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# Corporate governance



## All continents

Based in Norway, Hydro employs some 23,000 people in more than 40 countries and has activities on all continents.



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## QUICK OVERVIEW

Hydro is a public limited company organized under Norwegian law with a governance structure based on Norwegian corporate law. Our corporate governance has been designed to provide a foundation for value creation and to ensure good control mechanisms. We maintain common requirements in the form of corporate directives that are mandatory for all parts of our organization.

The corporate directives help ensure that all our employees carry out their activities in an ethical manner and in accordance with current legislation and Hydro standards. The board of directors has approved our code of conduct, which applies to all employees throughout the world, as well as to board members of Hydro and its subsidiaries. The code addresses compliance with laws and other matters such as handling of conflicts of interest and a commitment to equal opportunities for all employees. Our Integrity Program contributes to compliance with anti-corruption legislation and basic human rights.

## Introduction

Hydro is a public limited company organized under Norwegian law with a governance structure based on Norwegian corporate law. Our main share listing is on Oslo Børs, which subjects us to Norwegian securities legislation and stock exchange regulations. See also page 93.

We have developed our governance structure through cooperation between our corporate management board and our superior governance bodies to secure compliance with relevant laws and regulations and to reflect business needs. Further development is a continuous process.

We follow the Norwegian Code of Practice for Corporate Governance of December 2007. A detailed description of our compliance is presented on page 104. Information regarding our shareholder policy can be found on page 93.

Since 2006 Hydro has headed the aluminium sector of the Dow Jones Sustainability Index (DJSI). We have been listed on the DJSI every year since the start of the index in 1999. We are also listed in the corresponding UK index, FTSE4Good.

Hydro's strategic direction is described on page 9. More comprehensive information about our governance practices, policies and requirements can be found at [www.hydro.com/governance](http://www.hydro.com/governance)

## Corporate directives and code of conduct

The Hydro Way represents our framework for leadership, organization and culture and is the foundation of our governance system. See page 62 for further information. Our system is based on the delegation of responsibility to our business areas and to corporate functions whose duties include finance, tax and accounting. In order to maintain uniformly high standards, we set common requirements in the form of corporate directives that are mandatory for all parts of our organization. The directives address, among other things, strategy and business planning, finance, risk management, organizational

and employee development, health, security, safety and environment (HSE), ethics and social responsibility. This information is made available to all employees.

The board of directors has approved our code of conduct, which applies to all employees throughout the world, as well as to board members of Hydro and its subsidiaries. See page 65 for more information about Hydro's code of conduct, whistleblowing procedure and integrity program, and [www.hydro.com/principles](http://www.hydro.com/principles) where you also can find more information regarding our corporate directives.

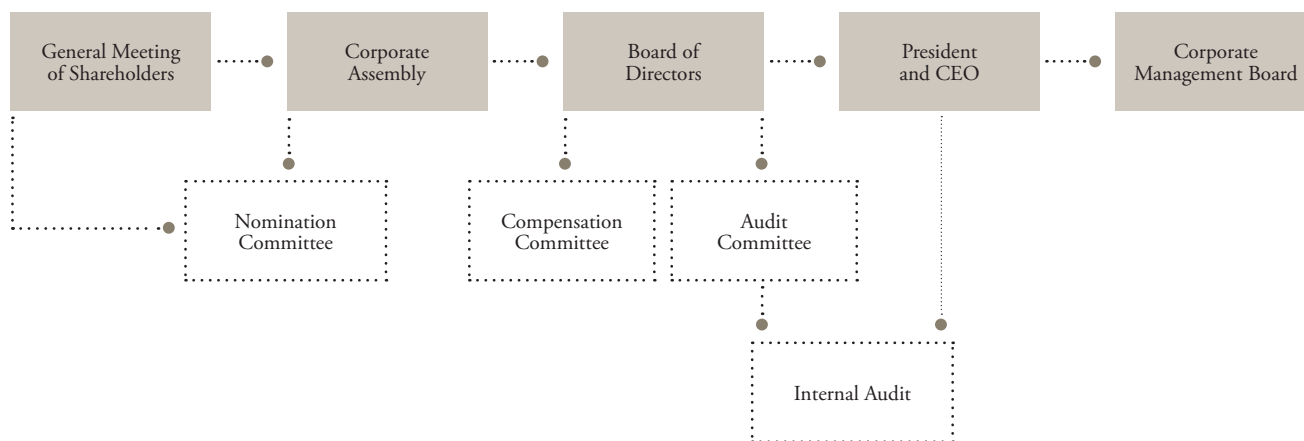
## Business planning and risk management

Hydro's overall goal is to create shareholder value through satisfied customers and motivated and competent employees. We have defined two main processes to ensure that short and long-term targets are achieved.

