



## CONSTITUTING DOCUMENT

## INTERNAL

### Rules of Procedures for the Board of Norsk Hydro ASA

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#### Changes from last revision:

Amended section 2.2.1 and 5.2., new section 10 and 11.

**Established by:** The Board of Directors

## 1. Purpose

The purpose of the Rules of Procedure is to provide detailed rules to govern the work and procedure of the Board of Directors (“the **Board**”) of Norsk Hydro ASA (“the **Company**”) within the framework of the Public Limited Companies Act and the Company’s Articles of Association. The Company is the ultimate parent company of the Hydro Group (“**Hydro**”).

The Rules of Procedure shall be decided and adopted by the Board.

The Board shall hold an annual review of its working form and when needed (and at least bi-annually) evaluate the content of the Rules of Procedure.

## 2. Duties of the Board

- 2.1 The Board represents and is accountable to all shareholders of the Company. Pursuant to Section 6-12 of the Public Limited Companies Act, the Board has the overriding responsibility for the stewardship of the Company. With the goal of increasing shareholder value for the long term the Board shall, inter alia,
- ensure that the Company adheres to generally accepted principles for corporate governance and responsible business practices and that the Company practices good corporate citizenship;
  - oversee that Hydro’s operations are properly organized;
  - approve Hydro’s overall strategy, business plans and budgets; and
  - oversee that Hydro’s operations, accounts and asset management are subject to proper inspection and control.

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Pursuant to Section 6-13 of the Public Limited Companies Act, the Board shall conduct supervision of the Company's day-to-day management and the Company's activities in general.

2.2 The Board shall concentrate its work on the following tasks:

2.2.1 As part of its stewardship the Board will:

- Appoint the President and CEO and fix his or her remuneration;
- plan for succession to the position of President and CEO and oversee the succession planning for positions within the Corporate Management Board.
- oversee the management of the Company on a day-to-day basis as further set out in item 2.2.3 below;
- review and approve Hydro's overall guideline in relation to ethical behavior, conformity to law, health, safety, working environment and social responsibility (Hydro's Code of Conduct);
- oversee the overall organization and operating model of Hydro;
- Prepare and keep updated the Company's policy on remuneration for executive management and each year prepare a report on the Company's adherence to said policy;
- remain informed of Hydro's market conditions;
- implement measures that ensure that the Company's financial position is satisfactory;
- determine the overriding strategy for Hydro prepared in collaboration with the Management;
- fix the financial targets for Hydro prepared in collaboration with the Management;
- approve Hydro's business plan, investment frameworks and financial plans, including the profit and loss account and the balance sheet;
- undertake periodical review of results compared with the business plan, financial plan, investment framework and adopted target figures;
- submit and report accounts for the period, and issue the Report of the Board of Directors;
- make decisions regarding the approval of
  - New investment projects which exceed NOK 500 million (Hydro share).
  - Divestments which exceed NOK 500 million and/or have material characteristics, complexity and/or significant guarantee exposure.
  - Contracts for the sale of products or procurement and sourcing of raw materials and services with a discounted market value which exceed NOK 2.5 billion (Hydro share) or conditions and risk profile significantly outside normal market conduct.
  - New loan agreements (including project financing) and financial agreements for the financing of Hydro and its Joint Ventures which exceed NOK 2.5 billion (Hydro share). (For the sake of clarification: internal financing by loans and/or equity of 100% owned subsidiaries is within the President and CEO's authority as part of his/her responsibility for the day-to-day management of Hydro.)
  - Hedging programs with material impact on Hydro's risk profile.
- make decisions in other cases which fall outside the strategy or the business plans previously approved by the Board;
- make decisions in cases that are of an unusual nature or major significance relative to the Company's situation, with the exception of those matters that are to be decided by the Corporate Assembly, see Rule 4;
- make decisions in cases where this is specifically mandated by statute or regulations.

2.2.2 The Board has delegated to the President and CEO the responsibility for the remaining stewardship of the Company but will supervise this stewardship in accordance with Rule 2.2.3.

