



## Norsk Hydro ASA's remuneration policy for executive management



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# 1. Introduction

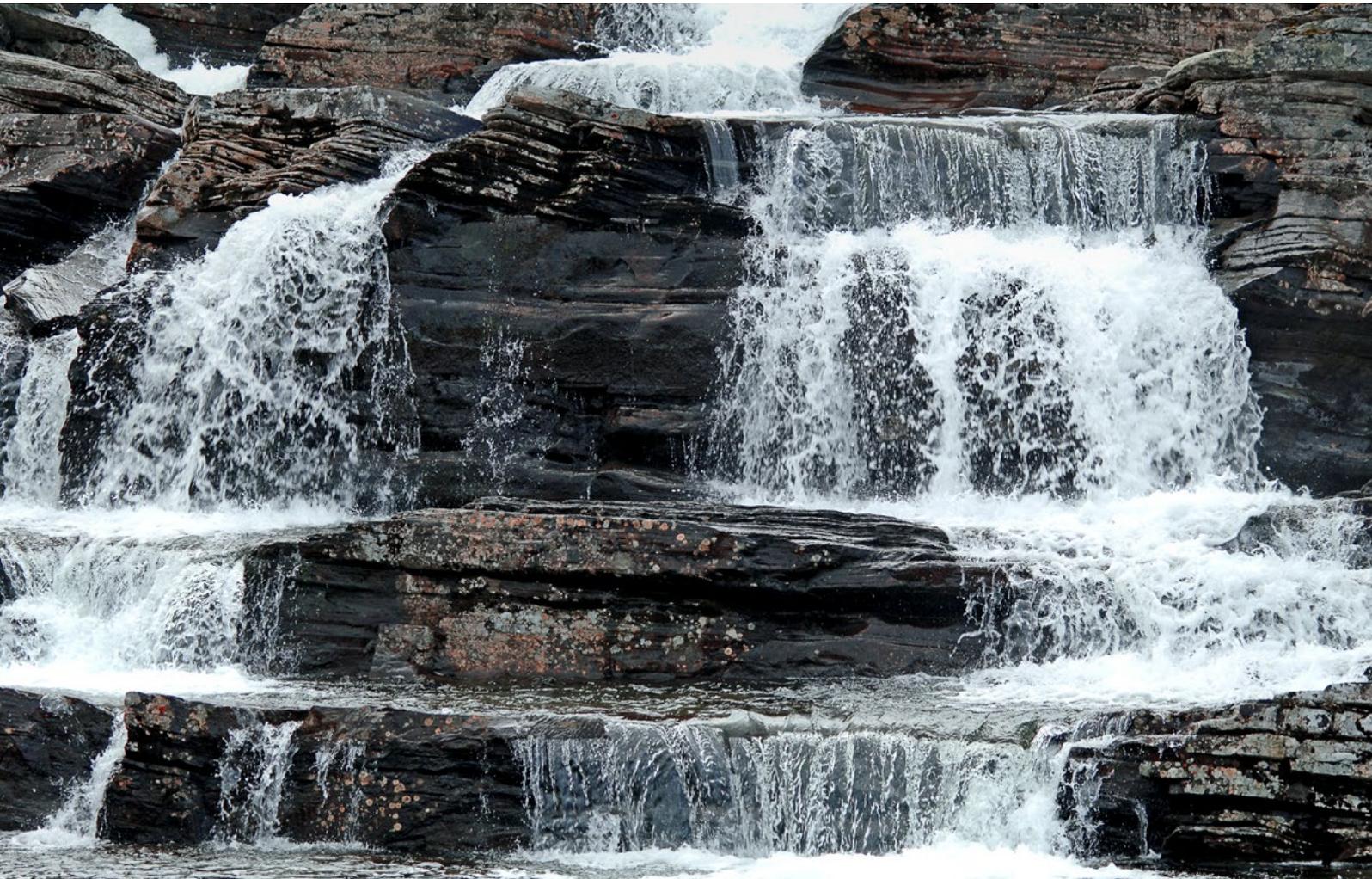
## 1.1 Context for the Policy

Norsk Hydro ASA's ("Hydro") remuneration policy for executive management (Policy) describes the governing principles for remuneration of the Corporate Assembly, Board of Directors ("BoD") and the Corporate Management Board ("CMB").

The Policy has been prepared to meet the requirements of section 6-16a of the Norwegian Public Limited Liability Companies Act, Regulations

on guidelines and report on remuneration of executive management and the Accounting Act, section 7-31b.

Subject to the approval of the Annual General Meeting ("AGM"), May 10, 2022, this Policy replaces the previous remuneration policy approved at the AGM on May 6th, 2021. A change log with detailed information on the changes in the new Policy can be found in the Appendix.



## 2. Purpose and principles for remuneration in Hydro

The purpose of Hydro's remuneration policy is to ensure that the Company attracts and retains qualified people in governing bodies and leadership roles to lead the Company in accordance with long-term strategies in a sustainable manner.

