

Board of Director's report in relation to the Norwegian code of practice for corporate governance

This chapter provides a detailed overview of how Hydro follows the Norwegian Code of Practice for Corporate Governance of 2018. Information that Hydro must provide in accordance with the Norwegian Accounting Act, section 3.3b, is also included. This overview should be seen in context with the general corporate governance report provided in Hydro's annual report for 2020.

The board of Norsk Hydro ASA actively supports sound management principles of corporate governance, and places emphasis on Hydro's compliance with the Norwegian Code of Practice for Corporate Governance and on explaining any deviations.

Deviations from the Norwegian code of practice for corporate governance

In the Board of Directors' assessment, we have deviations from three sections in the code of practice:

Section 6, General Meeting of Shareholders:

Hydro has two deviations from this section:

1) *"Ensure that the members of the Board of Directors ... are present at the General Meeting"*: The entire Board of Directors has normally not participated in the General Meeting. Matters under consideration at the General Meeting of Shareholders have not previously required this. The Chair of the Board of Directors is always on hand to present the report and answer any questions. Other board members participate as needed. The Board of Directors considers this to be adequate.

2) *"Making arrangements to ensure an independent chairman for the General Meeting"*: Section 9 in Hydro's articles of association states that the General Meeting is chaired by the Chair of the Corporate Assembly, or, in his or her absence, by the Deputy Chair. This arrangement has been approved by the company's shareholders through resolutions at the General Meeting.

Section 7, Nomination committee:

Hydro has one deviation from this section:

"The company's guidelines for the nomination committee should establish rules for rotation of the members of the nomination committee": The nomination committee has no formal rules on rotation of its members. The nomination committee's mandate expresses, however, the intention to "over the course of time balance the need for continuity against the need for renewal in respect of each governing organ." The Chair of the committee, who is also the Chair of the

Corporate Assembly, has been a member of the committee since 2012, became acting Chair in 2014 and was elected Chair in 2015. The other members were elected to the nomination committee in 2015, 2019 and 2020.

Section 14, Takeovers:

Hydro has one deviation from this section:

"The Board of Directors should establish guiding principles for how it will act in the event of a take-over bid": The Board of Directors has chosen not to prepare explicitly formulated general principles for handling takeover bids. The reason for this is that the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries, owns 34.3 percent of the Hydro shares (as of 31.12.2020) and the Ministry of Trade, Industry and Fisheries has by virtue of the Active Ownership Report (Report to the Storting no. 8 (2019-2020)) expressed a long-term ownership perspective in the company for the purpose of retaining a leading technology and industrial company with head office functions in Norway.

1. Statement of corporate governance

Hydro follows the most recent edition of the Norwegian Code of Practice for Corporate Governance from 2018. Hydro seeks to comply with international best practice standards when preparing steering documents. The board monitors the subject of corporate governance actively and continuously. This statement was adopted at the board meeting of 9 March 2021.

2. Hydro's business

Hydro is a global aluminium company with production, sales and trading activities throughout the value chain, from bauxite, alumina and energy generation to the production of primary aluminium and rolled and extruded products as well as recycling. Based in Norway, the company has 36,000 employees involved in activities in 40 countries on all continents. Rooted in more than a century of experience in renewable energy production, technology development and partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

The company's purpose, as stated in section 2 of its articles of association, is to engage in industry, commerce and transport, to utilize energy resources and raw materials, and to engage in other activities connected with this purpose. Its business activities may also be conducted through participation in or in cooperation with other companies.

The Board of Directors evaluates the company's objectives, strategies and risk profile at least annually and reports on it in the Board of Directors' report.

The Hydro Way represents our framework for leadership, organization and culture and is the foundation for our governance system, including our code of conduct. Hydro's Code of Conduct has been approved by the Board of Directors, which also oversees that Hydro has appropriate corporate directives for, among other things, risk management, HSE and corporate responsibility.

