

March 13, 2009



**NOVA Chemicals Corporation**

**ANNUAL INFORMATION FORM**



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**INFORMATION CONTAINED IN THIS ANNUAL INFORMATION FORM IS GIVEN AS AT DECEMBER 31, 2008, EXCEPT AS SPECIFICALLY NOTED OTHERWISE.**

**ALL AMOUNTS IN THIS ANNUAL INFORMATION FORM ARE EXPRESSED IN UNITED STATES DOLLARS, EXCEPT AS SPECIFICALLY NOTED OTHERWISE.**

### **FORWARD-LOOKING INFORMATION**

This Annual Information Form contains forward-looking information with respect to NOVA Chemicals. By its nature, forward-looking information requires NOVA Chemicals to make assumptions and is subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions and projections that constitute forward-looking information will not prove to be accurate, that NOVA Chemicals' assumptions may not be correct and that actual results may vary from the forward-looking information. Forward-looking information for the time periods beyond 2009 involves longer-term assumptions and estimates than forward-looking information for 2009 and is consequently subject to greater uncertainty. NOVA Chemicals cautions readers of this Annual Information Form not to place undue reliance on its forward-looking information as a number of factors could cause actual results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking information.

The words "believe," "expect," "plan," "intend," "estimate," or "anticipate" and similar expressions, as well as future or conditional verbs such as "will," "should," "would," and "could" often identify forward-looking information. Specific forward-looking information contained in this Annual Information Form includes, among others, statements regarding: NOVA Chemicals' expectations and beliefs with respect to the Arrangement with International Petroleum Investment Company ("IPIC"), including the Corporation's belief that there are no material antitrust or other regulatory issues that will arise in connection with the Arrangement so as to prevent its completion and the timing of the completion of the Arrangement; NOVA Chemicals' financing plans and its beliefs about its credit facilities and other sources of financing and its expectation that further amendments to its financial covenants will be required; changes in the demand for NOVA Chemicals' products, including its styrenic Performance Polymers; NOVA Chemicals' expectations with respect to its downstream businesses and ventures; its competitive advantages and ability to compete successfully; its beliefs about expansion of ethane extraction capabilities in Alberta; NOVA Chemicals' expectations regarding ethylene and styrene monomer chain capacity additions in North America and ethylene and polyethylene additions on a global basis; its beliefs about environmental regulation and its ability to comply with such regulation; its environmental capital expenditures; NOVA Chemicals' intentions with respect to paying dividends; and general economic conditions.

With respect to forward-looking information contained in this Annual Information Form, NOVA Chemicals has made material assumptions regarding, among other things: future oil, natural gas, natural gas liquids and benzene prices; its ability to obtain raw materials; its ability to market products successfully to its anticipated customers; the impact of increasing competition; and its ability to obtain financing on acceptable terms. Some of NOVA Chemicals' assumptions are based upon internal estimates and analyses of current market conditions and trends, management plans and strategies, economic conditions and other factors and are necessarily subject to risks and uncertainties inherent in projecting future conditions and results.

Some of the risks that could affect NOVA Chemicals' future results and could cause results to differ materially from those expressed in NOVA Chemicals' forward-looking information include: failing to consummate the Arrangement with IPIC; a deterioration in NOVA Chemicals' cash balances or liquidity; lenders' willingness to extend NOVA Chemicals' maturing credit facilities or provide any consents or waivers; NOVA Chemicals' ability to access capital markets, which could impact its ability to react to changing economic and business conditions; the ongoing world financial crisis and economic downturn; commodity chemicals price levels (which depend, among other things, on supply and demand for these products, capacity utilization and substitution rates between these products and competing products); feedstock availability and prices; operating costs; terms and availability of financing; technology developments; currency exchange rate fluctuations; starting up and operating facilities using new technology; realizing synergy and cost savings targets; NOVA Chemicals' ability to implement its business strategy; meeting time and budget targets for significant capital investments; avoiding unplanned facility shutdowns; safety, health and environmental risks associated with the operation of chemical plants and marketing of chemical products, including transportation of these products; public

perception of chemicals and chemical end-use products; the impact of competition; changes in customer demand, including customer acceptance of NOVA Chemicals' styrenic Performance Polymers and downstream businesses and ventures; changes in, or the introduction of new laws and regulations relating to NOVA Chemicals' business, including environmental, competition and employment laws; loss of the services of any of NOVA Chemicals' executive officers; uncertainties associated with the North American, South American, European and Asian economies; terrorist attacks; severe weather and other risks detailed from time to time in the publicly filed disclosure documents and securities commission reports of NOVA Chemicals. The information contained in this Annual Information Form, including the information provided under the heading "Risk Factors," identifies additional factors that could affect NOVA Chemicals' operating results and performance.

NOVA Chemicals' forward-looking information is expressly qualified in its entirety by this cautionary statement. In addition, the forward-looking information is made only as of the date of this Annual Information Form, and except as required by applicable law, NOVA Chemicals undertakes no obligation to update publicly this forward-looking information to reflect new information, subsequent events or otherwise.

## THE CORPORATION

NOVA Chemicals' principal business is the production and marketing of plastics and chemicals. NOVA Chemicals operates an Olefins/Polyolefins business unit that produces and markets ethylene, polyethylene, higher-value polyethylene and a variety of chemical and energy products (commonly known as co-products). NOVA Chemicals also operates a Performance Styrenics business unit that produces and markets Expandable Polystyrene ("EPS") in North America as well as higher-value styrenic polymers, which it refers to as its styrenic Performance Polymers. NOVA Chemicals' Performance Styrenics business unit also includes its interests in EPS-based downstream businesses and ventures for end-use consumer and industrial applications.

NOVA Chemicals also owns a 50% interest in INEOS NOVA, a 50:50 joint venture with INEOS Group Limited ("INEOS") that produces and markets styrene monomer and solid polystyrene ("SPS") in North America and SPS and EPS in Europe.

NOVA Chemicals' polymer products are used in a wide range of applications, including rigid and flexible packaging, containers, plastic bags, plastic pipe, consumer electronics, building and construction materials, automotive components, housewares and other industrial and consumer goods. NOVA Chemicals manufactures its products at seven sites in North America, including its minority interest in LyondellBasell Industries' ("LyondellBasell") propylene oxide/styrene monomer ("PO/SM") facility.

NOVA Chemicals is a global company organized under the federal laws of Canada, with its registered office and Canadian operating center located at 1000 - 7th Avenue S.W., Calgary, Alberta, Canada T2P 5L5, and an executive office and United States operating center located at 1555 Coraopolis Heights Road, Moon Township, Pennsylvania, United States 15108. NOVA Chemicals maintains a website at [www.novachemicals.com](http://www.novachemicals.com). The information on NOVA Chemicals' website is not a part of this Annual Information Form.

Where used in this Annual Information Form, "NOVA Chemicals" or the "Corporation" means NOVA Chemicals Corporation alone or together with its subsidiaries and affiliates, depending on the context in which such terms are used.

## HISTORICAL DEVELOPMENT

### NOVA Chemicals Corporation

NOVA Chemicals' predecessor, NOVA Corporation of Alberta, was incorporated in 1954 by Special Act of the Legislative Assembly of the Province of Alberta. On May 10, 1994, NOVA Corporation of Alberta filed articles of arrangement under the Business Corporations Act of Alberta (the "Act") to complete a reorganization pursuant to which it became a wholly owned subsidiary of NOVA Corporation ("NOVA"), changed its name to NOVA Gas Transmission Ltd. and its common shareholders became the common shareholders of NOVA. At the same time, NOVA also became the parent corporation of Novacor Chemicals Ltd. and NOVA Gas International Ltd. Novacor Chemicals Ltd.'s name was changed to NOVA Chemicals Ltd. in March 1996.

On July 2, 1998, NOVA and TransCanada PipeLines Limited ("TransCanada") completed a merger of equals by way of a plan of arrangement (the "Arrangement") under the Act. Under the terms of the Arrangement, shareholders of NOVA exchanged each NOVA common share for 0.52 of a TransCanada common share. As part of the Arrangement, TransCanada distributed to its common shareholders, including all of the former common shareholders of NOVA, all of the common shares of NOVA on the basis of 0.2 of a NOVA common share for each TransCanada common share. At the time of the distribution of NOVA common shares, the only material asset of NOVA was all of the common shares of NOVA Chemicals Ltd.