The portfolio, strategy and business planning process involves strategic and operative planning and results monitoring. The planning, which reflects our ambitions and values, is the basis for the strategies and measures that form the business plans at all levels of our organization. We have defined key performance indicators for each unit, including financial, human resource, ethical and HSE objectives, in addition to unit-specific operating targets.

The people process is designed to assess and develop our human resources, and is an integral part of our annual business planning. Its aim is to promote the potential of individual employees and of our organization as a whole.

Risk management is also an integrated part of our planning and reporting process. Risk management deals with all aspects of value creation, including strategy, finance, commercial matters, organization, HSE, reputation, corporate responsibility, regulatory and legal matters. Hydro's Board of Directors regularly reviews and evaluates the overall risk management systems





and environment within Hydro. We carry out risk assessments for defined exposure areas. Exposure to certain risks, particularly those threatening life and health, has been consistently reduced to very low levels. See also page 90 for a more detailed discussion of Hydro's financial risk management.

## Controls and procedures

Our disclosure committee, comprised of senior managers, is responsible for reviewing financial and related information included in our reports.

Hydro's Internal Control over Financial Reporting (ICFR) framework is primarily designed to provide reasonable assurance to our management and the Board of Directors regarding the preparation and fair presentation of our Financial Statements. Hydro established its comprehensive ICFR framework in 2006 and continues to maintain it based on the principles established by "The Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control – integrated framework". The five interrelated COSO principles are: 1) Control Environment, 2) Risk Assessment, 3) Control Activities, 4) Information and Communication, and 5) Monitoring.

Hydro's overall control environment relevant for financial reporting is covered by "Hydro-Wide Controls (HWC)". HWC reflects the tone set by the top management, management's and employees' common attitudes, ethics, and values, and competence.

Our ICFR model is implemented through a "Top-Down Risk-Based" approach. Four high-risk areas are identified; 1) Hydro financial reporting risk, 2) fraud risk, 3) general computer risk, and 4) financial closing risk.

To mitigate risks in the above-mentioned four areas, we have developed comprehensive controls. For lower risk areas, standardized controls have been designed and these are documented in an "Internal Control Handbook".

The Audit Committee takes an active role in ensuring the effective and harmonized functioning of the ICFR framework. See also page 103 and [www.hydro/governance](http://www.hydro/governance) for additional details.

### *Pre-approval of audit services*

The audit committee has a pre-approval policy governing the engagement of primary and other external auditors to provide

audit and non-audit services to Hydro or any entity within the group. Under this pre-approval policy, the audit committee has defined and pre-approved subcategories of audit and non-audit services. The audit committee's pre-approval policy includes annual monetary frames for each of the following categories of services:

- audit-related
- tax
- non-audit related

Within the scope of the pre-approval policy, all services have been pre-approved and all amounts for audit-related, tax and other non-audit related services are within the monetary frames established by the audit committee.

### *Employment of external auditor personnel*

Principles have been established to ensure that the independence of Hydro's external auditor is not impaired by means of the recruitment of former or current external auditor personnel and their close family members. Our policy requires a "cooling-off period" before recruiting former employees from the current external auditor to defined positions within Hydro.

## Transparency and communication

Hydro's corporate culture embodies the principles of honesty and respect for others. Our ability to operate efficiently in the Norwegian market and internationally requires consistent and professional communication. We adhere, therefore, to the principles of transparency, honesty and sensitivity when interacting with our stakeholders.

## Management compensation

Information concerning remuneration and remuneration policies, share ownership, loans outstanding and loan policy relating to Hydro's Board of Directors and Corporate Management Board is disclosed in note 11 Employee and management remuneration and note 45 Board of Directors' and Corporate Assembly remuneration in the notes to the Consolidated financial statements.

