



## Anti-Corruption Compliance Program



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# Introduction

As a global company present in many countries across the aluminium value chain, Hydro is exposed to corruption risks in various ways. We know that corruption can have severe adverse consequences for individuals, companies and the societies in which we operate. Acting with integrity, combating corruption and adhering to applicable laws is therefore an essential part of what we consider responsible business conduct.

This Anti-Corruption Program description provides an overview of the main elements in Hydro's anti-corruption efforts. The focus is on anti-corruption, but many of the elements in the Anti-Corruption Program are equally applicable to other compliance risks managed by Hydro.

This document does not establish new requirements itself; these requirements arise from Hydro's Code of Conduct and other governance documents.





# What is corruption and how is Hydro exposed?

Corruption is often defined as giving or promising something of value to a third party – a public official or a business partner – to influence such person to act, or refrain from acting, in relation to the performance of her/his duties.

Some risk scenarios which Hydro could be exposed to include:

- Improper gifts, hospitality or entertainment provided to government officials to influence a decision regarding for instance governmental permits or licenses. Improper gifts, hospitality or entertainment is also a risk in commercial relationships, typically to influence the award of contracts.
- Donations, sponsorships, community investments etc. which unduly benefit public officials.

- Agents, consultants or other intermediaries may transfer improper advantages to decisionmakers.
- Acquiring companies with a history of corruption or entering JVs with companies that do not manage corruption risks properly.

In Hydro we do not tolerate any forms of bribery or corruption, including facilitation payments and kickbacks, both in dealings with public officials and individuals in the private sector. We are committed to complying with all applicable laws and regulations to fight corruption and bribery.

# Hydro's Anti-Corruption Program

Hydro has a comprehensive compliance framework for managing compliance risks. The overall goal is to ensure ethical and compliant behavior throughout our global organization.

The compliance framework can be divided in 2 main parts. The first part relates to the **roles and responsibilities** for compliance, see below. In brief, everyone in Hydro has a responsibility for compliance, but with different roles and responsibilities.

The second part is the **compliance system**, defined as all the activities and processes established to mitigate and manage the risk of corruption.

## **Roles, responsibility and organization**

The Board of Directors (Board) has the ultimate responsibility for overseeing and supervising Hydro's compliance framework. The CEO, corporate management and line management are responsible for ensuring that their organization understands what the risks are and stay compliant.

Group Compliance, headed up by the Chief Compliance Officer (CCO), is the governance owner of corruption risk and has the responsibility for the overall design of the compliance system as defined above. The CCO reports to the EVP Compliance, IP and General Counsel and may at his/her own discretion report any matter directly to the CEO and/or the Board (through the Board Audit Committee (BAC)). The BAC assists the Board in exercising its oversight responsibility with respect to the compliance framework and risk, risk management in general and material non-compliance cases, including corruption. The CCO meets regularly with the BAC and provides quarterly updates to the Committee. Furthermore, the CCO annually presents a Compliance Report to the Corporate Management Board (CMB), the BAC and the Board.

In addition to Group Compliance, there are certain dedicated compliance resources that provide support to their respective Business Areas and Group Functions. Hydro also has a Compliance Network comprising various internal stakeholders that have compliance responsibilities, such as the mentioned resources in the Business Areas and Group Functions, Group Internal Audit & Investigation, Internal Control Financial Reporting (ICFR), Group Legal, Enterprise Risk Management (ERM), Sustainability in addition to Group Compliance. The main purpose of the network is to increase collaboration, awareness and share knowledge about compliance and anti-corruption across Hydro's global organization.

Most resources in Group Compliance are based at the headquarter in Oslo, but there are also local resources with direct reporting lines to Group Compliance and other persons with dedicated compliance responsibilities outside of Norway.

The line management and all employees have a clear responsibility to act in a compliant manner, while being supported by Group Compliance and competent staff in other functions to help safeguard compliance. Hydro managers are expected to implement the requirements set out in Hydro's Code of Conduct and other governance documents within their area of functional responsibility, to lead by example, and to provide guidance to the employees reporting to him or her. Hydro managers must also seek to structure incentives and conduct performance assessments accordingly.