As a result of the Arrangement, NOVA continued to conduct the commodity plastics and chemical businesses through NOVA Chemicals Ltd., and TransCanada began to conduct the energy services businesses formerly carried on by NOVA, through NOVA's former subsidiaries, NOVA Gas Transmission Ltd. and NOVA Gas International Ltd. The disclosure in this Annual Information Form relates only to the plastics and chemical businesses currently conducted by NOVA Chemicals and formerly conducted by NOVA.

On December 31, 1998, NOVA Chemicals Ltd. changed its name to NOVA Chemicals Corporation. Effective January 1, 1999, NOVA Chemicals Corporation amalgamated with NOVA under the Act and the resulting corporation adopted the name NOVA Chemicals Corporation.

On April 14, 2004, NOVA Chemicals Corporation was continued under the Canada Business Corporations Act.

### **Development of NOVA Chemicals' Plastics and Chemical Businesses**

- NOVA Chemicals commenced operation of its first ethylene plant ("E1") in Joffre, Alberta in 1979.
- In 1984, NOVA Chemicals commenced operation of a second ethylene plant ("E2") in Joffre, Alberta, in tandem with a linear low-density polyethylene plant ("PE1").
- In February 1987, NOVA Chemicals acquired its low-density and high-density polyethylene facility near Mooretown, Ontario from Union Carbide Canada Ltd. and Union Carbide Corporation ("UCC").
- In September 1988, NOVA Chemicals acquired Polysar Energy & Chemical Corporation. Through this purchase, NOVA Chemicals acquired its Corunna, Ontario olefins facility, its original styrenics business and a rubber business that was subsequently sold to Bayer AG in October 1990.
- In June 1994, NOVA Chemicals acquired its linear low-density and high-density polyethylene facility at the St. Clair River site in Corunna, Ontario, as well as the proprietary SCLAIRTECH™ technology and a global SCLAIRTECH technology licensing business, from DuPont Canada Inc. ("DuPont").
- In September 1996, NOVA Chemicals acquired the styrenics business of ARCO Chemical Company.
- In December 1996, NOVA Chemicals announced that it had developed Advanced SCLAIRTECH™ polyethylene technology.
- In December 1998, NOVA Chemicals acquired the majority of Huntsman Corporation's ("Huntsman") U.S. and European styrenics businesses, excluding Huntsman's North American EPS assets.
- In January 2000, NOVA Chemicals acquired the European SPS and EPS assets, Chilean EPS production and molding assets and associated worldwide sales and marketing operations of The Shell Petroleum Company Limited ("Shell"). In January 2006, NOVA Chemicals ceased production of EPS at its Quilicura, Chile facility. NOVA Chemicals continues to operate its two EPS molding facilities in Quilicura and El Tepual, Chile.
- In October 2000, NOVA Chemicals and Union Carbide Canada Inc. (now Dow Chemical Canada Inc. ("Dow")) commenced operation of a jointly owned, third ethylene plant ("E3") in Joffre, Alberta.
- In July 2001, NOVA Chemicals commenced operation of its second polyethylene plant ("PE2") at Joffre, Alberta, which operates using Advanced SCLAIRTECH technology.
- In August 2004, NOVA Chemicals sold its ethylene delivery system in Alberta to Taylor NGL Limited Partnership (now AltaGas Income Trust ("AltaGas")). NOVA Chemicals continues to transport ethylene on the system and physically operates and maintains the system.
- In December 2004, NOVA Chemicals sold its interest in the Alberta Ethane Gathering System ("AEGS") to Fort Chicago Energy Partners LP ("Fort Chicago"). NOVA Chemicals continues to transport ethane on the system and physically operates and maintains the system.
- In October 2005, NOVA Innovene, a 50:50 joint venture formed by the merger of the European styrenic polymer business of NOVA Chemicals and Innovene, the commodity chemicals business of BP p.l.c., commenced operations. On December 16, 2005, United Kingdom-based INEOS announced that it had acquired Innovene. Effective October 1, 2007, NOVA Chemicals and INEOS expanded the joint venture to include NOVA Chemicals' commodity styrenics assets and other North American styrenic polymer assets and INEOS' North American styrene monomer and styrenic polymer assets.

## Developments Since January 1, 2006

- In June 2006, NOVA Chemicals completed the shutdown of SPS production at its Chesapeake, Virginia, site. The plant had SPS production capacity of 300 million pounds (“mmlbs”) per year and compounding capability of 170 mmlbs per year. In October 2006, the Corporation discontinued compounding at this facility and entered into tolling arrangements with outside compounders for its ZYLAR® resins. The Chesapeake Technology Center was consolidated into NOVA Chemicals’ United States technology organization at its Beaver Valley site during 2006. In December 2007, NOVA Chemicals sold the Chesapeake property to a third party.
- In June 2006, NOVA Chemicals announced that it was restructuring into three business units in order to better align resources and reduce costs. NOVA Chemicals’ Olefins/Polyolefins business unit remained intact; however, NOVA Chemicals divided its styrenics business into two units: Performance Styrenics and STYRENIX. Performance Styrenics includes NOVA Chemicals’ EPS and styrenic Performance Polymers assets, its minority interest in LyondellBasell’s PO/SM facility in Channelview, Texas, which provides the Performance Styrenics business unit with styrene monomer pursuant to a long-term styrene monomer processing agreement and NOVA Chemicals’ interests in EPS-based downstream businesses and ventures for end-use consumer and industrial applications. STYRENIX, NOVA Chemicals’ commodity styrenics business unit, included NOVA Chemicals’ styrene monomer and SPS assets in North America, as well as its interest in the European styrenic polymer 50:50 joint venture with INEOS. As noted below, effective October 1, 2007, NOVA Chemicals and INEOS expanded the 50:50 joint venture to include NOVA Chemicals’ STYRENIX business unit assets and other styrenic polymer assets as well as INEOS’ North American styrene monomer and styrenic polymer assets.
- During 2006, NOVA Chemicals made operational improvements to PE1, which increased capacity at PE1 from 1,310 mmlbs per year at December 31, 2005 to 1,400 mmlbs per year at the end of 2006.
- In March 2007, the Corporation announced that it had signed a letter of intent with Aux Sable Canada Ltd. (“Aux Sable”) to develop an ethane extraction plant in Fort Saskatchewan, Alberta that would process natural gas from the Alliance Pipeline. Due to commercial challenges, that project is not proceeding at this time. NOVA Chemicals and Aux Sable each continue to be interested in viable ethane extraction opportunities from the Alliance Pipeline.
- In July 2007, NOVA Chemicals announced it had reached an agreement with Williams Energy Canada (“Williams”) to evaluate processing current and future off-gas streams from the Alberta oil sands to extract ethane. The ethane would be delivered to NOVA Chemicals’ Joffre, Alberta, petrochemical complex, utilizing the existing Joffre feedstock pipeline. Under the terms of the letter of intent, Williams would modify the existing oil sands off-gas liquids fractionation facility near Redwater, Alberta, to enable extraction of ethane and ethylene. This facility would be owned by Williams and NOVA Chemicals would be the exclusive, long-term customer. NOVA Chemicals anticipates that this project could begin operating in stages starting as early as 2012; however, as discussed below, NOVA Chemicals has entered into an arrangement agreement (the “Arrangement Agreement”) with International Petroleum Investment Company (“IPIC”) providing for the acquisition by IPIC of all of NOVA Chemicals’ outstanding common shares. This project with Williams will be reviewed with IPIC.
- On October 1, 2007, NOVA Chemicals and INEOS expanded their joint venture. NOVA Chemicals contributed its STYRENIX business unit’s assets, which included its 50% interest in NOVA Innovene, as well as its NAS® and ZYLAR styrenic polymer assets. INEOS contributed its North American styrene monomer and styrenic polymers assets and its 50% interest in NOVA Innovene.
  - Upon commencement of the expanded joint venture, INEOS NOVA had eight manufacturing facilities in North America, including SPS production rights from NOVA Chemicals’ Montréal, PQ facility, and five manufacturing facilities in France, Germany, The Netherlands and Sweden, including a contract for capacity at the manufacturing facility in Wingles, France (the Wingles facility was subsequently transferred to INEOS NOVA).