**2.2.3 The Board will ensure that:**

- the stewardship undertaken by the President and CEO by delegation from the Board is performed in a proper manner;
- the President and CEO use proper and effective management and control systems, including systems for risk management, which continuously provide a satisfactory overview of Hydro's risk exposure;
- the control functions work as intended and that the necessary measures are taken to reduce extraordinary risk exposure;
- the Board's decisions are followed up;
- follow-up reporting is conducted for the trend in investments of material size in relation to the Company's operations;
- there exist satisfactory routines to ensure follow-up and reporting in respect of principles and guidelines laid down by the Board in relation to ethical behavior, conformity to law, health, safety and working environment, and social responsibility;
- the Company has a proper internal auditing system;
- directives from the external auditor are obeyed and that the external auditor's recommendations are given proper attention.

**3. The tasks and duties of the President and CEO vis-à-vis the Board**

- 3.1 The President and CEO has the responsibility for ensuring that the Board receives all the information it requires to fulfill its duties pursuant to Rule 2 above.
- 3.2 The President and CEO has the responsibility for the day-to-day management of the Company within the guidelines issued by the Board. The President and CEO shall under this head ensure that the Company's accounts are in conformity with statutes and regulations and that the stewardship delegated by the Board to the President and CEO is performed in a proper manner.
- 3.3 Matters that relative to the Company's situation are of an unusual nature or major significance can only be decided by the President and CEO on authorization by the Board on an ad hoc basis, or when the Board's decision cannot be awaited without material inconvenience of the Company. The Board shall be informed of the decision as soon as possible.
- 3.4 The President and CEO shall appoint a Corporate Management Board that shall assist the President and CEO in his or her stewardship duties delegated by the Board and in the day-to-day management, including the organization and operation, of the Company. Prior to any appointment to the Corporate Management Board, the President and CEO shall present the credentials of the prospective candidate to the Board of Directors. The President and CEO shall determine the instructions for Corporate Management Board.
- 3.5 The instructions for Corporate Management Board, and the function descriptions and the appropriation authorizations issued to each member of the Corporate Management Board, shall reflect a joint obligation for these members to safeguard the overall interests of Hydro

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and to protect Hydro's financial position. The appropriation authorizations shall be approved by the Board.

- 3.6 The President and CEO shall, at least once a month, by attendance or in writing, inform the Board about:
- the Company's operations, position and profit trend;
  - allocation of funds of more than NOK 100 million approved by the CEO;
  - financial dispositions, including divestments, of material size in relation to the Company's operations;
  - the trend in individual investments and other dispositions of major significance in relation to the Company's operations;
  - major decisions taken by Corporate Management Board with indication of any dissent;
  - other matters of significance for the Board's performance of its duties relevant to Rule 2 above.
- 3.7 The Board, and the individual Board member, can at any time demand that the President and CEO provide the Board with a detailed account of particular matters.

**4. The Board's obligations vis-à-vis the Corporate Assembly**

- 4.1 The Board shall put forward proposals for the Corporate Assembly in matters that concern investments of material significance in relation to the Company's resources and matters that concern rationalization or restructuring of operations that will result in major changes in or reallocation of the labor force.

**5. The Board's annual plan and procedure**

- 5.1 The Board shall lay down an annual plan that states how and at what time the Board will discharge its functions pursuant to these Rules of Procedure and legislation in general.

Seven to nine ordinary Board meetings shall normally be held during the year. Individual Board members and the President and CEO may, at any given time, request a Board meeting to be held to discuss specific matters.

