *Aftenposten*, *E24*, *Reuters*, *The Guardian* and *Dagbladet* through the RDAP-Scale. Investigating the actions of Hydro, the corporation's *annual report 2016* (2017), *annual report 2017* (2018b) and *annual report 2018* (2019b) has been analyzed and compared using the stakeholder theory.

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<sup>4</sup>In English: *Alunorte signs a deal with the state government in Pará and Ministério Público*

<sup>5</sup> In English: *Sustainable Barcarena Initiative and community investments*



Determining the authenticity, credibility, accuracy, and representativeness of the selected documents is a necessity. It is not the job of the researcher to simply ‘lift’ words and passages from available documents. Instead, establish the meaning of the document and its contribution to the issue being explored. Although documents can be a rich source of data, it is important to look at documents with a critical eye and be cautious in using whichever document in such a study. They should not be treated as necessarily precise, accurate, or complete recordings of events that have occurred (Bowen, 2009). As this research aims to investigate how Hydro has reacted and acted in an environmental and societal crisis, documents published from Hydro is clearly speaking for their benefits, not mentioning reports and statements from such as Evandro Chagas speaking against them. Independent reports from organizations like Peace Research Institute Oslo (PRIO) is more neutral and aim to make recommendations. On the other hand, newspapers are known to be more critical and often take a stance, creating a biased picture of a case. The original purpose of the document must be considered as well as its target audience. Most likely, Hydro is ‘speaking’ to their investors as well as the public to regain their reputations, while newspapers and NGOs might aim to ‘catch the corporation’ and put them on display for the public (Bowen, 2009). Having this in mind is important when reading newspapers, as well as press releases and reports from Hydro. Especially as they will have a different way of addressing the Alunorte crisis and promoting their views. The wording of the documents is especially interesting in this case as it will investigate what the reason for the CSR implementations for Hydro in Barcarena, Brazil following the Alunorte situation.

Using document analysis as a method in this research is based mainly on the time limit I, as a researcher, had. From February 2018 to March 2019 I was engaged in a full-time project in Brazil, working with sustainable tourism. In addition, the administration of my program at Norwegian University of Science and Technology (NTNU) failed to find a suitable supervisor for me within the given time frame and it ended up being delayed by one month into the spring semester of 2019. Because of obligations workwise as well as the delay caused by NTNU, the thesis was not started working on full-time before March. To be able to provide a thorough thesis, the most appropriate method of research fell on document analysis. Initially, the study also aimed at conducting supportive interviews with Hydro as it would enrich the thesis findings. I tried to get in contact with the corporation and emailed them asking for both interviews as well as a more detailed sustainability strategy. This was unsuccessful and I was not provided with an answer to the enquiry. It should also be mentioned that Hydro experienced a serious cyber-attack in March 2019 which led to a limited shutdown of, amongst other, their website as well as some industrial fractions of the company (Husøy, 2019). Not only did it make

Hydro staff relatively unavailable, it also closed down their website for weeks. This was problematic as all press releases as well as reports were for a period impossible to get ahold of. The research itself had a pressing time limit, Hydro did not respond to my request for interview and on top of that they themselves had fallen into an unfortunate situation experiencing a cyber-attack. Based on this, I, in dialogue with the supervisor, decided to continue the study with only document analysis and no supportive interviews.

Document analysis is an efficient method, where much of the data often is widely available. In addition, most of the time it is also cost-effective which made it a good method for my research. However, it should be mentioned that there is a lack of obtrusiveness and reactivity. Basing the analysis on purely secondary sources leaves no room for actors such as Hydro to respond, and the documents analyzed all hold another purpose than that of this researched. It loses the reactivity which could be achieved had the thesis had supportive interviews with Hydro. It is important to reflect on that events might be proceeded differently because it is being observed and not giving the ability to actors in the area studied to argue their side. Document analysis is still a stable way of researching where others can return to the topic later and still be suitable for repeated reviews. It also gives the researcher an ability to cover a broad range, both in terms of time, events and settings (Bowen, 2009).

A weakness important to reflect on regarding document analysis is the low retrievability. That some documents are hard or in some cases impossible to get ahold of, in many cases because of confidentiality reasons. This is something this research needs to consider, as the corporation studied is a large and an important actor in the global market (Bowen, 2009). The documents distributed from them is limited also on the basis that this case is an ongoing crisis. As of 30 April 2019, the Alunorte situation was still not resolved and both the 50 percent production as well as the embargo of the DRS2 at Alunorte was in motion (Hydro, 2019d). This also meant that new documents were published while the research were conducted. Based on this, the researcher decided to keep the study within a certain timeframe. This research looks at documents concerning the reactions and actions of the Alunorte crisis in February 2018 to September 2018. I have been flexible regarding new documents related to the crisis itself, but the analysis does not discuss the outcome of it.

This study raises the concern of biased selectivity, which is an incomplete collection of documents. Data collected should be rich and representative of both sides, and aim to be as neutral as possible for the research to benefit (Bowen, 2009). This thesis had limited data gathering from Brazil, mainly because of the language barrier. I speak basic Portuguese but not enough to gather detailed Portuguese written data. Some Portuguese sources have been used in

the historical introduction to transnational corporations in Brazil. Another problem about the biased selectivity is that Hydro does not have a country specific sustainability strategy. The only concrete sustainability reports from the company is found in the annual reports. These reports, along with Hydro's press releases is the most vital sources to gain an understanding of the company's way of acting and reacting. Without a more detailed sustainability strategy towards Barcarena and Alunorte specific, it is difficult to get a clear timeline of how CSR have developed in and around the Alunorte area, especially before the Alunorte crisis. The annual reports are not specified in how much money is allocated to which communities in CSR. On the other hand, as Norsk Hydro is not cooperating and not supplying detailed information on CSR prior to the Alunorte situation, it can be considered an indication. It can be argued that it would be beneficial for the corporation to be transparent and that provide researchers with documents such as sustainability strategies. Questioning whether they in fact have had a detailed sustainability strategy prior to the Alunorte crisis.

According to Jacobsen, Sandin and Hellström (2002) there are especially three situations where the importance of document analysis appears. First, when it is impossible to gather primary data. Second, when the purpose is to figure out how others have interpreted a situation or event. Third, to receive information about what people have said and done in action. It is clear in this research that these three situations are of importance here. Because of time limits as well as unfortunate and unforeseen happenings with both the researcher and Hydro, the gathering of primary data became difficult. Continuing, using press releases, newspaper articles and interviews has the purpose of figuring out how Hydro has interpreted the Alunorte situation. Finally, the idea of this research is to understand the purpose of CSR in the Alunorte crisis, and how this has been used by investigating the change of the nature of the relationship with local community as a stakeholder in the annual reports of Hydro.

I would like to point out that this research cannot be fully objective as it only shed light on documents and does not have the ability to let corporations and local community affected voice their opinion. No actors in the crisis area of Barcarena and Pará had the chance to speak of their experiences of Norsk Hydro, nor the corporation itself. It is also vital that I as a researcher reflect on the role I have. The Alunorte situation has been highly debated, both in Norway and Brazil. As I lived in Brazil throughout 2018, much of the debate I heard concerned the Brazilian frustration over TNCs and their exploitative powers. The documents should be approached with objectivity and not be added 'made up' meanings to. I have reflected on whether I, as a researcher, should aim for an inside-out approach to the research. The experiences I had in Brazil, I believe is enriching to the thesis, as it gives it a deeper

understanding of the local communities in Brazil as well as how the country functions both societal and political. On this basis, I concluded that it is important for me to keep a certain objectivity. Albeit, it is both difficult and considered a loss to the research to remove oneself completely from the study. Conclusively it is not beneficial to adapt an outside-in strategy. Rather, continually throughout the research reflect on my place in it.

### **3.2. CORPORATE SOCIAL RESPONSIBILITY AND REPORTING IN THE MINING INDUSTRY**

Working with secondary data like CSR strategies and CSR reporting, like the annual reports published by Hydro brings up some methodological issues. It challenges the selectivity, partiality and bias in organizational reporting. Both reporting and CSR functions as carefully managed PR strategy and it is important to analyze what is behind the investments and interests. Transnational corporations in the extraction industries are under extreme pressure and scrutiny from a range of social forces, from environmental and indigenous people to human rights movements. These have formed in response to concerns about social and environmental impact of operations, especially in developing countries. In fact, mining companies cause the most significant and often irreversible damage to the natural environment as compared to other industrial sectors. Negative social and environmental impacts in the mining sector manifest themselves to the extremes, including industrial accidents, environmental degradation, health and safety issues, impact on livelihood of local communities and violations of human rights (Mutti et al., 2012). This means that it is extremely important to have tools to monitor and guard such industries. The finite nature of non-renewables, the diverse environmental impacts associated with their extraction and use, the economic importance of primary extraction industries in some countries and the social impacts on local communities associated with mining activities have caused the mining industry to be amongst the most productive disclosers of social and environmental information (Jenkins, 2004).

Corporate social and environmental responsibility has not always been a priority of the mining industry. Incidents of conflict and corporate malpractices in the mining industry cannot be assigned to history. Recent and on-going corporate-community conflicts, many severely testing the reputations of large companies, are boundless. Yet, while complex relationships between mining companies and local communities is old news, the way that companies now are approaching these conflicts has changed (Jenkins, 2004). As a result of increased societal pressure, mining companies have actively been innovating the field of CSR to address the

different sustainability challenges of their operations more proactively. An example of this is that the extractive industry companies were one of the first companies to publish stand-alone environmental reports, and to adopt voluntary codes of conduct in the area of environmental management. It is important to note that the CSR of mining companies is considered to be more of the reactive approach rather than proactive, and an attempt to pacify social resistance to mining projects (Mutti et al., 2012).

When it comes to sustainable development in the mining industry it is an important discussion of strong and weak sustainability. Strong sustainability follows a position that supports constant natural capital rule, in this case exhaustion of natural capital cannot be substituted by an increase in other forms of capital and instead requires a renewal of natural capital. In this view, regarding non-renewable resources, the mining sector cannot be seen as sustainable as it depletes the stock of natural resources available for future generations. The second follows a weak sustainability argument that supports the substitution of natural capital rule. Looking at it this way, depletion of natural capital can be replaced with an increase in other capitals (economic and social). This allows the extraction of mineral resources to be seen as sustainable, as long as it is substituted in another way which, according to this, ultimately does not compromise the ability of future generations to meet their needs (Mutti et al., 2012).

Corporate social responsibility is a useful conceptual framework for exploring the corporate attitude of companies towards stakeholders. For the mining industry CSR is about balancing the diverse demands of communities and the imperative to protect the environment with the ever present and important need to make a profit. In doing so they are required to recognize newly empowered stakeholders, such as local community and indigenous people. These groups are often finding themselves exploited by the pursuit of corporations to exploit their land (Mutti et al., 2012). In the last few years consumers have become more aware and demands better behavior from firms. This have led the media and NGOs to work as ‘watch dogs’ ensuring that big corporations are doing right by their stakeholders. Following this, it is necessary to identify the interests, concerns and objectives of stakeholders and recognize the need to balance or accommodate these different interests (Jenkins, 2004).

‘The community’ has proven a difficult concept to define. This because the community exists in the minds of its members, and should not be confused with geographic or sociographic assertions of fact (Jenkins, 2004). This is something multinational companies should analyze and evaluate before entering a new host country, area and community. To be able to have a suitably tailored strategy developed one need to know who you are addressing and how to best address these people or places. To a varying degree, many companies construct their own

meaning of community, which is not necessarily fit with the lived experience of the people in question (Jenkins, 2004). Instead of identifying the community based on their complex realities, or even attempt to delineate their social and geographical boundaries, the definition stems from preferring to identify the community in relation to themselves, holding the company at the heart of the community (Jenkins, 2004). From the research conducted by Jenkins, it is clear that the decision of companies to develop community strategy not always stem from a moral choice. It is a strategic response to social challenges that constantly shift the background of constraints in which the organization must operate. By framing community responsibility within instrumental necessities the company avoids the potential for conflict with other accepted corporate responsibilities, such as the need to make a profit (Jenkins, 2004).

Whether there is moral acceptance of the human need to engage or not, the different cultural constructs of companies and communities will inevitably lead to conflict unless companies aim to understand and define the complex nature and world-views of the communities they operate in and around. According to Jenkins, community strategies are currently built on the neo-liberalist mining industry rationale that their presence in an area is essential for continued social and economic development. This is again justified and constructed within the developed world's paradigms of corporate social and environmental responsibility and sustainable development (Jenkins, 2004).

It can often be seen that the companies frame themselves as central components of the communities in which they operate, as neighbors and key innovator of economic development and improved standards of living. This is a very focal point regarding CSR, namely this claim of 'false dependency' (Jenkins, 2004, p. 26), when the companies position themselves as providers of much needed resources which they state cannot be gained elsewhere. The corporation is in this way constantly undermining the strength and autonomy of the community by reinforcing their dependency on the company. The rationale behind the existence of a mine in a community is that the community will be better off in both the short and long term (Jenkins, 2004).

The predominant paradigm used to describe corporate-community relationships is that of mutual benefit and respect, with the sharing of both the responsibility for and the benefits from mine development within the immediate surrounding communities. However, the mutual benefits are not always as balanced as the reports suggests, because the majority of the power to define this mutuality lies with the companies (Jenkins, 2004). Throughout reports in the mining community the perspective that continues to prevail is that continued extraction of non-renewable resources is a necessary part of sustainable development activities. The inherent

unsustainable nature of the continued extraction of non-renewable resources is not alluded to (Jenkins, 2004). Looking at it this way, community development programs provided by mining companies could be viewed not as 'socially responsible' but as a means of controlling the community (Jenkins, 2004).

There are some methodological issues working with secondary data that becomes apparent looking at the mining industry's interest in CSR and reporting. The selections of what is reported and how neutral it is, must always be critically analyzed. Corporations tend to use strategies such as reporting and CSR gaining a possibility to screen situations beneficial for themselves. This makes corporate reporting biased, as it tends to only screen the side of the organization reporting on the issue, and not providing a nuanced picture. Both reporting and CSR can be seen as a carefully managed PR strategy and it is important to analyze what lays behind the investments and interests.