- In December 2007, INEOS NOVA shut down SPS production at NOVA Chemicals' Montréal facility. The site had annual production capacity of 120 mmlbs of SPS. The shutdown of production removed approximately 6% of INEOS NOVA's North American polystyrene production capacity.
- In January 2008, INEOS NOVA shut down its Belpre, Ohio polystyrene facility and consolidated production of its styrenic polymers at its more efficient facilities. In addition to SPS, the Belpre plant manufactured NAS and ZYLAR resins. In connection with the shutdown, INEOS NOVA moved the manufacture of NAS resins to its Indian Orchard site at Springfield, Massachusetts. INEOS NOVA continues to use outside compounders to toll compound ZYLAR resins. The Belpre plant had annual production capacity of 325 mmlbs (220 mmlbs per year of SPS). The shutdown removed approximately 12% of INEOS NOVA's North American polystyrene production capacity.
- In addition to contributing certain assets to the expanded joint venture, the parties also agreed to a buy-sell arrangement that gives each party equal right to trigger an exit from co-ownership at any time beginning after April 1, 2009.
- In conjunction with INEOS NOVA's commencement of operations on October 1, 2007, NOVA Chemicals assigned its exclusive rights to Sterling Chemicals Inc.'s ("Sterling") styrene monomer production at its Texas City, Texas, manufacturing facility to INEOS NOVA (NOVA Chemicals had secured such exclusive rights in September 2007). This styrene monomer capacity represented 11% of North American capacity. On November 12, 2007, INEOS NOVA nominated zero pounds of styrene monomer capacity from Sterling's plant for the remainder of 2007. On November 13, 2007, Sterling announced that it had exercised its right to permanently shut down and decommission this facility.
- During 2007, NOVA Chemicals made operational improvements to PE1, which increased capacity at PE1 from 1,400 mmlbs per year at December 31, 2006 to 1,450 mmlbs per year at the end of 2007.
- During 2007, NOVA Chemicals made operational improvements to PE2, which increased capacity at PE2 from 850 mmlbs per year at December 31, 2006 to 900 mmlbs per year at the end of 2007.
- In January 2008, NOVA Chemicals announced plans for a series of polyethylene plant modernization and expansion projects in the Sarnia, Ontario region. The projects include upgrading products, improving reliability and expanding the low-density polyethylene unit at the Mooretown, Ontario plant; optimizing the high-density polyethylene unit at the Mooretown plant to increase throughput rates and improve product quality; and debottlenecking high-density polyethylene and linear low-density polyethylene production at the St. Clair River site at Corunna, Ontario. The projects will add a total of up to 250 mmlbs per year of new polyethylene capacity. The Corporation initially expected to complete these projects in stages by the end of 2009. These projects are proceeding to the extent that the capital expenditures for these projects were approved in the Corporation's 2009 capital budget. The remainder of these projects will be reviewed with IPIC.
- In May 2008, NOVA Chemicals commenced operational improvements to increase annual capacity at its Advanced SCLAIRTECH technology polyethylene plant in Joffre, PE2, by approximately 100 mmlbs to 1,000 mmlbs. Approximately half of the expansion was achieved in 2008, but work on the remaining improvements will be reviewed with IPIC.
- In May 2008, NOVA Chemicals announced that it had signed a letter of intent with Reliance Industries Limited to form a building and construction joint venture. The proposed joint venture planned to leverage NOVA Chemicals' green building and construction technology to design, engineer and build a range of high-efficiency structures for the Indian sub-continent. This project with Reliance Industries will be reviewed with IPIC.
- In December 2008, due to poor market conditions, the Corporation idled its Beaver Valley site in Monaca, Pennsylvania that produces EPS as well as ARCEL® and DYLARK® styrenic Performance Polymers. NOVA Chemicals plans to restart only the portions of the site that can contribute immediate profit and cash flow to its restructured Performance Styrenics business unit. Portions of the site that support food packaging applications were restarted in January 2009.

- During 2008, NOVA Chemicals made operational improvements at its St. Clair River site, which increased polyethylene capacity from 410 mmlbs per year at December 31, 2007 to 450 mmlbs per year at December 31, 2008.
- During 2008, NOVA Chemicals began making operational improvements to PE1, which will increase annual capacity by as much as 50 mmlbs to 1,500 mmlbs by the end of 2009.

#### **EVENTS SUBSEQUENT TO DECEMBER 31, 2008**

- Effective January 28, 2009, NOVA Chemicals and its lenders amended the financial covenants in its secured revolving credit facility for the quarter ending March 31, 2009, to provide relief to give the Corporation access to its major credit lines during the first half of 2009, subject to complying with certain conditions subsequent which include securing \$100 million in additional financing by February 28, 2009, which was completed on February 22, 2009 (see below) and securing an additional \$100 million by June 1, 2009 of which \$50 million was secured as part of the \$150 million financing described below.
- On February 22, 2009, NOVA Chemicals secured a \$150 million revolving credit facility with Export Development Canada and a syndicate of three Canadian banks that expires on June 30, 2010.
- On February 22, 2009, NOVA Chemicals also agreed to jointly develop a financing plan with certain of its existing lenders. The plan would only be implemented if the agreement with IPIC or an alternative transaction to acquire NOVA Chemicals was not completed. The financing plan would provide for the refinancing of all or part of the Corporation's existing debt and the raising of incremental liquidity. Pursuant to the financing plan, NOVA Chemicals would issue both debt securities and equity securities or other hybrids in one or more financings or public or private offerings. The Corporation has agreed with certain of its existing lenders that such issuance of equity or equity-like securities would be intended to raise net proceeds of not less than \$300 million.

#### **ARRANGEMENT AGREEMENT WITH INTERNATIONAL PETROLEUM INVESTMENT COMPANY**

On February 23, 2009, the Corporation entered into an arrangement agreement (the "Arrangement Agreement") with International Petroleum Investment Company providing for the acquisition by IPIC of all of NOVA Chemicals' outstanding common shares for cash consideration of \$6.00 per share (Canadian \$7.52 per share based on an exchange rate of 1.2541), subject to the satisfaction or waiver of certain conditions discussed below. The acquisition would be implemented by way of court-approved plan of arrangement under the *Canada Business Corporations Act* (the "Arrangement"). The actual Canadian equivalent cash consideration per share will vary based on the exchange rate.

The total value of the Arrangement, including assumption of NOVA Chemicals' net debt obligations, is approximately \$2.3 billion.

The Arrangement will be subject to court and regulatory approval and other conditions, including the approval by holders of at least 66⅔% of the shares represented in person or by proxy at a special meeting of NOVA Chemicals' shareholders to be held on April 14, 2009. The completion of the Arrangement would be expected to occur upon receipt of all final regulatory approvals.

In connection with the Arrangement, IPIC provided a \$250 million unsecured backstop credit facility (the "Backstop Facility") to NOVA Chemicals. The Backstop Facility may only be used as a single draw to assist the Corporation in repaying the \$250 million, 7.4% notes due on April 1, 2009. The maximum amount that can be drawn on the Backstop Facility is limited to \$250 million less NOVA Chemicals' liquidity above \$175 million on April 1, 2009. The amount drawn and all related interest and fees will be payable upon expiration of the facility on June 30, 2010. The Backstop Facility is governed by the same quarterly financial covenants as NOVA Chemicals' secured revolving credit facility.

The Arrangement is not subject to any financing condition. The Arrangement Agreement provides for a termination fee of \$15 million payable by NOVA Chemicals to IPIC in certain circumstances, including where

NOVA Chemicals' Board of Directors changes its support for the Arrangement or NOVA Chemicals terminates the Arrangement Agreement to enter into a transaction agreement with a third party. In certain circumstances where the Arrangement Agreement is terminated, including under any circumstances where NOVA Chemicals' shareholders do not approve the Arrangement, the Corporation may be required to reimburse up to a maximum of \$3 million of IPIC's expenses incurred in connection with the Arrangement Agreement. In addition, if the Arrangement Agreement is terminated under certain circumstances, including where NOVA Chemicals' Board of Directors changes its support for the Arrangement or NOVA Chemicals terminates the Arrangement Agreement to enter into a transaction agreement with a third party, then the Backstop Facility would be terminated and any amounts outstanding thereunder would need to be repaid, including any unpaid interest. In addition, under the Backstop Facility, the Corporation would need to pay an additional termination fee under such circumstances equal to (i) \$5 million dollars or (ii) if any amounts are outstanding under the Backstop Facility, 2.5% of such amount. NOVA Chemicals has also agreed to pay an upfront fee equal to \$7.5 million and a commitment fee of up to approximately \$254,000 with respect to the Backstop Facility. The upfront fee and the commitment fee are payable upon the maturity date or other termination of the Backstop Facility.

A complete description of the Arrangement and the Arrangement Agreement is provided in NOVA Chemicals' Management Proxy Circular, dated March 13, 2009, which has been publicly filed by NOVA Chemicals and is available at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), and which can also be accessed at [www.novachemicals.com](http://www.novachemicals.com).

