

Corporate *governance*

Proactive and transparent corporate governance is key to aligning the interests of shareholders, management, employees and other stakeholders. Yara believes good corporate governance drives sustainable business conduct and long-term value creation.

Yara aims to exercise corporate governance in a manner representative of an ambitious and responsible multinational company, and has established practices adapted to the specific challenges it faces as the world's largest global fertilizer company. With overall responsibility, Yara's Board of Directors has decided to comply with the Norwegian Code of Practice for corporate governance. This Code has stricter requirements than those mandated by law. Yara's compliance with the main articles of the Code is detailed below (*Code's article 1*).

Yara's Code of Conduct, which has been approved by the Board of Directors, aims to ensure that all Yara employees act in a consistent manner in line with quality standards and business needs.

BUSINESS SCOPE

The scope of Yara's business (*Code's article 2*) is defined in its Articles of Association, published in full at the company's website, and presented in the Report of the Board of Directors. Yara is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation. Financial reporting is done in accordance with International Financial Reporting Standards (IFRS).

ANNUAL GENERAL MEETING

In accordance with Norwegian corporate law, shareholders registered in the Norwegian Central Securities Depository (Verdipapirsentralen) can vote at the Annual General Meeting in person or by proxy on each single agenda item and candidate (*Code's article 6*). Notice of the meeting and relevant documents are made available on Yara's website a minimum of three weeks in advance of the meeting, and are sent to all shareholders individually, or to their depository banks, a minimum of three weeks in advance of the meeting.

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

- elects the Nomination Committee and shareholders' representatives to the Board of Directors;
- elects the external auditor based on the Board of Directors' proposal, and approves the remuneration to be paid to the external auditor of the parent company;
- approves the remuneration to the Board of Directors, the financial statements and any proposed dividend payment.

The chairperson of the Board and the CEO are present at the Annual General Meeting, normally along with the Board of Directors, the Nomination Committee and the Company Auditor. An independent, qualified person chairs the meeting. The protocol of the Annual General Meeting is published at Yara's website.

According to an agreement between Yara and the employees, Yara does not have a Corporate Assembly (*Code's article 8*). Yara believes this supports more direct communication between shareholders and management, increases accountability and improves the speed and quality of decision-making in the company.

NOMINATION COMMITTEE

Yara's Articles of Association state that the company shall have a Nomination Committee (*Code's article 7*) consisting of four members, elected at the Annual General Meeting. The Nomination Committee nominates shareholder's candidates to the Board of Directors, presenting relevant information about the candidates and an evaluation of independence, and proposes the remuneration of the Directors to the Annual General Meeting. Members of the committee are elected for two years at a time. All four members are independent of the Board and the Management. In 2009, the Nomination Committee had six meetings.

BOARD OF DIRECTORS

According to Norwegian corporate law, the (non-executive) Board of Directors assumes overall responsibility for the company, ensures that appropriate steering and control systems are in place and supervises day-to-day management as carried out by the President and CEO. The Board's work follows an annual plan, and it conducts a self-evaluation every year of its work and

procedures, which is presented to the Nomination Committee. In 2009, the Board held ten meetings. Lone Fønns Schröder was absent from three meetings and Frank Bakke was absent from one meeting. The other Board members attended all board meetings during their board membership period in 2009.

Yara's Board of Directors (*Code's article 8, 9 and 11*) consists of eight members. The Board members are elected for a period of two years. Two of five shareholder-elected Directors are women. The Chairperson of the Board is elected by the general meeting. In the event of the Chairperson's absence, the Board elects a board member to chair the meeting. If the Chairman of the Board is, or has been, personally involved, in matters of a material character to the Company, the Board's consideration of such matters will be chaired by some other member of the Board. All shareholder-elected members are independent of the Management and the main shareholders. Neither the President and CEO nor any other member of the Executive Management is a Director of the Board.

For more details on the Board members' competence and independence, please see page 16–17 and note 31 in the consolidated financial statements.