## **4. HISTORY OF TRANSNATIONAL CORPORATIONS IN BRAZIL**

Brazil is the largest economy in Latin America, and the eight largest economy in the world. Since the Republic of Brazil was established in 1889, its history has been shaped by the importance of armed forces in political and economic life. In fact, between 1964 to 1985, the army was in direct command of the state, imposing indirectly elected generals as president. It was an authoritarian regime controlling civil society as well as the political system. However, the military regime was beneficial for businesses. With the army steering the country, their intent was to modernize Brazilian industry and carry out grand infrastructure projects, building new highways and creating industrial havens. The country did, in fact, experience an extreme economic growth between 1968 and 1973, driven by the process of agricultural and industrial expansion. This growth masked the social inequalities, torture and misconduct caused by the regime, and those earning on it was mainly major industrialists as well as capitalists. The FDI brought with the transnational corporations in the 1970s gave a boost to the country as it led to a huge influx of capital and growth (TWC, 2018). When the new democratic system finally emerged in 1985 after over 20 years as a military dictatorship it left many enduring problems unresolved, such as the effective lack of civil rights for the poor, widespread corruption, police violence and income inequality (Napolitano, 2018).

### **4.1. 1970-2000: BUILDING A BRAZILIAN FOREIGN DIRECT INVESTMENT ECONOMY THROUGH TRANSNATIONAL CORPORATIONS**

Already in 1979 it was clear that Brazilian market was strongly bias in favor of transnational corporations because of various market distortions. TNCs, from mid-1970s started acquiring and running takeovers of Brazilian firms. The assumption was that the acquired firms were more worth to the TNCs than to Brazilian owners because these businesses possessed superior technology, which allowed better efficiency and consequently greater profit. The fact that Brazilians could not buy technology at cost reflected the TNCs economic power in the markets for technology (Newfarmer, 1979, p. 26). The global sphere saw a greatly unequal access to international technology, where only western countries obtained it and brought it with them to host countries. This devalued the Brazilian owners' valuations of their own firms. Not because of the greater efficiency of the TNCs seizing their companies, but because of the



imperfection in the international market for technology (Newfarmer, 1979, p. 27). The investments of TNC in the Brazilian market consequently raised both the level of market concentration and denationalization (Newfarmer, 1979, p. 26). Already then, the unevenness of the different actors started to lean towards the large TNCs who started to take their hold in the Brazilian economy. They held the superior power over technology, and they had the benefits of entering a suppressive regime where the power was with the elite and not with the workers.

Brazilian firms faced the dilemmas generally met by small firms competing with very large ones. Small firms did not have the ability to expand as quickly as large firms with access to huge blocks of capital, in a time of dynamic expansion and easy money. Because they were intrinsically smaller, Brazilian firms usually paid a higher cost of financing because they were considered high risk customers. In addition, most transnational firms had access to the capital and bond markets in American and European countries. Regardless of size, Brazilian firms suffered disadvantages in access to the international financial market (Newfarmer, 1979, p. 28). Attempts to create a Brazilian stock market where dynamic firms could access capital proved to be unsuccessful, because of the existence of a much more dynamic international capital market. The Brazilian government recognized this eventually and introduced programs to partially limit this disadvantage by providing substantial credit to Brazilian firms in development priority sectors. However, this was not enough to equalize competition in financial markets between Brazilian firms and TNCs (Newfarmer, 1979, p. 28). The international market had succeeded the Brazilian market by far when the government finally tried to even the gap. This led to the TNCs having a much larger bargaining power over Brazilian firms but also the Brazilian government.

Another factor which helps explain the different values that TNCs and domestic owners place upon an acquired firm stem from the point in time when Brazilian industrial capitalism was undergoing the transition from owner-operated firms to management-controlled firms. This vital change happened in the US in the early decades of the 19<sup>th</sup> century. In contrast, many Brazilian firms were established in the import-substitution period of the 1930s and 1940s. They were family-held and often managed by their older founder, which often did not have heirs. Consequently, their time horizon was short often because of their principal goal of security for their families. TNCs, on the other hand held a long time horizon, and viewed the Brazilian market as a major profit center for the next decades (Newfarmer, 1979, p. 29). The possibilities the TNCs had to have a long-term plan as international actors outcompeted the small family-run Brazilian businesses.

Already in the 1970's the conclusion of the Brazilian economy was that it indeed was the 'markets for firms' favoring TNCs and reduced the valuation of Brazilian owners and their firms. The markets surrounded acquisitions were very imperfect, particularly in technology and finance, and systematically discriminated them in favor of the foreign investor. Also, due to their superior financial strength and diversification, TNCs could cross-subsidize entrance, or even undertake predation, depressing the worth of a firm in the view of its owner. Finally, since entrance into Brazil would in most cases be a part of a global strategy, TNCs placed a high value on the acquired operations. Ultimately, even if surrounding markets were workably competitive, private valuations of owners would most likely not reflect adequately the real present net worth of their establishments (Newfarmer, 1979, p. 30). At the end of the 1970s, national firms had started selling out to TNCs with a longer time-frame and more resources, making the economy more ideal for big corporations than for the small family-owned Brazilian businesses. Consequently, this led the Brazilian economy to be heavily dependent on TNCs influx for the country to thrive.

Brazil was, in fact, thriving in the beginning of the 1980s. It was the seventh largest FDI recipient in the world, only surpassed by the developed economies. In addition, it had for several decades been a favorite destination for European and North American investment. However, the outbreak of the Latin American debt crisis in the beginning of the 1980s changed the scenario drastically. Brazil's economy deteriorated and the debt problem, macroeconomic instability and low growth rates became strong disincentives for foreign investors. Consequently, FDI inflows fell and by 1995 Brazil was the twentieth FDI recipient of the world. During this period Brazil also lost its importance within Latin American FDI, receiving 33 percent during the beginning of the 1980s while only receiving 12 percent from 1991 to 1995. Other countries in the region had, in the beginning of the 1990s, started to receive large inflows of FDI but in Brazil it did not increase substantially. First in 1995, things started to look brighter for the Brazilian inflow, as it regained the size of pre-crisis flows. Once it took off, the FDI grew quickly and had already in 1996 regained its position as the region's largest FDI recipient. One year later FDI had multiplied almost twentyfold compared to its 1990 values (Lindholm, 1999, p. 106).

The realization of how dependent Brazil had been on TNCs and their FDI became apparent during the debt crisis. From the 1980s on, the exhaustion of the Brazilian economic development model implemented in the postwar years became explicit in severe macroeconomic disequilibrium's and in the economy's inability to grow at its previous high and sustained rates. From the point of view of the productive structure, the stagnation of

investments and the feeble efforts for incorporating technical progress translated into low levels of efficiency, productivity and technology modernization (Hiratuka, 2009, p. 2). The country had spiraled down, and it took a decade to regain the influx from the 1970s. With that in mind, Brazil did everything they could to attract more FDI and the bargaining power of the TNCs was brought to a new height.

The Brazilian government during the 1990s did several reforms to make the country more interesting for FDI and TNCs. Macroeconomic reforms succeeded in bringing inflation under control and introduced a certain degree of stability to the economy. Deregulation, privatization and trade liberalization also altered the business environment in a profound way. As a result, many disincentives and restrictions for foreign companies was eliminated and new business opportunities arouse. Most FDI had come from new entrants, which to a large extent have entered the Brazilian market by purchasing public or private local companies (Lindholm, 1999, p. 123). The changes that came about in the 1990s represented a break with the former model and an attempt to find a new development pattern, with less state intervention in the course of economy and a more comprehensive liberalization of both trade and capital flows. Several economic policies were adopted for this purpose, among them trade and finance liberalization and the process of privatization stand out. These policies were expected to force a rapid convergence of the Brazilian economy's productive structure and productivity towards the level of the advanced economies, eliminating the bottlenecks that were hindering the competitive development of industry (Hiratuka, 2009, p. 2).

With a market for TNCs made, and the FDI streaming in it was clear that the ones with the power in this tug of war was the TNCs. The country had the infrastructure and commitment to industry from the military era, and now reforms were made for TNCs benefit. Looking at it from this point of view, this process would have foreign corporation as its main agent. Given the success of privatizations and the declining importance of state-owned companies in the productive structure, in addition to the fact that many national private companies would not be able to survive or expand in a liberalizing, non-inflationary context without the subsidies enjoyed in previous periods (Hiratuka, 2009, p. 2). The Brazilian government had no plan of letting FDI go once again. They had seen what happened during the economic stagnation of the 1980's and has spent most of the 1990s proving to the TNCs the dedication they had towards them.

Brazil has been attracting and building up incentives for TNCs to take advantage of this for several years, but the real peak came in the late 1990s. In general, the economic situation of Latin American countries has changed considerably the last decades. Brazil was especially an

interesting case in this as it is the country with the largest FDI recipient in the region and acquired in the 1990s a position at the forefront among developing countries at the time (Lindholm, 1999, p. 101). Reforms aimed at liberalizing and opening their economies was undertaken, prioritizing the objectives of attaining monetary stabilization and fiscal balance. Consequently, the region quickly attracted the interest of transnational corporations and experienced a dramatic growth in foreign capital inflows, particularly in the form of foreign direct investment. This bore fruits, but also led to other issues arising like the TNCs ability to control the economy and their responsibility on the question of sustainability. The TNC had proven that they held the bargaining power, but could they also leave their accountability back in their home countries?

#### **4.2. 2000 AND ONWARDS: THE QUESTION OF SUSTAINABLE DEVELOPMENT OF TRANSNATIONAL CORPORATIONS IN BRAZIL**

The current state of Brazil is shaped by inequalities and crimes against people and environment, but also economic growth. In 2017, violence reached an all-time high, having 63 880 killings in just one year. This was an increase of 3 percent from previous years (Phillips, 2018). Human rights violations were also increasing in the same manner according to Human Rights Watch (2019). In addition to the increase of crime, corruption an ongoing problem and of the seven presidents in office since Brazil became a democracy in 1985, two have been jailed for corruption and one impeached because of it (Kaiser, 2019). Still, the Gross Domestic Product (GDP) being the most important measure of the country's economy, has increased from minus 3,5 in 2016 to 1.0 in 2017. This means that even though 2017 set a new record in violence in the country, the economic growth did not stop (FocusEconomics, 2018). Brazil as a country is a popular place for TNC, having the second largest industrial sector in the Americas with the industry accounting for around 15 percent of the GDP. Brazil holds abundant such as iron, tin, copper and bauxite and mining are significant contributors to economic activity. This leads to government and business giving priority and incentives to the mining industry (FocusEconomics, 2018). Even though the country is rated poorly in societal and environmental issues, the economic growth of Brazil continues to increase, much thanks to the TNCs and their continuous investments.

With a country shaped by violence and corruption questions of accountability becomes apparent, especially towards TNCs investing in Brazil. Already in 1999 there was a concern of

this. When large share of Brazilian industry is run by transnational businesses, some questioned how sustainability would be treated by these big corporations. TNCs played a crucial role in Brazilian exports, accounting for around half of them. In 1995, they added up around ten percent of the Brazilian production. The growing FDI inflow was accompanied with quickly growing flows of repatriation of capital and dividends, which further worsened the effect of FDI on the balance of payments. On the other hand, TNCs also had a higher import propensity (Lindholm, 1999, p. 113). This reflects the fact that TNCs have had an important position in the Brazilian economy in general.

It becomes difficult to keep transnational corporations accountable in a country where the government is not even held responsible. Brazil has a society where violence is experienced daily, and where the communities cannot trust the government to protect them. The military regime brought better infrastructures, as well showing a commitment to the industrial sector making Brazil ideal for TNCs until their fall in 1985. This continued in the 1990s when incentives attracting even more transnational corporations opened the Brazilian market and made it a market for TNC. The state is dysfunctional but keeps a thriving economy. However, all along, from the times of the military regime the power has always followed the elite, that be the military leaders and business elite. Brazil experienced over a staggering of 63 000 murders in 2017 (Phillips, 2018) and 2018 brought the arrest of former president Luiz Inácio Lula da Silva for serious corruption charges (Andreoni, Londoño, & Darlington, 2018). Brazil as a country has for a long time been and are to this day very chaotic, colored by societal and political problems. When TNCs started to make big investments in the late 1990s, it seemed as they left their accountability at home.

### **4.3. A SNAPSHOT OF TNCs INDUSTRIAL DISASTERS AND ACCIDENTS IN BRAZIL**

In a country where the elite has been ruling since the military dictatorship in 1964 by the Brazilian Armed Forces and where the gap between the rich and poor has been enormous, it is important to investigate how TNCs have exorted their power and accountability. Along the way several multinational corporations have positioned themselves in strategic areas of the Latin American economy, resulting in increased impoverishment, the pillaging of natural resources, dismantling of public services, conflict, criminalization of social protest and devastation of the environment (Olivet, 2010). One example is found in the Brazilian orange picking industry, a billion dollar industry where it was proven the Brazilian picking the oranges

were paid under minimum wage (Miessen, 2014). Likewise, Thyssen Krupp, a German industrial giant, was accused of environmental destruction at Sepetiba bay in Brazil, causing serious impacts on craft fishery, as a result of a spill on mirror-still water (UN, 2010). This is where the TNCs tend to exploit this to their benefit, avoiding accountability and pushing their power laying in their important economic influx to Brazil.

Big corporate companies have a history of not providing adequate structures and routines regarding the safety of the locals in and around their facilities in Brazil. As late as in January 2019, around 300 people lost their lives when a dam owned by the Brazilian based mining company Vale busted. This had been marked as safe by the German owned auditing firm TÜV SÜD, being the second accident happening with the mining corporation in a short time (Simões & Nogueira, 2019). In the aftermath of the 1990s, Brazil was made into a mecca for TNCs and FDI. A country functioning economically, but not socially. Consequently, this led to a series of TNCs exploiting workers, land and environment for the sake of the business.