Sustainability and social responsibility are integrated into the Group's strategy processes and are discussed in more detail in the Group's annual report.

References: Hydro's articles of association are available at www.hydro.com/governance. Learn more about The Hydro Way and Hydro's corporate directives at www.hydro.com/principles, and Board of Directors' Report 2020 in this document.

3. Equity and dividend

In the opinion of the Board of Directors, Hydro's equity capital is appropriate to the company's objectives, strategy and risk profile.

Hydro's dividend policy is in the long term to pay out, on average, 40 percent of net income as ordinary dividend over the cycle to our shareholders. The dividend policy has a floor of NOK 1.25 per share. This policy has been revised, from 2021 onwards, reflecting Hydro's ambitions to lift performance and cash returns to shareholder over the cycle. The revised dividend policy is to pay out a minimum of 50 percent of underlying net income over the cycle with a NOK 1.25 per share dividend floor.

The dividend per share is proposed by the Board of Directors, based on Hydro's dividend policy, and approved by the General Meeting of Shareholders.

At the Annual General Meeting in 2020, it was decided to authorize the board to decide on the distribution of dividends on the basis of the company's financial results for 2019. The authorization was based on the ongoing uncertainty related to the Covid-19 pandemic situation and its impact on Hydro's operations, markets and financial position, and was valid until the Annual General Meeting in 2021. The board decided to pay a dividend of NOK 2.6 billion on 12 November. This is equivalent to a dividend of NOK 1.25 per share.

The Board of Directors may obtain authorization from the General Meeting of Shareholders to buy back Hydro shares in the market. In such cases, the board will normally request that the shares are acquired in the open market, and that the authority lasts no longer than until the next general meeting.

When the General Meeting of Shareholders considers whether or not to authorize the Board of Directors to carry out share capital increases for different purposes, each purpose must be considered separately by the meeting. Such authorization will be limited in time, and will last no longer than until the date of the next general meeting. Authorization granted to the Board of Directors is restricted to specific purposes. Such authorization was last given in 2010 in connection with the Vale transaction.

See also item 4.

References: Learn more about Hydro's equity and dividend policy under Shareholder information in Hydro's Annual Report 2020.

4. Equal treatment of shareholders

Hydro has one share class. All the shares have the same rights.

Transactions involving own shares are normally executed on the stock exchange. Buybacks of own shares are executed at the current market rate.

Shareholders who are registered in the Norwegian Central Securities Depository (VPS) may vote in person or by proxy at the General Meeting of Shareholders. Invitations are sent to the shareholders or to the bank/broker where the shareholder's securities account is held.

Sales of shares to employees in Norway are conducted at a discount to market value. See also item 6.

Contact between the Board of Directors and the investors is normally conducted via the management. Under special circumstances the board, represented by the Chair, may conduct dialogue directly with investors.

Regulation of share issues and preemptive rights are described in the company's articles of association.

State ownership

As of December 31, 2020 the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries, owned 34.3 percent of Hydro's issued shares. Hydro holds regular meetings with the Ministry, where topics discussed include Hydro's economic and strategic development, sustainability, and the Norwegian State's expectations regarding results and returns on investments. These meetings are comparable to what is customary between a private company and its principal shareholders. The meetings comply with the provisions specified in Norwegian company and securities legislation, not least with respect to equal treatment of shareholders. As a shareholder, the Norwegian state does not usually have access to more information than what is available to other shareholders. If state participation is imperative and the government must seek approval from the Norwegian parliament (Stortinget), it may be necessary to provide the Ministry with insider information. In such cases, the state is subject to the general rules that apply to the handling of such information.

References: Learn more about major shareholders in the "Shareholder Information" section of Hydro's Annual Report 2020 and sale of the Hydro share to employees in note 9.3 (Employee remuneration) to the consolidated financial statements. Hydro's code of conduct can be found on www.hydro.com/principles. Hydro's articles of association can be found on www.hydro.com/governance. See also note 9.6 (Related party information) to the consolidated financial statements.