## Board of Directors

### Terje Vareberg, chairperson

- Position: Managing director of Sparebank 1 SR-Bank
- Education: Master of Science in business, Norwegian School of Economics and Business Administration (NHH)
- Current directorships: Chair of the Norwegian Savings Bank Association; Sparebank 1 Gruppen
- No. of Hydro shares: 10,000

### Grete Faremo, deputy chairperson

- Position: Independent businesswoman
- Education: Master's degree in law, University of Oslo
- Current directorships: Chair of the board of Abelia; deputy chairperson of the Norwegian Defence Research Establishment; Oslo Philharmonic Orchestra; Cowi AS
- No. of Hydro shares: 0

### Billy Fredagsvik, employee representative

- Position: Process operator / full-time union official. Represents the Norwegian Confederation of Trade Unions
- Education: Trade school (mechanics)
- Current directorships: None
- No. of Hydro shares: 592

### Inge K Hansen

- Position: Adviser
- Education: Master of Science in business, Norwegian School of Economics and Business Administration (NHH)
- Current directorships: Chair of the board of Avinor; chair of the board of the Norwegian School of Management (BI); chair of the board of Norsun AS; chair of the board of Gjensidige Forsikring BA; chair of the board of Norwind AS; Jiffy International AS
- No. of Hydro shares: 0

### Finn Jebesen

- Position: Independent businessman
- Education: Master of Science in business from the Norwegian School of Economics and Business Administration (NHH). MBA from the University of California, Los Angeles
- Current directorships: Chair of the board of Kongsberg Gruppen ASA; chair of the board of Kavli Holding AS; deputy chair of KLP Forsikring; A Wilhelmsen Management AS; Berner Gruppen AS; Fateburet AS
- No. of Hydro shares: 32,545

### Jørn B. Lilleby, employee representative

- Position: Maintenance supervisor / full-time union official representing the Central Cooperative Council (Sentralt Samarbeidsråd)
- Education: Master of Science in mechanical engineering, Norwegian Institute of Technology
- Current directorships: Chair of the board of the community of interest ENGN Grimsmoen airfield; Ottem Transport; Ottem Resirk
- No. of Hydro shares: 527

### Sten Roar Martinsen, employee representative

- Position: Process operator / full-time union official representing the Norwegian Confederation of Trade Unions (LO)
- Education: Certificate of apprenticeship in electrochemistry. Work supervisor training
- Current directorships: None
- No. of Hydro shares: 1,402

### Heidi M. Petersen

- Position: Independent businesswoman
- Education: Master of Science, University of Trondheim
- Current directorships: Chair of the board of Sandefjord Airport; Aker Solutions ASA; Glamox ASA; Nordea AB; Noreco ASA
- No. of Hydro shares: 10,000

### Bente Rathe

- Position: Independent businesswoman
- Education: Master of Science in business, Norwegian School of Economics and Business Administration (NHH). MBA from the University of Denver
- Current directorships: Chair of Powel ASA; Kongsberg Automotive ASA; Svenska Handelsbanken AB
- No. of Hydro shares: 0

For more extensive biographical information, please see [www.hydro.com/governance](http://www.hydro.com/governance)

## Board of Directors

Name	Place of Residence	Year of birth	Position	Board committee	Meetings attended <sup>1)</sup>	Director since	Term Expires
Chairperson Compensation							
Terje Vareberg	Stavanger, Norway	1948	Chairperson	Committee	16	2007	2010
Grete Faremo	Oslo, Norway	1955	Deputy chairperson	Audit Committee	17	2006	2010
Inge K. Hansen	Oslo, Norway	1946	Director	Chairperson Audit Committee	14 <sup>2)</sup>	2008	2010
Finn Jebesen	Oslo, Norway	1950	Director	Compensation Committee	16	2007	2010
Heidi M. Petersen	Sandefjord, Norway	1958	Director	Compensation Committee	16	2007	2010
Bente Rathe	Trondheim, Norway	1954	Director	Audit Committee	16	2007	2010
Billy Fredagsvik	Høyanger, Norway	1956	Director		17	2007	2009
Jørn B. Lilleby	Sunnalsøra, Norway	1952	Director	Audit Committee	16	2007	2009
Sten Roar Martinsen	Kopervik, Norway	1962	Director		17	2005	2009

1) Total number of board meetings were 17.

2) Inge K. Hansen succeeded Svein Rennemo who stepped down from the board March 12, 2008. Mr. Rennemo participated at two board meetings in 2008.