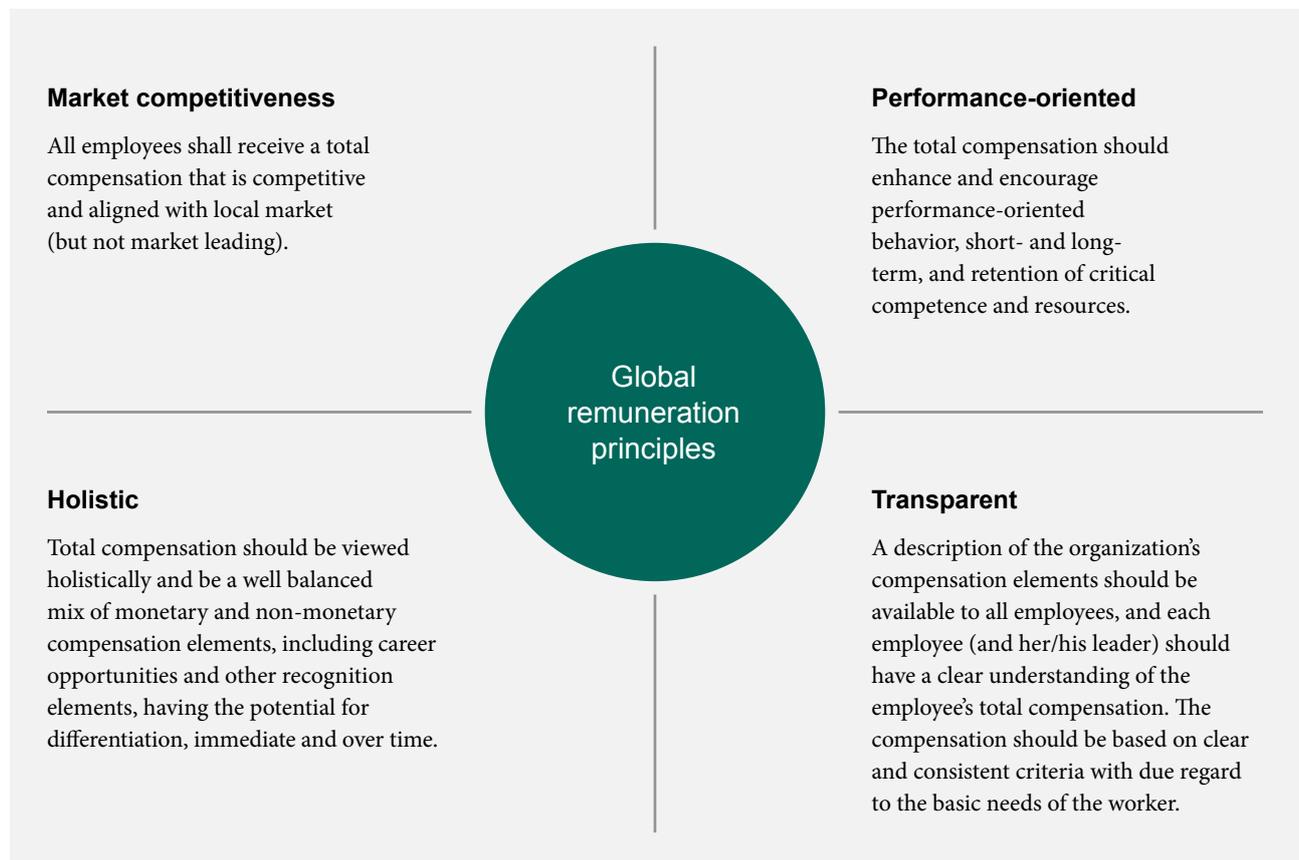
This requires that Hydro offer competitive compensation and benefit packages that are aligned with the practice of relevant external markets.

At the same time, Hydro emphasizes moderation and shall not be market leading.

Remuneration of members of the CMB shall consist of both fixed and variable elements.

Variable remuneration plans shall incentivize the right behaviors and actions that will help Hydro deliver on its strategic agenda, increase long-term value for our stakeholders, and contribute to a sustainable society.

Furthermore, the Policy is built on the same principles as the global remuneration principles for all employees.



# 3. Remuneration of the Corporate Assembly and Board of Directors

## 3.1 Remuneration of the Corporate Assembly

Fees to the members of the Corporate Assembly, including deputies, are determined by the Annual General Meeting each year, based on a recommendation from the Company's Nomination Committee. The guidelines for the Nomination Committees are available at [www.hydro.com](http://www.hydro.com).

The Chair of the Corporate Assembly receives a fixed fee as well as a fee for each meeting in which they participates. Other members of the Corporate Assembly, including deputies, receive a fee for each meeting. In addition, travel expenses are reimbursed on account.

The members of the Corporate Assembly do not receive variable remuneration from the Company. Pension contributions or vacation pay are not paid on the fees of the members of the Corporate Assembly.

## 3.2 Remuneration of the Board of Directors

Each member of the BoD receives a fixed fee determined by the Corporate Assembly on an annual basis. Members of the BoD's two committees,

the Audit Committee and the Compensation & People Committee ("Committee"), receive a fixed annual fee in addition to the ordinary BoD fee. The fee is based on a recommendation from the Company's Nomination Committee. The guidelines for the Nomination Committee are available at [www.hydro.com](http://www.hydro.com).

The Corporate Assembly can decide that BoD members may be required to use part of their fee to acquire shares in the Company. Travel expenses are reimbursed on account.

The members of the BoD do not receive variable remuneration from the Company. BoD members elected from among the employees are included in the Company's general annual short-term incentive program for all employees. Pension contributions or vacation pay are not paid on the fees of BoD members.

Hydro has entered into an agreement with the Company's unions to discontinue the Corporate Assembly of Norsk Hydro ASA. The agreements are subject of the approval of the AGM on May 10, 2022.

If the Corporate Assembly is discontinued, the authority to determine the board remuneration will pertain to the Annual General Meeting.



# 4. Remuneration of the Corporate Management Board (CMB)

## 4.1 Structure

Remuneration of the members of the Corporate Management Board (CMB) in Hydro consists of fixed and variable elements. Fixed remuneration includes base salary, benefits and pension. Variable remuneration consists of a short- and long- term incentive scheme. In addition, Hydro offers an employee share purchase plan (ESPP) to all employees on Norwegian contracts, including CMB.

Members of the CMB do not receive remuneration for management or board roles in the Company's subsidiaries or cooperating companies (e.g., joint ventures).

A brief description of the various elements offered to the CMB in Hydro is presented in the table below.

