

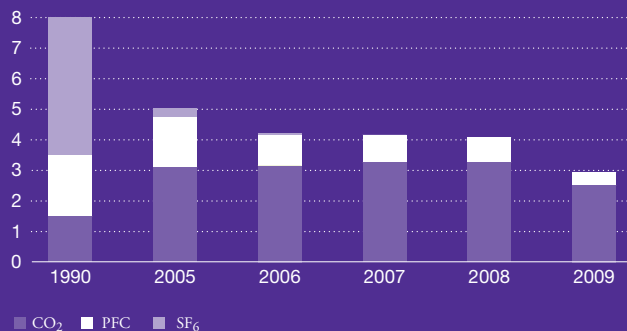
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Viability performance



Direct greenhouse gas emissions

Million tonnes CO₂-equivalents (CO₂e)



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QUICK OVERVIEW

Hydro's mission is to create a more viable society by developing natural resources and products in innovative and efficient ways.

In our terms, pursuing viability comprises a specific way of bridging viability and business, and a set of performance areas where we measure our progress.

This is what our viability performance reporting is about.

First, we describe The Hydro Way, a set of guiding principles that govern our activities and underpin our approach to viability. Next, we report on our viability performance in 2009 according to a set of areas that capture our most important viability issues while corresponding to generally acknowledged domains of reporting.

VIABILITY – THE HYDRO WAY

The Hydro Way is our approach to business. It's an approach that has lived within Hydro since 1905 and has underpinned our development over the years.

The Hydro Way originates from our company's identity - our unique set of characteristics - and constitutes a way of doing things that differentiate us from other companies.

The Hydro Way explains how we run our business through:

- Our mission
- Our values
- Our talents
- Operating model (The four How's)
- Strategic direction

These principles help us set our priorities and serve as a reference point when questions arise. Our mission describes our higher purpose and is supported by our talents and values.

Hydro's mission is to create a more viable society by developing natural resources and products in innovative and efficient ways. Inspired by our core values - courage, respect, cooperation, determination, foresight - our talents reflect what we do and how we do it:

- Building businesses that matter
- A passion for social commerce
- Always looking for commercial solutions
- Making the most out of what's available



In order to ensure a uniform high standard, Hydro's corporate directives lay down requirements. They are compulsory for all parts of the organization and build on The Hydro Way. The directives address various issues including strategy and business planning, economy and finance, risk management, organizational and employee development, health, safety, security and environment (HSE), as well as ethics and social responsibility.

Hydro has been atop the aluminium sector on the Dow Jones Sustainability Indexes (DJSI) each year since 2006, and we have been listed on DJSI every year since the index series started in 1999. We are also listed on the corresponding UK index, FTSE4Good.

ENERGY AND CLIMATE CHANGE

We have for several decades monitored our impact on the environment as part of a holistic approach to value creation. The increasing urgency of the situation has led us to establish a thorough climate strategy with a revised set of priorities. These priorities are essential to our overall business strategy. They include reducing the environmental impact of our production activities as well as taking advantage of business opportunities by enabling our customers to do the same. Some of the measures we pursue include:

- Using viable energy sources
- Reducing energy consumption and emissions in production
- Reducing CO₂ emissions through the use of our products
- Increasing recycling of aluminium
- Developing our solar energy business

Renewable energy is our preferred choice. About two-thirds of the electricity used in our primary aluminium production is from renewable sources, and we are the second-largest hydro-power producer in Norway with normal production of 9.4 TWh. In 2009, we produced 7.9 TWh, see page 98. The part-owned Qatalum smelter, coming into full production in 2010, is using natural gas as energy source. The International Energy Agency recognizes natural gas as an important energy source that can help contain global temperature increases.

In addition, we are utilizing our long experience as a hydro-power producer to find more renewable sources around the world. In cases where new production triggers the construction of coal-fired power plants, we will require the plant to plan for carbon capture and to be in a location with realistic storage solutions.

Starting in 1990, total greenhouse gas emissions from our ownership equity have decreased from 12.5 million tonnes CO₂ equivalents (CO₂e) to 4.8 million tonnes CO₂e last year. This is a 62 percent decrease. The 25 percent decrease from 2008 to 2009 was due to the closure of our Söderberg plant at Karmøy, Norway, reduced production in 2009 and operational improvements.

2009 target

- Continue working towards our climate ambitions

2009 result

- Revised emission targets for the electrolysis process
- The electrolysis process of aluminium production emitted 1.85 t CO₂e/t aluminium

2010 target

- The electrolysis process of aluminium production emits 1.73 t CO₂e/t aluminium
- Develop a recycling strategy

Ambition

- Aluminium production emits 1.52 t CO₂e/t aluminium in 2013
- Reduce specific climate gas emissions from rolling processes by 20 percent from 2007 to 2013
- Substantially increase recycling of contaminated and post-consumer scrap

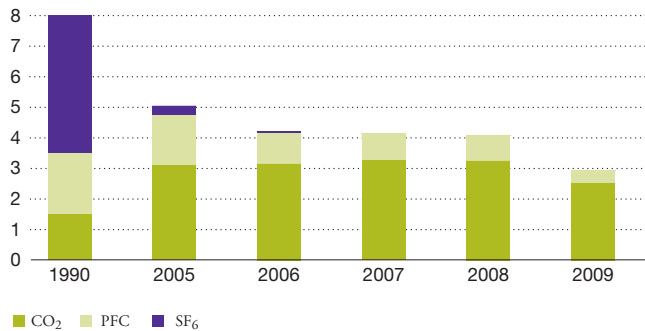
We have also reduced specific greenhouse gas emissions from our primary production by more than 60 percent since 1990. In 2009, we revised our goal to a specific direct emission of 1.52 t CO₂e/t aluminium in 2013. This is 18 percent better than the current level of 1.85 t CO₂e/t aluminium. To help meet our 2013 target, the Sunndal plant in Norway initiated a project to reduce the PFC emission from anode effects. This has led to a 65 percent reduction in total PFC emissions from 2007 until 2009. The project has also identified other potential improvements. The experience from Sunndal is now being transferred to other Hydro plants. Our vision is to move toward zero emissions.

In 2009, on average, we consumed 13,9 kWh of electricity to produce one kilogram of aluminium. The specific consumption is lower than in a normal year due to the curtailment processes. HAL4e, the technology we are now testing, is aiming toward electricity consumption of below 12.9 kWh per kilogram aluminium, see page 52.

We work closely with customers to develop products that save energy and reduce emissions. Aluminium facades can lead to lower operating costs and also enable buildings to produce as much energy as they consume during operation, see page 41. Lighter cars result in fuel savings and lower emissions on

Direct greenhouse gas emissions

Million tonnes CO₂-equivalents (CO₂e)



Direct greenhouse gas emissions from Hydro's consolidated activities.

the road, and lighter aluminium products and packaging reduce transport costs and emissions.

We have an ambition of a 20 percent reduction in specific climate gas emissions from our rolling processes from 2007 to 2013. Progress was made in 2009 through improvement measures at several plants.

We support the development of international frameworks on climate change and greenhouse gas emissions and participate actively in e. g. the World Business Council for Sustainable Development and the International Emissions Trading Association in order to provide business solutions to climate change. In addition, we work through aluminium associations to establish a level playing field globally for aluminium production. In 2009, we revised the way we work toward such organizations in order to improve internal coordination and the efficiency of our participation.

Remelting and recycling

Aluminium can be recycled infinitely without degradation of quality. Recycling aluminium requires only roughly five percent of the initial energy used to produce primary aluminium. This makes aluminium a viable material for the future. In

Develop and share!

"Among the many climate-related activities Hydro is engaged in, research into capturing climate gases from the production of aluminium is one of the most exciting. It is an example of research and development in which industry, the authorities and others can join together. Success is dependent upon sharing knowledge and technology with other parties. In this way, aluminium can be an even more important tool to address the climate challenges of today and tomorrow."

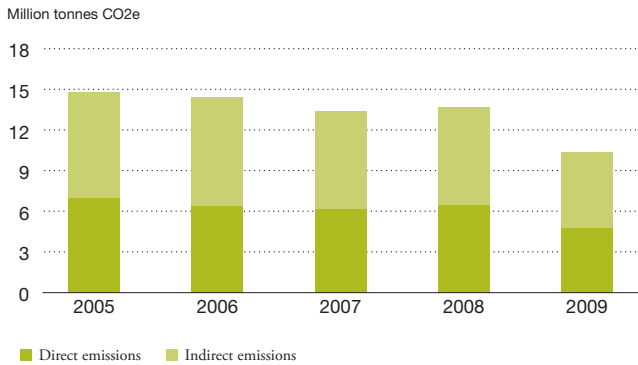
Einar Håndlykken, head of Zero,
(Zero Emission Resource Organisation, Norway).

Read full interview at www.hydro.com/reporting2009

Preparing for growth

We have initiated feasibility studies to develop a recycling center in Central Europe. The idea is to close the loops on all scrap types generated by our operations and those of our customers, and to prepare for the end-of-life phase for aluminium components in passenger cars, trucks, trains, ships, airplanes, buildings, etc. We expect significant growth in the amount of end-of-life scrap in the coming years.

Direct and indirect greenhouse gas emissions



Greenhouse gas emissions based on Hydro's ownership equity as per December 31, 2009. Indirect emissions are based on electricity consumption and IEA "CO₂ Emissions from Fuel Consumption" 2005 factors.

2009, we strengthened our efforts in recycling, and we will in 2010 develop a new recycling strategy.

