

## **Auditor's commentary**

The auditors conclusions are presented in the auditors statement on page 114 in Hydro's Annual Report 2007. The auditors also addressed comments and recommendations to Group management. These are summarised below:

March 12 2008

Norsk Hydro ASA  
Att.: Executive Management

## **Management letter on assurance of the Viability Reporting 2007**

As a result of our assurance engagement, we have provided an independent statement in Hydro's Viability Reporting 2007 (the Report). This letter intends to inform management of key observations and recommendations as a secondary outcome of our engagement. Executive Management should appreciate that there are certain limitations to the use of this management letter as described in the appendix to this management letter, section 1.

We find the 'Hydro Way of Management' a strong foundation and a suitable basis for a comprehensive approach to manage sustainability aspects, both in terms of vision, values and principles and in terms of structures, governance and methodology. As such, this is also an appropriate basis for our assurance engagement.

We see consistent senior management level involvement in sustainability aspects. Embedding sustainability aspects into everyday business activities is generally recognized by leaders and employees as a key element in achieving the necessary progress, as set out in specific objectives and quantified targets.

The Report is part of Hydro's annual reporting, and the approval of the Executive Management demonstrates the weight and priority given to business sustainability aspects. The Report is well structured to focus on the relevance of sustainability aspects to the business and stakeholders through an integrated approach.

We have outlined further comments and recommendations in attached appendix which is an integral part of this letter. In general, we note that in virtually all areas and aspects where we have a recommendation, the subject is already dealt with by Norsk Hydro in the form of a program, an action item, or, in a few cases, a decision to further assess the rationale.

Yours sincerely,

Preben J. Sørensen  
State Authorised Public Accountant

12.03.08

## **Appendix to Management Letter of March 12 2008**

### **On assurance of the Viability Reporting 2007**

Content:

1. Introduction and limitations
2. Objectives and scope of our engagement
3. Commentary

#### **1. Introduction and limitations**

We were engaged to perform an assurance engagement on Hydro's Viability Reporting 2007 (the 'Report'). The purpose was to further enhance the credibility of the Report and underpinning systems, structures and processes. The result of this engagement, our **'INDEPENDENT AUDITOR'S REPORT TO HYDRO'S VIABILITY PERFORMANCE REPORTING'**, is available in the printed version of the Report.

To underline transparency and accountability, Hydro has advised us that a summary of our Management Letter will be published as part of the Internet version of the Report.

Our Management Letter is intended for the management of Hydro who are familiar with the context, decisions and subjects dealt with in the Report. Management also knows the engagement letter directing our engagement. The objectives and terms of our engagement are stated in our assurance statement referred to above.

We take responsibility for this report, which is prepared on the basis of the limitations set out below. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the possible weaknesses that exist, or all improvements that might be made. Recommendations for improvements should be assessed by you for their full commercial impact before they are implemented. This report has been prepared solely for your use as managers and is quoted with our prior written consent and aforementioned comments.

While we recognize that stakeholders of Norsk Hydro may find information in this document useful, and while we have no bias towards any particular outcome, we do not, to the fullest extent permitted by law, accept or assume responsibility to anyone other than Hydro, for information provided in summary of our Management Letter.

## 2. Objectives and scope of our engagement

As agreed, we have based our approach on emerging best practice for independent assurance on sustainability reporting, including the AA1000 Assurance Standard (AA1000AS) issued by AccountAbility; and the ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board.

### Levels of assurance

As agreed with Norsk Hydro we have obtained a moderate level of assurance. This is a level less than high. The main reason why this part is less than high is because we gathered and evaluated less evidence than we would have done, had the objective been to obtain a high level of assurance. As such, we based our evidence gathering procedures on analytical testing and interviews.

### Criteria

For all subject matters included in the engagement we have assessed whether there were suitable criteria to be used as benchmarks to evaluate and measure the subject matters. Without suitable criteria, any conclusion is open to individual interpretation and misunderstanding. Suitable criteria are context-sensitive, that is, relevant to the engagement circumstances.

Hydro has recognized that the criteria applied are suitable for the intended users' purpose. The criteria are also available to users either as external criteria or as noted in the Report (including the Internet version of the Report), and as Governance and Policy level information on the Norsk Hydro web-page.

## 3. Commentary

### The reporting process

With its annual corporate reporting for 2007 Hydro consolidated the reporting approach applied since 2005. The 2007 reporting represents a further step forward in making sustainability information more accessible to stakeholders through its *Viability Performance* and *Facts and Figures* chapters. The Annual Report continues to demonstrate the Hydro Way "at work" and to portray a solid manifest of Hydro's commitment to and actions on sustainability in a business context. Hydro may consider strengthening the process for target setting, and reporting on target achievements in the Viability report

### Response to the climate change agenda

Hydro recognises *climate change* as a major strategic driver, and made a significant response by placing overall responsibility for climate related issues under corporate strategy. In developing the new climate strategy we support an increased focus on LCA and on requirements to and performance of upstream supply chain parties including business partners. We also support the introduction of further incentives and management KPIs and recommend more detailed reporting on accomplishment of targets and action plans in future Viability Reporting.

## **Integrity programme**

Hydro introduced a revised *integrity programme* in 2005/06 and made progress in integrating such requirements as explicit corporate priorities. We support Hydro's considerations on strengthening formal measures on performance and degree of implementation and report results in Viability Report.

## **Diversity**

*Diversity* is a priority in Hydro people policy. There are less explicit targets and we acknowledge the need identified to – on a medium term – consider approach to achieve defined objectives and report results in Viability Report.

## **TRI**

*TRI* is an essential element of HSE management with KPIs and a top management incentive scorecard, as well as improvements made in recent years. However, the performance target for 2007 was not met. We support ongoing considerations on how to adapt approaches to ensure continued improvements from a high level of performance. Such considerations should include top management focus, and incentive measures towards additional indicators which are precautionary and measuring activities, with the results reported in the Viability Report.