### Remuneration structure

Element	Purpose	How it operates
<b>Base salary</b>	Attract and retain qualified people to corporate management. Competitive but not market leading.	The base salaries of the CEO and other CMB members are, in general, adjusted annually according to the local salary adjustment framework for all employees. Hydro regularly benchmarks the CEO's and CMB's salary levels through benchmark analyses of market pay for similar positions in relevant markets to ensure market competitiveness.
<b>Pension and benefits</b>	Attract and retain qualified people to corporate management. Competitive but not market leading.	In general, members of the CMB participate in the defined contribution scheme offered to all employees. Benefits include a car allowance in addition to work-related benefits such as phone, internet, etc.
<b>Short-term incentive (STI)</b>	Drive performance that will help Hydro deliver on its strategic agenda, increase long-term value for our stakeholders and contribute to a sustainable society.	Cash-based with a qualifying period of 12 months that follows the calendar year. Maximum potential for CEO is 50% of base salary and 40% of base salary for other CMB members.
<b>Long-term incentive (LTI)</b>	Support the Company's long-term strategy, contribute to the retention of corporate management and align the interest of management and shareholders through share ownership.	Performance-based LTI plan in which the CEO and CMB members must invest the LTI-amount rewarded in Hydro shares with a lock-in-period of three years. Maximum potential for CEO and other CMB members is 30% of base salary.
<b>Employee share purchase plan (ESPP)</b>	Promote share ownership among employees, including CMB, to align interests with shareholders.	Employees, including the CEO and CMB members on Norwegian contracts, can purchase Hydro shares worth up to NOK 30,000 at a 50% discount.

## 4.2 Base salary

The base salary is the main element in the total remuneration granted to members of the CMB. The base salaries of the CEO and CMB members shall reflect the complexity and responsibility of their roles and of their contribution, qualifications, experience and salary trends in applicable markets.

The base salaries of the CEO and CMB members are reviewed annually in Hydro's global salary adjustment process. In general, the salary adjustments for the CEO and CMB members will follow the results of the annual salary negotiations between Hydro and its Norwegian employee organizations or, alternatively, relevant foreign employee organizations for CMB members on international contracts.

To ensure that remuneration levels are competitive and aligned with local market, Hydro participates in salary surveys and performs executive remuneration benchmarks based on remuneration data from comparable companies in relevant markets. Salary adjustments might occur if benchmark analyses confirm that the salary level of a CMB member is below the comparable market level.

## 4.3 Variable remuneration

In Hydro, variable remuneration shall be linked to performance. The variable remuneration plans shall motivate the members of the CMB to achieve performance targets that are closely linked to the Company's long-term interests and sustainability.

Plan design shall be simple and easy to understand to drive the right behaviors and create the desired results.

The Company's strategic agenda of "lifting profitability, driving sustainability" lays the foundation to position the Company as a robust and profitable industrial leader based on innovation and sustainability.

Global megatrends such as sustainability, electrification, and urbanization support future demand growth for aluminium and renewable energy.

Hydro is well positioned to extract value from these trends by leveraging our capabilities into green, growing industries. Our track record of renewable, sustainable industrial development and close customer collaboration combined with an interlinked commercial and sustainability agenda provide a solid foundation for the future. Hydro's strategic direction toward 2025 will focus on two key areas: strengthening the Company's position in low-carbon aluminium and growing in new energy areas.

The variable pay plans in Hydro will support the strategic agenda toward 2025 through a balanced scorecard of performance measures linked to the various aspects of Hydro's strategy.

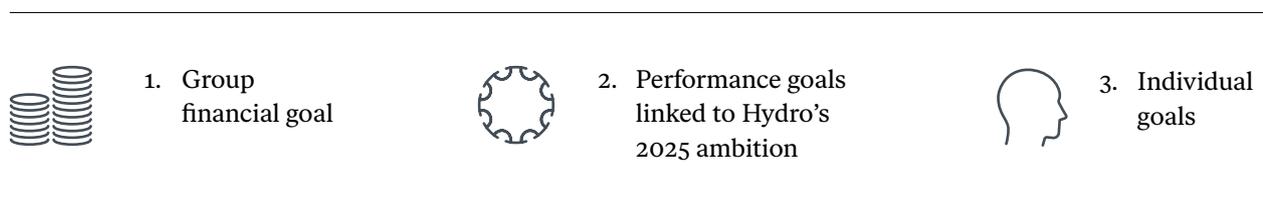
### 4.3.1 Short-term Incentive (STI)

The STI plan is cash-based with a performance period of 12 months that follows the calendar year. The purpose of the STI plan is to reward short-term achievements on pre-defined performance measures that are aligned with Hydro's long-term strategy.

The maximum bonus potential for the CEO is 50% of base salary and the maximum bonus potential for other members of the CMB is 40% of base salary.

Max bonus potential for CEO	50%
Max bonus potential for other EVPs	40%

#### STI plan consists of three components:



In addition, payment from the STI plan is conditional on the Company having a positive adjusted EBIT.



Figure 1: Illustration of the structure of the STI plan.



1. **Group financial goal.** The group financial goal is adjusted return on average capital employed (adjusted RoaCE<sup>1</sup>).

The financial goal is to lift adjusted return on average capital employed (adjusted RoaCE) above the internal return target of 10% over the cycle for the group. The financial goal is aligned with Hydro's financial priority to generate capital returns above the cost of capital over the cycle.

Hydro uses adjusted RoaCE to measure the performance for the group as a whole and within its operating segments. RoaCE incentivizes profitable investment decisions as well as improving profitability in existing assets. RoaCE is a measure of the long-term value creation in the Company, thereby reflecting progress on the profitability and sustainability strategy.

### Design

The group financial goal has a total weight of 35%. The CEO and all members of the CMB are measured on this component.

The performance measure has a threshold of 3%. Bonus will not be earned on this element if the annual result of the adjusted RoaCE is below the threshold.

Full achievement on the financial component is achieved if Hydro's annual RoaCE result is 13%, which is above the internal target of 10%. Bonus is earned linearly from 3% to 13%, where 3% equals 30% bonus payout and 13% equals 100% bonus payout. Maximum performance is capped at 100%.

