



Purpose and Scope

This Policy explains how Hydro’s commitment to sustainability principles in its supply chain shall be understood and how a risk-based due diligence process shall be executed. The steps in the Process Manual are based on international recognized standards, including the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the OECD Due Diligence Guidance for Responsible Business Conduct. The sustainability principles which Hydro’s suppliers are required to comply with are detailed in Hydro’s [Supplier Code of Conduct](#).

This Policy is owned by EVP Chief Financial Officer and applies to all Hydro wholly owned companies and its personnel worldwide. For legal entities where Hydro holds directly or indirectly less than 100 percent of the voting rights, Hydro representatives in the boards of directors shall act in compliance with this Policy and endeavor to implement the principles herein.

Sustainability risks

The key sustainability risks in Hydro’s supply chain are summarized below and the requirements to our suppliers related to these risks are described in the Hydro Supplier Code of Conduct. These include both *risks to people and nature*, and *risks to Hydro*.

<u>Business practices</u>	<u>Nature and Climate</u>	<u>Human and labor rights</u>
<ul style="list-style-type: none"> - Lack of compliance with applicable law and regulation - Corruption, bribery and improper business conduct - Money laundering - Trade sanctions - Data privacy - Responsible sourcing - Grievance mechanisms and whistleblowing 	<ul style="list-style-type: none"> - Biodiversity Ecosystem Services - Land-use and water-use change - Climate change - Natural resource extraction (incl. water) - Emissions to air, water and soil - Waste management- Chemical management - Energy efficiency - Emergency preparedness 	<ul style="list-style-type: none"> - Working hours - Healthy and safe working conditions - Forced and child labor - Freedom of association and the right to collective bargaining - Employment conditions - Non-discrimination, harassment and equal opportunities - Rights of local communities, including indigenous and traditional people - Security forces - Conflict affected areas

Figure 1: Material sustainability risks

Risk assessment and qualification of suppliers

All suppliers shall be categorized by their inherent sustainability risk and then, based on this categorization, assessed according to the material risks identified for our supply chain.

The main supplier categories have been pre-assessed by Hydro Group and are classified into three inherent sustainability risk levels (low, medium and high) – see below. Depending on the risk level, defined requirements for due diligence are further described in process manuals.

If the risk assessment identifies residual risk(s), mitigative actions must be established. The categorization below is not exhaustive, and it does not eliminate the need for further assessment where appropriate. If plausible information exists or arises indicating that a specific category of services, materials or energy, a supplier, or sub-supplier, may pose heightened sustainability risk, additional due diligence must be conducted regardless of the initial categorization.

INHERENT SUSTAINABILITY RISK LEVELS			
	Low	Medium	High
CRITERIA	<ul style="list-style-type: none"> Annual spend < 1 MUSD, and Low inherent risk services and materials (see below for examples), and Not sourced from high-risk countries¹ 	<ul style="list-style-type: none"> Annual spend > 1 MUSD² or Medium inherent risk services, materials, goods and energy (see examples below), or Sourced from medium or high-risk countries 	<ul style="list-style-type: none"> High inherent risk spend categories specific for our products and operations (see examples below) or Potential high risk for negative environmental or social impact or compliance issues
EXAMPLES			
Services	Supporting services: IS/IT, Telecom, Finance, Electricity, Legal (excluding interaction with public officials), Consultants, Travel, HSE services (excluding Hazardous waste management)	Labor intensive services: Logistics, Maintenance, Construction, Building Services (e.g. contractors at Hydro sites), Temporary Workers, Subcontracting (Anodizing, Coating, Fabricating, etc.). Other services: Agents and Intermediaries ³	Agents and intermediaries with public interaction ³ Hazardous waste services
Materials, goods and energy	Off the shelf materials: Administration, Packing materials, Office supply, HSE materials, Process consumables, Tools Energy contracts with grid owners and trading < 1 MUSD	Production Equipment: Equipment for manufacturing ended products. Marketing Material Energy contracts with gas/electricity suppliers Energy trading > 1 MUSD	Raw materials: Bauxite, Alumina, Alloys, Aluminium products Aluminium Scrap Fuel, Coal, Caustic soda Energy contracts/PPA linked to specific assets or to portfolio of projects/companies

Figure 3: Inherent sustainability risk categories for suppliers.