## Corporate Management Board

### Eivind Reiten

- Key experience: Head of Metal Products. Head of Refining and Marketing. Minister of Petroleum and Energy in the Norwegian government. Minister of Fisheries in the Norwegian government
- Education: Economist (cand. oecon.), University of Oslo
- No. of Hydro shares: 86,972

### Odd Ivar Biller

- Key experience: General counsel in Hydro since 1992
- Education: Master's degree in law (cand. jur.), University of Oslo. Master's degree in International and Comparative Law, Free University of Brussels
- No. of Hydro shares: 18,872

### Svein Richard Brandtzæg

- Key experience: Head of Rolled Products. Head of Metal Products. Head of Magnesium
- Education: PhD, Norwegian Institute of Technology. Degree from the Norwegian School of Management
- No. of Hydro shares: 26,117

### Anne Harris

- Key experience: Head of Corporate Financial Reporting and Performance. Several positions within finance in Hydro. Administration & Personnel Manager in Total Norge
- Education: Master of business and economics, Norwegian School of Management (BI)
- No. of Hydro shares: 13,902

### Arvid Moss

- Key experience: Project leader for the oil and gas merger agreement with Statoil. Head of Metal Products. Head of Automotive Structures
- Education: Master of science in business, Norwegian School of Economics and Business Administration (NHH)
- No. of Hydro shares: 60,857

### John Ove Ottestad

- Key experience: Head of Mergers and Acquisitions. Head of Refining and Marketing. Head of Magnesium
- Education: Master of science in physics, Norwegian Institute of Technology
- No. of Hydro shares: 78,707

### Jørgen C. Arentz Rostrup

- Key experience: Head of Markets in Oil & Energy. Head of Trading & Marketing in Markets. Head of Finance, Exploration & Production Norway
- Education: Master of science in business, Norwegian School of Economics and Business Administration (NHH)
- No. of Hydro shares: 6,662

### Tom Røtjer

- Key experience: Project director for the Ormen Lange and Langeled development project. Head of Technology and Projects
- Education: Master of science in mechanical engineering, Norwegian Institute of Technology
- No. of Hydro shares: 16,532

### Hilde Aasheim

- Key experience: Head of Staff Functions and Corporate Services in StatoilHydro. Head of the integration between Statoil and Hydro's oil and gas activities. Head of Leadership and Culture in Hydro. Head of the Silicon Division in Elkem
- Education: Master of science in business, Norwegian School of Economics and Business Administration (NHH). Certified public accountant
- No. of Hydro shares: 136

As of March 30, Eivind Reiten will resign from Hydro and Svein Richard Brandtzæg will take up the responsibility as President and Chief Executive Officer. From the same date, we will establish a new and flatter organization including Oliver Bell as executive vice president for Rolled Products, Johnny Undeli as executive vice president for Extrusion and Kjetil Ebbesberg as executive vice president for Metal Markets. Aasheim will assume responsibility for Primary Metal in the new organization. As of May 1, Jørgen C Arentz Rostrup will take over as Chief Financial Officer after John Ove Ottestad who will step down from the Corporate Management Board and become adviser to the President and CEO. From the same date Ola Sæter will become executive vice president for Energy.

For more extensive biographical information, please see [www.hydro.com/governance](http://www.hydro.com/governance)

## Corporate Management Board

Name	Place of Residence	Year of birth	Employed in Hydro since	Current position since	Position
Eivind Reiten <sup>1)</sup>	Oslo, Norway	1953	1986	2001	President and Chief Executive Officer
Odd Ivar Biller	Oslo, Norway	1949	1980	2007	EVP Legal and Corporate Social Responsibility
Svein Richard Brandtzæg <sup>2)</sup>	Karmøy, Norway	1957	1985	2006	EVP Products
Anne Harris	Drammen, Norway	1960	2001	2007	EVP HR and Organization Development
Arvid Moss	Oslo, Norway	1958	1991	2008	EVP Corporate Strategy and Business Development
John Ove Ottestad	Lier, Norway	1949	1975	2001	EVP and Chief Financial Officer
Jørgen C. Arentz Rostrup	Oslo, Norway	1966	1991	2007	EVP Energy
Tom Røtjer	Oslo, Norway	1953	1980	2007	EVP Projects
Hilde Merete Aasheim	Oslo, Norway	1958	2008	2008	EVP Metal

1) Resigns from Hydro March 30, 2009.

2) Takes up the position as President and Chief Executive Officer March 30, 2009.