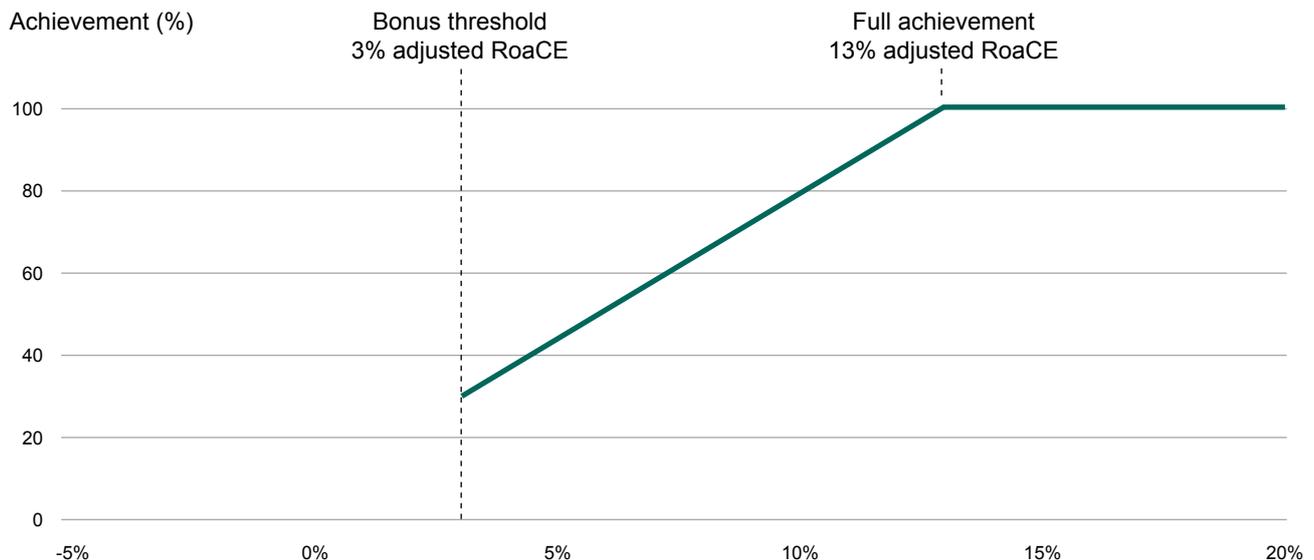


Figure 2: Illustration of earning mechanisms on the adjusted RoaCE target.

Calculation of the achievement of the group financial goal is based on sound accounting practice and is confirmed through the presentation of the annual financial statements adopted by the BoD.

<sup>1</sup> Adjusted reflects that RoaCE is calculated using adjusted EBIT after tax, which is adjusted to better reflect the underlying performance of the business



## 2. Performance goals. The second component of the STI plan is closely linked to achieving Hydro's strategic ambition for 2025.

The performance measures on this component are grouped into four categories: **profit, partners, planet and people**. The measures are a mix of financial, operational, strategic and organizational goals supporting the Hydro's 2025 ambition. An overview of the Hydro 2025 ambition and overall targets is presented on the following page.

Performance is measured on both group level and business area (BA) level. The specific performance measures in each category could vary from year to year depending on Hydro's priorities. The performance measures are equally weighted. In the remuneration report, details concerning performance measures for the specific reporting year will be disclosed.

Hydro follows a rigorous approach to setting annual performance measures for the CEO and the CMB members. The process begins after the annual strategy and risk update to provide alignment with Hydro's key strategic priorities.

Selected performance measures are cascaded to the business area EVPs and their organization.

The final annual targets are set in the bottom-up business planning process, thereby ensuring sufficiently stretched goals while also securing buy-in throughout the organization.

The performance-setting process undergoes several rounds in the CMB and the Committee before being submitted for final approval by the BoD.

### Design

All members of the CMB are measured on this component. The CEO and the EVPs in corporate staff areas are measured on performance measures at group level. The total weighting is 40%. The EVPs responsible for business areas are measured both on performance measure at group level and on specific performance measures at BA level. The weighting is 20% each, with a total weight of 40%.

Performance measures are either binary (achieved/not achieved) or have a linear earning profile, with a 75% threshold and 100% target score. The 75% threshold equals 50% bonus payout. Maximum performance is capped at 100%.



The table below describes Hydro's 2025 targets by the four categories **profit, partners, planet** and **people**. The overall strategic targets of 2025 are provided, in addition to the 2021 realized results that will serve as a baseline for 2022. The performance targets for the specific years toward 2025 will reflect continuous improvement from the baseline and will be lifted year by year to ensure that Hydro delivers on its 2025 strategy.

	Hydro's 2025 ambition	Overall targets 2025	Status 2021
 <p><b>Profit</b></p>	<p>Hydro is committed to delivering capital returns above the cost of capital, which is reflected in the stretched RoaCE target over the cycle.</p> <p>To achieve this goal, Hydro strives to ensure first quartile cost positions in our upstream portfolio and leading market positions downstream, including securing premiums for the quality and footprint of our products. In addition, Hydro is working on diversifying our business portfolio by allocating capital to strategic growth areas where we see potential for greatest return.</p>	<p>Hydro's profitability targets are reflected in the full value creation framework and include:</p> <ul style="list-style-type: none"> <li>• Improvement program target of 8.5 BNOK</li> <li>• Commercial ambition of 2.5 BNOK</li> <li>• Growth ambitions targeting to                             <ul style="list-style-type: none"> <li>- Lift remelt &amp; recycling EBITDA potential to 2.1 - 2.5 BNOK and increase use of post-consumer scrap to 660 kilo tonnes (kt)</li> <li>- Realize value from growth in REIN, HAVRAND and batteries</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Accumulated improvements of 6.3 BNOK</li> <li>• Accumulated commercial gains of 1.5 BNOK</li> <li>• Growth ambitions:                             <ul style="list-style-type: none"> <li>- Invested in additional 85kt of post-consumer scrap recycling capacity</li> <li>- Hydro REIN matured several large-scale projects in Brazil and the Nordics</li> </ul> </li> </ul>
 <p><b>Partners</b></p>	<p>Hydro aims to secure leading positions in attractive markets and industries. Ensuring good relationships with key stakeholders, including customers and suppliers, business partners and local communities is an integral part of our strategy.</p> <p>Our commercial success relies on strong customer relationships built on innovation and partnership as well as superior quality, product offerings and customer service.</p>	<p>Hydro aims to ensure high customer satisfaction, and measures on-time delivery, claims rate and concessions using an internal customer satisfaction index. Hydro will continue to stretch the targets for these metrics toward 2025.</p> <p>Hydro is also focused on meeting and shaping customer demand for greener products. Hydro aims to increase sales of greener products (Hydro CIRCAL and Hydro REDUXA) to the approximately double of 2021 levels.</p>	<ul style="list-style-type: none"> <li>• Customer satisfaction target achieved, despite logistical challenges in a tight market. On-time deliveries behind plan, offset by lower than expected concession rate</li> <li>• 286 kt of CIRCAL and REDUXA delivered to external customers</li> </ul>