Hydro is a large remelter of aluminium, with nearly 30 facilities worldwide. We remelt process scrap both from other companies and from our own production. In 2009, we also recovered 195,000 tonnes of coated and contaminated metal. Our expertise in remelting is a good basis for future expansion.

In Europe, 85 percent of the aluminium in automotive applications and 95 percent of the aluminium in buildings is presently recycled at end-of-life. The recycling rate of beverage cans in Europe is from 30 percent to more than 95 percent depending on the country, with an overall average of about 60 percent. This clearly demonstrates the continuing need for efficient recycling schemes. Hydro is participating with customers on projects that aim to improve recycling rates.

Over the past three years, we have invested in three new recycling furnaces in Hamburg, Neuss and at Alunorf, Germany, with total capacity of 150,000 tonnes per year. All three are operating.

Development in solar energy

Solar energy is one of the alternatives that can reduce the world's reliance on fossil fuels. Our experience in metals, industrial development and large-scale project management provides a strong platform for our solar business. Our solar ventures extend from raw materials and solar cell technologies to components and complete systems for solar installations. This includes participation in all main solar technologies:

- Photovoltaic (PV) solar cells, which convert sunlight directly into electricity
- Solar thermal installations, which use sunlight to heat water
- Concentrated solar power (CSP), which concentrates the sunlight with mirrors to produce heat and also power via steam turbines

Hydro is also a large producer of solar cell constructions.

We have ownership interests in three solar companies: NorSun, Hycore and Ascent Solar. NorSun aims to be a world leader in high-efficiency solar cells, with production plants in Finland and Norway. Hycore has been working on a process to produce solar-grade silicon for use in solar cells. Hycore's research and development activities, however, have been put on hold in 2010 due to the uncertainty related to further development of the technology.

Ascent Solar's building-integrated modules have been successfully pre-tested and the US-based company has started mass production on its new fabrication line in Denver, Colorado. As a result, our building systems business sector is completing the last development phase and certification process before commercialization of the photovoltaic "brise soleil" line of external shading devices under the brand names Technal and Wicon.

RESOURCE MANAGEMENT

In addition to climate change and energy consumption, our main environmental challenges are related to waste, emissions and biodiversity. Our ambition is to minimize our environmental footprint through the life-cycle of our products.

We have established environmental performance indicators for our production plants. The indicators vary between plants due to the inherent differences between, for example, large smelters and small extrusion plants. They help measure status and improvements, and enable us to focus on the most important issues. Our primary metal business targeted an 8 percent reduction in environmental footprint from 2008 to 2009. We achieved this by a good margin.

After long and heavy rains, red mud from the part-owned alumina refinery Alunorte in Brazil was accidentally discharged into a nearby river in April 2009. Although the design of the refinery's drainage system exceeds the legal requirements, the system was unable to handle the large precipitation. Corrective actions have been taken, including strengthening the drainage system and improving the surveillance of the water treatment facility. Alunorte was fined for the incident, but has appealed.

Minimizing waste

Our goal is to minimize the amount of waste produced and then reuse or recycle it. This is beneficial both environmentally and economically.

Spent potlining (SPL) from the electrolytic cells used in primary aluminium production is defined as hazardous waste. In 2009, we generated 28,000 tonnes of SPL, which was 31 percent below the amount from 2008. The amount of SPL is equal to 13 percent of our total waste and 26 percent of our amount of hazardous waste. The reduction in SPL in 2009 was due to the closure of our Soderberg plant at Karmøy, and reduced production in general. By extending the life of potlining, we expect to further reduce the total amount of SPL. In

2008, the Norwegian smelters and NOAH, the company taking care of our SPL waste in Norway, performed tests regarding the recycling of SPL. This cooperation continued in 2009.

We have launched an internal project to study the overall waste situation at our smelters. In addition, our Qatalum joint venture is aiming at “no-SPL-to-landfill” through a joint effort between some of the Arabian Gulf smelters with a view to using the SPL in the cement industry.

In 2009, we formalized a cooperation with an external partner to help identify applications for production waste from our Norwegian smelters. We are also analyzing the feasibility of a recycling plant on-site the primary smelter at Karmøy, Norway, as part of our ambition to develop a sustainable solution for recycling dross from Scandinavian sources.

Biodiversity and water

Hydro holds minority shares in bauxite mining and alumina. Part-owned MRN in Brazil follows a program, regarded as industry best practice, that is systematically replanting forests using local seeds and rehabilitating fauna. The International Aluminium Institute reports MRN made clear progress during the 10-year period ending in 2002, and that the rehabilitated area is getting closer to its original state prior to the start of bauxite mining. Alunorte is making similar efforts on its red mud deposits. The red mud deposits at Alpart in Jamaica - which was temporarily shut down in June 2009 due to the financial crisis - represent a challenge, and will be evaluated before the restart of operations. The company’s land rehabilitation program is continuing independent of the shutdown.

When developing new projects, we pre-examine environmental issues. The early detection of possible biodiversity challenges is vital.

The ongoing loss of biodiversity and degradation of ecosystem services represents a long-term risk for industry. We see a need for more sustainable frameworks and are participating in several initiatives, including the WBCSD Ecosystem program.

The impact on aquatic life in rivers near our hydropower plants is monitored regularly. In addition, we are following up a rehabilitation project of the Måna River in Rjukan, Norway, with improvement of fish habitats in 2010-2011.

We are aware the freshwater situation might be a challenge in some of our operations. However, local initiatives show that with simple measures and focus, substantial water savings are achievable. Systematic mapping of our water situation in 2009 showed that only 7 percent of our water consumption took place in water-stressed areas, according to the definition used by the WBCSD. Less than one percent of the water consumption in our consolidated operations takes place in water-scarce areas.

Emissions

We have achieved significant emission reductions over the years. The major achievements are related to greenhouse gases as well as dust and particle emissions. The closure of our

2009 target

- Reduce the environmental footprint in our Primary Metal business with 8 percent from 2008
- Systematic mapping of our water situation in order to identify areas for improvement

2009 result

- Reduced the environmental footprint in our Primary Metal business by more than 8 percent from 2008
- Mapping of our water situation showed 7 percent in water-stressed areas, none in water-scarce areas

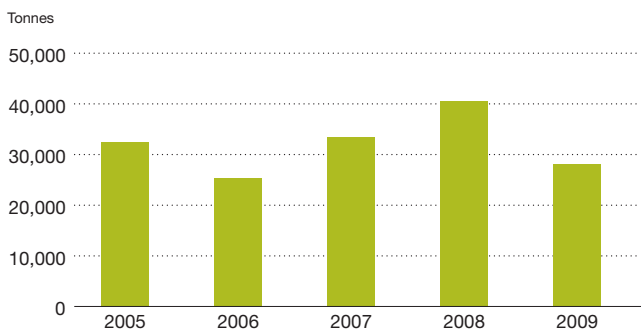
2010 target

- Continue work to minimize total amount of SPL and find sustainable use of it.

Ambition

- Minimize our environmental footprint through the life-cycle of our products

Spent potlining



The increased amount of spent potlining in 2007 and 2008 is a result of the Slovaco smelter in Slovakia was included in our figures and increased relinings at Sunndal, Norway as the first cells in the new line were due for relining and increased relining at Karmøy, Norway.

former Söderberg lines has positively affected plant emissions of PAH, greenhouse gases, dust, particles and fluoride. In the last five years, our emissions of fluoride, and PAH to air per tonne primary aluminium produced, have been reduced by 11 and 90 percent, respectively.

REACH

The EU regulation on chemicals, REACH, entered into force on June 1, 2007. Aluminium is covered by the regulation. We acknowledge the goal of REACH and we have been working actively to ensure that we are in line with this legislation.

We are on track to implement REACH. A cross-sector project group has been established to ensure coordination across the businesses and sharing of best practices. See also page 37.

INTEGRITY AND HUMAN RIGHTS

We have zero tolerance of corruption and human rights violations. If non-conformities are registered, our policy is to demonstrate openness and learn from negative experiences.

The annual business planning process and inclusion of key performance indicator actions are used to implement the integrity program as well as other corporate responsibility topics, see Note 11. Requirements have been drawn up regarding how corporate responsibility should be taken into account in business development, investments and during the execution of projects. For the 2010 business planning process, a risk mapping tool for integrity and human rights was introduced.

Employees may report any breaches - or perceived breaches - of Hydro's requirements through the whistleblower channel. A number of cases were reported in 2009, and all cases were investigated. One of the incidents investigated by Internal Audit had disciplinary consequences. There is still a need to improve accessibility to the whistleblower channel. The evaluation planned for 2009 was postponed until 2010. At least once per year, Hydro's internal auditor informs corporate management about utilization of the channel. As required, it is possible to report anonymously. In 2009, Hydro's internal audit unit began reporting directly to the company's board of directors.

Countering corruption

Hydro's Code of Conduct is approved by the board of directors. Based on this, the Hydro Integrity Program was launched in 2005 to prevent corruption and human rights violations connected to our activities. The program includes risk mapping, tools and training. We updated the program in 2009 to make it more practicable and accessible to employees. About 2,900 employees have participated in the training program, while 120 employees from joint-venture partners have taken part. Training includes dilemma discussions on anti-corruption and human rights.

'The tone from the top'

"One should never underestimate 'the tone from the top.' When the leader of a company communicates clearly in words and actions, it should become easier to build an internal culture with a high level of consciousness around ethics and anti-corruption. My impression is that many managers are not fully aware of the influence they can actually exercise.

One aspect of this is being able to share experiences with others. Even bad experiences are useful. Turn the negative into something positive! I don't think that toning down or hiding difficult cases provides any benefit for management or for the company. It would give a signal that this was only an unpleasant occurrence that did not affect the company or lead to change."