## SUBSIDIARIES OF NOVA CHEMICALS

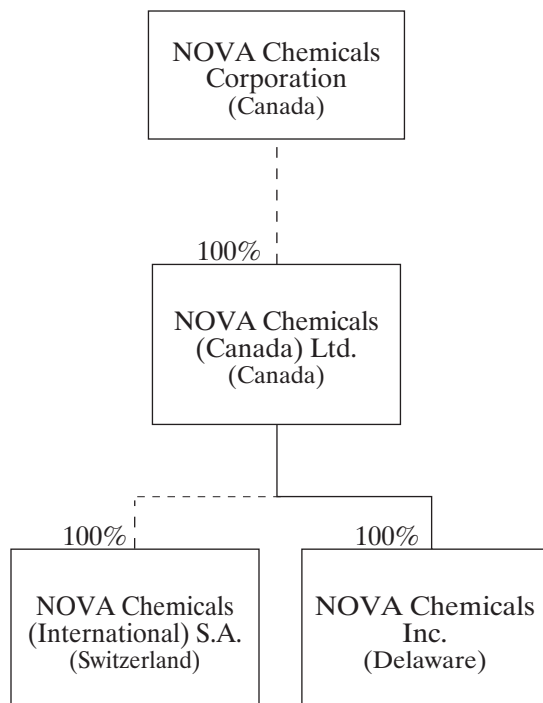
The following list includes all material subsidiaries of NOVA Chemicals and indicates their respective jurisdictions of incorporation, continuance or organization. All of the voting securities of each material subsidiary are held directly or indirectly by NOVA Chemicals:

<u>Name</u>	<u>Jurisdiction</u>
NOVA Chemicals (Canada) Ltd./NOVA Chimie (Canada) Ltée. . . . .	Canada
NOVA Chemicals Inc. <sup>(1)</sup> . . . . .	Delaware, U.S.A.
NOVA Chemicals (International) S.A. . . . .	Switzerland
Novacor Chemicals Investments B.V. . . . .	The Netherlands
NOVA Chemicals Quimica Holdings, S.L. . . . .	Spain
NOVA Petrochemicals Ltd. . . . .	Alberta, Canada

Note:

- (1) Information with respect to the preferred shares issued in connection with the December 31, 1998 Huntsman acquisition is described in Note 8 in the Consolidated Financial Statements included in NOVA Chemicals' 2008 Annual Report.

The following chart summarizes NOVA Chemicals' simplified corporate structure showing principal operating entities and jurisdictions of incorporation, continuance or organization (dotted lines signify an indirect holding):



NOVA Chemicals' 50% equity interest in its joint venture with INEOS is held as follows. In North America, NOVA Chemicals' subsidiary, NOVA Chemicals Inc., holds a 50% equity interest in INEOS NOVA LLC (a Delaware limited liability company). North American joint venture operations are conducted either through INEOS NOVA LLC or INEOS NOVA Ltd. (a corporation governed by the laws of Canada that is wholly owned by INEOS NOVA LLC). In Europe, NOVA Chemicals' subsidiary, NOVA Chemicals (International) S.A., owns a 50% equity interest in each of INEOS NOVA European Holdings B.V. (a corporation governed by the laws of the Netherlands) and INEOS NOVA International S.A. (a corporation governed by the laws of Switzerland). European joint venture operations are conducted through INEOS NOVA International S.A. and subsidiaries of INEOS NOVA European Holdings B.V.

## BUSINESS

### General

NOVA Chemicals' principal business is the production and marketing of plastics and chemicals. NOVA Chemicals operates an Olefins/Polyolefins business unit that produces and markets ethylene, polyethylene, higher-value polyethylene manufactured using NOVA Chemicals' Advanced SCLAIRTECH technology, and a variety of chemical and energy products (commonly known as co-products). NOVA Chemicals also operates a Performance Styrenics business unit that produces and markets EPS as well as higher-value styrenic polymers, which it refers to as its styrenic Performance Polymers. NOVA Chemicals' Performance Styrenics business unit also includes its interests in EPS-based downstream businesses and ventures for the building and construction industry.

NOVA Chemicals' polyethylene and styrenic polymer resins are used in a wide range of applications including rigid and flexible packaging, containers, plastic bags, plastic pipe, consumer electronics, building and construction materials, automotive components, housewares and other industrial and consumer goods.

Ethylene is a basic chemical used to manufacture a wide variety of polymers and other chemical products. Ethylene production in excess of NOVA Chemicals' internal consumption requirements is sold to third parties. In addition, NOVA Chemicals engages in swap transactions with other producers of ethylene where it has limited or no ethylene production capability.

NOVA Chemicals produces polyethylene primarily from its internal ethylene production. NOVA Chemicals produces the following varieties of polyethylene: high-density polyethylene ("HDPE"), low-density polyethylene ("LDPE") and linear low-density polyethylene ("LLDPE"). In addition, NOVA Chemicals develops and markets higher-value LLDPE and HDPE manufactured using NOVA Chemicals' Advanced SCLAIRTECH technology, including SURPASS® and some SCLAIR® polyethylene resins.

Styrene monomer is a basic chemical used to manufacture a wide variety of polymers and other chemical products. NOVA Chemicals has a minority interest in LyondellBasell's PO/SM facility in Channelview, Texas and an associated long-term styrene monomer processing agreement to acquire styrene monomer that provides sufficient styrene monomer supply for the operation of NOVA Chemicals' Performance Styrenics business unit.

NOVA Chemicals' Performance Styrenics business unit produces EPS styrenic polymers, develops, manufactures and markets styrenic Performance Polymers such as ARCEL and DYLARK resins and has interests in EPS-based downstream businesses and ventures for the building and construction industry.

In addition to its principal business of producing and marketing plastics and chemicals, NOVA Chemicals has a licensing business. For example, the Corporation offers for license its proprietary polyethylene SCLAIRTECH and Advanced SCLAIRTECH process technology and catalyst technology. NOVA Chemicals also licenses its Performance Styrenics business unit's technology such as its in-mold labeled cup and container technology.

NOVA Chemicals owns a 50% interest in INEOS NOVA, a joint venture with INEOS that produces and markets styrene monomer and SPS in North America and SPS and EPS in Europe. INEOS NOVA produces styrenic polymers primarily from its internal styrene monomer production. INEOS NOVA sells styrene monomer production in excess of its internal consumption to third parties. In addition, INEOS NOVA is engaged in various swap transactions with other producers of styrene monomer where it has limited or no styrene monomer production.

### Properties and Production Facilities

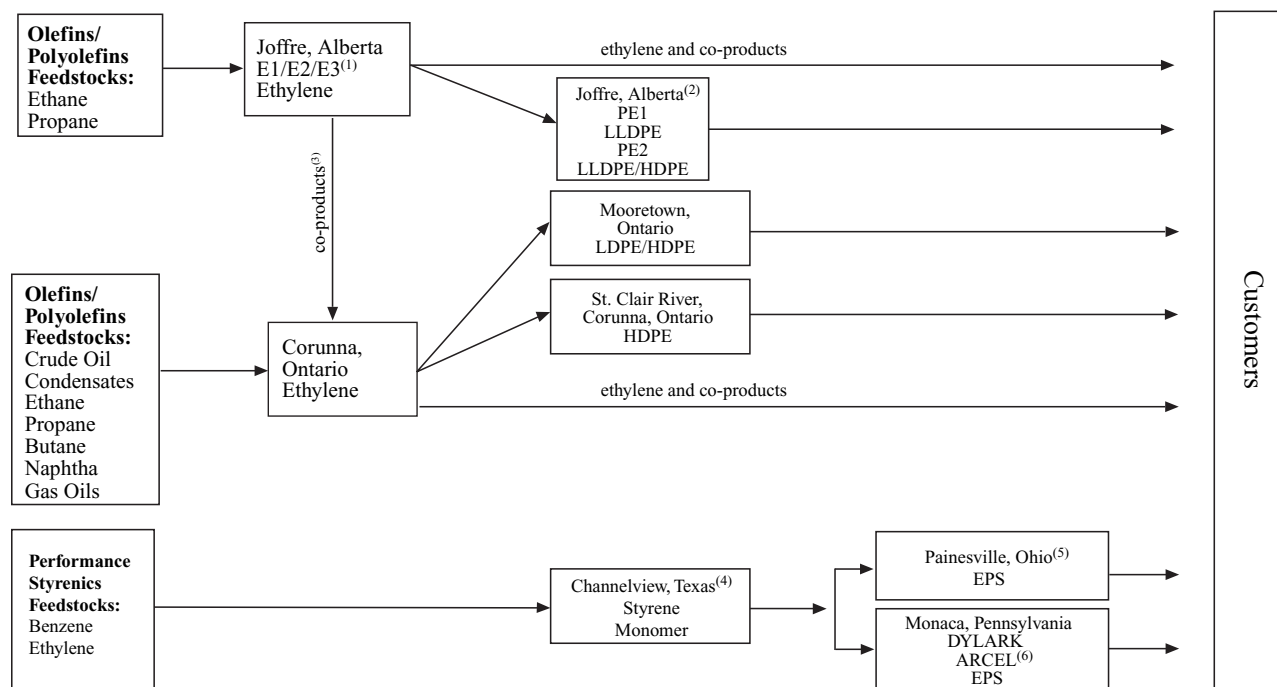
NOVA Chemicals' products are manufactured at seven sites in North America. All production facilities are owned by NOVA Chemicals (except LyondellBasell's PO/SM facility in Channelview, Texas, in which NOVA Chemicals has a minority interest, and the E3 manufacturing plant at Joffre, Alberta, in respect of which NOVA Chemicals and Dow each own 50%). With the exception of the Channelview facility, NOVA Chemicals owns the land on which its production facilities are located.