The table continues on the next page.

	Hydro's 2025 ambition	Overall targets 2025	Status 2021
 <b>Planet</b>	<p>Hydro is determined to maintain and further strengthen our industry-leading sustainability position.</p> <p>This will not only secure our long-term license to operate, but will also allow us to capture the opportunities the sustainability megatrend presents, including access to attractive markets, new talent and capital.</p>	<p>Hydro continues to stretch its sustainability targets to reduce risks and capture opportunities.</p> <p><b>Climate</b></p> <ul style="list-style-type: none"> <li>• Reduce CO<sub>2</sub> emissions by 10% by 2025, 30% by 2030, and to net zero by 2050</li> <li>• Execute the Alunorte fuel switch project, which is a key enabler for GHG and non-GHG emission reduction in the refinery</li> </ul> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• Biodiversity: no net loss of biodiversity in new projects</li> <li>• Waste: eliminate landfill of recoverable waste (2040); eliminate permanent new bauxite residue storage (2050)</li> </ul> <p><b>Social responsibility</b></p> <ul style="list-style-type: none"> <li>• Transparency and traceability of key sustainability data for our products by 2025 or earlier</li> <li>• Support the just transition by contributing to social and economic development</li> <li>• Empower 500,000 people with education and skills development for future economy (2030)</li> </ul>	<p><b>Climate</b></p> <ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions on track to realizing mid-term carbon emission reduction targets</li> <li>• Final investment decision taken on the Alunorte fuel switch project and electrical boiler pilot at Alunorte started operations</li> </ul> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• 1:1 rehabilitation of available mined areas within two hydrological cycles</li> </ul> <p><b>Social responsibility</b></p> <ul style="list-style-type: none"> <li>• 21,000 people educated in 2021 and 129,000 people educated since 2018</li> </ul>
 <b>People</b>	<p>Hydro strives to be an attractive employer for current and prospective employees with safety being our first priority, always.</p> <p>Our goal is to ensure the right competence, capabilities and organizational culture needed to realize the business strategy.</p>	<p><b>Health and safety</b></p> <p>Hydro follows a zero mindset when it comes to the health and safety of our employees and contractors.</p> <ul style="list-style-type: none"> <li>• Zero fatalities</li> <li>• Zero life-changing injuries</li> <li>• Continuous improvement on total recordable injuries (TRI) and high-risk incidents (HRI)</li> </ul> <p><b>People, inclusion and diversity</b></p> <p>Hydro shall attract, source and retain talent to enable sustainable strategic growth through building a solid pipeline of future successors for business-critical roles. Furthermore, the stated targets for 2025 are:</p> <ul style="list-style-type: none"> <li>• 25% women in permanent and temporary positions by 2025</li> <li>• 25% women leaders by 2025</li> </ul>	<p><b>Health and safety</b></p> <ul style="list-style-type: none"> <li>• Zero fatalities and life-changing injuries</li> </ul> <p><b>People, inclusion and diversity</b></p> <ul style="list-style-type: none"> <li>• More than the targeted 65% of vacant critical positions filled from the succession pipeline</li> <li>• 20% women among permanent and temporary employees</li> <li>• 18% women leaders</li> </ul>



3. **Individual goals.** The individual performance component measures the CEO's and the CMB members individual performance in the areas of safety, leadership and execution on specific strategic initiatives in their functional area.

The individual component includes business-sensitive targets, and individual performance measures will not be disclosed in the Policy or the remuneration report. Type of performance measures can include specific HSE targets, targets related to Hydro's work environment survey, solidity of succession pipelines, portfolio structure and technological developments.

#### Design

The individual performance component has a total weight of 25%. The individual performance score is based on an overall assessment of performance on the individual performance measures. Maximum performance score cannot exceed 100%.



Individual performance areas



## STI structure

This figure summarizes the structure of the STI plan in Hydro with performance measures and weighting.

Structure		Performance measures	Weight per role	
			CEO & EVP corporate staff	EVP business area
Group financial goal		Adjusted RoaCE	35%	35%
Performance goals	Group level	 Profit   Partners   Planet   People	40%	20%
	Business level		n/a	20%
Individual goals		Achievement of concrete individual goals	25%	25%
<b>Total</b>			<b>100%</b>	<b>100%</b>

Figure 3: Hydro's STI plan with performance measures and weighting.

### 4.3.2 Long-term incentive (LTI)

The LTI plan is a share-based incentive plan, containing both a performance period prior to grant and a required shareholding period after grant.

The maximum bonus potential of the LTI is 30% of base salary for both CEO and CMB members.

Max bonus potential for CEO	30%
Max bonus potential for other EVPs	30%

The BoD decides on an annual basis whether the LTI plan will be in force and who will be invited to participate. Normal practice is that the CEO and all other members of the CMB participate.

The annual LTI amount will depend on the achievement of two performance measures, each weighted 50%. In addition, payment from the LTI plan is conditional on the Company having a positive adjusted EBIT.