Seeing the history of TNC involvement in Brazil from 1970s until today shows a country developed for the exploitation of elites and big corporation. Incentives initiated by the military regime in the 1970s and continuing in the 1990s have attracted FDI and TNC to invest in the country. Meanwhile, Brazil has both political and social problems following a dysfunctional government. Since the 1970s the government have had much focus on attracting international corporations, but not protecting its people and environment for this type of investments. Small Brazilian businesses has been outcompeted and the incentives have benefitted the big businesses giving them the competitive advantage and leverage. Albeit, not given much back in relation to social and environmental security. When TNCs have invested in Brazil they have met a country which have not set demands to their accountability towards sustainability. Because of this, a trend of corporations is caught misbehaving; exhorting excessive power over local community and environment that would not be allowed elsewhere. This has led to the dominance of TNCs in the extractive industry in Brazil. The state is dysfunctional but because of TNCs it keeps a thriving economy. Looking at TNCs as development actors in Brazil from the 1970s shows corporations ensuring economic development, but exhorting little social, political and environmental responsibility.

## **5. NORSK HYDRO'S ENGAGEMENT IN BRAZIL**

Norsk Hydro as a corporation has changed considerably since the beginning of the 2000s, as they have invested heavily in bauxite and alumina to survive. Brazil proved to be the best solution to for the corporation to gain a prominent role in the alumina mining industry, with Hydro buying up, amongst other, the Alunorte facility in 2010. The Pará region and the city of Barcarena where the facility is located has several issues because of the mining industry. Environmental degradation, high unemployment- and crime rates are some of the consequences of the dysfunctional mining region. Hydro has not shown accountability towards local community and received recommendations to enhance their efforts by Peace Research Institute Oslo (PRIO) in a report released by them in 2016, which was not followed up on.

### **5.1. NORSK HYDRO AND ALUMINA**

Norsk Hydro (or Hydro) is a Norwegian aluminum and renewable energy company, having their headquarters in the capital of Norway, Oslo. Its main income is from alumina and bauxite and it has operations in around 40 countries. The corporation is one of the largest aluminum companies worldwide, employing around 36 000 people (Hydro, 2019e). Hydro is partly state owned having the Norwegian state owning 34.2 percent of the company through the Ministry of Trade, Industry and Fisheries and 6.5 percent owned by Folketrygdfondet (Hydro, 2019a).

Aluminum is used for nearly everything in the modern-day life, from technology, to cars to infrastructure and is a very important part of the current economic system. To make aluminum the mineral bauxite is needed. This is mostly found in a belt around equator. The mineral itself contains around 15 to 25 percent aluminum and is the only ore that is used for commercial extraction of aluminum today. This is a scarce resource and at the current rate of extraction around the world states that it will last for around a hundred years. (Hydro, 2016). The extraction process has an impact on both the environment and the local community of those living in and around it. The process of extracting alumina from bauxite requires large volumes of water and this can be an issue as the mineral often is found in places with limited water resources (Buxmann, Koehler, & Thylmann, 2016). Other environmental issues caused by bauxite mining is change of landscape and impact on biodiversity as well as control of erosion and run off from the mine. It can also lead to disturbance of hydrology which is the movement, quality and distribution of water (Hydro, 2016). Brazil is the third largest bauxite producer,

only surpassed by Australia and China (Wee, 2017) and also holds the worlds' largest alumina refinery, the Hydro-owned Alunorte (Rustad & Hoelscher, 2016).

## **5.2. BRAZIL: THE ANSWER TO THE NORWEGIAN QUEST FOR THE GLOBAL ALUMINUM THRONE**

Because of the General Agreement on Tariffs and Trade and World Trade Organization rules, restrictions on foreign ownership in bauxite-producing countries was reduced in the 1990s. It therefore became easier for transnational corporations to acquire mining and alumina plants in, for example, Latin America. As a consequence of the drastic change in the politics of aluminum from the 1990s onwards, Brazil became a high priority for investments from TNCs in the bauxite industry (Gendron et al., 2013). At the same time Hydro started investing in the alumina refinery Alunorte, in Barcarena, Brazil. The corporation needed in-house bauxite and Brazilian restriction on foreign ownership were eased along with increased privatization and liberalization move, making it the ideal entrance for the Norwegian company. The tie with the owner-of-the-time, the mining giant Vale started a long-withstanding relationship. In 2000 the corporation managed to buy 25.25 percent of the shares in the refinery, but the purchase did not improve their in-house supply of the mineral. Hydro had in 2007 an alumina coverage of 61 percent of its smelting capacity. As a comparison, the mining company Rio Tinto Alcan had 95 percent and the alumina corporations Alcoa held up to 182 percent (Gendron et al., 2013). For Hydro, the low in-house-bauxite was not ideal, but they still had other fractions of their business bringing in steady capital.

The rocking of the boat for Hydro started in the early 2000s, as the corporation went through massive changes. In 2004 the fertilizer division Yara was expounded. Three years later, the petroleum activities were merged with Statoil (now Equinor), in addition to other business areas being sold or closed. Their solution to keeping their head above water was investing heavily in alumina. Hydro had to stop existing as a conglomerate and rather become a purely focused aluminum company. The safety net of the relatively safe cash flow from petroleum was lost, and the importance of reducing the risk of any issues related to the supply of bauxite and alumina became urgent (Gendron et al., 2013). Brazil and Alunorte became in 2010 the solution transforming the Norwegian based corporation into a fully integrated global aluminum company. The deal with Vale entailed Hydro acquiring full control and ownership of one of the largest bauxite mines in the world, Paragominas, 51 percent ownership of the



Albras aluminum plant as well as 91 percent ownership of the world's largest alumina refinery Alunorte (Hydro, 2010).

Hydro quickly found themselves in a new league in the aluminum industry, following the 2010 purchase as their resource base was considerably strengthened. The company had an overabundance supply of bauxite and alumina for the first time in history. This meant that Hydro would have in-house production of bauxite and alumina that amounted to 170 percent and 195 percent respectively of the company's needs for its primary production. Considering it only had 61 percent in 2007, the increase was enormous. The access of raw material was not an issue anymore (Gendron et al., 2013). However, something that was worrisome in this regard was the operational responsibility for the Alunorte refinery. The lack of such experience had been one of Hydro's most evident technological weaknesses, and it had restricted Hydro in its efforts to cooperate with mining companies earlier, since it had had little to offer except capital (Gendron et al., 2013). The attainment did follow some bumps in the road. Already in 2012, Hydro was fined BRL 17,1 million for a waste-water leak happening in 2009. Under its former owners, Vale, a heavy rainstorm made the Alunorte refinery flood and colored the nearby river Murucupi red of bauxite mud. In the aftermath 6000 lawsuits was filed against the refinery from individuals in and around the Barcarena area. Hydro refused to pay the fine as it was not their facility at the time (Falch-Nilsen & Tomter, 2012).

To sum up the history of the Norwegian engagement in Brazil, Hydro was in early 2000s forced to choose the path of aluminum. The corporation changed its purpose and could no longer rely on, such as, Statoil (now Equinor) for capital influx. It was also low on in-house-supply of both bauxite and alumina and needed to step up their game to compete with the large mining corporations of the world. The solution was the purchase of, amongst other, the largest alumina refinery in the world, Alunorte. The acquisition put Hydro as a world leader obtaining over double the amount of bauxite that it previously had. However, with all the glory that came with it, also came the uncertainty for running an alumina refinery of the size Alunorte is. Without the knowledge and technical skills needed for such operations. Hydro was in a pressured situation and needed change to happen quickly. At earlier occasions the corporation had turned down similar collaborations based on lack of skills of such operations. Albeit, at the time this was not an option. They needed to be redefined as an aluminum corporation and saw the solution in acquiring the world's largest alumina refinery. Even if that entailed questioning whether they had the needed knowledge to run it at the time.

### 5.3. BARCARENA, THE EXTRACTIVE INDUSTRY AND LOCAL COMMUNITY

Barcarena in the state of Pará is where the Alunorte refinery is located. It is placed on the Amazon river delta, and is served by strategically important road, rail and sea links. Barcarena has been an important area for the production and export of a large extent of the world's bauxite and alumina. Because of this there are plentiful of extractive, refineries, supplier and logistics companies operating in the municipality. Since the acquisition of the refinery and mines in and around Barcarena in 2010, Norsk Hydro has been the largest operator in the city (Rustad & Hoelscher, 2016). Pará as a region is poor and underdeveloped. It has a low score on the Human Development Index. Looking at life expectancy, in 2010 it was the 21 worst state in Brazil only surpassed by six others (IBGE, 2010) and access to basic services, like sanitary conditions, are only limited to less than 30 percent of the population (Hydro, 2018e). It has one of the worlds' highest levels of violence, and a report written by the Latin American faculty of Social Science Brazil (FLASCO) in 2016, titled *Map of the violence 2016: Homicide by firearms in Brazil*<sup>6</sup>, rated Pará the sixth highest ranked state of people murdered by firearms (Waiselfisz, 2016).

The initial idea behind the city of Barcarena was to make it into a Brazilian industrial haven. The mining activities of Barcarena started at the end of the 1970s. Vale, the Brazilian state-owned company established the Abras plant in 1978, having the world's largest alumina refinery Alunorte following in 1995. In the 1980s Brazilian government established an industrial park and gave beneficial incentives for business to establish in the area (Stefansen, 2018). Even though the extractive industry in Barcarena have increased the economic output in the region, this industry activities has proved troublesome since the 1970s. The GDP per capita has increased as well as the drive for skilled job creation has been a result from greater economic activity. Nevertheless, little of these benefits have reach the local population. What they have experienced, on the other hand, is environmental damage and industrial accidents, along with unresponsive local government and companies creating grievance amongst communities in the region (Rustad & Hoelscher, 2016). An article titled *The Market Behind Poisoning People* said that the refinery Alunorte transforms an abundant of bauxite in the Amazon into alumina and ships worldwide for people to enjoy it. Still, the people in the local community is not benefitting from the production at all (Aguiar, Cardoso, & Vecchione, 2015). Over 30 years have passed,

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<sup>6</sup> In Portuguese: *Mapa da violência 2016: Homicídios por armas de fogo no Brasil*

and the inhabitants have seen little of the advantages and much of the disadvantages of having an industrial area as next-door neighbor.

In Hydro's own document about bauxite mining there are different ways of defusing their mining operations. When discussing the scarceness of the mineral they state, *at the current rate of extraction, these reserves will last more than 100 years. When we include undiscovered bauxite resources, this number is estimated at 55-75 billion metric tons. This extends the time perspective to 250-340 years* (Hydro, 2016, p. 2). Screening it in a way making it sound like this is not a definite resource in our world today. They continue, speaking about environmental contamination and destruction as a consequence of the mining, and especially on mining in tropic forest areas. Hydro presents their impact in an interesting way: *The health of the ecosystems, preserving variation of life forms, is one of the world's top environmental issues. The tropical forest areas are amongst the most threatened areas. The aluminum industry is a minor player in the great picture..... Considering the rehabilitation programs, where we aim at no net loss of forest, the influence is even less. Most of the tropical forest areas were already impacted by for example logging before bauxite mining started* (Hydro, 2016, p. 4). Hydro is by this justifying their impact by stating it would not have been any better had they not been there. Indirectly stating that the environment can be said to not take as much impact as some claim.

The impact is there though, and the high concentration of these industries has turned the Barcarena area into 'sacrifice zone' for local populations. The area is defined as an ecological disaster, and on a ranking on the Brazilian sanitary- and environmental organization (ABES), the area is ranked worst of 231 municipalities with over 100 000 inhabitants (Stefansen, 2018). The whole process of producing aluminum is water-and-energy-intensive and is highly air-polluting (Aguiar et al., 2015). According to NRK, the joint emission from the Hydro facilities in the state of Pará in 2017 was on 6,47 million tons CO<sub>2</sub>. In comparison, this is equivalent to over 6 times the total emission in the capital and largest city of Norway in 2017, Oslo, which released 1,07 million tons CO<sub>2</sub> (Miljødirektoratet, 2018). Even with all this in mind, Hydro states their business in Brazil is a 'blessing' for the environment. Grounded in the argument of the ability of aluminum to be recycled, as well as that aluminum makes cars lighter, which consequently leads to less fuel (Eraker, Sachse, & Kumano-Ensby, 2019). This does not directly improve the air and water quality of the local community in Barcarena. While the aluminum makes its way through global value chains, the devastation of the environment, which is the basis of lives of the surrounding communities, remains (Aguiar et al., 2015).

## 5.4. THE ISSUE OF ACCOUNTABILITY AND POWER IN BARCARENA

The issues in Barcarena are many, and continues to grow as the local government in the city is considered unaccountable and ineffective according to Peace Research Institute Oslo (PRIO) (Rustad & Hoelscher, 2016). Most are known as having the constitutional power to approve local laws, collect taxes and receive funds from the state, but lacks the power to make decisions which in any way are managed and provided at the state or federal level. Especially in decisions related to the distribution of revenues from extractive industry activities and ensuring that a beneficial amount remains in the municipalities where the processing and extracting occurred. In a survey conducted by PRIO in 2016, 90 percent of those interviewed had little or very little trust in local government. As seen in figure 4, the general dissatisfaction was overall high.

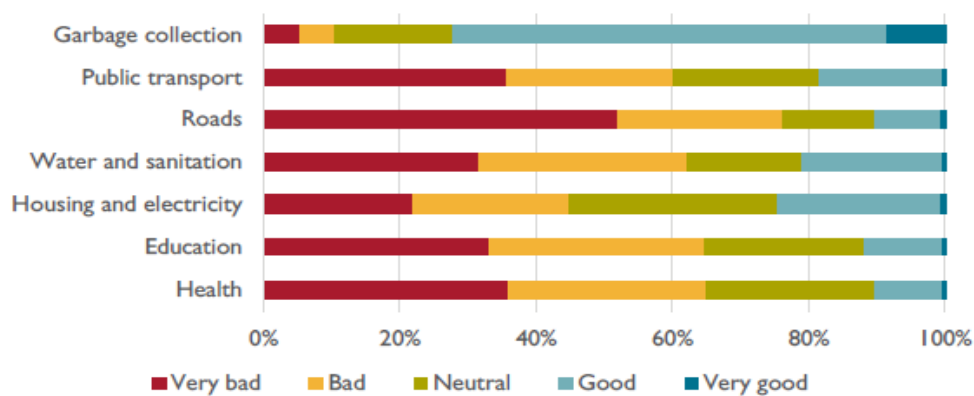


Figure 4: How good or bad do you consider these different public provisions in Barcarena?