- 5.2 The Board shall consider matters in physical meetings, unless the Chair of the Board finds that the matter can be dealt with via video conference, in writing or in another proper manner.
- 5.3 The Chair shall ensure that the Board is considering relevant matters that pertain to the Board. The Board members and the President and CEO may demand that the Board consider particular matters.
- 5.4 The President and CEO shall prepare matters to be considered by the Board, in consultation with the Chair of the Board. An item shall be prepared and presented in such a way that the Board has an adequate decision-making basis. The Board shall be informed of any significant disagreement within the Corporate Management Board regarding a matter submitted to the Board for consideration. The Chair of the Board may approve the

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representation of the Management in Board meetings, in addition to the presence of the President and CEO, who participates by virtue of his or her office as General Manager.

- 5.5 The Board shall be convened by the Chair of the Board. The notice shall be made by the Company Secretary. Meetings shall be announced in a suitable and timely manner. Any documentation for the Board's discussions and decisions shall as far as possible be sent out together with the invitation.

Documentation shall normally be available to the Board members seven days prior to the meeting, except when meetings are called on short notice or for President and CEO informs documents which normally shall be available to the Board 24 hours before the actual meeting. Changes in the agenda or procedure that are decided on before the meeting shall, if possible, be notified to the Board immediately.

- 5.6 Board meetings shall be chaired by the Chair of the Board. If neither the Chair of the Board nor a deputy is present, the Board shall elect a Chair for the meeting.
- 5.7 Minutes of the Board meeting shall be kept. In the event of dissent, it shall be recorded in the minutes which Board member voted against. The minutes are taken by the Company Secretary or in his/her absence by another person appointed in his/her absence. Draft minutes shall normally be circulated to the Board members within 7-10 days after the Board meeting.

**6. Attendance and voting**

- 6.1 In the event that a Board member is unable to attend a Board meeting, it must notify the Company Secretary immediately.

The CEO shall have the right and be obliged to participate in the Board meetings and the discussion of matters unless otherwise decided by the Board on a case-by-case basis.

The Company Secretary should normally attend all Board meetings, unless otherwise decided by the Board.

- 6.2 The Board constitutes a quorum if more than half of its members are present or participate in the discussion of the matter in question. The Board may nevertheless not make decisions unless all members have as far as possible been given the opportunity to participate in considering the matter.
- 6.3 The decision of the Board shall be whatever a majority among the attendees has voted for, or in the case of a tied vote, whatever the Chair has voted for. Those voting for a decision that involves an alteration of a previous decision must, however, always number at least one third of the full Board.
- 6.4 In elections and appointments, whoever has the most votes shall be elected or appointed. The Board may in advance decide that a new vote shall be held in the event no one obtains a majority of the cast votes. If the voting for the Chair is tied, lot shall decide the vote. In other cases of tied votes, the Chair shall have the casting vote.
- 6.5 Neither a Board member nor the President and CEO may participate in the decision of a question that is of such particular significance for him or her or for any close associate that

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the member must be deemed to have a prominent personal or financial interest in the matter. The rest of the Board may decide whether there exist such weighty special interests that can be deemed to constitute a conflict of interest. Otherwise the Board members shall judge their own competence. A Board member may not participate in a matter regarding loans or credit to himself or herself or security for his or her own debt. A “close associate” shall have the meaning as defined in the Norwegian public limited liability companies act section 1-5, which includes but is not limited to (common-law) spouse, children, grandchildren, parents, grandparents, siblings, in-laws, companies that are controlled by the individual or other close associates of the individual in question.

- 6.6 Documents for the Board’s deliberations and decisions containing competitively sensitive information may not be distributed to any Board member(s) holding a key position with a competitor (actual or potential) of the Company. Nor may such information in any other way be disclosed to such Board member(s).

Any Board member(s) holding a key position with a competitor of the Company must leave a Board meeting if and to the extent competitively sensitive issues vis-à-vis the relevant competitor are to be addressed.

Agendas to and minutes from Board meetings should record how a competitively sensitive matter is handled in relation to any Board member holding a key position with a competitor, including recording of any Board member leaving the meeting for competition law compliance reasons.