5. Freely negotiable shares

The Hydro share is freely negotiable. It is among the most traded shares on the Oslo Stock Exchange and is subject to efficient pricing. As of December 31, 2020 the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries, owned 34.3 percent of Hydro's shares, while the

Government Pension Fund Norway owned 7.7 percent. Shareholding is based on information from the Norwegian Central Securities Depository (VPS) as of December 31, 2020. Due to lending of shares, an investor's holdings registered in its VPS account may vary.

References: Learn more about Hydro's equity and dividend policy under Shareholder information in Hydro's Annual Report 2020.

6. General Meeting of Shareholders

Shareholders are guaranteed participation through the Annual General Meeting, which is the company's highest governing body. The company's articles of association are adopted here.

In 2020, the Annual General Meeting was held on 11 May, and 58.87% of the total share capital was represented. At the meeting, 1 206 354 649 of a total of 2 068 998 276 shareholders were present or were represented by proxy. The Annual General Meeting was conducted digitally due to the Covid-19 pandemic, with a live webcast and electronic voting on each item.

Notice of a General Meeting of Shareholders with supporting information is normally published on www.hydro.com more than three weeks in advance, and is sent to the shareholders at least three weeks before the meeting is held.

Notice of a General Meeting of Shareholders provides information on the procedures which shareholders must observe in order to participate in and vote at the meetings. Such notice also details:

- the procedure for representation by proxy, including the use of a form of proxy
- the right of shareholders to propose resolutions for consideration by the General Meeting of Shareholders.
- the website where the notice of the meeting and other supporting documents will be made available

The following information is available at www.hydro.com:

- information on the right of shareholders to propose matters for consideration by the General Meeting of Shareholders
- how to make proposals for resolutions for consideration by the General Meeting or how to comment on matters for which no resolution is proposed
- form of proxy

Our aim is that resolution proposals and supporting information that are distributed are sufficiently detailed and comprehensive to enable shareholders to reach decisions on the matters to be considered at the meeting.

The notification deadline for shareholders wishing to attend the General Meeting of Shareholders is no more than five days prior to the meeting.

Shares registered in a nominee account must be re-registered in the Norwegian Central Securities Depository (VPS) and be registered in the VPS on the fifth working day before the General Meeting of Shareholders in order to obtain voting rights.

Shareholders who are unable to attend in person may vote by proxy. Hydro will nominate a person who will be available to vote on behalf of shareholders as their proxy.

The General Meeting of Shareholders votes for each candidate nominated for election to the company's Corporate Assembly and nomination committee.

To the extent possible, the form of proxy will facilitate separate voting instructions for each matter to be considered by the meeting and for each of the candidates nominated for election. It is possible to vote electronically in advance.

The General Meeting of Shareholders is chaired by the Chair of the Corporate Assembly or, in his or her absence, by the Deputy Chair.

The Chair of the Board of Directors, minimum one nomination committee representative, the President and CEO, and the auditor attend the General Meeting.

References: Learn more about the General Meeting of Shareholders at www.hydro.com/investor

Deviations: See the first page of this section.

7. Nomination committee

In accordance with section 5A of Hydro's articles of association, the company must appoint a nomination committee. The main task is to provide a recommendation to the company's Annual General Meeting on the election of members to the Corporate Assembly, and a recommendation to the Corporate Assembly on the election of the shareholders' representatives on the board. In addition, the nomination committee submits proposals for remuneration to the members and deputies of the board and the Corporate Assembly, and carries out an annual evaluation of the board's work.

The nomination committee is comprised of minimum three members, maximum four, who are either shareholders or shareholder representatives. The committee's Chair and members are appointed by the General Meeting of Shareholders. At least two, including the Chair, must be elected from the shareholder-elected representatives in the Corporate Assembly. If the Chair resigns as member of the Nomination Committee during the electoral period, the Nomination Committee shall elect among its members a new Chair for the remainder of the new Chair's electoral period.