Source: Rustad and Hoelscher (2016, p. 2)

Barcarena held in 2016 the third highest GDP per capita in the state of Pará. Nevertheless, poor governance along with environmental damage led to the benefits of the economic growth not reaching local populations. The civil society in Barcarena is also generally quite fractured and residents expressed that they are not always aware or are not feeling represented by civil society organizations or community leaders. As a result, it makes it challenging acting like a unified civil society, especially as there is often a lack of trust between civil society leaders and citizens (Rustad & Hoelscher, 2016). In 2007, a way to better address these challenges of the disparities between the wealth created in the municipality and the poor living conditions of the population was investigated. This resulted in the establishment of *Barcarena's Social Capacity Project*, led by a cooperation between Education in Brazil (IEB) and Norwegian

Church Aid. It aimed at creating a shared political space to build a progressive agenda where the responsibilities to address local challenges could be shared between companies, government and civil society. Hydro joined this as the only extractive company in Barcarena. The forum established was perceived differently by the extractive industries and the local community. Civil society saw this as a way to effect change in Barcarena, while, on the other hand, government officials and members of Hydro generally saw it as a place for discussion rather than action (Rustad & Hoelscher, 2016).

The core challenges of Barcarena that needed to be addressed, according to PRIO, regarded mostly communication and distribution of benefits between local community and the TNCs. Despite the extractive industry activity, very little of the revenue created was reintroduced to support the local population. The civil society had for a long period felt excluded in the area, and there was a lack of long-term, inclusive and participatory development planning. The common perception amongst people in the area was that, beyond just paying taxes and providing employment in the region, the businesses should provide services that the government failed to provide. The legacies of environmental degradation and industrial accidents was also an important issue, as the local community uttered that companies in general did not acknowledge and take accountability of the impact their activities had on the local environment. Uneven distribution of power of stakeholders were mentioned, as companies and the local government represented stakeholders with larger capacity and influence than civil society. Also following the issue of power, diverse problems related to progress towards equitable, sustainable development included legacies of disengaged or paternalistic attitudes of companies towards civil society (Rustad & Hoelscher, 2016).

As the local community has seen little benefit from the industry even though the economic activity in the area is high, it had through decades created a deep conflict between the industry of Barcarena, local government and the civil society (Rustad & Hoelscher, 2016). In 2017, it was stated that it for a long period had been discrepancies between business and the local community in Barcarena. 60 resident associations had, in August 2017, blocked the road to the Alunorte facility. The inhabitants demanded compensations for the environmental damage they claimed to have suffered. Amongst them, that their drinking water was filled with metals resulting in critical health issues from the production of alumina. Hydro experienced several blockades trying to stop people from entering their facilities. The protesters complained about Hydro's lack of use of local work force and that they rather hired from outside the state. Especially since Barcarena, one of the largest industrial areas in Brazil, experience huge local unemployment rate. Leader of one of the union gathered outside Alunorte, Gilvandro Brigida,

stated that Alunorte lacked pursuing a real dialogue with the local community surrounding the refinery (Nerdal, 2017).

PRIO recommended for Hydro already in 2016 to increase their involvement towards the local community and civil society, by creating both short-term as well as long-term actions to improve the conditions in Barcarena. It raised the issue that companies needed to recognize their substantially greater power and influence that they held over civil society. PRIO stated that if Hydro would like to support civil society then they would have to actively support the strengthening of it. Recommending concrete goals to be created which benefitted the community. These had to be tangible, measured and easy to communicate (Rustad & Hoelscher, 2016). The corporation did admit in a press release that Barcarena had a need for both short- and long-term sustainability initiatives and that the corporation, which held such high investments in the region, must take social development seriously. As of the beginning of 2018 and before the Alunorte crisis, they were only supporting three local community projects in Barcarena and Pará (Hydro, 2018g): *Active Barcarena*: an initiative supporting local farmers and fishermen in starting their own farming- and fishing business, as well as 300 families receiving help in training and evaluating the earth and water. A project run in cooperation with Federal University of Amazonia. The second was *Barcarena-Up*, training youth in community- or environmental business to make them capable of developing ideas for a sustainable development in Amazonas. Finally, *education in Paragominas*. Bettering the quality of training in governmental schools in Paragominas through educating teachers in how to teach, as well as reading and writing courses for adults both from city and rural areas (Hydro, 2018e).

To sum up the issue of accountability and power in Barcarena, even though the city was created as an industrial hub for mining corporation, the benefits from the operations have not trickled down to the local community. There have for a long time been a huge divide between mining corporations and local community, something Hydro also have experienced. The corporation received recommendations for enhancing their dedication and dialogue with local community from PRIO in 2016, but this was not taken into consideration. Not taking accountability for their actions in the region, led to disgruntled local community in Barcarena becoming even more angry with TNCs like Hydro.

## **6. THE ALUNORTE CRISIS ANALYZED THROUGH THE REACTIVE-DEFENSIVE-ACCOMODATIVE-PROACTIVE SCALE**

16<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> of February 2018 is three days remembered for a long time by Norsk Hydro and the local community of Barcarena. 16 February, a thunderstorm dropped 200 millimeters of rain in a period of twelve hours, resulting in the inundation of the Hydro-owned alumina refinery Alunorte. The two days after the rainfall red-colored water flooded streets, homes and areas of the Amazon forest near the alumina plant (Nogueira, 2018). Residents as far as two kilometers from the refinery reported change in color of streams and rivers, and claimed they were imposed to health risks and destroyed drinking water (Villela, 2018). The fingers were pointed to Hydro, stating several of Alunorte's waste water basins had flooded in the heavy rainfall, leading toxic waste-water leaking into the local environment. Following the complaints, the environmental government of Brazil, Secretariat of Environment and Sustainability (SEMAS) and Brazilian Institute of environment and Renewable Natural Resources (IBAM), ensured by a Brazilian court, ordered on 1 March Alunorte to reduce capacity to 50 percent as well as an embargo on their new bauxite residue deposit area (DRS2). This also led to a controversy on the cause of the contamination, whether it was deliberate emissions or a leakage caused by the flooding (Lundegaard, 2018).

This chapter investigates, through the Reactive-Defensive-Accommodative-Proactive (RDAP) Scale, Hydro's reaction and actions to the Alunorte crisis; from the emission of untreated rainwater from the Alunorte refinery on 16<sup>th</sup> February, until 5<sup>th</sup> September. The corporation then signed two technical and social deals known as a milestone in resuming normal operation at Alunorte, *Terms of Adjusted Conduct (TAC)* and *Terms of Commitment (TC)*, with the Brazilian government. By this the corporation stated their commitment and dedication to the local community in Barcarena and Pará (Hydro, 2018a).

### **6.1. A REACTIVE HYDRO DENIES ALL RESPONSIBILITIES**

After the outcry from the local community of polluted environment after the rainfall, the Alunorte refinery was subject to investigation from Brazilian officials. The Brazilian research institute Evandro Chagas, on behalf of the government, conducted several tests in and around the Alunorte area shortly after the flood (Elvevold, 2018). The answers from Evandro Chagas, published on 22 February, was devastating for Hydro. They stated the corporation had polluted

the environment around their refinery. Hydro, according to them, was responsible for ruining the drinking water and environment for the local community as wastewater had leaked from the Alunorte facility. SEMAS ordered Alunorte to comply with several requirements to secure their facility within 26 February. When this was not done, they order Alunorte to cut production by 50 percent by March 1 while reviewing the situation. As a consequence, Alunorte's primary bauxite source Paragominas and Hydro's part-owned subsidiary Albras aluminum plant also reduced their production by 50 percent (Hydro, 2018f).

Hydro's reputation was hurt badly, and they immediately denied all accusations of leaks from their facility. The local community were sure in their assumptions and demanded the support from Hydro for such as water and health necessities. After pressure from the Brazilian authority, Hydro did start providing local community with drinking water and medical help on 24 February, almost a week after the leak (Lundegaard, 2018). This case gave the local community in Barcarena the voice they needed to utter their opinions and be heard, as it received massive news coverage. A google search count of *Alunorte, Hydro* between 01.02.2018 to 01.02.2019 shows 6000 hits, in comparison to 1410 the former year<sup>7</sup>. Hydro started the crisis by executing the uneven power distribution between them as a large TNC and the local community. Only with pressure from Brazilian government officials, the corporation supplied the much-needed water and medical help to the local community. The start of the crisis did not portray Hydro in a positive way, as they were accused for polluting the local drinking water and exhorting uneven power balance not listening and contributing to the local community.

The initial reaction to the Alunorte crisis placed Hydro in the *reactive* scale of the RDAP Scale. They did not take their responsibility seriously and had no immediate intentions of listening to the outcry of the local community. The RDAP-scale states that reactive corporations are likely to only act in fear of negative publicity. Looking at Hydro only providing necessary water sources and medical help for the local community after having received complaints from Brazilian officials confirms this. The corporation did not, themselves, reach the *defensive* approach of providing basic necessities for the affected areas. They had to be pushed to do so. Their strategy seemed to be denying all responsibility. Doing only what was needed to ensure the continuance of the running of the Alunorte facility, which required keeping government officials satisfied.

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<sup>7</sup> Gathered from a search on [www.google.com](http://www.google.com)



## 6.2. A DEFENSIVE HYDRO ADMITS RESPONSIBILITY BUT FIGHTS IT

The reactive approach did not last long, though. Less than three weeks after Hydro had denied all accusations, the bubble busted. Norsk Hydro communication director Halvor Molland admitted on 11 March that there had been conducted illegal emissions of untreated rainwater from the factory area of the refinery. Revealing that Hydro, in fact, had deliberately discarded partly treated rainwater one time through Canal Velho, a discharge channel no longer licensed for such use. The argument for the conduct was worded: “*In order to manage the situation and safeguard the treatment of water from the bauxite residue deposits during and following the heavy rainfall... Alunorte discharged partly treated rainwater from the refinery area as an emergency measure*” (Hydro, 2019b, p. 73). The justification for the emission used words like *safeguard* and *emergency measure*, indicating that this was the most eminent way to solve the issue and not taking the direct blame for it. Hydro had informed the authorities, but not the local community. They continued arguing that the reason they denied it for three weeks was that these emissions were controlled and not uncontrolled (Ramnefjell, 2018). Hydro had by this, announced that they had deliberate discharges from their facility. On top of this, it was knowingly hidden from the communities affected by it.

The corporation comprehended the essence of informing stakeholders about intended improvements in performance, as they now had admitted to having a discharge. On 16 March, Hydro’s CEO apologized for not informing local communities about the discovered leak. At the same time, they announced upgrades of the water treatment system at Alunorte amounting to 500 million Norwegian kroner (NOK). This would improve the robustness of the plant to endure future extreme weather conditions. Only three days following the apology from Hydro, on 19 March, two new unlicensed discharges of rainwater were discovered during a SEMAS inspection. One from the roof of a coal storage shed and into the Pará river, and an additional inflow of water to a canal from a former hydrate storage area. This led Brandtzæg to apologize to the local community for the second time in under a week (Hydro, 2018f). When admitting their ‘wrongs’, the corporation still used justice-making formulations to make the discharge sound necessary, and immediately defended why they initially had denied the claims. As two additional leaks were discovered, Hydro was now portrayed as an irresponsible corporation. Not only had they conducted one deliberate discharge, they were also responsible for two accidental ones. This strengthened the report from Evandro Chagas stating that Hydro had polluted the local environment. Hydro’s strategy was now to use *excuses* as seen in the RDAP-

scale. They tried to deny responsibility for polluting the local community and claimed the discharges was conducted as an emergency measure safeguarding the operations at their facility, attributing the failure to uncontrollable and unintentional causes, such as extreme weather.

After the release of the Evandro Chagas report, Hydro aimed to change stakeholders' perceptions of the event. The corporation engaged and financed a self-funded firm to conduct tests at Alunorte on 7 March. The environmental consultancy SWG Services, hired by Hydro, reviewed the environmental impact of the flooding at Alunorte, which after 19 March, amounted to three emissions. The corporation aimed to use this report to challenge the Evandro Chagas report. On 9 April, SWG Services concluded that there was no indication or evidence of contamination to nearby local communities, nor any significant or lasting environmental impact to nearby rivers from Alunorte as a result of the extreme rainfall (Hydro, 2019b, p. 73). These tests were conducted four to five weeks after the rainfall and it was questioned how credible they could be. According to experts in Norway and Sweden neither of the reports supplied by SWG Services or Evandro Chagas were detailed enough to make the conclusion they did. This meant that both Hydro and the Brazilian government officials had incomplete reports about the crisis (Eraker & Sachse, 2018). To fight their own wrong-doing, Hydro challenged the Evandro Chagas report with their own self-funded investigations and did not mention this report in their annual report. The report from government officials in Brazil as well as from Hydro had, as stated by experts, huge flaws and was inconclusive. Proving that both sides had deficient reports of the situation made it difficult to know who to believe for both the local community and the public witnessing the crisis.

Changing external expectations about its performance, Hydro's strategy following the announcement of the leakages was to fight the definition of 'wrongs'. Yes, they did discard untreated rainwater. No, they did not have the license to do so. Yes, they hid it from the local community for three weeks. The CEO of the company at the time, still stated, "*There is no indications or proof that Hydro Alunorte had contaminated the local environment in Barcarena*" (Dagenborg & Solsvik, 2018, p. 1). Hydro claimed that these emissions were not harmful. According to the annual report 2018, more than 90 investigations and inspections from relevant authorities were conducted, amongst them the environmental agency in the state of Pará, SEMAS, and the federal environmental agency, IBAMA. Both SEMAS and IBAMA confirmed that there had been no overflow from Alunorte's bauxite residue deposits. The reports further concluded that there were no indications or evidences of contamination to nearby local communities or any significant or lasting environmental impact to nearby rivers from

Alunorte as a consequence of the extreme rainfall (Hydro, 2019b, p. 15). When the corporation first admitted having conducted three illegal emissions from their facility, they adapted the *justification* strategy in the RDAP scale. They accepted responsibility but, as a counter narrative to the Evandro Chagas report, denied the act was bad and provided the SWG Services reports stating Hydro did not pollute the local environment.