## Governance bodies

Description	Developments and events in 2008	References
<p><b>General Meeting of Shareholders</b> Company shareholders exercise ultimate authority through the General Meeting. Shareholders registered in VPS, the Norwegian Central Securities Depository, can vote in person or by proxy. Invitations are sent to shareholders or to the shareholder's security deposit bank.</p> <p>The General Meeting of Shareholders:</p> <ul style="list-style-type: none"> <li>• Elects the shareholders' representatives to the Corporate Assembly</li> <li>• Elects the external auditor and determines the auditor's remuneration</li> <li>• Approves the report according to Norwegian requirements and financial statements, including the dividend proposed by the Board of Directors and recommended by the Corporate Assembly</li> <li>• Deals with any other matters listed in the notice convening the meeting</li> </ul> <p>Shareholders may, at least 14 days before an ordinary general meeting, request that proposals for resolutions are submitted to the General Meeting, or that items are added to the agenda.</p>	<p>General Meeting in May</p>	<p>The protocols can be found at <a href="http://www.hydro.com/governance">www.hydro.com/governance</a></p>
<p><b>Corporate assembly</b> Eighteen members. Twelve are elected by the General Meeting of Shareholders, six are elected by and among the group's employees in Norway.</p> <p>In accordance with Norwegian law, the Corporate Assembly:</p> <ul style="list-style-type: none"> <li>• Elects the Board of Directors and determines their remuneration</li> <li>• Nominates the external auditor to be elected by the General Meeting of Shareholders</li> <li>• Based on recommendations from the Board of Directors, makes decisions in matters relating to investments that are substantial in relation to Hydro's resources, and when closures and reorganizations will lead to significant changes for the workforce</li> <li>• Provides recommendations to the General Meeting of Shareholders with respect to approval of the Board of Director's proposal regarding the financial statements and dividend</li> </ul>	<p>Four meetings</p> <p>Members: Siri Teigum (chairperson), Leif Teksum (deputy chairperson), Nils Roar Brevik, Anne-Margrethe Firing, Michael Hall, Westye Høegh, Hans Olav Karde, Idar Kreutzer, Toril Nag, Bjørn Nedreaas, Anne Merete Steensland, Unni Steinsmo, Svein K. Sund, Sten-Arthur Sælør, Lars Tronsgaard, Terje Venold, Bente Linnerud Østlyngen, Bjørn Øvstetun</p> <p>Deputy members: Anne Kverneland Bogsnes, Ove Ellefsen, Trygve Eriksen, Odd Arne Fodnes, Terje Friestad, Merete Jonas, Jon Lund, Line Melkild, Arne Rønningen, Tor Egil Skulstad, Brit Sæverud, Gunvor Ulstein, Georg Vikshåland, Tove Wangensten</p>	<p>Note 45 to the Consolidated Financial Statements for remuneration and share ownership</p> <p>Articles of Association §§ 7-8 at <a href="http://www.hydro.com/governance">www.hydro.com/governance</a></p>
<p><b>Nomination committee</b> Four members. Two appointed by the General Meeting of Shareholders, two appointed by the Corporate Assembly. The chair of the Corporate Assembly has a permanent seat on the committee.</p> <p>Nominates candidates to the Board of Directors and the Corporate Assembly and proposes remuneration to the Board, its sub-committees and to the Corporate Assembly.</p>	<p>Four meetings</p> <p>Members: Siri Teigum (chairperson), Westye Høegh, Leif Teksum, Mette Wikborg.</p>	<p>Articles of Association § 5A and biographical information can be found at <a href="http://www.hydro.com/governance">www.hydro.com/governance</a></p>
<p><b>Board of directors</b> Nine members. Six elected by the Corporate Assembly, three elected by and among the company's employees in Norway, normally for a period of two years.</p> <p>In accordance with Norwegian law, the Board of Directors assumes the overall governance of the company, ensures that appropriate management and control systems are in place and supervises the day-to-day management as carried out by the President and CEO.</p> <p>All shareholder-elected members are external. No members elected by employees are part of the company's executive management. Employee directors have no other service contractual agreements with the company outside of their employee contracts, though they are subject to their duties as Board members.</p>	<p>Seventeen meetings. Ninety-six percent meeting attendance by board members.</p> <p>Svein Rennemo stepped down from the Board on March 12, and Inge K. Hansen was elected a new member of the Board.</p> <p>The Board has an annual plan for its work. This includes a review of its working procedures, competency, priorities and cooperation between the Board and the Company's management. Major tasks for the Board in 2008 were to define the future strategy for the company and to handle the so-called Libya-investigation and compliance issues. Further, at the end of 2008 the Board engaged in the process of evaluating potential successor candidates for the position as President and CEO of Hydro and production capacity adjustments in response to the challenging market. Following substantial changes to the composition of the Board in 2007, a program was carried out in 2008 to give the</p>	<p>The board's mandate can be found at <a href="http://www.hydro.com/governance">www.hydro.com/governance</a></p> <p>Biographical information on the board members on page 100</p> <p>The Libya investigation on page 66</p> <p>Note 45 to the Consolidated Financial Statements for remuneration, share ownership and loans</p>