INEOS NOVA produces styrene monomer at three facilities in North America, SPS at three facilities in North America and styrenic polymers at five sites in Europe.

In addition to its production facilities, NOVA Chemicals leases or owns approximately 548,000 square feet of office space in numerous locations, mostly in North America. Its registered office and Canadian operating center is located in Calgary, Alberta. Its executive offices and United States operating center are located in Moon Township, Pennsylvania.

The following charts and tables show NOVA Chemicals' and INEOS NOVA's plastics and chemical product flow and production facilities.

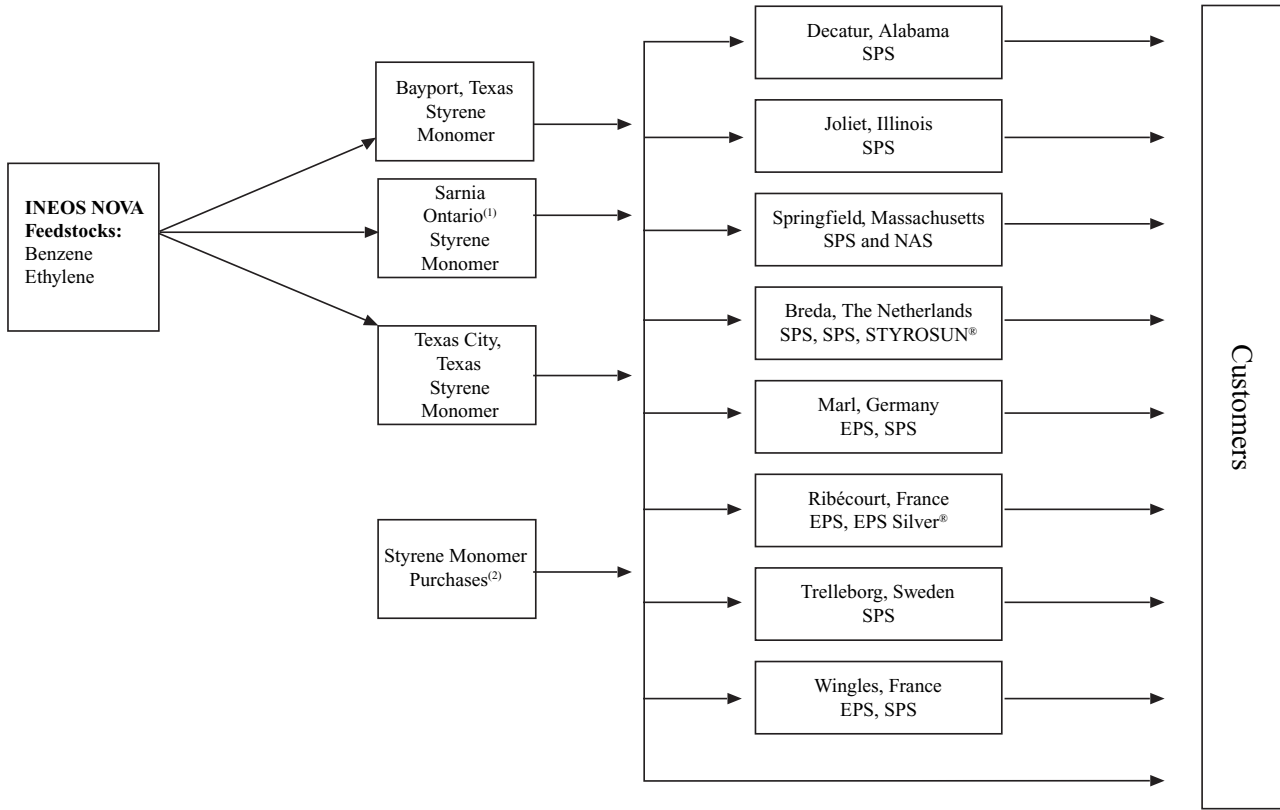
### NOVA Chemicals Product Flow Chart



Notes:

- (1) E3 is a joint venture between NOVA Chemicals and Dow. Nameplate capacity is 2,800 mmlbs per year. NOVA Chemicals' share of the production capacity is 50% and is used internally or sold to merchant ethylene customers.
- (2) PE1 and PE2 consume approximately 47% of E1, E2 and NOVA Chemicals' share of E3 ethylene production capacity.
- (3) A small portion of Joffre co-products is shipped to Corunna for feedstock.
- (4) NOVA Chemicals has a minority interest in this LyondellBasell PO/SM facility. NOVA Chemicals' Performance Styrenics business unit receives styrene monomer from the facility pursuant to a long-term styrene monomer processing agreement.
- (5) In addition to receiving styrene monomer from Channelview, the Painesville facility obtains styrene monomer from INEOS NOVA's site in Sarnia, Ontario via a swap arrangement and also has the flexibility to source styrene monomer from other suppliers.
- (6) In addition to producing ARCEL resin at its Monaca, Pennsylvania facility, NOVA Chemicals has entered into an agreement with Ningbo Chang-Qiao Engineering Plastics Co., Ltd., an affiliate of Loyal Chemical Industrial Corporation, pursuant to which base resin produced at the Monaca, Pennsylvania facility is shipped to a plant near Shanghai, China to undergo a second finishing step to become ARCEL resin.

## INEOS NOVA Product Flow Chart



**Notes:**

- (1) NOVA Chemicals and an affiliate of INEOS have entered into a series of feedstock agreements with INEOS NOVA, including agreements for the supply of ethylene and benzene from NOVA Chemicals' Corunna, Ontario facility to INEOS NOVA's Sarnia, Ontario facility.
- (2) INEOS NOVA's global styrene monomer supply pool includes product swaps with other producers of styrene monomer.

### Facility Profile (Olefins/Polyolefins)

Site	Feedstocks	Main Products	Rated Capacity	
			(mmlbs/year)	(kilotonnes/year)
1. Joffre, Alberta	Ethane/Propane	Ethylene (E1)	1,600	730
	Ethane/Propane	Ethylene (E2)	1,800	820
	Ethane	Ethylene (E3) <sup>(1)</sup>	1,400	640
		Co-products	830 <sup>(2)</sup>	380
	Ethylene	LLDPE (PE1)	1,480	670
2. Corunna, Ontario		LLDPE & HDPE (PE2)	950	430
	Crude Oil, Condensates, Ethane, Butane, Propane, Naphtha, Gas Oils	Ethylene	1,800 <sup>(3)</sup>	820
		Co-products	4,700 <sup>(3)</sup>	2,130
3. St. Clair River, Corunna, Ontario	Ethylene	HDPE	450	200
4. Mooretown, Ontario	Ethylene	HDPE	465	210
		LDPE	275	120
<b>TOTAL ETHYLENE PRODUCTION CAPACITY (Design Production)</b>			<b>6,600</b>	<b>2,990*</b>
<b>TOTAL POLYETHYLENE PRODUCTION CAPACITY</b>			<b>3,620</b>	<b>1,640*</b>

Notes:

- (1) The annual design production capacity of E3 totals 2,800 mmlbs and is divided between Dow and NOVA Chemicals. NOVA Chemicals' share of the production capacity is 50%.
  - (2) Production capacity is variable and depends on the feedstock used.
  - (3) Ethylene design capacity is 1,800 mmlbs per year and propylene design capacity is 900 mmlbs per year, resulting in 4,700 mmlbs per year of co-product capacity. In both cases, capacity is dependent on feedstock mix.
- \* Difference between total and individual plant values attributable to rounding.