After Hydro's announcement about their illegal emissions, dialogue meetings were arranged 20 March with the local community in Barcarena. Here the corporation stated their commitment to work with local partners, and to step up their efforts to become a trusted partner in Barcarena (Hydro, 2018f). The corporation started doing what was expected of them by engaging with the affected local community and open up for dialogue. Holding weekly dialogue-meetings with civil society, academics and other interest groups aiming to have the purpose of explaining the situation, listening to the local community's needs and strengthening complaint channels (Hydro, 2018f). As of now, Hydro was taking a more *defensive* path of strategy according to the RDAP-scale. They saw the need for communication. However, only doing the least that is required as the dialogue-meetings had the purpose of Hydro explaining the situation as well as strengthening the complaint channels. Hydro needed a space for them to explain their side of the situation and not necessarily to create a space for problem-solving.

By admitting their responsibility and their illegal actions which earlier had been denied, Hydro reached *defensive* on the RDAP Scale in the Alunorte crisis. Even though admitting responsibility, they immediately started fighting it. Reasoning the decision of hiding the discard on the basis of it not being uncontrolled but controlled emission. They continued, stating that they did in fact inform some people, just not those affected by the leak. Namely, the local community. The corporation also started fighting the Brazilian governmental official's Evandro Chagas reports with their own. Paying a firm to conduct tests weeks later to enhance their case. The outcry that followed was still understood by Hydro, and they initiated several dialogue-meetings with local community. These aimed at working as a platform for the corporation and the community to speak together. Nevertheless, these platforms were for Hydro to explain itself to the local community, and not necessarily to find a solution for working for both parties. The real battle seemed to be against how to define the 'wrong' the corporation had done.

### 6.3. AN ACCOMODATIVE HYDRO PAYS THEIR DUE THROUGH THE *SUSTAINABLE BARCARENA INITIATIVE (SBI)*

The newly found dedication towards local community was becoming apparent, as Hydro at the same time as the release of the result of the SWC Services report, launched the *Sustainable Barcarena Initiative (SBI)* on a press conference on 9 April 2018. By this they committed BRL 100 million in support to Barcarena over ten years (Hydro, 2018f). The tone of all Hydro's published material since the Alunorte crisis had taken a turn, and their anew interest in the local community was noticeable. Hydro recognized the lack of community involvement, having their information director Halvor Molland saying, "*The incentives and projects implemented in the local community have not been adequate, and the work has moved too slow. We will therefore strengthen our dialogue with the local community, so that we can deliver on our commitments and contribute to a sustainable development in Barcarena*<sup>8</sup>" (Stefansen, 2018, p. 2). In their annual report of 2018, Hydro said they had stepped up their efforts to be a trustworthy partner in Barcarena, and that they would want to help address the societal challenges in the region. They stated the initiative was closely linked to their CSR strategy released in their annual report 2017 (Hydro, 2018e). Emphasizing the need to strengthen and enable local stakeholders to drive change and development (Hydro, 2019b, p. 75). It can look as Hydro aimed to distract away attention from the real issue

*Hydro refuse the charges, but still pays*<sup>9</sup>, sounds the title of an article written by NRK stemming from a TV interview with Brandtzæg on 11 April 2018. The CEO stated that even though their facility in Brazil did not have any hazardous emissions during the flooding, the corporation were willing to provide a bank guarantee of NOK 340 million as well as paying the local community through the *SBI*. According to Hydro's CEO this was to show willingness to support the local community after a crisis, as they got their drinking water destroyed and wells exposed. In an answer to the question whether this was admittance of Hydro's blame in this, Brandtzæg answered: "*It can be viewed as it in Brazil. It is cultural differences. For us it is important to help our neighbors, something we have been doing for 112 years. From this we receive good laborer*<sup>10</sup>" (Solvang, Torp, & Breivik, 2018, p. 2). This was even though, in the

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<sup>8</sup> In Norwegian: «Tiltakene og prosjektene iverksatt i lokalsamfunnene som er berørt av virksomheten har ikke vært tilstrekkelige, og arbeidet har gått for sakte. Vi vil derfor styrke dialogen med lokalbefolkningen, slik at vi kan levere på våre forpliktelser og bidra til en bærekraftig utvikling i Barcarena»

<sup>9</sup> In Norwegian: *Hydro nekter for anklagene, men betaler likevel*

<sup>10</sup> In Norwegian: «Det kan nok bli oppfattet slik i Brasil. Det er forskjellige kulturer. For oss er det viktig å hjelpe naboene våre, noe vi har gjort i 112 år. Da får vi gode arbeidsfolk»

initial phase of the Alunorte leak, Hydro took close to one week to supply basic necessities like bottled water and health care. With this, Hydro reached the RDAP-scale strategy of *apology*. They admitted their blameworthiness for an undesirable event but attempts to convince the audience that the event should not be considered a fair representation of ‘what things are really like’.

Through the *Sustainable Barcarena Initiative*, Hydro stated they were committed to cooperate with the local community, civil society, academia and Brazilian government to be able to successfully contribute to development in Barcarena. The initiative would be a Hydro-financed platform bringing local interest groups together (Hydro, 2018g). It aimed at establishing an independent organization, where stakeholders together would discuss, prioritize and decide on critical issues in Barcarena, reducing conflict level, and strengthening the ability of local actors to drive social change and development in Barcarena (Hydro, 2019b, pp. 15-16). The local community of Barcarena had uttered a wish for dialogue with the businesses, and especially the director of Hydro. In addition to, a primary school and health clinic, as well as vocational education to give the children a future job to go to (Stefansen, 2018). It does not come about how Hydro decided what was best to focus on in the initiative, but the *SBI* will have two main goals and aims to be operational in 2019 until 2029. The first goal is to ensure the building of competency and training for local interest groups within areas such as project development, economic control, surveillance and evaluating. The second is financing social development projects in Barcarena (Hydro, 2018e).

Initially, Hydro needed to be pushed to provide basic necessities like bottled water. Some weeks later, the corporation put several BRL million in investment towards local community in Barcarena through the *SBI*. They were now, to some extent, accepting their responsibility as well as fighting it. Hydro was apologizing by providing dialogue channels and support to the local community. At the same time, the corporation was redeeming themselves, providing their own reports fighting definition questions and the harmfulness of their illegal emissions. Hydro strategically held a press conference both revealing the results of the SWG Services environmental report as well as presenting the *Sustainable Barcarena Initiative*. Arguing their innocence but also their societal responsibility at the same. With this, Hydro was moving into the *accommodative* sphere, doing what was expected of them. Arguing they did this solely to ‘help their neighbors’, which appeared contradicting as they refused to do so in the beginning of the crisis.

#### 6.4. A PROACTIVE HYDRO PRESENTS TECHNICAL AND SOCIAL AGREEMENTS TO SOLVE THE ALUNORTE CRISIS

The critical point of solving the crisis was now eminent for Hydro, and they invested heavily in both restructuring of Alunorte as well as towards the local community through the *SBI*. Experts pointed to the main issue not necessarily being the leakages itself creating the reputation crises for the corporation, but the reaction and actions following it. Deliberately withholding information reduced the credibility of Hydro's further social contracts both in Brazil and Norway (Fleischer & Leira, 2018).

Seven months after the crisis, Hydro started moving into the sphere *proactive* on the RDAP scale. John Thuestad, the director and leader of Bauxite and Alumina in Hydro stated, “*This is a milestone in the work of resuming normal operation at Alunorte*<sup>11</sup>” (Iversen, Christensen, & Bjercknes, 2018, p. 1), as Hydro announced on 5<sup>th</sup> September 2018 the investment of NOK 620 million to solve the crisis. Two deals were signed by Alunorte and the state government of Pará and entailed one *Terms of Adjusted Conduct (TAC)* and one *Terms of Commitment (TC)*. The *TAC* contained technical improvements, revisions and studies amounting to BRL 60 million. On top of this, BRL 65 million was allocated to provide food coupons for families living in the area around the polluted river Murucupi. Hydro and Alunorte also agreed to pay fines related to the incident in 2018, but also for a leak at Alunorte under the ownership of Vale in 2009, amounting to a total of BRL 33 million. In the *TC* Hydro further committed themselves to invest BRL 150 million to projects supporting sustainable development in defined local communities close to Alunorte. Amongst others, the refinery will build and donate houses and related infrastructures to state authorities in Pará and give the state the responsibility of further allocating and handling the buildings. This was in addition to the BRL 100 million dedicated to the *Sustainable Barcarena Initiative* announced on 9 April (Hydro, 2018d, 2018f; Iversen et al., 2018). Hydro had, as a consequence of the Alunorte crisis, invested a total of BRL 240 million to Barcarena and the Pará region alone in social development.

Hydro showed with this that they were committed to taking a more prominent role in Barcarena and Pará, as they now initiated several social deals surpassing what was expected of them. Investing in both short- and long-term initiatives in Barcarena such as the *SBI*, providing housing in the larger state of Pará, implementing technical improvements and revisions at

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<sup>11</sup> In Norwegian: «*Dette er en milepæl i arbeidet for å gjenoppta normal drift ved Alunorte*»

Alunorte as well as supplying food coupons to local community affected by the leak. This was a complete turnover from the initial reaction to the crisis. Hydro was now doing all that was required from them and more, ranging from technical improvements to social. They would also make a financial guarantee to ensure that they would follow through. This was an important change of strategy from their earlier *reactive* and *defensive* strategy arguing their innocence and only providing what was demanded of them. Hydro now show dedication towards both safety within and around the facility but also towards the local community in Barcarena and the region of Pará.

Having the guarantee of a large influx of capital for local community initiative over a period of 10 years, makes it possible to foster actual change in the region. These initiatives do cover some of the demands from the local community, although it is written little on how Hydro has decided on what they aim to allocate resources to. The question is whether their large influxes of capital towards local community in Barcarena and the state of Pará have been built based on a dialogue between Hydro and the local community in the region. Or if it has been put together as a rescue plan for Hydro to run their Alunorte refinery at 100 percent capacity once again. The essence and focal point of the deal was to get Brazilian government officials to give the green light to Alunorte running at 100 percent, as Thuestad confirmed in his quote. Still, with the *SBI* and the *TC*, Hydro took a stance on local community in Barcarena, ensuring their continuous support throughout a decade. It can be argued that Hydro decided to pursue a *proactive* approach towards local community seven months after the Alunorte crisis of February 2018. It can be further questioned whether this change is grounded in a greenwashing strategy, aiming to present Hydro as responsible, but with the intent of saving their own reputation and not for the reason of ensuring a sustainable local community around their facility.

## **6.5. WHAT ARE THE REACTIONS AND ACTIONS OF HYDRO FOLLOWING THE ALUNORTE CRISIS?**

The Alunorte crisis has taken Hydro through a strategy from denying responsibility at the start of crisis, taking a *reactive* stance and doing less than required. It stated no leaks had happened from their facility and that they were not responsible for polluting water and environment for the local community. Shortly after, this approach failed, and the *defensive* strategy was implemented. Hydro did admit responsibility in having illegal emissions of rainwater from their facility. Nevertheless, they claimed these were not harmful. Immediately after the admittance of the leaks, they started fighting the accusation of harmful spillage.

Although, they understood that their credibility amongst both local community and the wider population was weakened and accepted, to a certain degree, responsibility.

Hydro used both *excuses* and *justification*, in their *defensive* strategy, when admitting they had conducted unauthorized discharges from the Alunorte refinery. Stating they had not informed the local community about it using the excuse that it was controlled emissions and not uncontrolled. They justified the emissions on the ground that it was an emergency measurement, and that they did so to reduce the risk of harming the local environment. To prove their own excuses and justification they supplied a self-funded report. Aiming to also change stakeholders' perception of the event through SWG Services' report on the leak, stating investigation was conducted on their facility proving no harmful spills had happened.

At the same press conference Hydro announced the results of the SWG Services report on 9 April, they also committed themselves to a more *accommodative* strategy towards local community by announcing the *Sustainable Barcarena Initiative*. They did all that was required of them, by allocating capital to make their facilities safe and ensuring local community would have continuous follow-up for a ten-year period. Hydro had to resort to *apology* when entering the *accommodative* strategy admitting they had neglected the local community and promised to prove their dedication towards them in the future. With this they changed the wording in the importance of local community and keeping a dialogue with them.

Hydro has changed the way they speak about local community and corporate social responsibility, in everything from press releases to annual reports. Aiming to *change external expectations* about its performance. The *TAC* and *TC* in the deal presented on 5 September was bestowed as a milestone in resolving the Alunorte crisis. Looking at the *SBI* along with the *TC*, it took Hydro to a *proactive* strategy within social investment in Barcarena. Providing BRL 150 million in community development like housing in Pará, as well as providing a 10-year plan for sustainable development in Barcarena. Hydro's strategy to maintain its reputation and presenting their own version has been to inform stakeholders about intended improvements in performances through the *SBI* and the *TC*. Stating they now dedicate themselves to develop the city of Barcarena as well as the larger state of Pará.

Ultimately, these different strategies raise questions regarding the intent of the dedication towards community investments in Barcarena and Pará. Whether these are created for Hydro to be socially responsible or for them to save their reputation and have a way to control the local community decades to come. It can be just another way for Hydro to construct their own meaning of community, keeping themselves at the heart of it all. The corporation would, with these investments, provide housing, education and capacity building to Barcarena and Pará. The



more responsibility they take over for the community, the more power the TNC holds in framing themselves as the innovator of economic development and improved standards of living. This can result in creating a 'false dependency' for the local community towards Hydro, believing they are unable to function independently. Consequently, this can lead to Hydro 'greenwashing' themselves through local community and community development. Only to present themselves in a respectable way for the public and not to bring with them the change actually needed in the region.

## **7. INVESTIGATION OF HYDRO'S CSR CHANGES TOWARDS LOCAL COMMUNITY IN THE AFTERMATH OF THE ALUNORTE CRISIS**

The Stakeholder theory opens the possibility to ask the question: which group of stakeholders are deserving or requiring management attention, and which are not (Freeman, 1994)? This is analyzed through the last three published annual reports from Hydro. Since 2003 Hydro has reported voluntarily on sustainable development to the Global Reporting Initiative's (GRI), a program both United Nations Environment Program as well as UN Global Compact are close collaborators of (Hydro, 2019c). In Hydro's document on Corporate Social Responsibility Principles they commit themselves to sustainable value-creation for shareholders, other stakeholders, and the communities where they operate. They define CSR as "*We pursue opportunities while managing risks, taking the social impact of our business operations into consideration (Hydro, p. 1)*". Bringing the stakeholder theory into this with the narrow definition of stakeholders, stating that where there is a risk there is a stake.