The guidelines for the nomination committee have been approved by the General Meeting of Shareholders, which also determines the remuneration of the committee. All shareholders may propose candidates for the nomination committee at any time. In order to be considered at the next ordinary election, proposals must be submitted by the end of November in the year before the election year.

The recommendations of the nomination committee include details on the candidates' background and independence.

The nomination committee ensures that due attention is paid to the interests of the shareholder community and the

company's requirements for competence, capacity and diversity. The nomination committee also takes account of relevant statutory requirements regarding the composition of the company's governing bodies.

According to its mandate, the Nomination Committee shall be receptive to external views and shall ensure that any deadlines for proposals regarding members of the Corporate Assembly, the Nomination Committee and the Board of Directors are published well in advance on the Company's website. In carrying out its duties the Nomination Committee should actively maintain contact with the shareholder community and should ensure that its recommendations are anchored with major shareholders.

All members of the nomination committee are independent of Hydro's Board of Directors, chief executive officer and other executive management staff. As the largest shareholder, the Norwegian state is represented on the nomination committee by Morten Strømgren from the Ministry of Industry and Fisheries and the Government Pension Fund Norway (Folketrygdfondet) by Nils Bastiansen.

References: Hydro's Articles of Association can be found at www.hydro.com/governance. More information about Hydro's nomination committee can be found at the same site. Members of the nomination committee are listed on www.hydro.com/governance. Nominations can be submitted electronically, also from www.hydro.com/governance

Deviations: See the first page of this section.

8. Corporate Assembly and Board of Directors: composition and independence

Detailed information about each board member can be found in the corporate governance chapter in Hydro's Annual report 2020.

All board members, members of the board committees and members of the Corporate Assembly are independent of the company's executive management and material business relationships. One member and one deputy of the Corporate Assembly are dependent of one major Hydro shareholder: Kjetil Houg is CEO of the Government Pension Fund Norway (Folketrygdfondet) and was elected as a member of the Corporate Assembly in 2020. Nils Bastiansen, who is also an employee of the Government Pension Fund Norway, is a deputy member of the Corporate Assembly. There were a few matters where certain board members were disqualified.

Thomas Schulz is the CEO of the listed company FLSchmidt. Sales and purchases between FLSchmidt and fully owned Hydro subsidiaries totaled DKK 13.9 million in 2019. Schulz was not directly involved in these transactions.

Two-thirds of the Corporate Assembly and their deputies are elected by the General Meeting of Shareholders. The nomination committee nominates candidates with a view to obtain a broad representation by the company's shareholders and other relevant stakeholders with competence in, for example, technology, finance, research, and corporate social responsibility.

The Corporate Assembly elects the Board of Directors, including its chair and Deputy Chair.

In compliance with section 5A of Hydro's articles of association, the Board of Directors consists of between nine and 11 members. These are elected for a period of up to two years.

The nomination committee aims to achieve a board composition that protects the interests of the shareholder community and the company's need for expertise, capacity and diversity. Emphasis is placed on the members complementing each other professionally and on the board's ability to function as a collegiate body.

As of December 31, 2020, nine of the board's directors owned a total of 142,968 shares. Hydro has no share purchase program for board members, with the exception of the employee representatives, who are entitled to buy shares through the Norwegian employee share purchase scheme. All share purchase transactions are conducted in compliance with the Securities Trading Act.

References: The Government Pension Fund Norway is a significant shareholder in Hydro. An overview of the members of the Corporate Assembly, the current composition of the Board of Directors and information about their independence in the nomination committee's report, and Hydro's articles of association is available at www.hydro.com

9. The work of the Board of Directors

The Board of Directors has established procedures for its own work and that of the company's management, with particular emphasis on clear internal division of responsibilities whereby the board has responsibility for supervising and administrating the company, and the company's management has responsibility for the general operation of the group.