COMPENSATION COMMITTEE

Yara's Compensation Committee reviews the performance and proposes terms and compensation for the CEO to the Board of Directors. Future policies for possible option arrangements or share incentive rights (SIRs) will be presented to the Annual General Meeting for approval. The Compensation Committee (*Code's article 9*) consists of three members elected by and among the members of the Board. In 2009, the Compensation Committee held six meetings.

AUDIT COMMITTEE

Yara's Audit Committee assists the Board of Directors in assessing the integrity of the Company's financial statements, financial reporting processes and internal controls, risk management and performance of the external auditor. The Committee conducts an annual self-evaluation according to its mandate. Yara's Audit Committee (*Code's article 9*) consists of three members of the Board, a majority of the members being independent of the company. The Chairperson of the Audit Committee is not the Chairperson of the Board. In 2009, the Audit Committee held seven meetings.

PRESIDENT AND CEO

The President and Chief Executive Officer constitutes a formal corporate body, according to Norwegian corporate law. The CEO is responsible for the day-to-day management of the company. Yara's division of functions and responsibilities are defined in more detail in the Rules of Procedures established by the Board.

EXECUTIVE MANAGEMENT

Yara's Executive Management is appointed by the President and CEO to assist in his stewardship duties delegated by the Board and in the day-to-day management of the company. The President and CEO determines the instructions for the Executive Management after prior discussion with the Board. Management instructions, function descriptions and the authority delegated to each member of the Executive Management reflect a joint obligation for these members to safeguard the overall interests of Yara and to develop Yara's value generation ability.

RISK MANAGEMENT (*Code's article 10*)

Yara Steering System is one of the pillars of Yara's internal control system. The steering system provides all employees with an oversight of the prevailing policies and procedures for the group. Compliance with the steering system is monitored by monthly reviews of key performance indicators which cover both financial and operational activities, including health, environmental, safety and quality performance.

Yara's risk management system, described at pages 24–26, aims to reveal both strategic, operational, compliance and financial risks stemming from all levels of the group. Annually, the segment leaders hold workshops to identify new risks and prepare actions to handle the identified risks in their segments. Yara's Executive Management performs a separate risk evaluation based on a top-down approach. Yara continuously focuses on further formalizing and strengthening the processes related to monitoring control activities and conducting risk management in the group.

The responsibilities related to risk management and internal control of financial reporting are clearly communicated to the relevant organizational units. Yara has implemented structured and standardized reporting procedures, including relevant control activities along the financial reporting line from the local business units and segments to group reporting and analysis. Yara carries out regular risk assessments of the financial reporting environment. The reporting environment includes monthly monitoring and analysis of reporting from business units. Yara Executive Management performs a quarterly business review with all segment leaders. This is based on established procedures and group accounting policies to ensure that all material accounting and reporting issues are addressed in a timely and uniform manner. Procedures and control mechanisms have been established to maintain the confidentiality of financial information, and to ensure appropriate communication of financial information internally and externally to all shareholders at the same time.

Yara Internal Audit assists Yara Executive Management by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, controls and governance processes. The Chief Audit Executive reports functionally to the

Board of Directors and administratively to the Chief Financial Officer. Yara's Internal Audit has no direct operational responsibility or authority over any of the activities they review. Internal Audit has unrestricted access to all functions, records, physical properties, and personnel relevant to the performance of engagements, as well as full and free access to the Board of Directors, the Audit Committee and Executive Management.

Yara Steering System includes Yara's Code of Conduct which aims to ensure that all Yara employees act in a consistent manner and in line with quality standards and business needs. The principles set out in the Code of Conduct are detailed and discussed in an Ethics Handbook and other communications and training material made available to all employees. All Yara employees are encouraged to raise questions or issues about ethics and compliance matters with line management, the Ethics and Compliance Department or through an externally hosted whistle-blowing system. Yara also has procedures on how to deal with accidents and other unexpected events like natural disasters. Practice drills are conducted to ensure that procedures are operational.