### Facility Profile (Performance Styrenics)

Site	Feedstocks	Main Products	Rated Capacity	
			(mmlbs/year)	(kilotonnes/year)
<b>Styrene Monomer</b>				
1. Channelview, Texas <sup>(1)</sup>	Benzene, Ethylene	Styrene Monomer	400	180
<b>TOTAL STYRENE MONOMER PRODUCTION CAPACITY</b>			<b>400</b>	<b>180</b>
<b>Styrenic Polymers</b>				
1. Monaca, Pennsylvania	Styrene Monomer	ARCEL, EPS and DYLARK	445 <sup>(2)</sup>	200
2. Painesville, Ohio	Styrene Monomer	EPS	85 <sup>(3)</sup>	40
<b>TOTAL STYRENIC POLYMERS PRODUCTION CAPACITY</b>			<b>530</b>	<b>240</b>

Note:

- (1) This represents a minority interest in the LyondellBasell Channelview, Texas PO/SM facility and the long-term styrene monomer processing agreement associated with that interest.
- (2) At December 31, 2008, EPS capacity was 285 mmlbs/year. In the first quarter of 2009, the capacity of EPS operations will be re-rated to 180 mmlbs/year.
- (3) At December 31, 2008, EPS capacity was 85 mmlbs/year. In the first quarter of 2009, the capacity of EPS operations will be re-rated to 100 mmlbs/year.

### Facility Profile (INEOS NOVA<sup>(1)</sup>)

Site	Feedstocks	Main Products	Rated Capacity	
			(mmlbs/year)	(kilotonnes/year)
<b>Styrene Monomer</b>				
1. Bayport, Texas	Benzene, Ethylene	Styrene Monomer	1,700 <sup>(2)</sup>	770
2. Sarnia, Ontario	Benzene, Ethylene	Styrene Monomer	950	430
3. Texas City, Texas	Benzene, Ethylene	Styrene Monomer	1,070	485
<b>TOTAL STYRENE MONOMER PRODUCTION CAPACITY</b>			<b>3,720</b>	<b>1,685</b>
<b>Styrenic Polymers</b>				
1. Breda, The Netherlands	Styrene Monomer	EPS, SPS and STYROSUN	440	200
2. Decatur, Alabama	Styrene Monomer	SPS	425	190
3. Joliet, Illinois	Styrene Monomer	SPS	880	400
4. Marl, Germany	Styrene Monomer	EPS and SPS	620	280
5. Ribécourt, France	Styrene Monomer	EPS and EPS Silver	220	100
6. Springfield, Massachusetts	Styrene Monomer	SPS and NAS	330	150
7. Trelleborg, Sweden	Styrene Monomer	SPS	175	80
8. Wingles, France	Styrene Monomer	EPS and SPS	620	280
<b>TOTAL STYRENIC POLYMERS PRODUCTION CAPACITY</b>			<b>3,710</b>	<b>1,680</b>

Notes:

(1) NOVA Chemicals owns 50% of INEOS NOVA.

(2) Approximately 220 mmlbs per year of this capacity is committed to BASF Corporation.

#### Olefins/Polyolefins

NOVA Chemicals' Olefins/Polyolefins business unit produces ethylene and polyethylene. As part of the ethylene production process, and in the preparation of feedstocks for this process, NOVA Chemicals also produces a number of co-products.

The Joffre, Alberta site is integrated with AEGS, which connects large-scale ethane extraction plants and ethane storage facilities to NOVA Chemicals' ethylene crackers. The Joffre feedstock pipeline is also integrated with the Joffre site and connects natural gas liquids production and storage facilities in Fort Saskatchewan, Alberta to the Joffre site. AltaGas completed construction of the Joffre feedstock pipeline in early 2005 and NOVA Chemicals operates and is the sole shipper on this pipeline. Ethylene is fed directly to onsite polyethylene production at Joffre, as well as to storage and customers at Joffre, Prentiss and Fort Saskatchewan, Alberta.

The Corunna, Ontario ethylene facility is connected to multiple pipeline systems that, in conjunction with the facility's flexi-cracker capabilities, enable NOVA Chemicals to optimize its feedstock slate. In addition, NOVA Chemicals utilizes rail and marine transport to transport feedstocks. The Corunna facility provides ethylene by pipeline to NOVA Chemicals' polyethylene production facilities in Mooretown, Ontario and its St. Clair River site in Corunna, Ontario. The Corunna facility also provides ethylene to INEOS NOVA's styrene monomer facility in Sarnia, Ontario as well as to customers in the Sarnia, Ontario area.

For financial reporting purposes, NOVA Chemicals has three reportable segments as part of its Olefins/Polyolefins business unit: Joffre Olefins, Corunna Olefins and Polyethylene.

	Revenue/Approximate Percentage of NOVA Chemicals' Total Revenue (before intersegment eliminations) Year Ended December 31,	
	2008	2007
Consolidated Olefins/Polyolefins Business Unit . . . . .	5.3 billion/69%	\$4.5 billion/64%

Reportable Segment	Revenue/Approximate Percentage of Consolidated Olefins/Polyolefins Business Unit Revenue (before intersegment eliminations) Year Ended December 31,	
	2008	2007
Joffre Olefins . . . . .	\$2.2 billion/30%	\$1.8 billion/31%
Corunna Olefins . . . . .	\$2.5 billion/36%	\$2.1 billion/35%
Polyethylene . . . . .	\$2.4 billion/34%	\$2.0 billion/34%

**Ethylene**

NOVA Chemicals has annual production capacity of approximately 6,600 mmlbs of ethylene (excluding Dow's share of E3). Ethylene is a commodity chemical that NOVA Chemicals produces through thermal cracking of various feedstocks, a process that uses high temperatures to break down the carbon chains. The feedstocks used to produce ethylene are natural gas liquids and crude oil derived feedstocks including ethane, naphtha, propane, butane and gas oils. The most common feedstocks used by NOVA Chemicals are ethane and, to a lesser extent, crude oil and naphtha. Ethylene is used in the manufacture of polyethylene, styrene monomer, styrenic polymers and polyvinyl chloride, as well as chemical intermediates such as ethylene oxide, ethylene glycol, ethylene dichloride and vinyl acetate.

NOVA Chemicals produces ethylene at two locations, Joffre, Alberta and Corunna, Ontario.

*Joffre, Alberta Facility*

NOVA Chemicals has three ethylene production facilities at Joffre, Alberta: E1, E2 and E3 (E3 is 50% owned by Dow). These three plants have an annual production capacity of approximately 1,600, 1,800 and 2,800 mmlbs of ethylene (including Dow's share of E3 production capacity), respectively, for a total combined capacity of 6,200 mmlbs. The combined co-product production capacity of E1, E2 and E3 is approximately 830 mmlbs per year, depending on the feedstock used.

Approximately 47% of the ethylene production capacity at these facilities (excluding Dow's share of E3 production capacity) is used internally to support NOVA Chemicals' Joffre polyethylene production and the rest is sold to third parties. Third party sales are facilitated through a variety of medium to long-term contracts. These contracts typically contain pricing mechanisms that include a cost recovery component and a market-based component.

All of the ethylene plants at the Joffre site use ethane as their primary feedstock. Ethane is typically supplied under contracts with the owners of natural gas liquids extraction and fractionation plants located in Alberta. Most of these supply agreements have 10 to 20 years remaining on their terms with the possibility of renewal by the parties. The price NOVA Chemicals pays under these agreements consists of two components: (1) the cost to replace the energy content of the ethane extracted from the gas stream (this component varies with the price of natural gas; NOVA Chemicals may pay the owner for replacement natural gas or purchase or swap natural gas to physically replace the energy content of the ethane) and (2) a fee to cover an agreed upon portion of the costs of plant operation and return on invested capital (this component may be fixed or vary with production). NOVA Chemicals supplements its ethane supplies through spot purchases.

NOVA Chemicals has enhanced its ethane feedstock availability through the development of third-party sources. One third-party source of ethane is from the ethane extraction facility adjacent to the Joffre site, which extracts natural gas liquids from the natural gas used as fuel for both NOVA Chemicals' Joffre site and Dow's Prentiss, Alberta site. A second source of incremental ethane is from modifications made to existing extraction

plants. These modifications increased the efficiency of existing plants to yield additional volumes of ethane from the same volume of natural gas.