Guro Slettemark
Secretary General, Transparency International - Norway

Read full interview at www.hydro.com/reporting2009

An interactive e-learning program on corporate requirements includes anti-corruption training and information about our whistleblower channel. See page 49 for more information.

The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) decided in May 2009 not to open an investigation of the so-called Libya case. Økokrim was presented with the results of an investigation carried out on behalf of Hydro's board of directors in October 2008. The investigation was performed after questions concerning Hydro's former Libyan activities were raised in connection with the merger of Hydro's oil and gas activities with Statoil to form StatoilHydro (now Statoil) in 2007.

Promoting human rights

We support the principle of freedom of association and collective bargaining, and have a long tradition in maintaining good dialog with employee organizations. Our most important role related to human rights is to secure decent working conditions in our organization, in minority-owned companies and with our suppliers.

Almost all our production sites in Europe and Australia - representing 85 percent of our employees - are unionized. About 80 percent of our employees in Norway belong to unions, and a large proportion of employees in Germany are also union members, the majority belonging to IG Metall and IG Bergbau, Chemie, Energie. Hydro has facilitated contact between union representatives across borders. In countries where the right to form trade unions is restricted, we try to find alternative fora to uphold the employees' right to influence their work situation, like in Qatar and China, see page 47.

It is essential for us to avoid the use of child labor and forced labor, in Hydro's activities and in those of our suppliers and collaborating partners. We are concerned about fundamental labor

2009 target

- No instances of corruption
- No instances of human rights violations
- Hydro Integrity Program review
- Review of CSR in supply chain management

2009 result

- No known instances of corruption or human rights violations
- Hydro Integrity Program reviewed
- New corporate procedure for CSR in supply chain management
- New CSR mapping tool

2010 target

- No instances of corruption
- No instances of human rights violations

Ambition

All important suppliers should comply with our supplier standards. All our units should comply with our anti-corruption, human and labor rights standards, and report their performance. We intend to be a preferred partner worldwide because of our responsible business operations.

Working conditions at Qatalum

Qatalum employees receive competitive salary terms in a pay system based on position grades. Total compensation is therefore independent upon the country of origin and is comparable to levels in many European countries.

The agreement with the employees in the operational organization includes free housing. It is prepared for health services of a high standard for the entire family, schools and kindergartens as well as memberships in family clubs. In addition, extensive job training is offered. The goal is to build and maintain a competent and engaged workforce with a high degree of stability.

Qatalum has an industrial relations function, responsible for facilitating the cooperation between the employer and the employees.

'Open for dialog'

Following reports in the Norwegian media in 2008 criticizing working conditions for construction workers at the Qatalum project in Qatar, KLP (the Norwegian public sector pension fund) chose to enter into a dialog with Hydro to investigate. "Our experience is that Hydro is open to dialog, in this case, too, where we concluded that there was no foundation for the criticism. We went to Qatar to get a better picture of how the company deals with challenging questions. We found out that Hydro has helped establish a standard far beyond what is common in Qatar. It is important for us to be able to say that the company is responsible and willing to raise standards, like for guest workers."

Jeanett Bergan,
head of responsible investing in KLP Kapitalforvaltning

Read full interview at www.hydro.com/reporting2009

rights, such as freedom of association, minimum wage requirements, and the regulation of working hours. We do not tolerate discrimination on the basis of gender, race, national or ethnic origin, cultural background, social group, disability, family status, age, or political views. See also page 49.

In 2009, across the company, we measured the implementation of the Hydro Integrity Program, including respect for human rights. This self-assessment confirmed that employees are made aware of basic human rights.

It is necessary to employ security staff in some areas, including armed guards for the protection of personnel, property and business activities. No negative incidents in connection with our use of security staff were registered in 2009.

The rights of indigenous peoples are a concern in our part-owned operations MRN in Brazil and Alouette in Canada. Local management is handling the dialog with the indigenous' representatives. In the bauxite project at Kimberley in Australia, that was terminated with effect from December 31, 2009, the traditional population was an important discussion group and success criteria. The project team had a constructive dialog with representatives for the indigenous population in the region regarding the progress of the project and the conclusion to terminate.

The relocation of people is sometimes necessary. At part-owned Alpart, a number of families are relocated every year. Agreed relocations will also take place during the temporary

shutdown of the plant. Relocations at Alpart are voluntary. For relocations at the CAP project in Brazil, please see page 47.

Corporate responsibility in the supply chain

We updated our supplier requirements regarding corporate responsibility in 2009. In general, the requirements shall form an integral part of all stages of the procurement process. They cover environment, human rights, anti-corruption and working conditions, including work environment. Implementation is risk-based and takes into consideration contractual value and country risk, et al. The principles include auditing rights and the contractors' responsibility toward subcontractors and to their suppliers as well.

Voluntary commitments

Our most important voluntary commitments are our support of the principles set out in the Universal Declaration of Human Rights and the UN Global Compact. We also support the OECD's Guidelines for Multinational Enterprises, Transparency International's Business Principles for Countering Bribery (BPCB), the World Economic Forum's Partnering Against Corruption Initiative (PACI), and the Extractive Industries Transparency Initiative (EITI). We voluntarily report payments to host governments related to exploration and extraction activities for bauxite, as well as operations for the production of aluminium oxide, based on EITI's principles.

Total payments (taxes, fees, etc.) to host governments ¹⁾

NOK million	2009	2008	2007	2006	2005
Australia	(0.7)	0.4	6	0	0
Brazil	160	139	89	127	25
Jamaica	19	90	81	79	56

1) Total payments to host governments in connection with the exploration and production of bauxite and alumina. Payments include benefit streams, profit tax, royalty, license fees, rental fees, entry fees etc. The reporting is based on the principles in Extractive Industries Transparency Initiative (EITI). The table is included in the limited level of assurance review of Hydro's viability performance reporting 2009, but not in the financial audit.

We are also cooperating with several organizations, including TRACE (Transparent Agent and Contracting Entities), Transparency International (TI), and Amnesty International (AI). Learn more at www.hydro.com

According to our internal directives, Hydro is not permitted to make financial contributions to political parties.

COMMUNITY IMPACT

Ensuring responsible conduct in relation to society at large is an important element in restructuring processes. The financial crisis has put Hydro's organization under severe strain. Our long experience in responsible restructuring has been severely tested.

Completing construction of the new aluminium plant Qatalum in Qatar was a core activity also throughout 2009. The plant's first cells were put into production on December. 20.

Demanding restructuring

In recent years, we have accomplished several demanding restructuring processes worldwide. It was important to build on these experiences during the challenging restructuring processes in 2009.

The demanding market situation, see page 10, has led to capacity reductions and closures throughout the organization. This includes a 30 percent reduction in staff and support manning, and NOK 750 million in reduced manning and external costs.

We cut back our total primary aluminium production capacity by 340,000 tonnes in 2009. At our plant in Neuss, Germany, production capacity was temporarily reduced from 235,000 tonnes to 50,000 tonnes, affecting 700 employees who have different levels of reduced working hours. Mothballing the plant's primary production is under discussion, while the casthouse will continue. The Söderberg line at Karmøy, Norway, which was scheduled to close at the end of 2009 due to environmental requirements, was closed nine months earlier. The oldest production line in Sunndal, Norway, was temporarily closed in May. Part-owned Sørødal at Husnes, Norway,

has temporarily stopped half its production, with 85 employees temporarily laid off. Slovalco in Slovakia also had production curtailments, but without layoffs. At Slovalco, full production was resumed in January 2010.

Operations at the minority-owned alumina refinery Alpart at Jamaica were temporarily closed in June 2009, making about 1,000 employees redundant. The employees received severance packages according to good business practice locally and in agreement with the local unions. Contractor employees, equivalent to approximately 100 man-years, are responsible for necessary maintenance and the ongoing land rehabilitation program.

Hydro's automotive structures activities with 1,200 employees were divested to the German industrial enterprise Benteler Group. Our smallest rolling mill, Inasa in Spain with 220 employees, was divested to the German company Bavaria Industriekapital AG. Hydro's precision tubing plant in Adrian, Michigan, was closed down in February 2010, affecting 120 employees. Its products and production equipment have been moved to Rockledge, Florida, and Reynosa, Mexico. More than 150 employees have been laid off by our precision tubing unit in Tønder, Denmark. Since 2006, the number of employees working for Hydro's extrusion activities in the Americas has been roughly halved to adapt to the difficult market situation.

All manning reductions have been communicated in advance to union or employee representatives and have followed the layoff requirements specified in relevant collective bargaining agreements and legislation. All layoffs have been handled fairly, objectively and in a manner that reduces the risk of discrimination as it pertains to age, gender, race and veteran status, while preserving the competence needed. Different means have been used to reduce the impact on employees and local communities concerned.

New projects

When planning new projects, we map environmental and social impact. Our analyses follow the Equator Principles, and thus reflect the World Bank's and the International Finance Corporation's requirements regarding information, consultation and

Rolling layoffs in Sunndal, Norway

The oldest production line in Sunndal, Norway was temporarily closed down in May 2009. Upon request from the main local union and in agreement with the local Labor and Welfare Organization (NAV), it was decided to introduce a system of rolling temporary layoffs to minimize the strain on each individual. Instead of temporarily laying off 160 employees for a longer period, all employees in the affected organization are included in a scheme of five-week layoffs. This includes the plant manager, his management team and employee representatives. It is a complicated task to make sure that the necessary competence is present at all times, but the system has been an important tool in sharing the burden during difficult times in a small local community.