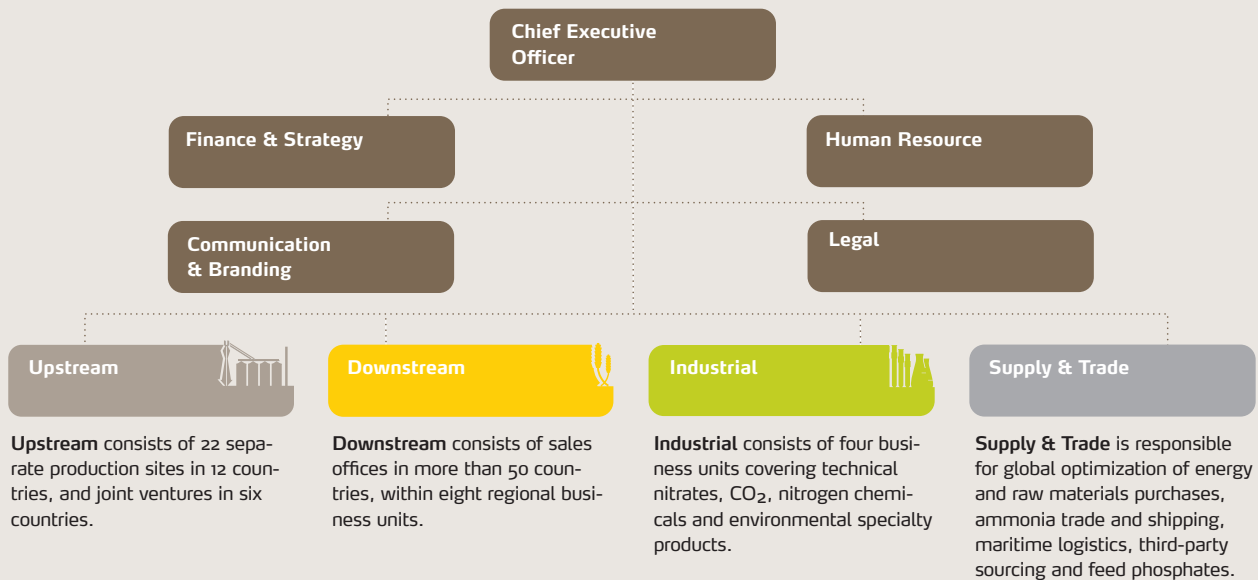
EXTERNAL AUDIT (*Code's article 15*)

The external auditor participates in the meetings of the Audit Committee and in the Board meeting that approves the financial statements. In addition, the external auditor meets with the Board without Yara Executive Management being present a minimum once per year. Norwegian laws and regulations stipulate the type of non-audit services that external auditors can perform for Yara. Remuneration to Yara's external auditor is disclosed in note 32 of the consolidated financial statements.

SHARES AND SHAREHOLDERS

All Yara shareholders have equal rights and the company has one class of shares (*Code's article 4*). Transactions involving own shares, like the share buy-back program, are normally done over the stock exchange, ensuring that market prices are used. Shares redeemed from the Norwegian State are also priced at market value. There are no restrictions on the purchase or sale of shares by directors and executives as long as insider regulations are adhered to. Certain management compensation programs, including the share-based incentive compensation scheme, mandate the use of

Corporate organization



Yara pursues a policy of keeping corporate staff structure lean, with corporate functions connected to the three operating segments Upstream, Downstream and Industrial. Each segment is managed as a separate and strategic unit, with Supply & Trade responsible for global optimization. Segment management is located in Oslo, Norway.

a portion of the funds received by management for the purchase of Yara shares and restrict the sale of such shares for varying periods following such purchase.

The company places no restrictions on the transferability of shares (*Code's article 5*).

Communication with the financial markets is based on the principles of openness and equal treatment of all shareholders (*Code's article 13*). Yara's website (www.yara.com) contains an updated financial calendar, financial reports and other investor-related information. Yara holds the Information and English certificates of the Oslo Stock Exchange testifying that Yara complies with a set of information requirements beyond defined minimum standards. Yara's Board of Directors receives regular updates from the Management as to how the company is perceived by the financial markets. Yara has received several awards for its investor communication and financial reporting.