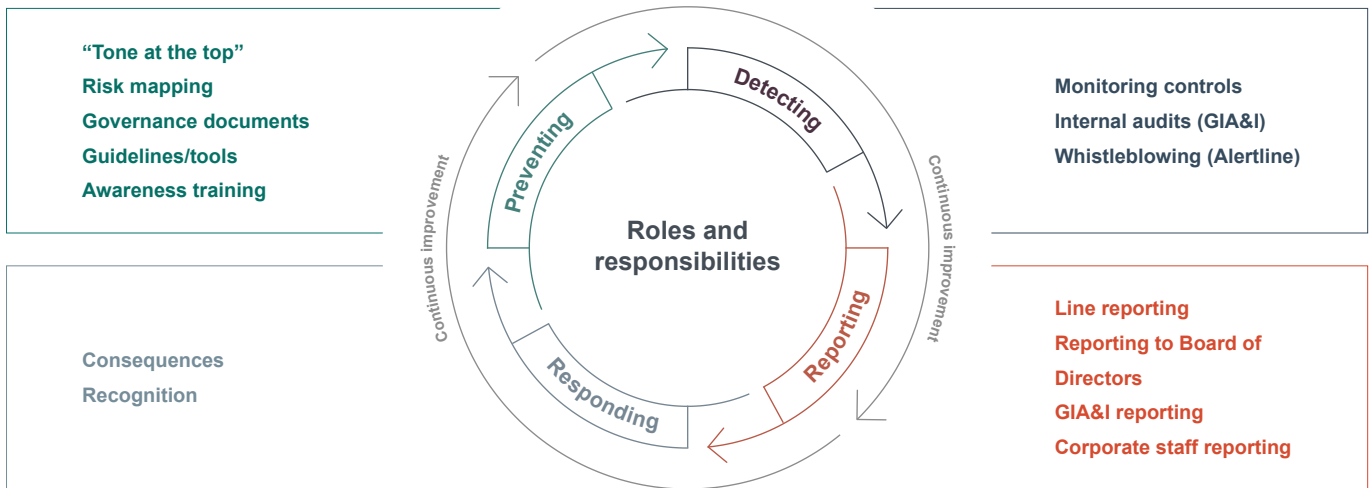
Hydro's Alertline and investigations of misconduct are managed by Group Internal Audit & Investigation.

## Components of the compliance system

The main components of the compliance system are

i) prevention, ii) detection, iii) reporting and iv) response.

See illustration below.



The illustration above shows the key activities that are defined within each of the four components. Most of these activities are further described below.

Compliance is a line responsibility. To ensure effective implementation, relevant anti-corruption controls are embedded or "hardwired" into the ordinary business processes to the extent possible. This means that most compliance related controls are carried out in the business operations. For example, when major decisions are made, compliance aspects are normally covered in decision memos and discussions in the various decision-making bodies. Other examples include that compliance risk assessments are made as part of the overall ERM process, third party risk management controls are embedded in procurement processes, etc.

### Top level commitment

Compliance starts with the tone at the top. Compliance is regularly on senior management's meeting agenda and management regularly communicates clear compliance messages to the organization on the importance of acting compliant and demonstrating that we do not tolerate corruption.

Compliance risks, developments, reports and dilemmas are also regularly discussed in Internal Board meetings (IB), headed by the CEO and in the respective management teams, both in relation to ongoing cases and in awareness and information sessions, facilitated by Group Compliance. Moreover, compliance risks and mitigation action plans are prepared for all Business Areas in connection with the coming year's Business Plans. These compliance activity plans are followed up in the IB meetings the following year.

### Risk assessment and mitigation

Risk assessments are an integral part of Hydro's business and a cornerstone in all compliance activities. Risk assessments are carried out both in relation to individual projects and counterparties, and more overarching as part of the ERM process. Our compliance efforts are risk-based and we put most effort into addressing risks perceived to be highest. Detailed risk assessments on the anti-corruption risk are carried out in all Business Areas and at Group level.