'Does something to you'

"We brought up - locally and centrally - how layoffs would be implemented, and our views were understood quickly. We are very concerned about the effects of long-term layoffs on people - and that means that you always lose some competence."

Eivind Torvik,
head of the Sunndal (Norway) union
chapter of the Industri Energi union

Read full interview at www.hydro.com/reporting2009

'We are kept up to date'

"Already in the autumn of 2008, Primary Metal management involved us in their deliberations, which were based on a very pessimistic outlook for 2009. In the "Restructuring Rheinwerk" project, employee representatives have been included and kept up-to-date. Hydro management treated us fairly, and they still do."

Günther Appelstiel,
chairman of works council for the Neuss plant and for
Hydro's legal entity in Germany

Read full interview at www.hydro.com/reporting2009

2009 target

- Effective restructuring carried out with respect to employees and their communities

2009 result

- Substantial restructuring processes executed in cooperation with employees and local communities

2010 target

- Responsible restructuring carried out with respect to employees and their communities

Ambition

We intend to be a preferred partner worldwide due to our responsible business operations.

investigation of the project's environmental and social impact including human rights, as well as an action plan and proposed initiatives. Dialog with affected groups gives input to plans detailing our environmental and social responsibilities. We strive to act in an open and credible manner, and gather views from interested parties, aiming for a common understanding of the decisions that are made.

Hydro holds a 20 percent share in a planned alumina refinery Companhia de Alumino do Pará (CAP) in Brazil. Before entering into the project, we initiated an independent review of the resettlement process. The review concluded that the resettlement had been conducted in compliance with the Equator Principles and the International Finance Corporation Performance Standards. The resettlement involved about 120 families. Most families responded in a survey that their quality of life is unchanged or improved after the relocation. Potential improvements are continuously assessed and implemented.

On December 20, 2009, Qatalum started production of primary aluminium, see page 12. Qatalum aims to be a catalyst for growth in the manufacturing sector in Qatar. This includes the purchase of goods and services.

Hydro and the government of Angola signed a Memorandum of Understanding in May 2009 to explore the feasibility of an integrated project for hydropower and aluminium production. At a seminar with Angolan and Norwegian authorities in Luanda, in November 2009, we presented the project, its effects on social development as well as its local content with regard to contractors and suppliers, employment opportunities, and training and capacity building.

Dialog with affected parties

We have a long tradition of conducting a dialog with the relevant parties affected by our activities, such as unions, works councils, customers, suppliers, business partners, local authorities and non-governmental organizations. Stakeholder dialog is based on our experience and principles developed by an international working group headed by the Institute of Social and Ethical Accountability. We identify and initiate dialog to ensure that all views are aired and our decisions communicated. In major projects, stakeholder dialog is a requirement of Hydro directives,

local law, World Bank guidelines, the Equator Principles, et al. At regular intervals, employees are given the opportunity to put questions over the intranet to top management. It is possible to ask questions anonymously, and answers are posted on the intranet. President and CEO Svein Richard Brandtzæg has his own blog on our intranet where employees can add their comments, also anonymously.

Despite an extremely challenging year, with significant workforce reductions, our extrusion organization in the Americas maintained in 2009 its "Beyond Nashville" program of employee engagement, with employee teams contributing to improved operations in many plants. At year-end, a further expansion of this program was being launched. "Way beyond Nashville" incorporates more Kaizen and continuous improvement methodology, and expands the scope to include community, as well as plant, improvement initiatives.

Sponsorships and community investments

In total, Hydro spent more than NOK 26 million on charitable donations, sponsorships and community investments in 2009. Important elements are our support of the Nobel Peace Center in Oslo and the Oslo Philharmonic Orchestra.

Other important contributions are the transfer of competence that takes place through our cooperation with universities and research institutions. This includes scholarships to selected PhD

Employee dialog in China

Hydro has 200 employees in China, the majority employed at the precision tubing plant in Suzhou, near Shanghai. Communication with the employees is secured in different ways, including general meetings at different levels of the organization with five to 100 people. HSE is always the first part of the meeting agenda. Another mandatory part is a Q&A session for two-way communication. We also have bi-weekly meetings between representatives from each department to discuss potential risks in the workplace and follow-up actions. Information about work environment requirements in Hydro, as well as the corporate whistleblower channel, is available in Chinese through the "You and Hydro" brochure and e-learning program, see page 49.

Books to local school children

Our Acro unit in Brazil last year donated 22,000 books to local school children. Offering themes such as citizenship, environment, health and folklore, the books will support teaching for approximately 150 students and 10,000 kindergarten-aged children. Hydro in Brazil supports several social projects seeking to promote citizenship and provide alternatives for children. In addition to the books, Acro also donates uniforms, teaching materials, computers and assists in building maintenance.

Supporting small-scale businesses

The part-owned alumina refinery Alpart at Jamaica was temporarily closed down in June 2009. The social investment program continues, however, through the Alpart Community Council's micro-enterprise assistance program that supports local small-scale business, and a youth program providing sports, culture and character development.

students within our business areas. In 2008, we agreed with the Norwegian University of Science and Technology (NTNU) to sponsor two professorships for three years in the electrolysis field and within alloy development and material technology. NTNU is committed to continue the positions after the conclusion of the sponsorship period. Together with Qatalum, we are sponsoring an Aluminium Faculty Chair at Department of Chemical Engineering at Qatar University in Doha. The professor lectures on aluminium production technology

It is important that our employees enjoy good health, and feel safe and appreciated. Healthy and motivated employees perform better and are more creative, and in that way contribute to increased profitability and better results.

ORGANIZATION AND WORK ENVIRONMENT

Our ambition is to be highly competitive when it comes to recruiting and keeping the best qualified personnel. We focus on developing a healthy and safe work environment, providing each employee with conditions for the continuous development of her or his expertise. Even though we achieved our 2009 target to decrease by 20 percent our rate of recordable injuries per million hours worked - we had an actual decrease of 26 percent - we had three fatal accidents. We are focusing on the prevention of high-risk incidents to prevent further fatal accidents.

Effective organization

Hydro had 19,249 employees at the end of 2009, a decrease from 22,634 in 2008. The reduction was primarily a result of the ongoing restructuring processes, including closure of the Söderberg line at Karmøy, Norway, and reductions in our downstream operations and central staffs. Our automotive structures operations were sold at the end of the year, directly affecting some 1,200 employees.

Hydro's organization in 40 countries represents great diversity, both in terms of education, experience, gender, age and cultural background. We see this diversity as a significant resource, not least to encourage innovation. Good leadership, proper organizational structure and the right tools are all essential if we are to achieve this. This includes attracting - and retaining - the right employees.

Restructuring and continuous improvement are essential elements of our business operations. In 2009, all our employees were affected by restructuring processes. Our aim is to involve employees in such processes at an early stage to have the best results both for the individual and for the company. See also page 46.

In March 2009, Hydro divided its Aluminium Metal and Aluminium Products business areas. We now have six business areas: Energy, Primary Metal, Metal Markets, Rolled Products, Extruded Products and Projects. The business areas have different operations in various markets. Staff functions were aligned to the new structure and organized in corporate, business and shared service staffs. As a consequence, our organizational model has moved toward a flatter and more market and operations-led structure. This renewal will help us fulfill our potential as an integrated company.

'We will not be resting on our laurels'

"This award bears testament to Deeside's policy of not standing still, of not accepting systems are OK or just adequate, of having committed personnel who are constantly reviewing systems and practices to see where improvements can be made, so be assured we will not be resting on our laurels. We will continue in our efforts to make the work place safer."

Henry Wilkins, Senior HSE Worker Representative, Deeside.

Read full interview at www.hydro.com/reporting2009

Attract, develop and retain innovative and competent employees

Also during the difficult market situation, we see the importance of maintaining our position as an attractive employer. In 2009, we started developing a new graduate program which will apply to all new graduate recruits. The aim is to develop a program that combines business and individual needs, and ensures that all new graduate recruits go through a structured and individual program that maximizes their potential in their new job and for the longer term. The program has a duration of 12 months.

New employees are offered essential training, to get to know the organization and their work tasks, and to gain the required competence within health, security, safety and envi-

ronment. A special training course welcomes the employees, giving them insight into Hydro's history, values, competitive landscape and businesses. An interactive e-learning program - "You and Hydro" - deals with Hydro's policies and the rights and obligations of its employees, and is mandatory for all employees worldwide. The program discusses some of the dilemmas employees may meet in their daily work and presents a spectrum of work situations relevant to employees everywhere. It also raises issues like safety, security, work environment, human rights, anti-corruption and reporting. See also www.hydro.com/youandhydro

The most important development takes place locally, mainly with on-the-job training, but also through locally organized training.

Our aim is that every employee should have an annual appraisal dialog and participate in an organizational survey at least once every two years. Two key processes form the basis for organizational development in Hydro. Hydro Monitor is an employee survey where we gauge the climate in the organization at regular intervals. In 2007, when more than 10,000 employees had the opportunity to take part, the response rate was 85 percent. The next survey had been planned for 2009, but due to heavy restructuring measures, the survey was postponed until early 2010, when all employees were invited to participate. We are aiming for a response rate of minimum 86 percent in 2010. We wish to use the survey as an organizational tool to drive employee engagement and improve our effectiveness and performance. Employees throughout the company will be involved in organized discussions and workshops to identify improvement actions. Implementation of these actions will be followed up.

The Hydro Leadership Development Process (HLDP) is our common tool for employee appraisal dialog, individual development and follow-up. HLDP is mandatory for leaders.