Conflicts of interests and disqualification

Hydro's Code of Conduct contains guidelines for, among other things, how conflicts of interests that may arise should be dealt with. The code applies to all of Hydro's board members and employees. It is the opinion of the Board of Directors that there were no transactions that were material between the group and its shareholders, board members, Corporate Management Board or related parties in 2020, except those described under item 8.

If the Chair of the board is or has been actively involved in a given case, for example in negotiations on mergers, acquisitions etc., another board member will normally lead discussions concerning that particular case.

The board's guidelines also contain rules that any board member holding a key position in a company with competing activities may not participate in the discussion of or decision on matters where competition-sensitive issues are addressed.

The Board of Directors has an annual work plan, with particular emphasis on objectives, strategy and implementation.

Since 2001, Hydro has had an audit committee and a compensation committee. The audit committee has four members and the compensation committee three members. The shareholder-elected members are all independent of the company. In the opinion of the Board of Directors, the audit committee meets the Norwegian requirements regarding independence and competence.

The Board of Directors conducts an annual self-assessment of its work, competence and cooperation with management and a separate assessment of the Chair of the board. In addition, the audit committee performs a self-assessment. The assessment results are submitted to the nomination committee, which in turn assesses the board's composition and competence.

References: See the section Board developments in the Board of Directors' report. Information about the Board of Directors and its committees, and the board members' competence can be found in the chapter Corporate Governance in Hydro's Annual Report 2020. The Board of Directors' mandate can be found at www.hydro.com

10. Risk management and internal controls

The Board of Directors ensures that the company has sound internal controls and appropriate risk management systems through, for example, an annual review of the key risk areas and the company's internal controls. Internal audit corporate reports directly to the Board of Directors, but is for administrative purposes placed under the purview of the chief financial officer.

Hydro's internal control system includes all parts of our corporate directives, including our code of conduct and HSE and corporate social responsibility requirements. A more detailed description of the company's internal controls and risk management systems related to financial reporting can be found at www.hydro.com/governance

References: A review of Hydro's major risks can be found in the section Risk review in the Board of Directors' report.

11. Remuneration of the Board of Directors

The board members elected by the shareholders perform no duties for the company other than their board duties.

Remuneration is determined by the Corporate Assembly, based on the recommendation of the nomination committee. The nomination committee recommends compensation with the intention that it should reflect the board's responsibility, competence and time commitment as well as the company's complexity and global activities compared with the general level of directors' fees in Norway. Remuneration of the Board of Directors is based neither on performance nor on shares or share options.

References: All aspects of remuneration of the Board of Directors are described in note 9.4 (Board of Directors and Corporate Assembly) to the consolidated financial statements. See also Hydro's articles of association.

12. Remuneration of the executive management

The Board of Directors establishes guidelines for remuneration of members of the executive management. The guidelines are based on Hydro's remuneration policy, which is that Hydro shall pay its employees a total compensation package that is competitive, but not among the highest, and in line with good industry standards locally. The overall purpose of the remuneration policy is to strengthen the Hydro Group's ability to create value over the long-term by supporting business strategy and long-term interests, and to ensure that the Group is run in a sustainable manner.

Where appropriate the remuneration package should, in addition to the base salary, comprise a performance-based incentive, which should reflect individual performance. The company has share-based long-term incentive programs, but no share option scheme for its executive management.

The Board of Directors' statement on management remuneration has so far been made public through note 9.1 to the consolidated financial statements. Note 9.1 has been sent forward to the General Meeting of Shareholders for advisory vote, however, the part of section of note 9.1 which concerns compensation based on shares has been presented for a binding vote.

Following amendments to the Public Limited Liability Companies Act, there are new and more detailed requirements for determining salaries and other remuneration of the executive management. In accordance with this, the Board of Directors has proposed new guidelines for remuneration to executive management in Hydro, replacing the principles for remuneration of the executive management in note 9.1 to the consolidated financial statements, with effect from 2021.