Description	Developments and events in 2008	References
<b>Board of directors (cont.)</b>	<p>new Board sufficient information about Hydro's organization, corporate governance and strategy.</p> <p>All shareholder-elected members were deemed to be independent according to the Norwegian standards. None of the company's non-employee Board members had any other service contractual agreements with the company. In the period from entering Hydro's board till the end of 2007, Grete Faremo served as chairperson of the board of Norwegian People's Aid. During this period Hydro paid a total of NOK 0.1 million to the organization for material, services and as donations. These payments were primarily initiated by line management at lower levels in Hydro. Grete Faremo has since April 2008 served as a director of the board of Oslo Philharmonic Orchestra, to which Hydro paid NOK 8.2 million as sponsorships in the period April-December 2008. Hydro has been sole sponsor to the orchestra since 1990.</p>	
<p><b>Compensation committee</b> Consists of three of the Board of Directors' nine members.</p> <p>The committee reviews the performance of, and puts forward proposals regarding the compensation of the President &amp; CEO to the Board of Directors. The committee assists in evaluating the compensation of the Corporate Management Board and in determining performance-promoting schemes for management.</p>	<p>Four meetings</p> <p>Members*: Terje Vareberg (chairperson) Finn Jebsen Heidi M. Petersen</p>	<p>The mandate can be found on <a href="http://www.hydro.com/governance">www.hydro.com/governance</a></p>
<p><b>Audit committee</b> Consists of four of the Board of Directors' nine members. The Audit Committee meets Norwegian requirements regarding independence and competence.</p> <p>The Audit Committee assists the Board of Directors relating to the integrity of the Company's financial statements and financial reporting processes and internal controls; the Company's risk assessment and risk management policies related to financial reporting; the qualifications, independence and performance of the external auditor; and the performance of the internal audit function related to internal controls over financial reporting.</p> <p>To ensure the independence of the internal audit function, the head of Internal Audit may report any matters directly to the Board Audit Committee, at his own discretion. As from 2009, the head of Internal Audit reports functionally to the Board through the Audit committee.</p> <p>The Audit Committee maintains a pre-approval policy governing the engagement of the company's primary and other external auditors to ensure auditor independence.</p>	<p>Nine meetings</p> <p>Members: Inge K Hansen (chairperson) Grete Faremo Jørn Lilleby* Bente Rathe</p> <p>* Lilleby is employed in Hydro and represents the employees through the Central Cooperative Council. We believe that such reliance does not adversely affect, in any material way, the ability of the Audit Committee to act independently or to satisfy the other requirements.</p>	<p>The mandate can be found on <a href="http://www.hydro.com/governance">www.hydro.com/governance</a></p> <p>Pre-Approval of Audit Services on page 99.</p>
<p><b>President &amp; CEO and Corporate Management Board</b> According to Norwegian corporate law, the President &amp; CEO constitutes a formal governing body that is responsible for the daily management of the company. The division of functions and responsibilities between the President &amp; CEO and the Board of Directors is defined in greater detail in the rules of procedures established by the Board.</p> <p>The Corporate Management Board (CMB), including the President &amp; CEO, has a shared responsibility for promoting Hydro's objectives and securing the company's property, organization and reputation. Members of the Corporate Management Board are also Executive Vice Presidents (EVPs) with responsibility for the respective business areas, Projects, Finance, Legal and Corporate Social Responsibility, and HR and Organizational Development, and Strategy and Business Development.</p>	<p>Met on a weekly basis.</p> <p>In August Torstein Dale Sjøtveit resigned from CMB to take up the position of CEO in Aker Yards ASA. Jan Arve Haugan acted in the position until Hilde Merete Aasheim was appointed EVP with a special responsibility for Metal in November.</p> <p>No member of Hydro's Board of Directors or the Corporate Management Board has any family relationship with any other director or member of the Corporate Management Board.</p>	<p>Biographical information on page 101</p> <p>Note 11 to the Consolidated Financial Statements for remuneration, share ownership and loans</p>

## Norwegian code of practice for corporate governance

Page numbers and notes to the consolidated financial statements refer to this report. All other references can be found at [www.hydro.com/governance](http://www.hydro.com/governance)