EQUITY LEVEL (*Code's article 3*)

Yara's strong balance sheet is closely linked to the overall strategy, goals and risk position of the company. The dividend policy, which is described in the Report of the Board of Directors and the article on the Yara share, aims to provide a predictable payout over the years. New equity will only be issued when there is a clear business reason behind. Yara executes share buy-back programs as an integral part of its shareholder policy. The rationale behind the share buy-backs is further described in the Report of the Board of Directors.

TAKEOVER ATTEMPTS (*Code's article 14*)

In the event of a take-over attempt, the Board of Directors and Management will give its recommendation to the shareholders as to whether it believes such a transaction will be beneficial to the shareholders. The Norwegian Securities Act regulates take-over attempts. Shareholders at the Annual General Meeting will, according to law, make the decision on a potential take-over bid.

TRANSACTIONS WITH CLOSELY RELATED PARTIES (*Code's article 4*)

In 2009, there were no significant transactions between closely related parties, except for ordinary commercial transactions with subsidiaries and non-consolidated investees. In addition to the mandatory regulations in the Norwegian Public Limited Companies Act (§§ 3–8 and 3–9), Yara uses IFRS rules to define related parties. Related party transactions are disclosed in note 31 of the

consolidated financial statements. The members of the Board of Directors and Management are required to disclose all entities that would be considered to be "related parties" under applicable laws and regulations. Transactions with such entities are subject to disclosure and special, independent approval requirements.

REMUNERATION (*Code's article 12*)

Members of the Nomination Committee received remuneration of NOK 4,500 per meeting in 2009.

The Chairperson of the Board of Directors received fixed compensation of NOK 410,000 in 2009, while each of the other board members received NOK 235,000.

The Chairperson of the Audit Committee received fixed compensation of NOK 85,000 in 2009, while each of the other two committee members received NOK 70,000.

Members of the Compensation Committee received remuneration of NOK 5,500 per meeting in 2009.

The Board of Directors determines the remuneration of the President and CEO based on a proposal from the Compensation Committee and decides on the general terms of the company's incentive plans for officers and certain key employees. The President and CEO decides on the compensation to other members of Yara's Executive Management. The actual compensation of the management and the company's corporate bodies in 2009 is disclosed in note 31 of the consolidated financial statements.

CORPORATE DIRECTIVES

Yara's corporate directives encompass:

- Articles of Association
- Instructions for the Nomination Committee
- Rules of Procedure for the Board
- Internal Audit Charter and Mandate for the Management Supervisory Committee
- Mandate for the Board's Compensation Committee
- Mandate of the Board's Audit Committee
- Insider Regulations
- Code of Conduct

For more detailed information, please see the "About Yara/Corporate Governance" section on Yara's website, www.yara.com.

Risk *management*

Yara's risk management aims to identify, assess and manage risk factors affecting the performance of all parts of the company. It is a continuous and systematic process to avoid damages and losses, and to unleash business opportunities.

Risk management in Yara is based upon the principle that risk evaluation is an integral part of all business activities. Yara has established procedures for monitoring the primary risk exposures and assessing risk levels. In some cases Yara may utilize derivative instruments such as forwards, options and swaps to reduce these risk exposures.

Priorities *and procedures*

All business activities involve some degree of risk. Identifying, assessing and managing risk is a continuous process and the overall objective of risk management in Yara is to ensure that risks are managed systematically and as efficiently as possible and given correct priority, so as to avoid damages and losses, and create value from opportunities.

Risk management is a centrally controlled process but the responsibility for day-to-day risk activities is placed with the operating segments and expert organizations. Procedures and responsibilities are defined in the Yara Steering System, as outlined on page 21 (Corporate Governance).