The new guidelines will be presented to the Annual General Meeting in 2021, where a binding vote on these will be held in accordance with the new regulations. The guidelines will then be available on Hydro's website.

Note 9.1 to the consolidated financial statement for 2020 describes the remuneration policy for 2020. Based on the new requirements in the Public Limited Liability Companies Act, a more comprehensive remuneration description will be presented, and will be prepared for the Annual General Meeting in 2022.

References: The board's guidelines for management remuneration are described in note 9.1 (Board of Directors' statement on executive management remuneration) to the consolidated financial statements. All aspects of remuneration of management are described in note 9.2 (Management remuneration). The employee share purchase plan is described in note 9.3 (Employee remuneration). Hydro's remuneration policy is also described in Hydro's people policy, which can be found at www.hydro.com/principles

13. Information and communication

Hydro has established guidelines for the company's reporting of financial and extra-financial information; that is, requirements that go beyond financial reporting, such as the environment, social conditions and corporate governance. These guidelines are based on transparency and consideration of the requirement for equal treatment of all players in the securities market. This also pertains to contact with shareholders outside of the Annual General Meeting.

Shareholder information is available at www.hydro.com. The financial statements and annual report are sent free of charge to shareholders on request. Notice of General Meeting of Shareholders is sent directly to shareholders with known addresses unless they have consented to receive these documents electronically. All information sent to the shareholders is made available at hydro.com when distributed. Presentation of the quarterly reports as well as the annual shareholder meeting are simultaneously broadcasted through web casts. All relevant information is sent to the Oslo Stock Exchange electronically for public storage.

Hydro has emergency plans in place at the relevant levels in the organization. These plans are exercised regularly. Rules for who can speak on behalf of the company are regulated through Hydro's code of conduct.

References: A financial calendar is available in this report and at www.hydro.com/investor where also more information about web casts and the Hydro share can be found, including key legal information for shareholders in Norsk Hydro ASA. Hydro's code of conduct is available at www.hydro.com/principles

14. Takeovers

The Board of Directors will handle takeover bids in accordance with Norwegian law and the Norwegian Code of Practice for Corporate Governance. There are no defense mechanisms against acquisition offers in our articles of association or in any underlying steering document. We have not implemented any measures to limit the opportunity to acquire shares in the company. See also item 5.

Deviations: See the first page of this section.

15. Auditor

The external auditor annually presents the main features of the audit plan to the audit committee.

The external auditor participates in considering relevant matters in meetings of the audit committee. The minutes from these meetings are distributed to all the board directors. This practice is in line with the EU audit directive. Each year the auditor expresses its opinion on internal control procedures to the audit committee, including identified weaknesses and proposals for improvements.

The external auditor meets with the board of directors when the company's annual financial statements are discussed. In the meetings the auditor reviews material changes in the company's accounting policies, assess material accounting estimates and any other material matters on which the auditor and management may disagree, and identify weaknesses in and suggest improvements to Hydro's internal controls. The board of directors holds meetings with the external auditor without members of the corporate management present.

Hydro places importance on independence and has clear guidelines regarding the use of services from external auditors. All services from the external auditor, including non-audit services, are subject to pre-approval as defined by the audit committee.

Remuneration of the auditor is stated in the annual report. It is also included as a separate agenda item to be approved by the annual general meeting of shareholders.

The new Public Audit Act entered into force on 1 January 2021. Extended tasks related to selection of an external auditor, purchase of audit services and follow-up of the external auditor are handled by the audit committee.

In 2020, the general meeting of shareholders chose KPMG as external auditor for the group with effect from the reporting period 2020 in accordance with a tender process. KPMG has been the auditor for Hydro since 2010.

References: Learn more about the external auditor in the sections Corporate Governance and Viability Performance statements in Hydro's Annual Report 2020, note 10.4 (Auditor's remuneration) to the consolidated financial statements.