Developing managers able to deliver on Hydro's strategy and ambitions is key to our leadership planning process and leadership training programs. In 2009, we further developed our leadership expectations based on Hydro's values. The expectations define the behavior expected of leaders at every level in our company and they will guide leadership assessment, reward and development activity. Our new leadership expectations will become part of our leadership development programs.

In order to have a healthy pipeline of senior leaders with the required breadth of experience, we emphasize rotating employees early in their career so that they gain the required skills from different parts of the organization. KPIs are developed in the different business areas to measure rotation.

Diversity

We emphasize diversity with regard to nationality, culture, gender and educational background when recruiting, and when forming management teams and other working groups. Women are represented in all business areas and most sector management teams, and we are aiming at further diversity at all levels. Most female top managers hired in recent years have been recruited internally.

A competent and engaged workforce

Qatalum's permanent operational organization will consist of employees from many countries. A large part of those employed are highly qualified. The organization is working to establish shared values and working principles, and common working procedures. Obligatory training for everyone includes Qatalum's values, production system, HSE, and general industry knowledge. In addition, all receive job-related training. After process training, all operators and technicians are assessed according to standard operating procedures and requirements to the role to fill. Experienced employees from several of Hydro's aluminium plants contribute to an effective start-up and transfer of expertise to the new organization. Training is a project delivery from Hydro, and the project team will be demobilized at the end of June 2010, after takeover by the internal Qatalum training department.

2009 target

- No fatal accidents
- Total recordable injuries per million hours down by 20 percent
- Implementation of a Work Environment Risk Assessment KPI in all units

2009 result

- Three fatal accidents
- Total recordable injuries per million hours down 26 percent
- Work Environment Risk Assessment implemented in all business areas and at most sites

2010 target

- No fatal accidents
- Total recordable injuries per million hours down by 20 percent to 2.3
- Response rate of Hydro Monitor employee survey exceeding 86 percent

Ambition

Our ambition is to have no fatalities or other serious injuries and no new work-related illnesses. We will utilize HSE opportunities as a competitive edge.

Setting an example

Primary Metal's technology unit has 106 employees located in Årdal, Norway. Twelve nationalities are represented: Denmark, Germany, Iceland, India, Netherlands, New Zealand, Norway, Poland, Slovakia, Somalia, Sri Lanka and Sweden. The share of non-Norwegians is 17 percent, and 32 percent of the employees are female.

We are continually adjusting working conditions so that all employees, regardless of their operability, have the same opportunities in their places of work. The principle of equal terms is prioritized in recruitment, job promotions or individual development. In the restructuring processes carried out in 2009, some jobs were organized for employees with reduced operability, with the physical working environment adapted accordingly.

Share of non-Norwegian leaders



Share of women leaders



The total share of women at all levels in Hydro (excluding USA) was 15 percent in 2009.

In 2009, only around 70 new employees were recruited to the Norwegian part of the organization, compared to 450 in 2008. Of these, 21 percent were women in 2009, as compared to 30 percent in 2008. About 27 percent of the university graduates hired last year were women. Totally, 15 percent of Hydro's employees (excluding USA) are women, compared to 19 percent in the Norwegian part of the organization. The 102 graduate trainees we have recruited since 2005 include 45 women and 57 men. They represent 28 nationalities.

Compensation

All employees shall receive a total salary that is fair, competitive, and in accordance with the local industry standard. Only relevant qualifications such as performance, education, experience and other professional criteria shall be taken into account when making appointments, or when providing training, settling remuneration and awarding promotion. There are no significant gender pay differentials for employees earning collectively negotiated wages in Norway. Salary conditions for graduates in the Norwegian business are reviewed on a regular basis. No general gender-related differences have been found. See also Note 11 for further information on our compensation system.

Health and work environment

Hydro shall be a leading company in the area of health and work environment. Our business planning process is used to ensure continuous improvement throughout the organization, and follow-up is reported on a quarterly basis.

We work continuously to avoid new work-related illnesses, and track the development through a corporate reporting tool. Guidelines for assessing the work environment risks are actively used by the business areas to help map and evaluate Hydro's work environment.

To ensure focus on the physical and chemical work environment and encourage further improvements, we have established a work environment risk assessment performance

indicator. It is a proactive indicator, describing the potential for possible future damage to health. The indicator has been introduced and implemented at more than 80 percent of our sites, and is followed up at business area level. Targets for 2010 have been set based on identified risk-reducing measures, and may be followed up through a corporate reporting tool.

Hydro Monitor (see page 49) is also used as a tool to track the work environment, and results are implemented in local action plans.

In 2009, we prepared for a possible pandemic flu situation. None of our sites reported pandemic outbreaks during the year.

Registered sick leave in Hydro was 3.8 percent in 2009, up from 3.7 percent in 2008. The rules for sick-leave registration differ from country to country. Our sick leave in Norway is significantly higher than in Hydro on average, but relatively low compared to the average rate in Norwegian industry. In Norway, sick leave was 5.1 percent compared to 5.6 percent in the previous year. Men's sick leave was 4.9 percent, down from 5.1 percent in 2008, while women's sick leave decreased significantly from 7.5 percent in 2008 to 6.0 percent in 2009.

For information about REACH, see page 43.

Safety

Our ambition is to avoid all serious accidents. We work continuously to avoid damage to property, and loss of production. This applies to all our activities.

We had three fatal accidents in 2009. A contractor employee was killed when the ground under him collapsed at the Qatalum project in Qatar. At the Svandalsflona power plant in Norway, two contractor employees died during rehabilitation of the plant. The accident occurred when a mass of water and stone built up in a surge shaft suddenly loosened and poured into the tunnel and power station.

The total number of personal injuries per million hours worked (TRI, including injuries leading to absence, injuries resulting in alternative work, and injuries demanding medical

The President's HSE Award

Metal Markets, Deeside, UK, won the President's HSE Award 2009, for units with less than 200 employees. Primary Metal, Sunndal Metal Plant, Norway won the award for units with more than 200 employees.

The jury emphasized that the Deeside management is highly committed to HSE and focused on learning to improve further HSE performance. There is a deep employee involvement through development of one-point lessons, and a very good understanding and implementation of energy control.

The other winner, Primary Metal, Sunndal Metal Plant, is, according to the jury, characterized by a highly committed management and workforce, visible management and good communication throughout the organization, excellent systems and methodologies for continuous improvement in place and a high level of management attention for control of HSE hazards.

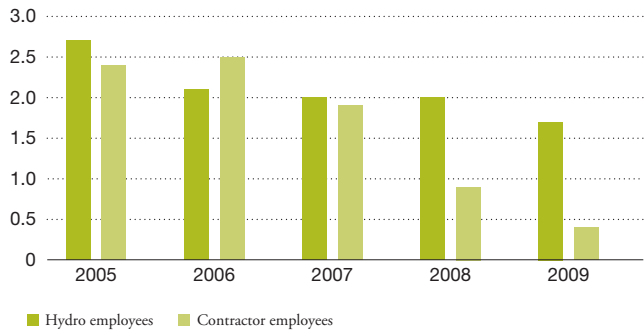
attention) was reduced from 3.9 in 2008 to 2.9 in 2009. This corresponds to an improvement of 26 percent and thus meets our target of a 20 percent improvement. In a 10-year perspective, we have reduced the number of personal injuries per million hours worked from 12.9 in 1999 to 2.9 in 2009.

Although our TRI rate has been decreasing steadily for many years, the fatality rate has not shown the same improvement. As a consequence, we are following up even closer with thorough analyses and risk evaluation of all high-risk incidents to determine how fatalities can be avoided. We will reinforce these activities, emphasizing incident analyses and risk management.

Risk awareness and management commitment are important to improved safety performance. Internal investigations are routinely initiated after fatal accidents and other serious incidents. Special emphasis is made with regard to work permits, energy control, traffic on site and on public roads, contractor safety, cranes and lifting equipment and work at heights. More than 8,000 contractor employees received work at height training at the Qatalum project during 2008 and

Lost-time injuries

Per million hours worked



2009. Most of our downstream units mapped traffic risks during 2009. Best practices are being shared and a performance indicator was introduced in our European extrusion plants.

After a fatal accident in 2008 at the rolling mill in Holmestrand, Norway, our Rolled Products business area made a training program that all employees have now completed. Risk areas were identified and visualized, and risk-reducing measures, like separation of traffic routes, implemented.

Security

It is important to safeguard employees, the environment, our assets and reputation. An increased presence in areas of risk, and increased threats generally, have led us to intensify our preventive efforts.

We are responsible for infrastructure and functions which on local and regional level might be critical to society's operability. Our hydroelectric power business is subject to control and tight follow-up of critical infrastructure by national authorities. Parts of the power grid we utilize for energy supply to our industry, are also important for supplying the

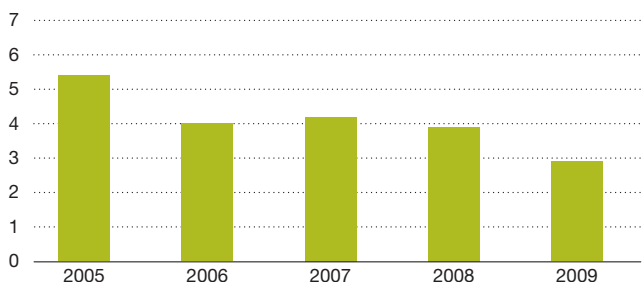
Fatal accidents

Per 100 million hours worked, five years rolling average



Total recordable injuries

Per million hours worked



common public. Other areas of greater importance are supervision and maintenance of dam installations and actions to prevent flood and damage caused by floods along waterways. These issues are core to our emergency planning, and we keep a high state of readiness. This is monitored through annual exercises.