### LTI performance measures



#### Hydro's three-year average adjusted RoaCE vs. Hydro's adjusted RoaCE target

The average of Hydro's consolidated adjusted RoaCE, calculated in a three-year period, including the plan year and the two previous years, measured against Hydro's internally defined adjusted RoaCE target, which is 10% over the cycle.

Maximum performance is capped at 100%, and 100% achievement will equal 50% bonus payout of the LTI maximum potential.



#### Hydro's three-year total shareholder return (TSR) vs. basket of peers

Hydro's annualized TSR performance over a three-year period compared with basket of peers. Performance will be measured as percentage-point (pp) deviations between Hydro's TSR result and the TSR result of basket of peers.

Bonus is earned if Hydro achieves a TSR result which, compared with the basket of peers, is between the delta of -5 pp and +10 pp. Maximum performance is capped at 100%, and 100% achievement will equal 50% bonus payout of the LTI maximum potential.

The participants in the LTI plan are obliged to invest the earned amount (net after deduction of calculated marginal tax) in Hydro shares.<sup>2</sup>

The Hydro shares will be subject to a lock-in period of three years.

Earning of LTI is contingent on the participant not having resigned, been terminated or been dismissed from their position at the time of the shares being granted.

The BoD has a discretionary right to adjust the overall LTI achievement by up to 20 percentage points (upward or downward) in the case of

external and special circumstances of a significant and unpredictable nature. Such an adjustment can only be made with regard to the overall LTI result in the qualifying year and only with effect for the entire CMB. Total LTI achievement after such adjustment may not exceed 100%.

If a member of the CMB leaves the Hydro Group on their own initiative or is being dismissed by the Company, they must at the time of leaving repay an amount to the Company corresponding to the value of the shares that do not meet the three-year requirement, adjusted for tax (gain or loss) on the difference between the initial value of the shares and the value of the shares upon leaving.

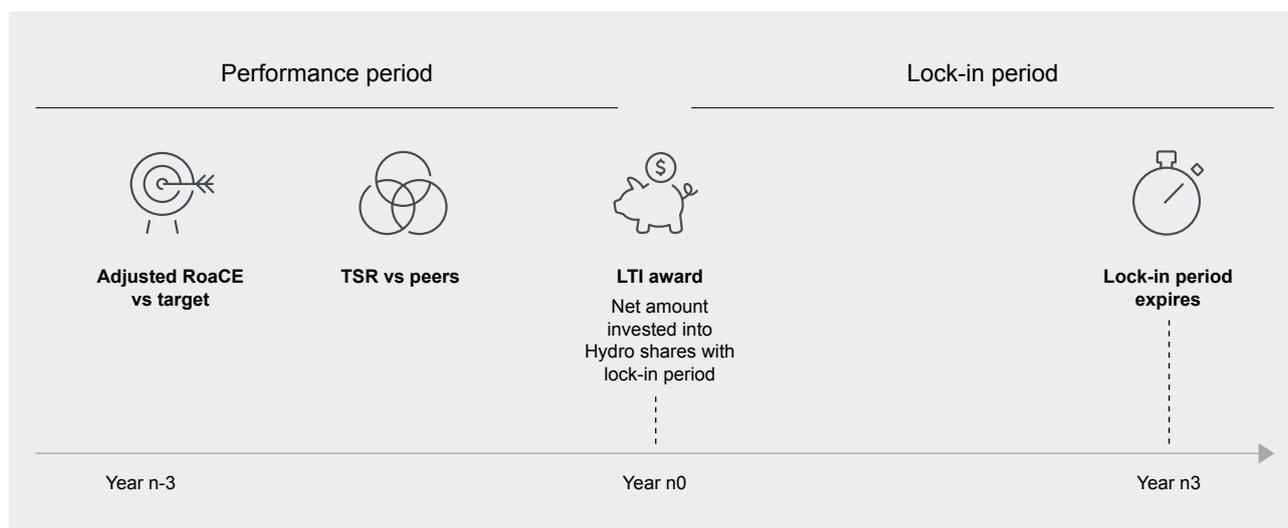


Figure 4: Illustration of plan components and timing.

### 4.3.3 Repayment

The Company will require repayment of variable remuneration that was paid on the basis of facts that were incorrect or if the results were achieved on the basis of undesirable risk-taking or if the Company becomes aware that the recipient materially breached their obligations or violated the Company's ethical guidelines.

This provision does not preclude the Company from also claiming for any loss compensated in accordance with general rules of tort law.

The Company's repayment claim is not affected by the fact that the recipient has left the Company.

<sup>2</sup> The shares are purchased at a price corresponding to the share's average closing price on Oslo Børs on the sixth to tenth trading day from and on the date of presentation of the Company's financial results for the fourth quarter of the qualifying year.

## 4.4 Pension

Hydro shall offer pension plans that are attractive and aligned with local practice. In general, members of the CMB shall participate in Hydro's defined contribution (DC) scheme.

Base salary and fixed car allowance are included in the basis for pension accrual.

### 4.4.1 Defined contribution scheme

Hydro's defined contribution scheme is the only open occupational pension plan in Norway. All new employees, including new members of the CMB, must join this plan.

The contribution rate in the DC plan is 6% of pensionable salary between 0 and 7.1G<sup>3</sup> and 20% of pensionable salary between 7.1G and 12G. No pension entitlement is earned on the portion of pensionable salary that exceeds 12G. The contribution rates can be changed with the approval of the BoD.

In 2021, four members of the CMB participated in the DC plan.

### 4.4.2 Closed pension schemes

Some of the current members of the CMB participate in former pension plans closed for new members.

#### Defined benefit (DB) plan

The plan was closed for new members in 2010 and in 2014 only members aged 52 or older had the option to continue in the plan.

Employees, who were transferred from the DB plan to the DC plan receive an annual compensation for

any calculated loss in pension capital at the age of 67. The compensation is based on pensionable salary at the time of transfer and is adjusted annually by 2.5%.