A framework, including policies and procedures, has been implemented to facilitate the management of risk in Yara. The business outlook, secondary risks and opportunities arising from global trends and challenges, such as climate change and increased market volatility, are discussed in the Management discussion & analysis beginning on page 27.

Risk *factors*

Yara is exposed to a number of risks that are either strategic, operational, compliance-related or ethical, which could have a materially adverse effect on the company's business, operating results and financial condition and, as a result, the share price. The following risk factors are currently considered by the Executive Management to be the most relevant risks to Yara's business.

STRATEGIC RISKS

Yara's vision to be an industry shaper and its ability to deliver on overall ambitions and goals are dependent upon the company successfully implementing its strategy and capitalizing on new business opportunities.

With the current business platform, Yara's goal is to achieve a ten percent market share of the global fertilizer market. This market share will maximize the advantages of the company's business model: scale, flexibility and global reach. Yara strives to reach this goal by implementing a business strategy consisting of a number of key elements, all based on Yara's competitive strengths. In a highly-competitive industry, operational excellence with a strong focus on cost control, capital productivity improvement, optimized capacity utilization and continued expansion of presence in key markets will always remain key objectives.

To ensure that the right decisions are made and to fulfill its strategy of profitable and sustainable growth, Yara builds on extensive business experience and leading industrial and agronomic expertise and continuously reviews business models and commercial processes.

In connection with growth measures pursued by Yara, an overall understanding of the pricing risk in commodity fertilizers is vital when making value-creating business decisions. There is always a correct price for any asset, and a company that has a clear view of the pricing mechanisms of its products has a better ability to create value. Yara has a proven acquisition track record with successful integration (e.g. Kemira GrowHow, Saskferco, Fertibras).

OPERATIONAL RISKS

HESQ

The operation of Yara's production plants, storage facilities and the transportation of products have associated risks of major accidents, such as explosions, leakage or fire, or causing harm to property, employees, communities or the environment.

Yara has a strong track record in health, environmental and safety performance. The belief that every accident is preventable is the basis of the safety program within the company. The goal is that no one should be injured or their health jeopardized while working at Yara. Yara works continuously and systematically to prevent occupational safety risks and avoid any accidents, by means of stringent standardized operating procedures throughout the company, training of employees and audits. Strong management commitment and employee involvement in preventive actions is crucial and compliance is monitored diligently. Through internal networking and best practice, new improvements/changes are being implemented in the organization. All accidents and near-miss incidents are thoroughly investigated and preventive actions are implemented to avoid similar incidents in the future. Despite the nature and scope of the operations, with a high need for responsible risk management, Yara has rare occurrences of accidents as compared to the industry average.

Yara's operations are subject to many environmental requirements under the laws and regulations of the various jurisdictions in which the company conducts its business. Stricter environmental legislation also creates new business opportunities.

The Yara Operational Standards have been implemented throughout the entire organization.

Reputation

Throughout more than 100 years of operation, Yara has built a strong reputation among its stakeholders around the world. Since the IPO in 2004, the company has additionally built a distinctive brand and strong brand equity. The brand recognition and strong reputation are significant assets that are reinforced through precise operating procedures on a global scale. During 2009, all major plants and market management teams received intense crisis management training. Considerable effort is put into scenario planning to eliminate risk of reputational damage and devaluation of the brand assets.

Recognizing that reputational value is based upon Yara's total operations, reputational risk management has a wide scope ranging from product issues, accidents, security and corporate matters to more external events such as natural disasters and political interference. Given the broad and diverse nature of its business, Yara is very focused on building management awareness and crisis management capability at top industry levels. At every step,

the company wants to shape best practice in order to mitigate any unforeseen reputational impact that could hurt the business.

Sourcing of natural gas and oil

The availability and price volatility of natural gas and other essential energy sources pose both opportunities and risks for Yara. Being dependent upon large volumes of energy, the company's position and operating results could be adversely affected by the inability to replace, on competitive terms, the supply contracts when they expire. These risks are minimized through global purchasing activities, based on the company's energy strategy. Yara continually monitors the credit risk of its suppliers and business partners.