**7. Subcommittees**

- 7.1 The Board shall appoint a Compensation and People Committee consisting of not less than three of the Board’s members. The committee shall act as preparatory body for the CEO and other members of the Corporate Management Board. In particular the committee shall (i) review compensation matters to be brought before the Board; (ii) assist with strategic people processes in the Company (in particular related to succession, leadership and talent, and diversity and inclusion); and (iii) function as a preparatory body in relation to other compensation issues of principle importance. The Committee shall prepare the annual review of the President and CEO’s terms and conditions.

Prior to the annual determination of the individual terms for Corporate Management Board, the President and CEO shall discuss these with the Committee. The Committee shall prepare and facilitate the Board’s consideration of other compensation cases that are submitted to the Board.

- 7.2 The Board shall appoint an Audit Committee consisting of at least three of the Board’s members (the employee representatives on the Board may nominate one committee member), which shall act as preparatory body in connection with the Board’s supervisory roles in financial control, external audit, internal audit, compliance and risk management systems. The Company’s internal audit department shall assist the Audit Committee.
- 7.3 The Board may also decide to appoint committees consisting of Board members to consider special cases or questions. The decision to appoint such a committee shall state the committee’s terms of reference and duration.
- 7.4 The Board shall constitute the individual subcommittees in connection with the appointment of the Committee.

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7.5 The Board shall issue individual instructions for the subcommittees appointed pursuant to this Rule 7, including for the Compensation and People Committee and the Audit Committee.

**8. Non-disclosure**

8.1 The members of the Board shall observe non-disclosure of the Board's discussions and decisions. The individual member of the Board shall nevertheless be able to describe his or her voting in a specific matter, if this is different from the Board's decision.

**9. Insider trading regulations**

9.1 The Board shall lay down insider trading regulations for trading in financial instruments issued by the Company, or trading in derivatives.

**10. Related party agreements**

10.1 Any agreement between the Company and a related party shall be subject to the following procedures:

- a) The Board shall consider whether an agreement with a related party is subject to the requirements of chapter 3 V. of the Public Limited Companies Act.
- b) Any member of the Board who is a representative of, or otherwise has an interest in, a counterparty (or an affiliate of such counterparty) to agreement proposed to be entered into by the Company shall inform the Board of this, in which case the Board shall consider whether such member shall be disqualified from participating in the Board's consideration of the agreement.
- c) Before approving an agreement between the Company and a related party, the Board shall assess whether the agreement is on arms' length terms and whether it would be appropriate to obtain a third party valuation. The assessment of the need for a third party valuation shall take into consideration i.a. the nature of the agreement, the size and term of the agreement, the relationship with the counterparty and the ability to benchmark the consideration payable under such agreement against comparable agreements.

10.2 If an agreement between the Company and a related party can be approved by the CEO pursuant to the Company's authority matrix, the President and CEO shall consider the need for a third party valuation in accordance with clause 10.1 c). If such an agreement can be approved at a lower level than the CEO pursuant to the Company's authority matrix, then the agreement can be approved in accordance with the general provisions of the applicable authority matrix.

10.3 "Related party" shall have the meaning set out in section 3-12 of the Public Limited Companies Act.

10.4 The provisions in this section 10 do not apply to (i) agreements with subsidiaries of the Company, (ii) agreements with members of executive management in connection with their employment with the Company, or (iii) agreements which are approved by the general meeting of the Company.

**11. General restrictions and duties pertaining to the Board members**

- 11.1 Each Board member has a personal responsibility to continually assess whether there are circumstances which could undermine the general confidence in his or her independency, considering also the Company's reputational risk.
- 11.2 It is incumbent on each Board member to be especially vigilant when making such assessments in connection with possible competition law compliance issues and the Board's handling of transaction, investments and strategic decisions.
- 11.3 The Board member shall immediately notify the Chair of the Board and the Company Secretary if such circumstances are present or arise. The Chair of the Board shall determine how the matter should be handled.
- 11.4 Before accepting new directorships or other external offices Board members shall liaise with the Chair of the Board.

Each member of the Board shall also as soon as possible report any changes in directorships and external offices to the Company Secretary.