In 2021, the CEO and one other member of the CMB participated in the closed DB plan, while three members of the CMB received compensation for the calculated loss due to the transfer from the DB to the DC plan.

#### Pension on salaries above 12G

Hydro's 12G plan was closed to new members in 2016, and only employees with salaries above 12G at the time of closing remained in the plan.

For members of the CMB, only those who were part of the CMB at the time of closing remain in the plan. Members who were recruited to CMB after 2016 will have their 12G accruals suspended. The loss related to the suspension of 12G accruals is compensated annually with 20% of the portion of pensionable salary at the date of promotion to the CMB that exceeds 12G, with an upper limit of MNOK 3.5.

In 2021, four members of the CMB participated in the 12G plan, while two members received compensation for suspension of the 12G accruals.

### 4.4.3 Early retirement

The Company's early retirement plan was closed for new employees in 2011. Employees who joined Hydro before 2011 continue in the plan.

All members of the CMB participate in the plan.

Details concerning the CEO's and individual CMB members' pension plans and annual accruals are included in the remuneration report.

Basis for pension accrual (NOK)		Contribution rates	Annual contribution (NOK)
0 - 7.1 G	< 755,433	6%	< 45,325
7.1 - 12G	755,433 - 1,276,788	20%	< 104,271

Illustration of DC contribution in 2021.

<sup>3</sup> 1G corresponds to the basic amount in the National Insurance Plan in Norway, which as of 1 May 2021 amounts to NOK 106,399. 12G then corresponds to NOK 1,276,788.

## 4.5 Benefits

The CEO and other members of the CMB receive an annual car allowance which is paid monthly together with the base salary. The car allowance is included in the basis for pension and vacation pay.

The CEO and other members of the CMB also receive work-related tools and non-monetary benefits, including various benefits that apply to other employees.

## 4.6 Employee share purchase plan

Hydro offers a share purchase program to all employees on Norwegian contracts, including members of the CMB. Participants can purchase Hydro shares worth up to NOK 30,000 at a 50% discount. For members of the CMB, the shares purchased under this plan are subject to a three-year lock-in period.

## 4.7 Termination of employment

The CEO and other members of the CMB normally have a six-month notice period. During the notice period, the agreed remuneration terms continue, though with reservations for STI and LTI, which may lapse in accordance with the rules for the plans in force at any given time.

Upon termination of an employment relationship initiated by the Company, the member of the CMB concerned is normally entitled to six months' severance pay calculated from the date of termination of the employment relationship. The severance pay is paid monthly and is based on pensionable salary.

Remuneration or other income which the outgoing member of the CMB earns during the severance pay period is deducted from the severance pay.

If the employment contract terminates as a result of a gross breach of duty or other material breach of the employment contract, the right to severance pay will lapse.

The right to severance pay will also lapse if the outgoing member of the CMB is entitled to disability benefit, early retirement pension or retirement pension.

If a non-compete clause or other restriction on termination is enforced against a member of the

CMB who leaves Hydro, they may be entitled to compensation in accordance with applicable law and/or agreement.

## 4.8 Remuneration in special circumstances

In special circumstances, members of the CMB, including the CEO, may be granted additional remuneration. These circumstances are limited to:

- Sign-on bonuses in relation to recruitment
- Stay-on bonuses in the event of mergers or divestments
- Compensation for extraordinary effort over time in exceptionally demanding work situations

The total of such remuneration may not amount to more than 50% of the annual base salary for the recipient. Decisions on special remuneration are made by the BoD if it concerns the CEO, and by the CEO if it concerns other members of the CMB.

## 4.9 Employment on terms other than Norwegian terms

Members of the CMB on an international employment contract may receive remuneration that deviates from the provisions in the Policy in terms of size, content and character. As far as appropriate, the remuneration must nevertheless be in accordance with the purpose and principles of this Policy, though taking into account local conditions and/or market practice in the individual countries.

## 4.10 Remuneration in Norwegian subsidiaries

The principles in this Policy regarding the determination of remuneration and framework for variable pay and pension schemes shall in all material aspects also apply to members of the management of Hydro's wholly-owned subsidiaries in Norway. For Norwegian subsidiaries where Hydro owns less than 100%, Hydro's representatives on the Board of Directors shall promote the abovementioned principles in the Board of Directors' deliberations on executive remuneration matters. To the extent appropriate, the principles apply to management in wholly-owned subsidiaries outside of Norway.

# 5. Comparison of CMB remuneration with remuneration of other employees

Remuneration of the CEO and the CMB members, as described in this Policy, is compared with the Company's general remuneration arrangements for other employees in the table below. Remuneration elements and their size and character will vary depending on position level, position type and geography.

	CEO and the CMB members	Other employees
<b>Remuneration level</b>	Competitive but not market leading.	Competitive but not market leading.
<b>Assessment of base salary</b>	The base salaries of the CEO and other CMB members are, in general, adjusted annually according to the local salary adjustment framework for all employees.	The base salaries are, in general, adjusted annually according to the local salary adjustment framework.
<b>Cash-based STI</b>	Maximum level 50% of base salary for CEO and 40% of base salary for other CMB members.	In general, most employees participate in a cash-based STI plan. Maximum bonus level will vary according to position level and geography.
<b>Share-based LTI</b>	Only for CEO and other CMB members. Maximum level 30% of base salary.	No
<b>Other LTI</b>	No	For key employees, participation in a cash-based deferred bonus plan might be offered. Maximum bonus level varies according to position level and geography.
<b>Pension</b>	Defined contribution. Same contribution rates as other employees.	Defined contribution. Same contribution rates as CMB.
<b>Notice period</b>	Usually six months.	Usually three months.
<b>Severance pay</b>	Upon termination of the employment relationship on the initiative of the Company.	No
<b>Car allowance</b>	Yes	Yes, at certain position levels.
<b>Other benefits</b>	Yes	Depending on position level.

## 6. Process for determining remuneration

The BoD has established the Compensation & People Committee consisting of three BoD members. The Committee assists the BoD in exercising its supervisory responsibilities related to remuneration of the CEO and other members of the CMB.