The pricing structure of energy contracts are either spot deal or forward contracts, which are oil-linked or gas hub-based.

During the last years, Yara has switched a major part of its European gas sourcing from oil-linked to hub-based contracts. Yara has chosen to stay mainly spot on the hub exposure and limit forward buying.

The choice to stay spot is based on the historically proven strong contango in the forward gas market, possibly explained by low liquidity and a concentrated supply side wanting to discourage hub-based pricing. Yara is well-positioned to cover the risk of the spot exposure. The company has the operational flexibility to reduce gas purchases and import ammonia for fertilizer production if gas prices peak. Yara also has a natural hedge in the strong correlation between nitrogen fertilizer prices and global energy prices.

Yara is of the opinion that oil over time will have a stronger price development than natural gas. Oil consumption is mainly driven by the transportation sector having few substitutes. Natural gas consumption is more driven by electricity and heating, where coal and nuclear energy are closer substitutes.

Yara believes that long-term nitrogen fertilizer prices will be set by the cost of developing new production in low-cost gas regions. With LNG-parity developing, the gas cost in these areas will be linked to gas prices in Europe, reducing the risk for high European gas prices. Linking Yara's European energy costs to oil would provide more price risk.

Sourcing of dry raw materials

For the production of NPK, Yara depends upon access to dry raw materials such as phosphate and potash salts. Yara has through acquisitions added sourcing capability of own phosphate rock, reducing dependence upon imports from other suppliers. In addition to its own mining operations, Yara has a strong belief in long-term relationships with a wide network of suppliers, to minimize dependence upon a few. For potash, Yara is not verti-

cally integrated into ownership of mines, which creates risks for the NPK business in times of high potash prices.

Human capital

Yara's ability to compete effectively and meet market demands depends heavily on the skills, experience and performance of its employees. A sufficient, balanced and suitably qualified staff is essential for Yara to be successful in its endeavors.

The company has through its global presence access to highly qualified and diverse personnel.

Yara's focus is to optimize workforce performance through people management, performance management processes, talent development frameworks and coordination, organization and branding of Yara's learning activities. Yara is building a candidate pipeline through key talent identification, succession tools, global talent sourcing and recruitment processes. In addition, Yara continues to build a highly-valued work culture based on innovation, talent retention and teamwork.

COMPLIANCE RISKS

Yara established a dedicated compliance unit in 2009, responsible for coordinating and overseeing ethics and compliance work, including the follow-up of corporate citizenship commitments and reporting.

During 2009, the Yara Ethics Program was developed, based on the fundamental principles of the company's Code of Conduct, structured around its core values of ambition, teamwork, trust, and accountability. The program was launched early 2010.

FINANCIAL RISKS

The global financial crisis has led to increased focus and attention on liquidity, credit and currency risk in general. Through

constant development of procedures and best practice, Yara has established comprehensive tools to reduce / minimize such risks.

Liquidity risk

Liquidity risk may result from sudden unexpected cash outflows, a fall in credit rating, or other events causing counterparties to avoid lending. This could affect Yara's ability to realize its strategic objectives. Yara's strategy for mitigating liquidity risk is to maintain a solid financial position and strong creditworthiness. This is achieved by flexibility in capital expenditures and fixed cost levels. Yara is also able to implement measures to reduce credit risk further, increase focus on liquidity planning and to match the maturity profiles of the loan portfolio.

Credit risk

Yara has a well-established system for credit management, with established limits at both customer and country level. Yara's geographically diversified portfolio reduces the overall credit risk of the group. Due to Yara's geographical spread and significant number of customers there are no significant concentrations of credit risk.

Currency risk

Prices of Yara's most important products and raw materials are either directly denominated or determined in US dollars. In markets outside the US, local prices will generally adjust to fluctuations in the US dollar exchange rate, however with a certain time lag.

Yara keeps a major part of its debt percent in US dollars in order to reduce overall currency exposure. Yara utilizes derivative instruments to manage foreign currency exchange rate risks.