Employees are trained in information security. Crucial computer systems are subject to surveillance and regulations. Every person with access to sensitive information is bound to secrecy and required to handle the information with due care.

A threat and vulnerability assessment forms the basis for preventive measures. A central emergency team is in place to support line management and ensure crisis handling in accordance with Hydro's requirements and expectations.

Tools for risk management and travel safety and security learning, have been developed. Employees are safeguarded through our systems for travel planning, risk assessment and emergency preparedness. Our ability to respond quickly to incidents worldwide has increased through risk monitoring, incident-monitoring tools and competence development.

INNOVATION

In our industry, we have to start developing today the technology we will be using 10-20 years down the road. That's why we are working to maintain progress, unaffected by the fluctuations of the business cycle. Electrolytic technology, solar energy and building-integrated photovoltaic systems are among the areas we are developing. At our development center in Toulouse, France, we are testing systems that can help buildings produce as much energy as they use. Further, we work closely with architects to ensure that these solutions are aesthetically rewarding. In order to develop solutions that will make our building systems even more efficient, we are collaborating with several universities and external research institutions.

It is our ambition to be a leader in the development of electrolytic technology, and our HAL4e technology demonstrates that we are taking a lead in this field. Intensive efforts are being made to achieve further improvement.

During 2009, we allocated NOK 690 million to R&D, compared to NOK 606 million in 2008. The greater part of this goes to our in-house research organization, while the remaining supports work carried out at external institutions. See also Note 14. We have a number of R&D centers in Europe and established in 2009 a new Technology & Competence Center in Doha, Qatar. Our main R&D tasks are connected to our smelter technology and product development.

The Hydro Technology Board aims at further enhancing innovation and ensuring that we live up to our ambition to be a technology leader. The board is headed by President and CEO Svein Richard Brandtzæg.

Metal production moving forward

We intend to make production more efficient and secure the necessary access to alumina and electrical power. Improvement efforts revolve around electrolysis technology and the positioning of new capacity in locations where there is a surplus of power.

Our proprietary electrolytic process is among the world's most efficient. It is used in the new plant in Sunndal and has been further improved for use in the Qatalum project. It is now further enhanced through our HAL4e technology. In 2009, the HAL4e test cells achieved an electricity consumption of 12.8 kWh per kilogram aluminium, compared to the target of 12.9 kWh. Hydro's average consumption in 2009 was 13.9 kWh per kilogram aluminium, which is lower than normal due to the curtailment processes. A verification test in February 2010 confirmed that the cells also fulfill the other targets set. Our next-generation technologies are advancing us further, increasing output while reducing electricity consumption and recycling energy from the production process. These technologies also address the challenge of capturing greenhouse gases from the production process.

Hydro Innovation Award

Hydro's Innovation Award was established to stimulate innovation within all aspects of the organization. The Hydro Innovation Award features three categories - Products, Processes, and Social, which includes organizational, environmental and other ideas. The 2009 candidates shortlisted, were drawn from dozens of submissions from throughout Hydro's businesses around the world. The three winners were announced in January 2010.

Processes: High profile strength, faster extrusion

A team at Research and Technology Development (RTD), Sunndal, took up the challenge to find a way to increase press productivity, one of the key parameters for the bottom line in the production of extrusions, and came up with a patented process. Based on this process they developed new aluminium alloys with lower contents of alloying elements that could be extruded faster (high speed alloys), but maintaining the profile strength of the previous alloys. Different heating rates are used during the heat treatment in order to increase the strength of extruded profiles.

Products: Step change in formability

Aluminium still has a great potential within the transport sector. Even more so when reduced weight is also a key to further reduction of CO₂ and other emissions from the vehicles. At our rolled products plant in Grevenbroich, Germany, a group of researchers took up the idea to find ways to speed up cooling of aluminium during hot rolling. They developed a product with significantly improved formability. As a result, one part made of aluminium can replace a number of parts in other metals. It means reduced weight, less joining and a more efficient production process. A technical aluminium alloy with elongation values exceeding 30 percent is a breakthrough in our industry.

Social: Improving fork truck safety

How to control and reduce the risks of using dangerous machines that are in daily use? This is a challenge in most industries. At Hydro's Ellay Enfield tubing unit in the United Kingdom, a team analyzed what had been achieved so far and developed a simple low cost solution to monitor all use of fork lift trucks. Their approach was not only to protect people and machinery, but also to promote safer attitudes and thus develop a better safety culture.

'Increases efficiency more than 30 percent'

A large part of our precision aluminium tubing products are spray coated with zinc after extrusion, for corrosion protection. A new solution that increases efficiency by more than 30 percent has been developed over the past. It also reduces costs by no less than NOK 1.25 million per year per press line. The solution was implemented at our Rockledge plant in the United States at the end of 2009, and will be implemented at our other precision tubing plants as well.

Further development of existing operations is important. Our target of reducing operational costs by USD 100 per tonne primary aluminium produced (see page 12-13) is based on operational improvements to reduce power consumption, improve energy efficiency and lower fixed and variable costs. Each plant has carefully evaluated every aspect of their operations to identify potential savings.

In 2009, we established Hydro Technology & Competence Center in Qatar Science & Technology Park, Doha. The center is operated as a technology center and will cooperate with local universities to attract and develop young local and regional students for later employment in aluminium-related activities. Hydro and Qatalum also sponsor an aluminium faculty chair at Qatar University. Sixteen students attended the courses in its first semester.

Our casthouses focus on process efficiency in terms of improved capacity utilization and improved process capability. Continuous improvement of our product quality is a strong part of our business concept, and is strongly linked to technical customer service. We develop our products together with customers, listening to customer needs in combination with improving own casthouse processes.

We will invest further into research and development in the recycling sector. Investment will be split into technology and process development as well as product development. With scrap collection and processing, we will work on optimization tools to avoid downgrading of materials. This includes scrap shredding and sorting technologies, receiving and sampling practices, and scrap blending tools. In the area of scrap-melting technologies, we will concentrate on improving metal recoveries, reducing energy consumption, optimizing furnace operation practices and dross treatment.

Product development

Implementing and commercializing innovative product ideas and concepts are core activities. Innovation often takes place in joint projects with the customer, once his needs have been identified. Numerous new products are launched every year.

The carbon footprint of our solutions is gaining increasing attention and relevance. This is not least when looking at new ways of application of our material, and when improving the ecological performance of existing ones. Our approach to involve customers and key stakeholders in developing better solutions

help us to differentiate and become partner of choice. For example, the rolled products business area works with packaging manufacturers to improve propositions of certain packaging material to provide high functionality while improving recycling routes.

We also work closely with our customers to develop products that save energy and reduce emissions. Aluminium facades can lower operating costs and help enable buildings to produce as much energy as they consume during operation. In 2009, we opened two such buildings using Hydro products and solutions - one in Bellenberg, Germany, and one in Toulouse, France. Heat pumps, integrated photovoltaic systems and intelligent building design all contribute to energy neutrality.

By bringing our building systems operation's R&D team closer to product development, we aim to increase sharing, to strengthen the sector's Domal, Wicon, and Technal brand centers, and to increase the speed-to-market of new products. This includes utilizing competence from our India unit, where craftsmen come closer to our brands' range of speciality products and systems, working mode and overall product offer. In fact, the operation's six locations in Europe and the one in India work together as if they were all in the same location. In 2009, they achieved the best level ever regarding number of articles and lowest hours spent per article.

In addition to the technical specifications of the products, delivery time is also an important competitive factor. A separate KPI has therefore been introduced to reduce the time elapsing from project to product to customer delivery.

Through our rolled products business area, we have a strategic research partnership with the University of Aachen, Germany, aiming at modelling the whole rolling process chain.

We achieved a breakthrough in the development of sheets for rolled automotive applications, see page 52, and developed a new alloy for larger lithographic plates. To fulfill the future demands on surfaces of rolled products, we initiated a new research programme to address the requirements on surface quality and structure.

Best practice sharing

We strive toward business excellence through continuous improvement utilizing people, technology and systems to be able to generate maximum value for our customers. Through decentralized power and responsibility, decisions are made by those best able to take them. Our business systems define the underlying principles needed to create a performance culture in a unit. An example is our Aluminium Metal Production System (AMPS), which is our best practice system and standard for world-class production and improvement in our upstream business. AMPS builds on the principle of empowerment of each employee. Implementation has started at all our primary metal sites, including the 50/50 joint venture Qatalum and Slovalco. All employees in the organization are included in the process, which involves e-learning, class room training and more. AMPS also includes a leadership development program for all employees in management or supervisory positions. So far, 600 managers have participated.

ABOUT THE REPORTING

Hydro's main reporting for 2009 on Viability Performance is included in the Annual Report. In the web version of the Annual Report we have included supplementary information on reporting principles (scope, definitions, explanation), and on auditors commentary to the viability reporting. Also on the Internet can be found an index referring to the Global Reporting Initiative's Sustainability Reporting Guidelines and a Communication on Progress report in accordance with the United Nations (UN) Global Compact, both with links to the relevant information. The Communication on Progress is also included at page 62 in this document. Visit www.hydro.com/gri and www.hydro.com/globalcompact

Principles for reporting on viability performance

The purpose of Hydro's reporting is to provide stakeholders with an overall fair and balanced picture of relevant aspects, engagements, practices and results for 2009 at corporate level. We believe that the reporting in total satisfies this purpose. Our reporting on viability performance is in accordance with the main reporting principles of the Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI). The selection of elements reported is based on an extensive dialog with stakeholders and proposals from them. In addition, the reporting builds on processes that are part of the our daily operations. Important stakeholders include investors and financial analysts, employees and their representatives, potential employees, customers, non-governmental organizations and local communities affected by major development projects or restructuring processes.