A good indication of how Norsk Hydro's perception of local community as a stakeholder, and how it has evolved through their change in dedication to CSR is given through their annual reports. Annual report 2016 is published before the Alunorte crisis and work as an indicator of what kind of stakeholder local community was prior to the leak. Following this, annual report 2017, published around a month after the crisis in 2018, gives a view of how the crisis influenced Hydro's dedication towards local community in the immediate aftermath. Finally, screening the annual report of 2018, published in March 2019, it provides evidence on whether Hydro as a business changed their focus of local community as a stakeholder or not. Even though there still was no solution to the embargo, the report presented a solution to the social commitment to Barcarena. Looking like the Alunorte crisis triggered a new form of engagement from Hydro towards the local community.

### **7.1. HYDRO AVOIDS EXPLICIT CONTRACTS WITH LOCAL COMMUNITY THROUGH CSR**

The performance of Hydro was greatly threatened when they were forced to run their Alunorte facility at 50 percent capacity. The main stakeholder who uttered their dissatisfaction with the corporation and put pressure on them was the local community in the region. This entailed local residents and community leaders in the three affected communities of Vila Nova,

Burajuba and Bom Futuro (Nogueira, 2018) (Hydro, 2018c). In addition, local environmentalists, such as Maria do Socoro Silva, who for ten years had been fighting Hydro's Alunorte facility against alleged land-grabbing, corruption and pollution (Watts, 2018). The community around the Alunorte facility had resorted to media at earlier times as also seen in the section *the issues of accountability and power in Barcarena*. Albeit, with the Alunorte leak of 2018 they had the support of both the Brazilian government as well as the larger international community which gave them a new degree of power (Iversen et al., 2018).

The Alunorte crisis received its own section in the annual report 2017, and its own chapter in the annual report of 2018. Hydro aimed at explaining their experience and reactions from the crisis in the Alunorte chapter in the annual report 2018. The corporation said that since the rainfall event in February 2018, Alunorte had implemented operational changes including specific improvements, as well as improving the way they collaborated with local communities (Hydro, 2019b, p. 72). According to them more than 90 investigations and inspections from relevant authorities were conducted, amongst them the environmental agency in the state of Pará, SEMAS, and the federal environmental agency, IBAMA. Both of these confirmed that there had been no overflow from Alunorte's bauxite residue deposits (Hydro, 2019b, p. 15).

The reporting on the leaks in the annual report by Hydro was biased and selective. The reports concluded that there was no indications or evidences of contamination to nearby local communities or any significant or lasting environmental impact to nearby rivers from Alunorte as a consequence of the extreme rainfall (Hydro, 2019b, p. 15). They did not speak of the Evandro Chagas report though, and only presented their own findings about the crisis. They did, however, admit to having discharged partly treated rainwater through the original water discharge channel Canal Velho, which was no longer licensed for such use. In addition to two incidents of untreated rainwater being discharged from the refinery area, one from cracks in the sealed pipe and one of rainwater from the roof of the coal storage shed. All three incidents were in the report spoken of as emergency measures, and as a necessity in safeguarding the operations at their facility (Hydro, 2019b, p. 73). Hydro did not provide a nuanced overview of neither the leak nor the consequence of it. The corporation only wrote the reports beneficial for their case screening them as responsible actors in Barcarena, bringing forward a slight 'greenwashing' of the Alunorte crisis itself.

Hydro experienced how the dissatisfaction of the local community hurt their business and understood that the path forward had to entail a stronger tie with them. The corporation allocated much space to present the Alunorte crisis in the annual reports of 2017 and 2018, which is an indication of the eminent threat local community had become to the corporation.

With the admittance to the three discharges came the newly found investment in local community in Barcarena and Pará. Hydro stated that their clear ambition was to make Alunorte the benchmark of their industry, by ensuring sustainable operations and social development in the communities around them. Especially the three communities of Vila Nova, Burajuba and Bom Futuro, as seen in figure 5, that was directly affected. The corporation highlighted the importance of investing in local community and spoke vividly of their future plans of Barcarena (Hydro, 2019b, p. 74). The newly gained power of local community, attained through the Alunorte crisis, forced Hydro to ensure that local community as a stakeholder kept within an *implicit contract*, in form of compensations and contribution. Rather than *explicit contracts*, which would be ensured by legal or other means (Mutti et al., 2012). The solution to satisfying local communities' *implicit contracts* was dedicating themselves to modernizing their CSR strategy, especially towards local community.

From 2016 to 2018, Hydro changed their outer focus on CSR. From having no mentions of it in the introduction of the annual reports to bring it forward as one of the highest priorities of the corporation. The introduction to the annual report of 2016 did not focus on social impact of the corporation, only stating, *Hydro aims to reduce its environmental footprint and enhance its social contribution through targeted initiative within a range of areas* (Hydro, 2017, p. 2). The social contribution was mentioned generally, not pointing to any specific contributions. The section *Hydro in Brief* had no mentions of community development and the report held no specific targets related to local community (Hydro, 2017, p. 5). In the annual report 2017, on the other hand, the CEO of Hydro's main quote is, "*Our beliefs in continuous improvement proves more crucial than ever – in operations, of course, but more certainly within corporate social responsibility*" (Hydro, 2018b, p. 8). The annual report of 2018 finalized this dedication towards CSR with their first goal on *Priorities for 2019* being strengthening performance within CSR and compliance. Stating their highlighted areas for CSR would be further developed contributing to long-term societal development through quality education, decent work and economic growth and promotion of peaceful and inclusive societies (Hydro, 2019b, pp. 15-16).

The image of the corporation had been greatly damaged, and they recognized the threat of local community in Barcarena in impairing the corporations' reputation. The *Risk Review* of the annual report 2018 confirmed this stating, *to behave in a socially responsible manner and to manage social impacts, particularly related to human rights breaches. Such failures could result in significant, negative publicity and potential serious harm to Hydro's reputation. Reactions by key stakeholders and communities in which Hydro operates could also interfere or interrupt the operations of our business* (Hydro, 2019b, p. 22). This pointed to the

importance of focusing on local community as a stakeholder and giving them what they demanded of *implicit contracts*. According to Hydro, their CSR was built on the basis of making a positive difference by strengthening their business partners and the local communities where they operate and targeting the fundamental drivers of long-term development (Hydro, 2019b, p. 25). To prove their interest towards the implicit contract of CSR, they preached their dedication to be a responsible actor stating that Hydro, as a global aluminum company with mining interest, had to ensure responsible conduct in relation to society at large. With this, Hydro launched in 2018, amongst other, a strategy target to contribute to quality education and capacity building for 500 000 people in their communities and for business partners from 2018 until end of 2030. This did, however, not entail indications of what levels of education they aimed to support, nor what type of capacity building they would invest in or where the investments would come (Hydro, 2019b, p. 26).

As Mutti et al. (2012) stated, CSR can be viewed as a set of actions and principles implemented to satisfy implicit contracts, avoiding stakeholders becoming litigious and ensuring that the firm fulfils its duties leading contracts being made explicit. The Alunorte crisis, as seen in the change of dedication towards CSR in the annual report 2017 and 2018, local community increased their importance as stakeholders and now found themselves dissatisfied, with CSR as a vital solution for Hydro easing an unhappy stakeholder group. The case gained enormous attention, at the same time as Hydro showed an ill-adequate handling of the situation which consequently was greatly damaging for their reputation. This gave local community in Barcarena power through media as well as through government officials in Brazil. Leading Hydro to aim at implementing implicit CSR contracts to satisfy them.



Figure 5: Barcarena site layout  
Source: Hydro (2019b, p. 72)

## 7.2. HYDRO FILLS VOIDS OF THE BRAZILIAN WELFARE SYSTEM BY INCREASING COMMUNITY INVESTMENTS

There are limited financial resources available to corporations to meet stakeholder's *implicit claims*. However, when crisis appears resources can be allocated from elsewhere to keep the stakeholder satisfied with its *implicit claims*, to keep them away from threatening the corporation (Jenkins, 2004). Looking at mid-term strategic goals, in figure 6 to 8, as well as the community investment budget, in figure 9 and 10, it is apparent that Hydro provided the stakeholder local community with a much larger investment than earlier years. The mid-term goals work as an indication of how Hydro's projects have developed over the years and where the intentions of the project are going. These are interesting to look at as *the discrepant issues* Hydro has taken on have changed greatly over the past three years.

Looking at Hydro's report in 2016 versus its report in 2018, it shows a new dedication towards local community and in creating new projects in Barcarena and Pará. In 2016 Hydro only had one project, as seen in figure 6, regarding community in their mid-term strategic goals. The study on 'waste pickers' in the area, aiming at providing them with a safer work place. Except from that, two other programs were running continuously. One related to enhancing reading and writing skills for students in Pará, Brazil. The second, an income-generation program in the same region supporting farmers (Hydro, 2017, p. 109). The organization, in 2016, had only three projects in place, whereas one of them was in the developing phase at the time. This is disproportionate considering Hydro is the largest operator in Barcarena, a city located in a state placed amongst the most dangerous and poorest regions in the world.

With the release of the annual report 2017, Hydro had taken on two new *implicit claims*, ensuring economic growth in the community and capacity building. They also took a much larger role towards education. As seen in figure 7, on making a positive difference, the contribution now entailed a further enhanced education program, elaborating on the important implicit claim of education. In addition to the 'waste picker' program, two new goals were pursued: fostering economic growth in their communities and strengthening local communities and institutions through capacity building on human rights and good governance. "*As a global aluminum company with mining interests, ensuring responsible conduct in relation to society at large is important throughout Hydro's activities. We have considered our impact on society, spanning from construction to divestment activity...both within our own operations and in the supply chain*" (Hydro, 2018b, p. 89), the quote in the annual report sounded. Several new

investments benefitting local community had appeared in the mid-term strategic goals of 2017 as well as a new dedication towards Hydro as a responsible corporation.

The mid-term goals of the annual report 2018 must be considered together with the knowledge of the investment in the *SBI* on BRL 100 million as well as the investment in the *TC* on BRL 150 million (Hydro, 2018a). Looking at figure 8, the 2018 mid-term goals on community has merged into one executive goal. This was to contribute to quality education and capacity building for 500 000 people. There was, however, no note of what happened with the three new project that was initiated in 2017. Making the mid-term strategic goals 2018 hard to follow, as it did not provide updates on how earlier projects performed (Hydro, 2019b). In the chapter *The Alunorte Situation* in the annual report 2018, on the other hand, it was written that Hydro would invest in the *Sustainable Barcarena Initiative* (Hydro, 2019b). This project is for some reason not listed as the mid-term strategic goal. This meant that there was already a huge influx of capital ensured for the local community of the area, having the project aiming at providing education, economic growth in the community as well as capacity building (Hydro, 2018a).

The stakeholder local community, in general, gained a more prominent role following the Alunorte crisis looking at community investments. These numbers are not Barcarena or Pará specific as such are not provided. Viewing the budget presented in figure 9 and figure 10, it shows a clear indication to the increased investments towards community. Looking at figure 9, 2016 only had NOK 19 million dedicated to the overall community investment budget of Hydro. Putting this in contrast with figure 10, it shows that it had increased to NOK 23 million in 2017 and a stumbling NOK 29 million in 2018. From 2016 to 2018, there was an increase in community development on NOK 10 million (Hydro, 2017, p. 135). The investment towards local community increased by almost half in only two years.

The focus towards local community in Hydro from 2016 to 2018 changed drastically. Hydro was recommended to take more responsibility for the local community already in 2016 in the PRIO report by Rustad and Hoelscher (2016). First in annual report 2017 the corporation introduced better education to local community, capacity building and economic growth as mid-term goals. These were *implicit claims* that usually governmental institutions are responsible for. Further enhanced with the *SBI* and the *TC*, where it was in total dedicated BRL 250 million to community development in Barcarena and Pará (Hydro, 2018a). The strategy pursued fits with *the varied and discrepant interest* in the stakeholder theory that states TNCs tend to fill huge voids in the welfare system. After the crisis Hydro had committed themselves to invest in housing, education and capacity building in the region. The corporation found the financial

resources to do such large investments in local community first two years after the PRIO report was published and Hydro found themselves at the heart of a crisis.

Mid-term strategic goals: Integrity and human rights

	Ambitions	Medium-term target	Time-frame	2017 target	2016 progress	Status
<i>Better</i>	Maintain zero tolerance on corruption	No instances of corruption	Long-term	No instances of corruption	No registered instances of corruption	●
				Revise Hydro's Code of Conduct	New e-learning on Code of Conduct, mandatory to all new employees, launched	●
				Finalization and roll out of revised Hydro Integrity Program	Finalization and roll out of revised Hydro Integrity Program delayed to 2017	●
<i>Bigger</i>						
<i>Greener</i>	Positive contribution to local social-economic development	Establish project with positive impact on social development of the Barcarena municipality in Brazil	2020	Project ready for detailed design and installation	Feasibility study performed on making a living on scrap collection	●
	Suppliers committed to complying with Hydro's CSR principles	Establish system for identifying no. of supplier employees impacted by Hydro improvement programs	2018	System for vendor/supplier follow-up developed for all business areas	123 audits performed	●
	No instances of human rights violation		Long-term	Update mapping of human rights risks, establish plan to address impacts and gaps.	No registered instances of human rights violations in own operations	●

Green light: Ambition on track and on target; Amber light: Ambition behind plan, but on target; Red light: Ambition might not meet the medium-term target

Figure 6: Hydro's mid-term strategic goals 2016

Source: Hydro (2017, p. 103)

Mid-term strategic goals: Integrity and human rights\*

	Ambitions	Medium-term target	Timeframe	2018 target	2017 target	2017 progress	Status
<i>Better</i>	Maintain zero tolerance on corruption	No instances of corruption	Long-term	No instances of corruption	No instances of corruption	No registered instances of corruption	●
				Revise Hydro's Code of Conduct	Revise Hydro's Code of Conduct	Revision of Code of Conduct postponed following Sapa acquisition	●
				Finalization and roll out of revised Hydro Integrity Program	Finalization and roll out of revised Hydro Integrity Program	Finalization of revised Hydro Integrity Program delayed following Sapa acquisition	●
<i>Bigger</i>							
<i>Greener</i>	Making a positive difference	Contribute to quality education in our communities	TBD	Establish measurable target		New target <sup>1)</sup>	-
		Establish project with positive impact on social development in the Barcarena municipality in Brazil	2020	Barcarena municipal waste facility in operation	Project ready for detailed design and installation	Project ready for detailed design and installation	●
	Establish system for identifying no. of supplier employees impacted by Hydro improvement programs	Promote decent work throughout the value and supply chain	TBD	Establish measurable target		New target <sup>1)</sup>	-
		Foster economic growth in our communities	TBD	Establish measurable target		New target <sup>1)</sup>	-
	Strengthen local communities and institutions through capacity building on human rights and good governance	Long-term	Establish measurable target		New target <sup>1)</sup>	-	

<sup>\*)</sup> Integration of Extruded Solutions in the targets has started

<sup>1)</sup> Target developed during 2017 based on the UN Sustainable Development Goals.