Corporate governance topic	Comments	References
1 Implementation and reporting on Corporate Governance	Hydro follows the Norwegian Code of Practice for Corporate Governance of 2007 including all its recommendations. The Hydro Way represents our framework for leadership, organization and culture and is the foundation for our governance system, including our code of conduct.	<a href="http://www.hydro.com/principles">www.hydro.com/principles</a>
2 Hydro business	The objectives of the company are to engage in industry, commerce and transport, to utilize energy resources and raw materials, and to engage in other activities connected with these objectives. Activities may also proceed through participation in or in co-operation with other enterprises.	Hydro's articles of association at <a href="http://www.hydro.com">www.hydro.com</a>  Hydro's strategy is described at page 9
3 Equity and dividends	Hydro's equity capital is appropriate to the company's objectives, strategy and risk profile.  Hydro's dividend policy is to pay out on average 30 percent of net earnings.  Mandate for buyback of Hydro shares may be granted to the Board by the General Meeting. The mandate should be limited in time to no later than the date of the next annual general meeting.	Page 93
4 Equal treatment of shareholders	Hydro has one share class.  Transactions are generally carried out through stock exchanges. Buy-backs of own shares are carried out at market prices.  Shareholders registered in VPS, the Norwegian Registry of Securities, can vote in person or by proxy. Invitations are sent to shareholders or to the shareholder's security deposit bank.  Employee share allocations are granted at a discount to market value.  The board usually deals with investors through the administration. Under special circumstances the board represented by the chairperson may have direct dialogue as appropriate.	Page 93        Note 11
Transactions with close associates	Hydro's Code of Conduct includes guidelines for handling possible conflicts of interest. The Code is valid to all Board members and Hydro employees. It is the assessment of the Board that during 2008 there have been no material transactions between the Group and shareholder, directors, officers or close associates of any such parties.  Regulation of share issues and pre-emptive rights are described in the Articles of Associations. The Company has not issued shares since 1999 in connection with the acquisition of Saga Petroleum, and the Board holds no current mandates for such at present.	<a href="http://www.hydro.com/principles">www.hydro.com/principles</a>
The Norwegian State as an owner	The Norwegian state represented by the Ministry of Trade and Industry owns 43.82 percent of Hydro's shares. Hydro has regular meetings with the Ministry. Topics discussed include Hydro's economic development, strategic development, CSR, and the State's expectations regarding investment performance and yield. These meetings are comparable to what is customary between a private company and its principal shareholders. The meetings comply with the provisions specified in company and securities legislation, not least with a view to equal treatment of shareholders. As a shareholder, the State does not usually have access to more information than what is available to other shareholders. If the State's participation is imperative and the Government must obtain an authorisation from Stortinget, it may be necessary to give the Ministry insider information. In such cases, the State is subject to the general rules that apply to dealing with such information.	<a href="http://www.hydro.com/eierstyring">www.hydro.com/eierstyring</a>
5 Freely negotiable shares	The Hydro shares are freely negotiable. The stock is among the most traded stocks at Oslo Børs and subject to efficient pricing. The Norwegian state through Ministry of Trade and Industry and Folketrygdfondet owns 49.1 percent of the shares.	Page 93