Among other things, the Committee prepares and makes recommendations to the BoD prior to the BoD's consideration of and decisions on all matters concerning the CEO's remuneration, including, but not limited to, base salary and variable remuneration.

The Committee also advises the CEO regarding remuneration of other members of the CMB.

In addition, the Committee's mandate includes preparing the BoD's consideration of any issues of principle related to salary levels, plans for variable remuneration, employment contracts and the like for executive management in the Company, as well as other remuneration issues the Committee considers significant for the Hydro Group's competitiveness, recruitment, reputation, etc.

From the foregoing, it is clear that the BoD makes all decisions concerning the CEO's remuneration. The decisions are based on material prepared by and advice given by the Committee. Consequently, this also applies to decisions which, pursuant to this Policy, apply to remuneration of the CEO.

It also follows from the foregoing that the CEO makes all decisions concerning remuneration of other members of the CMB, including members on international employment contracts, unless otherwise stated in the Policy. The decisions are based on advice the CEO requests from the Committee. Consequently, this also applies to decisions which, pursuant to this Policy, apply to remuneration of members of the CMB other than the CEO. Exceptions are made for matters of principle and changes in general arrangements that affect the CMB, where decisions are made by the BoD.

During consideration by the BoD of matters related to remuneration, the CEO or other members of the CMB must not be present when such matters pertain to them.

This Policy is reviewed annually by the Committee, and the Committee prepares and recommends any changes to the BoD for approval. Significant changes to the Policy must also be approved by the Annual General Meeting. In any case, the BoD submits the Policy to the Annual General Meeting for approval at least every four years.

The Group's internal auditing unit may be requested to review the remuneration arrangements for executive management, including assessing whether the Policy follows relevant provisions in current law, regulations and best practices.

## 7. Deviations from the Policy

The Public Limited Liability Companies Act permits the BoD to deviate from this Policy temporarily in special circumstances if this is necessary to safeguard the Company's long-term interests and financial sustainability or to ensure the Company's viability. The BoD has defined remuneration of the CEO, variable remuneration and pensions as areas where it may be relevant to deviate from the provisions of the Policy. In cases where deviations are permissible, the BoD reports this to the Company's next Annual General Meeting. The Committee prepares and presents to the BoD for consideration all cases involving potential deviations from the Policy.



# 8. Appendix

## 8.1 Change log

Document	Document version	Date of approval	Description of changes
Norsk Hydro ASA's remuneration policy for executive management	Version 1.1	May 2022 (TBC)	See below

### 8.1.1 Material changes to content

#### Section 4.4.1 Short-term incentive (STI)

– The STI as described in the revised Policy includes the following changes:

- In general, the section describing the STI plan has been updated with more details, specifically on performance measures and by including illustrations and tables to facilitate the understanding of Hydro's STI plan. These changes do not include any changes to the plan as such, unless specified below.
- Introduction of a 3% threshold on the financial component, i.e., bonus will not be earned on this component if Hydro's annual RoaCE is below 3%.
- Increase the maximum performance target on the financial component from 10% to 13%, i.e., an annual Hydro RoaCE result of 13% or more must be achieved to receive full achievement on this component.
- The earning profile for performance measures on the performance component of the STI plan can either be binary (achieved/ not achieved) or have a linear earning profile where bonus is earned from 75% target achievement (75% achievement will result in 50% bonus payout and increase linearly up to 100% bonus payout at 100% target achievement). The performance measures on the performance component were previously only binary.

#### Section 4.4.1 Long-term incentive (LTI)

– The LTI as described in the revised Policy includes the following changes:

- In general, the section describing the LTI plan has been updated with more details, specifically on performance measures and by including illustrations and tables to facilitate the understanding of Hydro's long-term bonus plan. These changes do not include any changes to the plan as such.

**Section 4.4.3 Repayment** – Policy changed from “The Company *may demand* repayment of variable remuneration which was paid on the basis of facts that were self-evidently incorrect“ to “The Company *will require* repayment of variable remuneration which was paid on the basis of facts that were incorrect.“

**Section 4.9 Remuneration in special circumstances** – Revised Policy specifies and limits the circumstances in which remuneration in special circumstances can occur.

## 8.1.2 Other non-material changes

The revised Policy contains changes to wording and structure. These changes do not represent changes to the content of the Policy itself and are therefore not described in detail.

## 8.1 Definitions

Abbreviation	Definition
<b>AGM</b>	Annual General Meeting
<b>Adjusted RoaCE</b>	Adjusted Return on average Capital Employed
<b>BA</b>	Business Area
<b>BoD</b>	Board of Directors
<b>CEO</b>	Chief Executive Officer
<b>CMB</b>	Corporate Management Board
<b>Committee</b>	Compensation & People Committee
<b>Company</b>	Norsk Hydro ASA
<b>EBIT</b>	Earnings Before Interest and Tax
<b>ESPP</b>	Employee Share Purchase Plan
<b>EVP</b>	Executive Vice President
<b>HSE</b>	Health Security Environment
<b>Hydro</b>	Norsk Hydro ASA
<b>LTI</b>	Long-term Incentive
<b>Policy</b>	Norsk Hydro ASA's remuneration policy for executive management
<b>STI</b>	Short-term Incentive
<b>TSR</b>	Total Shareholder Return



*Industries that matter*

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Hydro is a leading industrial company that builds businesses and partnerships for a more sustainable future. We develop industries that matter to people and society. Since 1905, Hydro has turned natural resources into valuable products for people and businesses, creating a safe and secure workplace for our 34,000 employees in more than 140 locations and 40 countries. Today, we own and operate various businesses and have investments with a base in sustainable industries. Hydro is through its businesses present in a broad range of market segments for aluminium, energy, metal recycling, renewables and batteries, offering a unique wealth of knowledge and competence. Hydro is committed to leading the way toward a more sustainable future, creating more viable societies by developing natural resources into products and solutions in innovative and efficient ways.