Virtually all of the ethane requirements for the Joffre site are transported via AEGS. Under a transportation agreement, NOVA Chemicals has the right to ship ethane on AEGS. NOVA Chemicals has also entered into an operating agreement with Fort Chicago, the owner of AEGS, under which NOVA Chemicals is responsible for the physical operation of AEGS, while Fort Chicago has responsibility for all commercial aspects of AEGS operations.

NOVA Chemicals has the flexibility to use propane in addition to ethane for a portion of the Joffre feedstock requirements. Propane can be transported to Joffre by the Joffre feedstock pipeline owned by AltaGas.

NOVA Chemicals continuously looks for opportunities to expand feedstock flexibility and supply to enhance operational flexibility and support longer-term growth opportunities. In July 2007, the Alberta government released details of its “incremental ethane extraction policy” that provides incentives for value-added production and use of ethane in the province. NOVA Chemicals may be able to take advantage of this policy to increase the utilization of its existing ethylene crackers at its Joffre manufacturing facility.

In 2008, NOVA Chemicals participated in the Alberta Energy and Utilities Board’s (the “EUB”) inquiry into potential inequities surrounding the conventions and practices governing the extraction of natural gas liquids from the common natural gas stream transported on Alberta-regulated pipelines and other related matters (the “Inquiry”). The Inquiry examined whether or not these conventions and practices need to be changed, what those changes might be, and how they could be implemented. The Inquiry’s report to the Alberta government was issued in February 2009. The Inquiry made several recommendations that could be beneficial to the petrochemical industry in Alberta. NOVA Chemicals anticipates that it will be involved in a number of committees and policy groups seeking consensus on the implementation of the various recommendations of the Inquiry. In addition, TransCanada has received approval to move the regulation of its Alberta system (the former NOVA Gas Transmission Ltd.) from the EUB to the National Energy Board. NOVA Chemicals plans to participate in shipper committees and regulatory proceedings relating to this change of regulation.

As part of the ethylene production process at Joffre, NOVA Chemicals produces approximately 830 mmlbs of co-products per year, depending on the feedstock used. Co-products, other than hydrogen and carbon dioxide, are shipped by railcar to markets in Alberta, Ontario and the U.S. Gulf Coast.

#### *Corunna, Ontario Facility*

The Corunna, Ontario olefins facility, located near Sarnia, Ontario, has an annual production capacity of approximately 1,800 mmlbs of ethylene and 900 mmlbs of propylene. In both cases, capacity is dependent on feedstock mix. The Corunna olefins facility has the flexibility to process a wide range of hydrocarbon feedstocks including crude oil, condensates, ethane, propane, butane, naphtha and gas oils to produce ethylene and co-products for use by NOVA Chemicals’ downstream operations and for sale to third parties. The feedstock chosen depends on market conditions and is determined by using a model that calculates the optimal feedstock mix to produce the most profitable mix of products. The majority of ethylene production from the Corunna olefins facility is used internally by NOVA Chemicals to produce polyethylene or sold to INEOS NOVA for its styrene monomer production.

The blend of feedstocks processed in the Corunna, Ontario olefins facility determines the range of co-products obtained, with heavier feedstocks such as naphtha producing more co-products. The facility has a production capacity of approximately 4,700 mmlbs of co-products per year.

Feedstocks for the Corunna, Ontario olefins facility are obtained from a wide variety of sources. Crude oil and naphtha are the main feedstocks processed at the facility. Condensate, a lighter feedstock than crude oil that yields a higher proportion of olefins versus fuel oil co-products, as well as propane, butane and naphtha are also processed at the Corunna facility. All crude oil and the majority of condensate is delivered via Enbridge Inc. (“Enbridge”) pipeline systems. NOVA Chemicals sources crude oil and condensate feedstocks from offshore locations, western Canada and the United States. Offshore crude oil and condensate is delivered to Portland, Maine and then ultimately to the Corunna facility via Enbridge’s Line 9 pipeline system. Propane, butane and

naphtha are sourced from western Canadian and local producers as well as United States sources, principally by pipeline.

### ***Co-Products***

Co-products are produced in the ethylene manufacturing process and can be grouped into two categories: chemical co-products and energy co-products. Chemical co-products include propylene, benzene, and butadiene — building blocks that are used to make items such as tires, carpet and clothing fibers, or household goods. Energy co-products include gasoline additives and fuel oil. The profitability of co-products depends on energy prices and the supply and demand balance for each co-product. Co-product production depends on the feedstock mix. Total co-product production capacity is approximately 5,500 mmlbs per year. The majority of co-products produced at NOVA Chemicals' Joffre, Alberta and Corunna, Ontario facilities is sold to third parties. However, some co-products are consumed internally by NOVA Chemicals or sold to INEOS NOVA either as fuel or for the production of other products. For example, benzene, a co-product produced at NOVA Chemicals' Corunna flexi-cracker is transported by pipeline from this facility to INEOS NOVA's Sarnia, Ontario styrene monomer facility and is used in the production of styrene monomer by INEOS NOVA.

### ***Polyethylene***

NOVA Chemicals has annual production capacity of approximately 3,600 mmlbs of polyethylene. Polyethylene is produced through the polymerization of ethylene. NOVA Chemicals produces polyethylene from ethylene supplied from its Joffre, Alberta and Corunna, Ontario facilities at three locations in Canada: Joffre, Alberta; St. Clair River, Corunna, Ontario; and Mooretown, Ontario.

NOVA Chemicals' has two polyethylene plants located at Joffre, Alberta, PE1 and PE2. PE1 has annual production capacity of approximately 1,480 mmlbs and produces LLDPE from ethylene supplied from E1, E2 and E3. PE1 currently utilizes the NOVACAT® family of catalysts that was developed by NOVA Chemicals and its catalyst development partner, INEOS, as well as NOVA Chemicals' proprietary gas-phase process technology originally licensed from UCC. The licenses from UCC are fully paid and the obligations of confidence and non-use pursuant to these licenses have expired. Accordingly, NOVA Chemicals pays no royalties for the use of this technology and independently sustains and develops this technology as used in NOVA Chemicals' facilities. PE2 has annual production capacity of approximately 950 mmlbs. PE2 uses Advanced SCLAIRTECH technology to produce NOVA Chemicals' SURPASS and some SCLAIR polyethylene resins from ethylene supplied from E1, E2 and E3. During 2008, NOVA Chemicals completed operational improvements to increase capacity at PE2 to approximately 950 mmlbs per year.

NOVA Chemicals has a polyethylene plant located at the St. Clair River site in Corunna, Ontario, which has annual production capacity of approximately 450 mmlbs. NOVA Chemicals typically manufactures HDPE at this plant but can also manufacture LLDPE at this plant. Ethylene feedstock is supplied from the Corunna, Ontario olefins facility.

NOVA Chemicals' polyethylene plant located near Mooretown, Ontario has an annual production capacity of approximately 740 mmlbs. Ethylene feedstock is supplied from the Corunna, Ontario olefins facility. One of the lines at the plant currently uses NOVA Chemicals' proprietary gas-phase process technology originally licensed from UCC to produce HDPE and the other line at the plant currently uses NOVA Chemicals' proprietary high pressure process technology, also originally licensed from UCC, to produce LDPE. These licenses from UCC are fully paid and the obligations of confidence and non-use pursuant to these licenses have expired.

### ***Advanced SCLAIRTECH Technology***

After acquiring SCLAIRTECH technology in 1994, NOVA Chemicals further developed the technology and, in December 1996, announced that it had developed Advanced SCLAIRTECH technology. Advanced SCLAIRTECH solution-phase technology yields higher-value polyethylene resins that NOVA Chemicals believes provide several advantages over standard polyethylene resins, such as clarity and toughness in end-use products manufactured by NOVA Chemicals' customers.

Advanced SCLAIRTECH technology used at PE2 includes two proprietary catalyst systems. The Ziegler-Natta (“Z-N”) catalyst introduced in 2001 is used to make NOVA Chemicals’ SCLAIR line of polyethylene products. These are octene-based polyethylene grades primarily for film applications. In 2003, NOVA Chemicals commercialized a single-site catalyst using Advanced SCLAIRTECH technology and introduced a series of new polyethylene products under the trademark SURPASS. SURPASS resins have been commercialized for film, rotational molding and thin wall injection molding applications. NOVA Chemicals expects to continue to shift sales of its polyethylene resins to higher-value polyethylene resins manufactured using Advanced SCLAIRTECH technology.