We believe this approach is consistent with the principles of inclusiveness, materiality and responsiveness required of reporting organizations by the voluntary AA1000 Accountability Principles Standard drawn up by the Institute of Social and Ethical Accountability.

We have endeavored to provide information that is in accordance with the principles of sound reporting practice. The absence of generally accepted reporting standards and practices in certain areas may nevertheless make it difficult to compare results with reports compiled by other companies, without the availability of further data, analyses and interpretations.

Reporting scope and limitations

The scope of the report is Hydro's global organization for the period January 1 to December 31, 2009. Operations sold or demerged during the year have in general not been included. All consolidated operations that have been part of Hydro during

parts of 2009 are still included in our health and safety data for the period the unit was owned by Hydro. Our former automotive structures business, which was sold late in 2009, is included in most data except employee data measured December 31.

Data relating to health, environment and safety has been prepared by individual reporting units in accordance with corporate procedures. This applies to all Hydro's operations, including consolidated subsidiaries and units for which we have operator responsibility. This applies if not otherwise stated.

Non-operated minority-owned operations are not included in the reported data except for direct and indirect greenhouse gas emissions as reported at page 42. In addition we include some examples that demonstrate how we promote our policies toward these operations.

It is not the intention to include detailed information that is primarily of significance for individual sites, processes, activities and products.

Information in the reporting is based on input from many units and sources of data. Emphasis has been placed on ensuring that the information is neither incomplete nor misleading. However the scope of the report, and varying certainty of data in connection with for instance diversity and HSE matters, may mean that there are uncertainties regarding some of the figures reported.

Assurance principles and scope

We have requested our company auditor to review the information relating to viability performance in accordance with the AA1000 Assurance Standard. This is an assurance standard for this type of reporting, and the review considers both the accountability principles and performance information. The review was conducted in accordance with the international audit standard ISAE 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information. This year we have adopted a limited level of assurance. For the underlying systems, the reader is referred to Hydro's steering documents as described under Corporate Governance, see page 66. The independent auditor's report is presented on page 55. Based on the AA1000 Assurance Standard, the auditor gives recommendations for further improving our viability reporting. A summary is presented in our Annual Report 2009 on web, see www.hydro.com/reporting2009

Learn more:

www.hydro.com/gri
www.hydro.com/globalcompact
www.hydro.com/principles
www.hydro.com/reporting2009

INDEPENDENT AUDITOR'S REPORT

To the management of Hydro

We have reviewed Hydro's management systems related to sustainable development within environment, health and safety and social responsibility and information about this presented in Hydro Annual Report 2009, pages 37-62, in total referred to as "the Reporting". The Reporting is the responsibility of and has been approved by the management of the company. Our responsibility is to draw a conclusion based on our review.

We have based our approach on emerging best practice and standards for independent assurance on sustainability reporting, including ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board as well as AA1000 Assurance Standard (2008) issued by AccountAbility. The objective and scope of the engagement were agreed with the management of the company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews with management responsible for environment, health and safety and social responsibility at corporate and business area levels, as well as at the reporting units: Primary Metal - Global Melters, Neuss; Metal Markets - Remelters, Clervaux; Extruded Products - Extrusion Eurasia, Lausanne; and Rolled Products Grevenbroich Plant.

We believe that our work provides an appropriate basis for us to conclude with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed. Separate from, and not impacting, our conclusion stated below we have provided "Auditor's commentary March 17 2010" including complementary information as requested by the AA1000 Assurance Standard.

Conclusions

In conclusion, in all material respects, nothing has come to our attention that causes us not to believe that:

1. Hydro has established systems at corporate and business area levels to identify and manage, and to involve stakeholders on material aspects related to sustainable development within environment, health and safety, and social responsibility, in accordance with the principles of AA1000 Accountability Principles Standard (2008).
2. Hydro has at corporate level applied detailed procedures to identify, collect, compile, and validate data and information about environment, health and safety, and social responsibility to be included in the Reporting, as described on page 54. Data for 2009 presented in the Reporting is consistent with data accumulated as a result of these procedures and appropriately reflected in the Reporting.
3. Hydro has implemented and locally adopted as necessary, the management systems referred to in item 1 above at the reporting units that we have tested. Data for 2009 from these units has been reported according to the procedures noted in item 2 and is consistent with source documentation presented to us.
4. Hydro applies a reporting practice in accordance with its objectives and principles for reporting, as described on page 54 and aligned with the Global Reporting Initiative (GRI) reporting principles. The GRI Index referred to on page 62 appropriately reflects the extent to which the Reporting aligns with the indicators in the GRI Sustainability Reporting Guidelines. References made in the "Global Compact Reporting" table on page 62 are consistent with the Reporting.

Oslo, 17 March 2010
Deloitte AS

Preben J. Sørensen
State Authorised Public Accountant
Corporate Responsibility Services

FACTS AND FIGURES

Society

For geographical distribution of total assets, investments and revenues, see note 8 in the consolidated financial statements.

Geographical distribution of employees and payroll

	Number of employees ¹⁾					Payroll (NOK million)				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
Norway	4 421	6 019	7 139			3 023	3 757	3 348		
Germany	4 417	4 553	4 618			1 937	1 986	1 983		
France	1 468	1 785	1 658			582	581	559		
Italy	1 211	1 287	1 334			381	392	388		
Great Britain	453	506	887			136	168	207		
Spain	1 005	1 051	640			317	269	231		
Poland	65	188	184			18	24	16		
Austria	408	415	408			193	197	213		
Other	2 279	2 850	3 436			773	878	916		
Total EU	11 306	12 635	13 165			4 337	4 495	4 513		
Switzerland	58	71	74			75	77	83		
Other Europe	5	10	55			2	1	6		
Total Europe	15 790	18 735	20 433			7 436	8 330	7 950		
USA	1 504	1 967	2 519			585	616	752		
Other Americas	703	837	803			87	78	104		
Asia	691	532	487			58	51	51		
Australia	561	563	490			302	259	243		
Total outside Europe	3 459	3 899	4 299			1 032	1 003	1 151		
Total ²⁾	19 249	22 634	24 732	33 605	32 765	8 468	9 333	9 101	14 321	12 909

1) Per 31 December

2) Numbers for the period 2005-2006 include discontinued operations

The reduction from 2008 was primarily a result of the ongoing restructuring processes, including closure of the Söderberg line at Karmøy, Norway, and reductions in our downstream operations and central staffs. The reduction from 2007 was primarily a result of the divestment of Hydro Polymers to the British company Ineos and Hydro Production Partner to the German company Bilfinger Berger. Almost 500 employees were added through acquisitions in Extrusion and Building Systems. The reduction from 2006 was primarily due to the merger of our former oil and gas activities with Statoil, the sale of Automotive Castings, the restructuring of our Extrusion business in the USA in addition to our exit from the magnesium business. The increase in 2006 was partly due to Slovalco becoming a consolidated company after the increase in Hydro's ownership stake.

Current income tax

NOK million	2009	2008	2007
Norway	568	1 002	1 602
Germany	35	230	485
France	34	68	113
Italy	32	63	70
Great Britain	(4)	-	(10)
Spain	7	(13)	39
Poland	-	3	1
Austria	20	45	38
Other	17	80	252
Total EU	141	476	988
Other Europe	4	5	18
Total Europe	713	1 483	2 608
USA	11	(42)	16
Other Americas	19	196	230
Asia	4	3	-
Australia	(44)	178	389
Total outside Europe	(10)	335	559
Total	703	1 818	3 167

People

Diversity in management ¹⁾

	Women					Non-Norwegians				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
Board of directors (nine members) ²⁾	33%	33%	33%	33%	22%	0%	0%	0%	22%	22%
Corporate management board	18%	22%	13%	29%	20%	9%	0%	0%	0%	0%
Top 50 managers	19%	19%	17%	19%	20%	22%	13%	13%	11%	9%
Top 200 managers	18%	17%	16%	20%	23%	45%	35%	32%	19%	24%

1) The 2005-2006 numbers include discontinued operations.

2) Grete Faremo stepped down from the board October 21, 2009. Three of the board members are employee representatives. All are men.

The Norwegian organization has been substantially reduced following the demerger of the oil and gas activities, resulting in a more international organization. The flipside is that the ratio of women at all levels is higher in Norway than in most other countries we are represented.

Diversity in Norway
Women and men at different levels ¹⁾

	Women					Men				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
Managers	20%	21%	19%	20%	18%	80%	79%	81%	80%	82%
Salaried employees	41%	44%	43%	43%	44%	56%	56%	57%	57%	56%
Hourly paid	12%	13%	11%	14%	14%	12%	87%	89%	86%	86%
Total	19%	19%	18%	22%	22%	81%	81%	82%	78%	78%

1) The 2005-2006 numbers include discontinued operations.

See comment to the previous table.

Recruitment ¹⁾

	Women					Men				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
Managers	29%	33%	19%	22%	32%	71%	67%	81%	78%	68%
Salaried employees ²⁾	29%	51%	46%	34%	35%	71%	49%	54%	66%	65%
Hourly paid	5%	21%	17%	15%	16%	95%	79%	83%	85%	84%
Total	21%	30%	22%	26%	27%	79%	70%	78%	74%	73%

1) The 2005-2006 numbers include discontinued operations. Only 71 persons were employed in 2009 compared to about 450 in 2008.

2) The group salaried employees largely consist of younger persons with higher educational qualifications. They constitute an important group with respect to managerial recruitment.