We work systematically to mitigate the risk of non-compliance to an acceptable level. Corruption risks are assessed and reported twice a year through Hydro's enterprise risk process ERM, where overall results are reported to the CMB and Board. We have dedicated persons responsible for risk within the Business Area and Group Compliance is also involved in the ERM process. Based on the compliance risks identified through the compliance risk mapping, adequate action plans with mitigating measures are established by line management in consultation with Group Compliance to ensure risk mitigation and continuous improvement.

Risk-based integrity due diligence processes are carried out towards our business partners and is an integral component of management decisions in M&A transactions, social investments and other projects. (See also Third party risk management).

### Policies and procedures - Hydro's Code of Conduct

Hydro has a number of global governance documents setting out requirements for what we consider responsible conduct and to help ensure compliance with laws and regulations. These requirements establish the boundaries and processes





related to due diligence, gifts and hospitality, conflict of interest, donations, interaction with public officials, segregation of duties, and more. The main principles and requirements are defined in Hydro's Code of Conduct. The Code of Conduct is a fundamental document in Hydro and is approved by the board of directors. All new employees must certify in writing that they will follow the Code of Conduct when starting in the company. There is also a system for periodic certification of the Code of Conduct. In addition to the Code of Conduct, we have global directives and procedures, as well as supporting documents and guidance sheets to set out requirements and guidance regarding e.g., integrity due diligence, gifts and hospitality, conflict of interest, donations and sponsorships, agents and intermediaries, etc. Some Business Areas have, on a risk basis, established further detailed procedures, e.g. regarding interaction with government officials.

### Training and communication

The line management is responsible for ensuring that relevant employees are aware of their compliance obligations and receive appropriate training in relevant compliance matters. To help ensure awareness of the requirements set out in our governance documents, we have an extensive training program in place. The training is adapted to the company's risks, and aim to continuously build and maintain a strong culture of compliance and integrity.

In addition to e-learning courses aimed at all relevant employees, targeted and in-depth classroom trainings (both in-person and virtual) are given to employees in functions particularly exposed to corruption risks. These classroom trainings often focus on practical dilemmas based on real

cases. The training is tracked and reported. KPIs are often used in connection with mandatory training campaigns.

### Third party risk management

Hydro's success is dependent upon the cooperation with our business partners – suppliers, customers, distributors, consultants, joint venture partners and others. Our business partners are expected to comply with all applicable laws and regulations. Suppliers that have a direct contractual relationship with Hydro have to adhere to the principles set out in Hydro's Supplier Code of Conduct. Hydro's Supplier Code of Conduct sets out minimum standards of compliance within key areas, including business ethics and anti-corruption, as well as human rights, labor conditions and sustainability. Failure to comply with these requirements may result in the termination of the business relationship. Hydro's Supplier Code of Conduct also sets expectations to our suppliers to set similar requirements further down the value chain.

We carry out risk-based integrity due diligence processes to ensure that the business partners' reputation, background, business conduct and abilities meet our standards. We use various screening tools and engage external consultants whenever deemed necessary in this regard. Enhanced due diligence is performed for high-risk projects and transactions, such as agents/intermediaries, M&A and social investments.

Our agents/intermediaries shall follow all applicable laws and regulations and are expected to adhere to Hydro's Code of Conduct. It is our responsibility to ensure that agents/intermediaries understand Hydro's Code of Conduct and our requirements.

### **Accurate and complete data, records, reporting and accounting**

Hydro is committed to transparency and accuracy in all the company's dealings, while respecting confidentiality and other applicable obligations. Hydro is obligated to provide full, fair, accurate and understandable disclosure in its periodic financial reports, other documents filed with regulatory authorities and agencies, as well as in its other public communications. Hydro's Internal Control Handbook define standard internal controls that must be implemented in the business units. Key controls include segregation of duties, delegation of authorities, access controls, etc. The group function ICFR maintains the Internal Control Handbook and carries out testing and verification of compliance with the Internal Control Handbook.

### **Monitoring**

Monitoring activities take place at different levels in the organization to verify that the requirements and other internal controls set out in various governing documents are implemented and that they are working effectively. Some

examples include monitoring in the daily operations by the business managers following up expense reports of their employees, controllers following up on various transactions, procurement reviewing supplier's compliance with contracts etc. Group Compliance also conducts risk-based monitoring to ensure effective implementation of the compliance program. Key controls, such as segregation of duties, bank reconciliations, etc. are periodically tested as part of the testing program established by the ICFR department.