Green light: Ambition on track and on target; Amber light: Ambition behind plan, but on target; Red light: Ambition might not meet the medium-term target

Figure 7: Hydro's mid-term strategic goals 2017

Source: Hydro (2018b, p. 90)



Mid-term strategic goals: Integrity, human rights and community impact

	Ambitions	Medium-term target	Timeframe	2019 Target	2018 Target	2018 progress	Status
<i>Better</i>	Maintain zero tolerance on corruption	No instance of corruption	Long-term	No instance of corruption	No instance of corruption	One registered instance of corruption	●
					Revise Hydro's Code of Conduct	Completed	●
				Roll-out of revised Code of Conduct, including updated guidance documents within key topics	Finalization and full roll out of revised Hydro Integrity Program	Redefined concept, now consisting of several components partly rolled-out in 2018	●
<i>Bigger</i>							
<i>Greener</i>	Making a positive difference	Contribute to quality education and capacity building for 500.000	2030	Implement reporting methodology to track progress	Develop and test reporting system	On track	●
		Supplier development within HSE and human right issues	Long-term	Develop and test new solution to initiate and track improvements	Identifying improvement needs in existing supplier management systems	On track	●

Green light: Ambition on track and on target; Amber light: Ambition behind plan, but on target; Red light: Ambition might not meet the medium-term target

Figure 8 Hydro's mid-term strategic goals 2018

Source: Hydro (2019b, p. 87)

Community investments NOK million	2016	2015	2014	2013	2012
Community investments	19	13	11	16	
Total community investments, charitable donations and sponsorships	28	30	24	27	39

Figure 9: Hydro's community Investment 2016

Source: Hydro (2017, p. 146)

Community investments NOK million	2018	2017	2016	2015	2014
Community investments <sup>1)</sup>	29	23	19	13	11
Total community investments, charitable donations and sponsorships <sup>1)</sup>	89	36	28	30	24

1) Excluding Extruded Solutions.

Figure 10: Hydro's community Investment 2018

Source: Hydro (2019b, p. 258)

### 7.3. HYDRO IDENTIFIES LOCAL COMMUNITY AS AN IMPORTANT STAKEHOLDER

Hydro uses GRI definition of local community, *persons or groups of persons living and/or working in any areas that are economically, socially or environmentally impacted*

(positively or negatively) by an organization's operations (GRI, 2016, p. 4). Specifically, in the case of Barcarena and Pará, they committed themselves to a sustainable development of the local communities in the surrounding areas of their three plants in the state of Pará; The alumina refinery Alunorte, the primary aluminum plant Albras. Mentioning three concrete local communities as seen in figure 5, Vila Nova, Burajuba and Bom Futuro (Hydro, 2019b). Following the Alunorte crisis, Hydro changed their view on local community's stakeholder role in their networks.

There has been a change of perception of the importance of the stakeholder local community before and after the Alunorte crisis. Hydro has rated their stakeholder's role and networks through the diagram stakeholder dialogue as seen in figure 11, figure 12 and figure 13. What can also be seen in these graphs is the change of the stakeholder *local community*. The graph splits Hydro's stakeholders into four groups; *society, market, owners* and *internal*. As seen in figure 11, in 2016 the group *society* involved the stakeholders; *media, politicians, authorities, NGOs, lobby groups, industry associations* and *public offices*. *Local community* was not included, which consequently means that as a stakeholder they did not exhort much legitimacy or threat towards Hydro (Hydro, 2017, p. 109). Their role within Hydro was not very eminent, and they consequently were not given much attention. However, with the Alunorte crisis, the stakeholder *local community* manifested what kind of threat they could be against Hydro. Following this, the 2017 and 2018 annual reports, as seen in figure 12 and figure 13 *local community* is listed in the stakeholder network *society*. This shows that Hydro changed how they now viewed local community, and that this group has changed their role within the corporation because of the Alunorte crisis.

The change of the role of local community as a stakeholder, as well as its larger influence in stakeholder dialogue proves the importance of the Alunorte crisis for this stakeholder group. As Mutti et al. (2012) said, if a company is committed to improving the quality of life of communities in a sustainable way, it needs to utilize a stakeholder management model that employs a holistic perspective for responding to stakeholder networks and influence strategies. It can be argued Hydro only committed to this following the Alunorte crisis. Analyzing figures 11,12 and 13, it shows that the interest in dialogue and strengthening of local community is new. As local community first was listed as someone to have a stakeholder dialogue with in 2017. This is interesting looking at the CSR strategy, which according to Hydro, is built on a basis of making a positive difference by strengthening their business partners and the local communities in which they operate (Hydro, 2018b, p. 89). Albeit, in 2016 local community was

not present on the chart of which stakeholders Hydro needed to ensure a dialogue with. It can be said that the focus on local community is a rather new approach.

### Stakeholder dialogue in Hydro

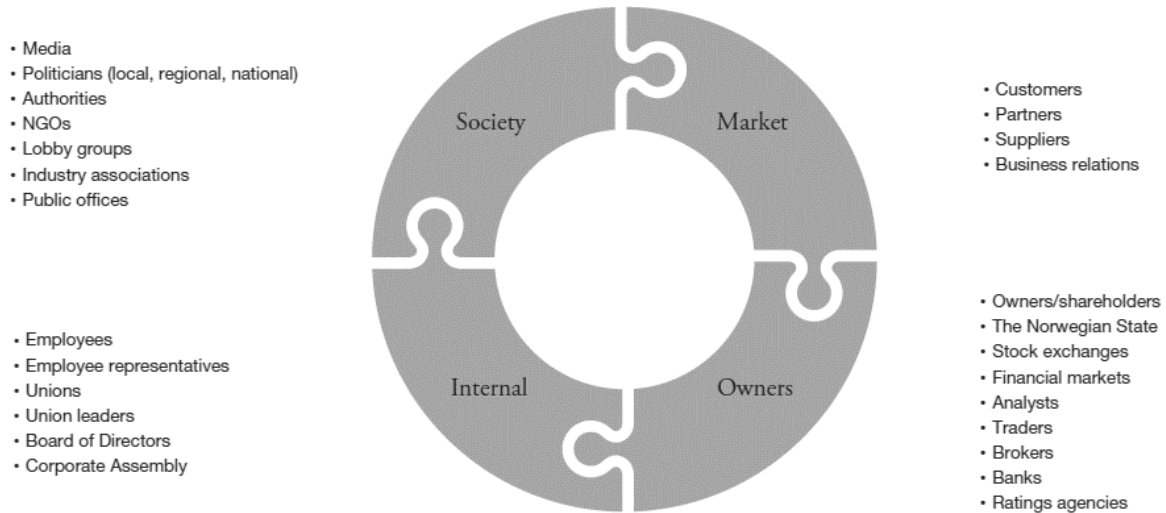


Figure 11: Stakeholder dialogue in Hydro 2016

Source: Hydro (2017, p. 108)

### Stakeholder dialogue in Hydro

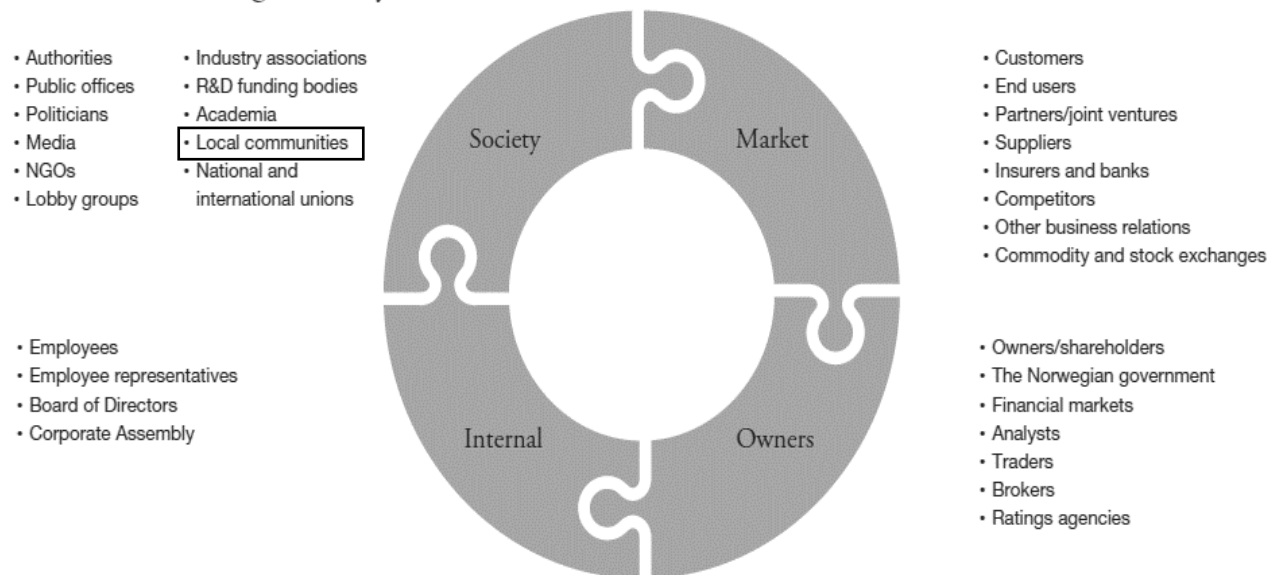


Figure 12: Stakeholder dialogue in Hydro 2017

Source: Hydro (2018b, p. 95)

### Stakeholder dialogue in Hydro

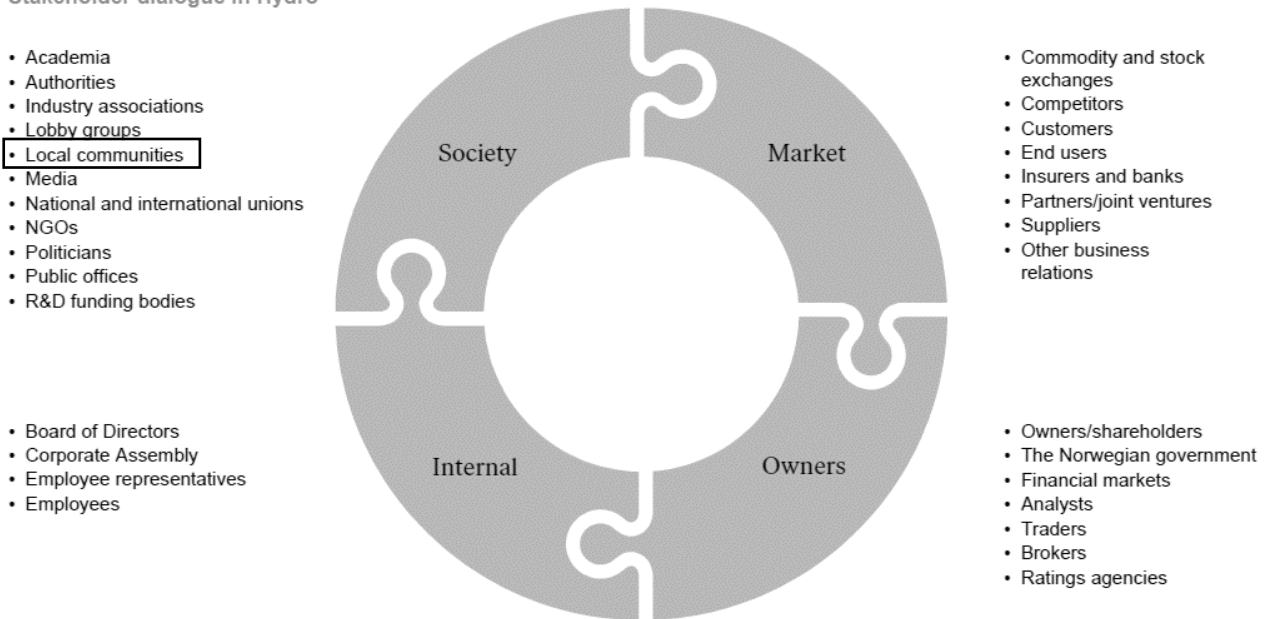


Figure 13: Stakeholder dialogue in Hydro 2018

Source: Hydro (2019b, p. 92)

## 7.4. HYDRO CHANGES STRATEGY TO STAKEHOLDER MANAGEMENT AFTER THE ALUNORTE CRISIS

The new commitment towards local community can also be seen in Hydro's change of *stakeholder engagement*. They moved from not sufficiently facilitating dialogue with communities in Barcarena and Pará and only investing in limited in projects related to local community, recognized as more of a strategy of *management of stakeholders*. Taking a turn aiming at accommodating the local community as best they could by applying a *stakeholder management* strategy after the Alunorte leak.

Hydro realized that the values and dedication towards stakeholders prior to the Alunorte crisis was not adequate. They had to change in the environment where they operated and involve the local community. Hydro admitted that their engagement to local community as a stakeholder had been poor as Hydro's CEO said, "*through dialogue with our local communities, we realize that we have not lived up to their expectations or our own ambitions. Hydro can only succeed as company if the societies around us are viable*" (Hydro, 2019b, p. 8). According to the CEO, this would be a new chapter marked by them improving and modernizing their values. Adding values to their customers, shareholders and society. This transition towards sustainable solutions would aim at making the corporation greener, in addition to improving the company's ability to create shareholder value while making a positive difference wherever it would operate

(Hydro, 2019b, pp. 12-14). Aiming to now not only satisfy the shareholders in Barcarena and Pará but also stakeholders like local community and society.