1 A high-risk country is any country listed in the Sanctions Risk List or identified as high-risk in the Human Rights Country Index

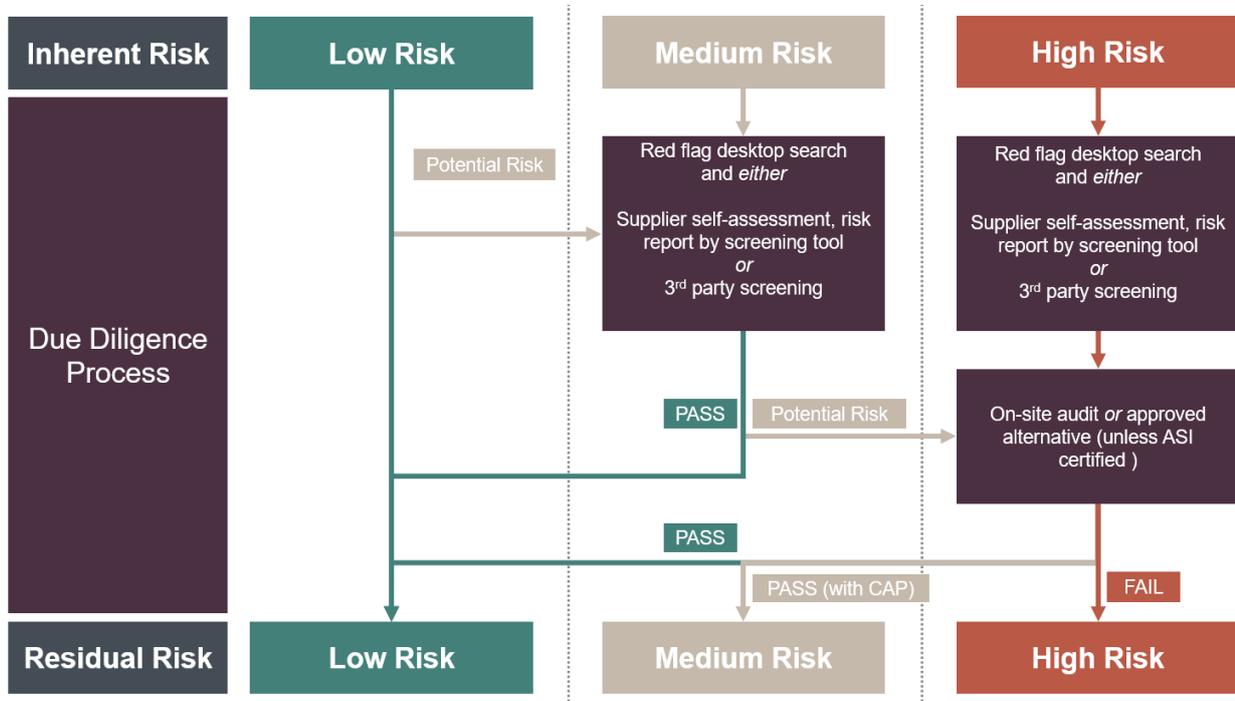
2 A low inherent-risk spend category (Supporting services or Off-the-shelf materials) can be considered medium-inherent-risk if the spend level is greater than 1 MUSD

3 Refer to GD-10 Global Compliance Directive for further details regarding agents and intermediaries.

Procurement functions in Hydro are responsible for the sustainability pre-assessment of supplier categories not mentioned in the table if necessary. Business Area specific risk framework may be developed but must be aligned with the above table and must be approved by Group Sustainability prior to entering into force.

Due Diligence Activities

Hydro’s supplier due diligence framework applies a risk-based approach that differentiates expectations across the three categories of inherent sustainability risk, illustrated by the figure below:



- For **low-risk suppliers**, due diligence remains limited because these suppliers typically provide generic, easily substitutable products or services with low value exposure and limited sustainability relevance. While formal screening is not required, Hydro should still favor partners that demonstrate sound sustainability practices or hold credible certifications.
- **Medium-risk suppliers** require a more structured review before any contract is signed. These suppliers either represent higher value exposure, operate in geographies with known governance or human rights challenges, or provide goods and services with clearer sustainability risk profiles. Only suppliers that meet the required thresholds set by Hydro — and show no unmitigated risks—can be approved.
- **High-risk suppliers** include providers of raw materials and services with elevated sustainability risks embedded in their operations or value chains. For these suppliers, Hydro generally requires an on-site sustainability audit in addition to the medium-risk screening steps. Suppliers are approved only when risks are adequately mitigated; otherwise, corrective actions are required, or the supplier is rejected. For suppliers already certified to robust standards such as the ASI Performance Standard, certain elements of screening may be waived.

Overall, the framework ensures proportionality: the higher the inherent sustainability risk, the deeper the due diligence and the stronger the assurance required before Hydro enters into or maintains a commercial relationship.