Group Internal Audit & Investigation conducts audits to ensure that internal controls are working effectively.

A subset of the questions in the Hydro Monitor (employee engagement survey) covers various aspects of business integrity (Integrity Culture Index). The results are measured against benchmarks from other companies and any gaps are followed up with mitigating activities. Periodically, the annual bonus potential for the CEO is linked to a KPI on the Integrity Culture Index, where a certain score needs to be achieved.





### **Reporting and investigations**

We are committed to building a culture of trust where employees are comfortable to ask questions, seek guidance, raise concerns, and report suspected violations. Normally, internal concerns and complaints should be raised with local management, but employees may also raise the issue directly with Human Resources, HSE (health, safety and environment), a union representative, Group Compliance, Group Legal or Group Internal Audit & Investigation. Employees, on-site contractors, and others may also use Hydro's confidential reporting channel, the AlertLine, which is hosted by an independent service provider, where concerns can be reported anonymously to Group Internal Audit & Investigation. The AlertLine is available in applicable languages and reports can be made online or via toll-free phone numbers listed at Hydro's intranet or on Hydro.com.

Hydro will not tolerate retaliation against anyone who speaks up in good faith to ask a question, raises a concern, reports a suspected violation or participates in an internal company investigation.

Hydro's AlertLine and investigations of most misconduct matters are managed by Group Internal Audit & Investigation. There is a procedure for how to handle internal investigations, defining the process everyone who conducts an internal investigation must follow. The severity of the matter defines the level of independence and competence needed. Further, there is a close dialogue between Group Compliance and Group Internal Audit & Investigation on relevant matters, including serious compliance matters. The Chief Audit Executive reports to Hydro's Board through the BAC. The BAC and CMB are informed on matters reported through the AlertLine on a quarterly basis.

For severe cases, including suspected corruption of third parties, the "Review Committee" is called upon to align on next steps. The CCO is standing member of the review committee together with Group Internal Audit & Investigation, the EVP HR and the EVP Compliance, IP and General Counsel.

### **Disciplinary action**

Breach of the anti-corruption laws and regulations or internal policies will not be tolerated and may lead to disciplinary and other actions up to and including termination of employment. Hydro has a procedure for handling of disciplinary measures to help ensure a consistent and predictable handling of misconduct behavior by employees across various levels and geographies.

### **External partnerships and collaboration**

Joining forces in collective action is critical in the fight against corruption. Hydro has had a partnership with Transparency International for many years. Hydro is also a member of the Maritime Anti-Corruption Network (MACN), which provides valuable insight into the maritime industry – an important part of our supply chain. Through Alunorte, Albras, Mineração Paragominas, Hydro Energia, Hydro Extrusions and Norsk Hydro Brasil, Hydro has been a signatory of the Business Pact for Integrity and Against Corruption since 2017. The Pact is developed by the Ethos Institute in partnership with global organizations such as the United Nations and the World Economic Forum, seeking to unite companies with the objective of promoting a more ethical market and to eradicate bribery and corruption in Brazil.

We also take part in various external compliance networks to benchmark, learn and share best practices among our peers.

# Continuous improvement and review

Ensuring continuous improvement of the compliance system is essential. This is a key priority for Group Compliance and we always consider how our compliance system can be strengthened. Improvements can be based on conducted risk assessments, gaps identified through misconduct cases, developments in the regulatory landscape or external expectations or other input. Group Compliance is responsible for reviewing our key anti-corruption policies and procedures, including our Code of Conduct. Moreover, Group Internal Audit & Investigation regularly conducts internal audits on various elements of the compliance program. We also periodically conduct independent external assessments of the compliance program against internationally accepted compliance standards. The findings of such reviews are communicated to the Board.





Scan the QR code to read more  
in Hydro's Code of Conduct



*Industries that matter*

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Hydro is a leading aluminium and energy company committed to a sustainable future. Our purpose is to create more viable societies by developing natural resources into products and solutions in innovative and efficient ways.