Part-time employees in Norway ¹⁾

	2009	2008	2007	2006	2005
Women	10%	12%	14%	16%	17%
Men	1.5%	2.0%	1.4%	1.3%	1.2%

1) Hydro employees normally work full-time. The opportunity to work part-time is considered a benefit for which a special application must be made.

Health and safety

	2009	2008	2007	2006	2005
Total recordable injuries (TRI) ¹⁾	2.9	3.9	4.1	4.0	5.4
Lost-time injuries (LTI) ¹⁾					
Employees	1.7	2.0	2.0	2.1	2.7
Contractors	0.4	0.9	1.9	2.5	2.4
Fatalities ²⁾					
Employees	1.5	1.7	1.2	1.4	1.9
Contractors	5.2	6.1	6.3	4.8	6.5
Sick leave, percent	3.7	3.4	2.8	2.6	3.2

1) Per million working hours. The numbers include discontinued operations.

2) Per 100 million working hours, five-year rolling average

Environment

Greenhouse gas emissions

Greenhouse gases

Million tonnes CO ₂ e	2009	2008	2007	2006	2005
SF ₆	0.00	0.00	0.00	0.08	0.32
PFC	0.40	0.84	0.90	0.99	1.64
CH ₄	0.00	0.00	0.00	0.00	0.00
CO ₂	2.51	3.25	3.26	3.15	3.09
Total	2.92	4.09	4.16	4.22	5.05

The reduction of climate gas emissions in 2009 was a result of process improvements and reduced production. SF₆ emissions were phased out in 2006 and 2007 due to the closure and sales of our magnesium activities. The reduction in PFC emissions mainly resulted from the closure of Söderberg production at Høyanger, Norway, in 2006, Årdal, Norway, in 2007, and Karmøy, Norway in 2009, as well as improvements to existing technology at Kurri Kurri, Australia, in 2006. Greenhouse gas emissions include plants owned more than 50 percent by Hydro.

Energy consumption

PJ	2009	2008	2007	2006	2005
Electricity	70.1	90.7	90.8	89.7	91.8
Oil	0.3	0.5	0.4	0.4	0.4
Coke	13.1	20.7	21.4	19.3	18.6
Natural gas	9.8	11.0	10.6	12.9	11.6
Natural gas liquid	1.4	1.7	2.3	2.2	2.6
Other	3.3	5.9	5.6	5.3	4.7
Total	98.1	130.6	131.1	129.8	129.7

The reduction from 2008 to 2009 was primarily a result of reduced production. Energy consumption includes energy losses in hydroelectric plants.

Energy consumption sectors

PJ	2009	2008	2007	2006	2005
Electrolysis/Carbon	80.2	109.4	109.7	103.6	102.8
Casting	3.3	3.6	3.1	2.9	2.6
Remelt	2.1	2.3	2.4	2.5	2.4
Rolled Products	5.1	5.8	6.0	5.2	5.2
Extrusion, Building System, Automotive, Precision Tubing	4.3	4.8	5.5	7.6	7.1
Others	3.1	4.6	4.5	8.1	9.7
Total	98.1	130.6	131.1	129.8	129.7

Resource use

1 000 tonnes	2009	2008	2007	2006	2005
Alumina	2 245	2 854	2 553	2 539	2 656
Aluminium fluoride	20	28	29	26	26

Emissions

	2009	2008	2007	2006	2005
Fluorides to air, tonnes	437.9	539.4	592.3	614.3	788.0
Dust and particles, tonnes	1 435.2	2 020.7	2 796.0	3 238.5	4 190.8
Sulphur dioxide to air, tonnes	6 455.6	8 234.4	8 247.6	7 503.3	7 249.5
PAH to air, tonnes	5.7	31.3	38.0	49.3	72.1
PAH, to water, kg	763.3	706.1	1 064.6	944.4	829.5
NM VOC, tonnes	435.2	443.1	372.7	408.7	255.3

The reduction of sulphur dioxide and fluoride emissions in 2009 was a result of process improvements and reduced primary aluminium production. The increase in SO₂ emissions in 2007 was a result of the use of anodes with increased sulfur content. The high emissions of PAH and fluorides in 2005 were the result of problems with one of our aluminium smelters. The normal level was regained in 2006. PAH to air is according to NS 16 PAH. PAH to water is according to Borneff 6 PAH. Hydro did not emit ozone depleting substances from the production processes in 2009.

Water consumption

Million m ³	2009	2008	2007	2006	2005
Argentina	0.002	0.001	0.001	0.002	0.002
Australia	0.242	0.231	0.239	0.212	0.184
Austria	0.004	0.006	0.006	1.035	0.834
Belgium	0.052	0.060	0.065	0.063	0.053
Brazil	0.020	0.058	0.058	0.048	0.049
Canada	0.032	0.025	0.021	13.070	13.004
China	0.023	0.017	0.016	0.049	0.047
Denmark	0.051	0.068	0.068	0.048	0.050
France	0.325	0.430	0.650	0.486	0.528
Germany	1.412	2.255	2.371	4.479	4.215
Hungary	-	-	-	0.058	0.019
Italy	1.433	1.415	1.465	1.513	1.594
Luxembourg	0.050	0.060	0.062	0.069	0.069
Malaysia	0.073	0.112	0.091	0.093	0.113
Mexico	0.008	0.022	0.031	0.003	0.012
Norway	49.306	54.697	55.552	38.851	44.491
Poland	0.007	0.009	0.010	0.008	0.004
Portugal	0.052	0.064	0.074	0.070	0.098
Slovakia	0.173	0.175	0.167		
Spain	0.199	0.147	0.107	0.105	0.072
Sweden	0.015	0.018	0.021	0.108	0.068
United Kingdom	0.076	0.070	0.097	0.091	0.078
USA	0.383	0.523	0.282	0.395	0.337
Total	53.940	60.463	61.457	60.854	65.920

The reduced water consumption in 2009 was primarily a result of reduced primary aluminium production. Water supply varies from country to country and may even vary within a country. The greater part of our water consumption is cooling water in Norway where access to freshwater is abundant. See also page 43. The increase in Norway in 2007 and in USA in 2008 was mainly due to improved reporting. Our water consumption in Spain increased in 2008 following acquisitions.

Waste

Tonnes	2009	2008	2007	2006	2005
Hazardous waste	107 954	150 751	134 347	136 036	147 367
Other waste	113 826	134 852	135 857	165 179	157 320
Total	221 780	285 603	270 204	301 214	304 687

The reduced amount of waste in 2009 was primarily a result of reduced production. The increase in 2008 was due to increased amount of spent potlining, acquisitions in Spain and improved reporting in several units. The increased amount of spent potlining in 2007 and 2008 was a result of the Svalco smelter in Slovakia was included in our figures, increased relinings at Sunndal, Norway as the first cells in the new line were due for relining and increased relining at Karmøy, Norway. The reduction in "Other waste" from 2006 to 2007 was to a large extent due to the closure of our magnesium plant in Becancour, Canada. Incineration without energy recovery is included in "Other treatment".

Waste treatment

	2009	2008	2007	2006	2005
Landfill	31%	35%	33%	32%	26%
Energy recovery	4%	3%	2%	3%	3%
Reuse/recycling	54%	56%	50%	51%	49%
Other treatment	11%	6%	15%	14%	22%

Combustion without energy recovery is included under Other treatment.

Financial provisions

Provisions for future environmental clean-up measures amounted to NOK 281 million as of December 31, 2009.

See Note 31 in the consolidated financial statements.

GRI



We use the Global Reporting Initiative’s (GRI) G3 guidelines for voluntary reporting of sustainable development. The guidelines comprise economic, environmental and social dimensions relating to an enterprise’s activities, products and services. GRI collaborates with the United Nations Environment Programme (UNEP) and UN Global Compact.

We believe in all material respects that our reporting practice is consistent with GRI’s reporting principles. An electronic version of the GRI Index including the full definition of each indicator and with references to specific sections in this report and to additional information, can be found on www.hydro.com/gri

PROGRESS REPORT UN GLOBAL COMPACT

We support the principles of the UN Global Compact. Human rights, international labor standards, working against corruption, and environmental considerations are fundamental to our approach to corporate responsibility.

The Global Compact was formed at the initiative of the former UN Secretary General, Kofi Annan, in 1999, because the UN wants business and industry to be more closely associated with the UN’s work. Companies that sign the Global Compact undertake to support 10 principles regarding human rights, labor standards, the environment, and countering corruption, and to communicate annually on progress.

Hydro has played an active role in the Global Compact since its formation. Our commitment has been expressed by the President and CEO in his letter to shareholders on page 4 in this report. The table below provides a summary of our progress in relation to the Compact’s 10 principles. A more complete report can be found at www.hydro.com/globalcompact

		Page
Human rights		
Principle 1	Support and respect the protection of internationally proclaimed human rights	44-50
Principle 2	Make sure not to be complicit in human rights abuses	44-50
Labor standards		
Principle 3	Uphold the freedom of association and the effective recognition of the right to collective bargaining	44-47
Principle 4	Elimination of all forms of forced and compulsory labor	44-45
Principle 5	Effective abolition of child labor	44-45
Principle 6	Eliminate discrimination in respect of employment and occupation	44-50
Environment		
Principle 7	Support a precautionary approach to environmental challenges	40-43, 46-47
Principle 8	Undertake initiatives to promote greater environmental responsibility	40-43, 46-47, 52-53
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	40-43, 46-47, 52-53
Anti-corruption		
Principle 10	Work against all forms of corruption, including extortion and bribery	44, 49