Indicating that the stakeholder engagement had been in more of a *management of stakeholder* way, Hydro noted that they had not treated the stakeholder local community in an acceptable manner. Regarding the misconduct towards local community in Barcarena, Brandtzæg said, “*I have apologized to the local community for not having been open and transparent enough, and for insufficient dialogue... I truly believe that the learnings will expedite firm improvements in our way of performing social responsibility – because we want to, but also because we have to*” (Hydro, 2018b, p. 9). Stating that this was the time to show rather than to tell. This lack of commitment was also apologized for in *In Letters to Shareholder* in the 2018 annual report, titled *Lessons learned, building for the future*. Saying that the corporation had learnt especially how local community surrounding their operations regarded them as neighbors from the Alunorte situation. Continuing, that they could only succeed as a company if their stakeholders supported and trusted them (Hydro, 2019b, p. 8). This brought out a focal point, as it can indicate that Hydro realized that they had only been ‘telling’ the local community what to do, and not actively engaging with what they wanted and needed.

The new promise to local community and corporate social responsibility was brought forward as the 2017 report stated that Alunorte situation would be the touchstone of the companies’ ability to put firm actions behind their words and aspirations. As the CEO stated, “*this situation illustrates very clearly that...having high ambitions for social responsibility, community dialogue and human rights are not issues that are resolved once and forever. They are issues that demand ever more resolve, and it is crucial to always stay ahead in order to not be caught off guard by unforeseen incidents*” (Hydro, 2018b, p. 9). They committed themselves to a sustainable development of the local communities in the surrounding areas of their three plants in the state of Pará; The alumina refinery Alunorte, the primary aluminum plant Albras and the bauxite mine Paragominas (Hydro, 2019b, p. 8) (Hydro, 2019b, p. 75).

The corporation, as a consequence of the Alunorte crisis, shifted the stakeholder engagement towards local community. With a new drive for ‘doing right’ by this stakeholder, Hydro proved their interest in creating sufficient *implicit contracts* for them through CSR, which mainly entailed the *TC* and the *Sustainable Barcarena Initiative*. Hydro has not been adequately engaged in local community as a stakeholder in the past and new obligation towards this stakeholder group was confirmed after the Alunorte crisis. Dedicating themselves to a management philosophy involving the inclusion of stakeholder interests in the firms’ processes of strategy-making and execution.

## 7.5. HOW AND WHY HAS HYDRO'S PERCEPTION OF LOCAL COMMUNITY CHANGED SINCE THE ALUNORTE CRISIS?

The threat of local community increased following the Alunorte crisis and Hydro put more importance on them as a stakeholder. They understood that the image of the corporation had been greatly damaged and recognized the threat of local community in impairing the corporations' reputation. They therefore understood the importance of giving them what they demanded of *implicit contracts*. It can look as Hydro aimed to implement implicit CSR contracts to satisfy unhappy stakeholders as the Alunorte crisis gave the local community anew power through media as well as through government officials in Brazil.

Hydro's CSR policies now aims to fill several voids in the Brazilian welfare system, as they have taken on *implicit claims* like providing better education, housing and capacity building for their communities. Such issues had already had been mentioned in Rustad and Hoelscher (2016) report, arguing that Hydro needed to take more responsibility towards local community in Barcarena. Still, these changes were first seen two years after the report was published and Hydro found themselves amid a crisis. As a result of the Alunorte crisis, local community was provided with a new role in Hydro's stakeholder engagement as the corporation admitted having neglected their responsibility towards them. They found themselves included in the new stakeholder network *society* within Stakeholder dialogue. Local community as a stakeholder was also after the crisis given a NOK 10 million increase in community development from 2016 to 2018. In addition, local community in Barcarena and the state of Pará specifically was provided BRL 100 million investment in the *SBI* over a ten-year period and a BRL 150 million influx in community development through the *TC*. In general, there was a new commitment towards local community moving from more of a strategy of *management of stakeholder* to *stakeholder management*, taking more responsibility for enhancing a proper dialogue with the local community.

Hydro's CSR strategy, it can seem, was used to mend the relationship with local community in Barcarena and Pará following the Alunorte crisis. The corporation wanted to convince the communities around Alunorte, but also the Brazilian government as well as the media, that Hydro was a trusted neighbor and not an exploitative transnational mining corporation. The change in CSR after the Alunorte crisis also raised questions to whether the CSR strategy was based on actual interest in providing change in the region, or if it was simply a form of 'greenwashing' to get Hydro's reputation back on track.

## 8. CONCLUSION

*“It is expensive to not take your environmental and societal responsibility seriously<sup>12</sup>”* (Leira, 2019, p. 1). This was Brazil-expert Torkjell Leira’s message to Hydro on their one-year anniversary after the Alunorte situation. The crisis year of 2018 is estimated to have cost investors and owners of Hydro over NOK 40 billion (Sættem, 2019). However, this is not an isolated incident where Norwegian transnational corporations fall into disrepute doing bad in other countries. Telenor’s engagement in Vimpelcom (Svanemyr & Molnes, 2015), Den Norske Bank’s (DNB) Panama papers (Høgseth & Tuv, 2017) and Yara’s corruption penalty (Svardal, 2012) are some examples proving it happens close to yearly.

The history of TNCs in Brazil shows a country making itself attractive for foreign direct investments through transnational corporations, at the expense of both the local- environment and community. Giving TNCs advantages have been a norm since the start of the military regime in 1964. Corrupt governments have ensured wealthy people become richer and that the mining industry continues to grow. Mining corporations has, on this basis exploited local community and environment without receiving reprisals from the Brazilian government. The country has, for a long time, depended on FDI and those holding it has been TNCs. When Hydro started to invest in Brazil in the 1990s, the bargaining power lay with the corporation.

In a way, Hydro was forced to invest heavily in bauxite and alumina in the beginning of the 2000s, and Alunorte became the rescue. When acquiring Alunorte in 2010, the corporation had uncertainties regarding operations of a facility of this size. Nevertheless, Hydro needed to be the world-leading alumina producer and became just that. Their operations are inherently unsustainable, as bauxite mining and alumina production pollute local environment and require large volumes of water in the extracting process. It is also a finite resource, which at one point will end. The mining industry is known as one of the most destructive and exploitative industries but have at the same time emerged as pioneers in the CSR field. They may be the innovators of CSR, but the focal point is the reactive nature of it. When a social or environmental crisis happens because of a mining corporation, the fix tends to come through investments in CSR. Often creating ‘false dependency’ and as means to subdue the community.

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<sup>12</sup> In Norwegian: «En åpenbar lærdom er at det er dyrt å neglisjere sitt miljø- og samfunnsansvar»

## **8.1. HYDRO, THE REACTIVE CSR DEVELOPMENT AGENT**

Prior to the Alunorte crisis, Hydro was a reluctant societal development actor ensuring limited dialogue with the community of Barcarena. In the aftermath, they committed themselves to invest BRL 250 million in community development initiatives in Barcarena and Pará. As seen with the investigation of the crisis through RDAP-scale, Hydro reluctantly assisted the local community in the immediate aftermath of the Alunorte situation, at the same time as denying all accusations of the leakage. Following their admittance, they took a complete turn of dedication to local community aiming to do all they could and more. Such strategy suggests a societal or environmental crisis triggers TNCs to appear as development actors.

Local community has, through the Alunorte situation, gained the power they lacked in former years. Looking at Hydro's annual reports through the stakeholder theory shows how they, through the Alunorte crisis, emerged as an important stakeholder for the corporation. As a stakeholder in 2016, local community had little power of the corporation and did not receive much attention. The two following reports show, on the other hand, the initiation of new projects aiming to strengthen local community in Barcarena and Pará, taking responsibility over discrepant issues like education, capacity building and housing in the region. Combining the analysis of the RDAP-Scale investigation of the crisis and the stakeholder theory analysis of the annual reports, shows that Hydro has allocated substantial capital to the region to gain a larger role as a societal development actor in Barcarena.

## **8.2. HAS HYDRO BECOME A PROACTIVE CSR DEVELOPMENT AGENT?**

*“The main reason a corporation adopts CSR is to contribute to a better society and cleaner environment”* (Govindan et al., 2014, p. 214). The abovementioned quote is in this thesis challenged, as it looks like Hydro's main reason for adopting a comprehensive CSR strategy towards the local community in Barcarena has other motivations than doing ‘good’. By laying the groundwork on CSR, the mining industry has gained the upper hand in the development agenda on issues like local economic development, education and capacity building. These are discrepancy issues host countries should be responsible for, and it grants TNCs an excessive role in communities where they are present. The trend of mining corporations becoming ‘responsible’ through CSR follows a wake of scandals built of



exploitation of host- communities and environment. Consequently, CSR function as an essential PR strategy, mending broken reputations and relationships.

This thesis has investigated the rhetoric of responsible capitalism of Hydro towards local community in Barcarena and Pará after the Alunorte crisis. Investigating the reactions and actions of the corporation in the aftermath of the Alunorte situation, showed that Hydro needed to go through all phases of the RDAP-scale to reach a proactive stance to local community. Further, analyzing the annual reports 2016-2018 presented how large investments in local community happened only after the Alunorte crisis. This indicates that Hydro carries out corporate irresponsibility. Only when pushed in a corner, the corporation took actions and listened to the local community affected by their wrong doings. They actively used CSR to rebuild the trust with local community and improve the corporation's reputation. Questioning whether this approach has the strategy of 'greenwashing' or the aim to implement actual change.

There is a lack of clarity of purpose and function of Hydro's new CSR strategy and whether it aim to fill both moral and ethical obligations to the local community. After the Alunorte situation, through the *SBI* and the *TC*, the corporation took on moral obligations towards the local community and aimed to be a societal development actor in the region. Ensuring that some share of the company's profit is dedicated to support community development. Nevertheless, not accounting for their ethical obligations of mitigating or compensating for whatever loss or damage that affected the community, as a consequence of their mining operations.

Hydro did not take on the role as an environmental development actor. They dedicated themselves to improve their own facilities, but neither to improve the local environment surrounding their facility nor addressing any negative consequences that pertain from their operations, such as the pollution caused by the Alunorte leakage crisis. Hydro's reactions to the Alunorte crisis showed a new interest in community development but not in addressing the effects such leaks have on health, agriculture or water purification. The societal impact gained importance while the environmental impact hardly was focused on. Yet, the environmental issues have a significant long-term effect on people's lives and welfare.

CSR cannot be "*The long-awaited magic bullet to poverty*" (Moskowitz, 2011, p. 21), as Hydro only aimed to do 'good' through CSR after having been caught. Merely taking on their moral obligation such as providing capacity building, education and food coupons, and not their ethical responsibility, by ensuring a viable local environment, supports the argument that TNCs solely take a proactive stance to powerful stakeholders. In this case, the most powerful

stakeholder was the local community. In the long run, the damage of the local environment also affects the welfare of the local community. Indicating that the profit motive of TNCs is not compatible with social welfare and environment. Based on the initiatives after the Alunorte crisis, the local community development was prioritized which is good, however, the water contamination and pollution caused by the leakage was not addressed. Therefore, the thesis highlights, that the CSR initiatives address the moral obligation of sharing company profits with the community as resource owners. However, they fail to meet the ethical obligation of mitigating the environmental impacts and neglect the role as an environmental development actor.

The mining industry consequently continues having reactive CSR strategies, because, as of today, economic development comes at the cost of societal and environmental development. According to capitalist production, the global benefit of such a facility like Hydro exceeds the local impact it has on communities in Barcarena and Pará. At the same time as aluminum makes its way through global value chains, the devastation of the environment, which is the basis of lives of the surrounding communities, remains (Aguiar et al., 2015). This is not a viable prospect when aiming to promote TNCs as societal and environmental development actors, and not just an innovator of economic growth. In the future, Hydro must show reactivity and transparency in their CSR strategy to prove that they do commit themselves to improving both the welfare and environment of the local community around their facilities.

### **8.3. LIMITATIONS AND FURTHER STUDIES**

A major limitation to this thesis is the lack of empirical validation through fieldwork and interviews with Hydro and relevant stakeholders. By applying such method, it would be interesting to take the study further with especially a few cases. The Alunorte crisis in February 2018 saw the increased power to local community in Barcarena, but much because of its newly gained support from the Brazilian government. Throughout the crisis, the Brazilian government and Hydro has butted heads, arguing about reports and accusations. It looks as if the local community is the middle way, where both Hydro and the Brazilian government enhances their claims and actions. It can be questioned whether this crisis turned the upper hand to the Brazilian government.

Another eminent question is what the real reason behind the large influx of CSR following the Alunorte crisis is. Whether it is do 'good' for the sake of doing 'good', or to save itself at the same time as making local community more dependent. It is too soon to answer, as the deals

and initiatives are yet to be implemented in the communities. Hydro has not specified how they arrived at the conclusion that the *SBI* and the *TC* was the best way to support the local community in Barcarena and Pará. Nor have they elaborated on the actual status of the projects on education, capacity building and housing. There is a vagueness about it all, not defining clearly who is the local community in Barcarena and Pará, nor the purpose of the CSR and how it aims to help. Both the future of the CSR investments as a result of the Alunorte crisis, as well as the change of the bargaining power between TNC and the Brazilian state seen in this situation, are interesting topics to study further.

#### **8.4. RECOMMENDATIONS**

This thesis shows the motivations for TNCs to invest in CSR is not necessarily to contribute to a better social and clean environment. The motives can lay in solving their own reputation crisis. Not to provide stakeholders such as local community with what they need, but with what the corporation need to solve the problem at the time. It shows that TNCs like Hydro tend to adapt a reactive response in initial phases of a crisis to then follow a proactive strategy to solve it. This is inherently unsustainable, as it suggests TNCs need to be exposed to an environmental or societal crisis before becoming proactive in their CSR work. My recommendations are to critically analyze TNCs CSR influx following an environmental or societal crisis such as the Alunorte situation. Evaluating and analyzing how CSR strategies are developed and deployed, gives to ability to call corporations out in using CSR and stakeholders such as local community as a pawn in their games. This can promote a greater transparency of motivation of CSR, nudging TNCs to implement a proactive approach to CSR prior to a crisis instead of in the aftermath.

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