Corporate governance topic	Comments	References
6	<p>General meetings</p> <p>The notice of a general meeting is normally available at <a href="http://hydro.com">hydro.com</a> minimum four weeks prior to the meeting and sent to the shareholders minimum two weeks before the meeting.</p> <p>Our aim is that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting.</p> <p>Deadline for shareholders to give notice of attendance in the meeting, is normally maximum two working days before the meeting.</p> <p>Shareholders who cannot attend the meeting in person, can vote by proxy</p> <p>The board of directors, the nomination committee and the auditor are present at the general meeting.</p> <p>The Annual General Meeting is presided over by the Chairperson of the Corporate Assembly or, in his or her absence, by the Deputy Chairperson.</p> <p>The notice calling the general meeting provides information on the procedures shareholders must observe in order to participate in and vote at the general meeting. This include</p> <ul style="list-style-type: none"> <li>• the procedure for representation at the meeting through a proxy, including a form to appoint a proxy</li> <li>• the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting</li> <li>• the web pages where the notice calling the meeting and other supporting documents will be made available</li> </ul> <p>The following information is available at <a href="http://hydro.com">hydro.com</a>:</p> <ul style="list-style-type: none"> <li>• information on the right of shareholders to propose matters to be considered by the general meeting</li> <li>• how to make proposals for resolutions to be considered by the general meeting, alternatively comments on matters where no resolution is proposed</li> <li>• a form for appointing a proxy</li> </ul> <p>The general meeting votes separately for each candidate nominated for election to the company's corporate bodies.</p>	<p>Page 102</p> <p>The Hydro share at <a href="http://www.hydro.com">www.hydro.com</a></p>
7	<p>Nomination committee</p> <p>The Nomination Committee consists of four members who shall be shareholders or shareholders' representatives. They are appointed by the General Meeting of Shareholders. Minimum two including the chairperson are appointed among the shareholder elected members of the Corporate Assembly. The committee's compensation is determined by the Corporate Assembly.</p> <p>Shareholders may nominate candidates for the board of directors and the corporate assembly.</p>	<p>Page 102. Hydro's Articles of association and mandate for the Nomination committee can be found at <a href="http://www.hydro.com/governance">www.hydro.com/governance</a></p> <p><a href="http://www.hydro.com/governance">www.hydro.com/governance</a></p>
8	<p>Corporate assembly and board of directors: Composition and independence</p> <p>All board directors and members of the corporate assembly are independent of the executive management of Hydro and its main business connections. Lars Tronsgaard, who is a member of the corporate assembly, is representing Folketrygdfondet, owned by the Norwegian State.</p> <p>The Chair of the Board is elected by the Corporate Assembly.</p> <p>Board members are elected for a period of two years.</p> <p>Six board members own a total of 55,066 shares as of December 31, 2008. Hydro has no program for board members to acquire shares except from the employee representatives who are entitled to acquire shares through the employee share purchase plan. All share transactions are conducted according to the Norwegian Securities Trading Act.</p>	<p>Page 100 and 102</p> <p>Page 102</p> <p>Note 11 and 45</p>
9	<p>Board work and responsibilities</p> <p>The Board has an annual plan for its work with particular emphasis on objectives, strategy and implementation.</p> <p>The board has developed rules of procedures for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.</p>	<p>Page 102</p> <p>The Board's mandate can be found at <a href="http://www.hydro.com/governance">www.hydro.com/governance</a></p>

Corporate governance topic	Comments	References
	<p>The Corporate Assembly elects both the chairperson and the deputy chairperson of the board.</p> <p>The Board's Audit Committee and Compensation Committee were both established in 2001.</p> <p>The Board conducts annually a self-evaluation of its work, competence and cooperation with management.</p> <p>In addition the Nomination Committee evaluates the Board's competence.</p>	
10 Risk management and internal control	The Board ensures sound internal control and systems for risk management through e.g. an annual Board review of most important risk factors and internal control. From 2009 the Internal Audit Corporate reports directly to the board, but remains administratively subject to the president and CEO.	Page 87 and 98-99
11 Remuneration of the Board of Directors	<p>The shareholder elected members of the Board have no assignments for the company other than the board work.</p> <p>The compensation is determined by the Corporate Assembly.</p>	Note 45
12 Remuneration of the executive management	The board of directors has establish guidelines for the remuneration of the members of the executive management. These guidelines are communicated to the annual general meeting.	<p>See Articles of association at <a href="http://www.hydro.com/governance">www.hydro.com/governance</a></p> <p>Note 11</p>
13 Information and communication	<p>Hydro has establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. This includes contact with shareholders other than through the shareholder meetings.</p> <p>A financial calendar is available in this report and at <a href="http://hydro.com">hydro.com</a></p> <p>Shareholder information is published at <a href="http://hydro.com">hydro.com</a>. "Financial Statements and Board of Directors' Report" and notices of shareholder meeting are sent directly to shareholders unless they have consented to receive these documents electronically.</p>	<p>Page 93</p> <p>Page 96</p>
14 Take-overs	The Board will handle any possible take-over in accordance with Norwegian corporate law. There are no defence mechanisms against take-over bids in our Articles of Association or in any underlying steering document. Neither have we implemented any measures to limit the opportunity to acquire shares in the company. The Norwegian state through Ministry of Trade and Industry and Folketrygdfondet owns 49.1 percent of the shares as per December 31, 2008.	
15 Auditor	<p>The external auditor annually submits the main features of the plan for the audit of the company to the Board Audit Committee.</p> <p>The external auditor participates in relevant agenda items at all meetings in the Audit Committee. Minutes of these meetings are distributed to all Board members. This practice is in line with the EU Audit Directive.</p> <p>The auditor presents their view on internal control procedures through the annual management letter.</p> <p>Hydro emphasizes independence and has clear guidelines for use of services performed by auditor.</p> <p>The Audit Committee meets with the external auditor and the head of Internal Audit at least once a year without the presence of Corporate Management.</p> <p>Remuneration to auditor is disclosed in the annual report and approved by the general meeting.</p>	<p>Page 99 and 103</p> <p>Note 44</p>