***Joffre, Alberta Cogeneration Plant***

In June 2000, ATCO Power Canada Ltd. (“ATCO”), an affiliate of EPCOR Utilities Inc. (“EPCOR”) and NOVA Chemicals opened a natural gas-fired cogeneration power plant with a nominal installed peak capacity of 480 megawatts at NOVA Chemicals’ production site at Joffre, Alberta. The power plant supplies the electrical and steam needs for the entire Joffre site, with excess power sold to Alberta’s provincial power grid. The three companies jointly own the cogeneration facility, with ATCO serving as the facility operator. The respective interests of the parties are 40% for each of ATCO and EPCOR and 20% for NOVA Chemicals.

**Performance Styrenics**

NOVA Chemicals’ Performance Styrenics business unit includes NOVA Chemicals’ EPS and styrenic Performance Polymers assets, its minority interest in LyondellBasell’s PO/SM facility in Channelview, Texas and NOVA Chemicals’ interests in EPS-based downstream businesses and ventures for the building and construction industry. NOVA Chemicals intends to restructure its Performance Styrenics business unit to decrease overall fixed costs. NOVA Chemicals will focus its resources on only its best and most immediate opportunities and expects to exit certain product lines and eliminate or consolidate certain downstream businesses or ventures during 2009.

The long-term styrene monomer processing agreement associated with NOVA Chemicals’ interest in LyondellBasell’s PO/SM facility provides sufficient styrene monomer supply for the operation of NOVA Chemicals’ Performance Styrenics business unit. NOVA Chemicals and INEOS NOVA have an agreement in place whereby INEOS NOVA provides NOVA Chemicals’ required share of benzene to the LyondellBasell facility.

	Revenue/Approximate Percentage of NOVA Chemicals’ Total Revenue (before intersegment eliminations) Year Ended December 31,	
	2008	2007
Performance Styrenics Business Unit . . . . .	\$433 million/6%	\$412 million/6%

***North American Expandable Polystyrene***

NOVA Chemicals produces EPS at its Beaver Valley site at Monaca, Pennsylvania and at its Painesville, Ohio facility. Total rated production capacity of 370 mmlbs per year ranks NOVA Chemicals as the largest EPS producer in North America. EPS resins are used in applications such as foam cups, noodle bowls, takeout and ice cream containers, insulation board and foam packaging. NOVA Chemicals’ EPS cup and container resin is sold under the trademark DYLLITE®.

***North American Styrenic Performance Polymers***

NOVA Chemicals’ Beaver Valley site in Monaca, Pennsylvania produces ARCEL resins, which contain polystyrene and polyethylene. This expandable bead is sold into the protective packaging market. In addition to producing ARCEL moldable foam resins at its Beaver Valley site, in September 2005, NOVA Chemicals entered into an agreement with Ningbo Chang-Qiao Engineering Plastics Co., Ltd., an affiliate of Loyal Chemical Industrial Corporation, to provide new finishing capacity for ARCEL moldable foam resin near Shanghai, China.

The Beaver Valley site also produces DYLARK resins that are modified, styrene-based polymers that provide ease of processing, performance at elevated temperatures and foam adhesion for use in instrument panels and other parts for the global automotive industry. DYLARK resins are also sold for use in the food packaging and food services industry.

***Beaver Valley Site***

In December 2008, due to poor market conditions, the Corporation idled its Beaver Valley site. NOVA Chemicals plans to restart only the portions of the site that can contribute immediate profit and cash flow to its restructured Performance Styrenics business unit. In January 2009, NOVA Chemicals restarted portions of the site that support food packaging applications.

***Chile***

NOVA Chemicals operates EPS molding plants in Quilicura and El Tepual, Chile, which produce molded products for the South American fish packaging, housing and construction markets.

***Downstream Businesses and Ventures***

NOVA Chemicals attempts to leverage its intellectual property and market expertise by entering into downstream businesses and ventures, either directly or by entering into strategic relationships with partners. These businesses and ventures are in the development or start-up stage. The strategic objective of these initiatives is to capture value beyond the sale of resin. As part of the restructuring of its Performance Styrenics business unit, NOVA Chemicals plans to eliminate or consolidate certain of these downstream businesses and ventures. In addition to the sale of the finished products manufactured by these businesses and ventures, NOVA Chemicals has, to a limited extent, licensed certain of its proprietary technology, such as its in-mold labeled cup and container technology.

**INEOS NOVA**

NOVA Chemicals owns a 50% interest in INEOS NOVA, a 50:50 joint venture with INEOS that produces and markets styrene monomer and SPS in North America and SPS and EPS in Europe.

	Revenue/Approximate Percentage of NOVA Chemicals' Total Revenue (before intersegment eliminations) Year Ended December 31,	
	2008	2007 <sup>(1)</sup>
INEOS NOVA Joint Venture . . . . .	\$1.9 billion/25%	\$2.1 billion/30%

Note:

(1) The 2007 annual INEOS NOVA Joint Venture results shown above are comprised of: (i) the results from the first nine months of the former NOVA Chemicals' STYRENIX business unit and NAS and ZYLAR resins that were formerly included in NOVA Chemicals' Performance Styrenics business unit and contributed to the expanded joint venture; and (ii) NOVA Chemicals' 50% share of INEOS NOVA's results for the last three months of 2007.

***Styrene Monomer***

INEOS NOVA has a total rated production capacity of approximately 3,720 mmlbs of styrene monomer per year at sites in Sarnia, Ontario (950 mmlbs), Bayport, Texas (1,700 mmlbs) and Texas City, Texas (1,070 mmlbs).

Styrene monomer is produced from ethylene and benzene. INEOS NOVA produces styrene monomer by the process of alkylation of ethylene with benzene to produce ethylbenzene and then dehydrogenation of ethylbenzene. INEOS NOVA ranks number one in North America and number four on a global basis in terms of annual styrene monomer production capacity.

In connection with the expansion of the joint venture on October 1, 2007, NOVA Chemicals and an affiliate of INEOS (INEOS Olefins & Polymers USA, a division of INEOS USA LLC) entered into a series of North American feedstock agreements with INEOS NOVA North American operating companies. All of the ethylene

and approximately half of the benzene requirements for the Sarnia, Ontario styrene monomer facility are supplied by pipeline from NOVA Chemicals' Corunna, Ontario olefins facility. The balance of benzene feedstock is obtained from nearby third-party petroleum refineries. Each of NOVA Chemicals and INEOS Olefins & Polymers USA entered into ethylene supply agreements with INEOS NOVA to supply the Bayport, Texas styrene monomer facility with the ethylene required for that facility. All benzene for the Bayport, Texas facility is obtained from external sources. All of the ethylene for the joint venture's Texas City, Texas styrene monomer facility is obtained from INEOS Olefins & Polymers USA and the benzene is obtained from nearby third party refineries as well as from merchant sources.

In connection with the commencement of the joint venture in October 2005, NOVA Chemicals entered into a contract to supply the joint venture with 50% of its styrene monomer requirements. When the joint venture was expanded in 2007, NOVA Chemicals' contributed its North American styrene monomer assets and its European styrene monomer purchase contracts to INEOS NOVA. Accordingly, INEOS NOVA is now responsible for supplying the 50% of its European styrene monomer requirements that was formerly supplied by NOVA Chemicals. INEOS NOVA has a contract with INEOS pursuant to which INEOS is responsible for supplying the joint venture with the remaining 50% of its European styrene monomer requirements.

While INEOS NOVA does not produce styrene monomer in Europe, it obtains a portion of its styrene monomer feedstock requirement at a cost comparable with the local costs of production through swap agreements with major European styrene monomer producers that have a requirement for styrene monomer feedstock in North America but do not have sufficient styrene monomer production capabilities in North America. INEOS NOVA obtains the remainder of its 50% styrene monomer feedstock requirement in Europe from purchase agreements with third parties, supplemented by merchant purchases.

### *Styrenic Polymers*

INEOS NOVA produces SPS (which is sold in various grades, including crystal and high-impact) in North America and SPS and EPS in Europe.

INEOS NOVA's styrenic polymer feedstock requirements can currently be satisfied through internal styrene monomer production and purchase agreements and the agreement with INEOS to provide 50% of the joint venture's European styrene monomer requirements. Where styrene monomer is geographically dislocated, INEOS NOVA may use a series of swap arrangements with other producers to position styrene monomer where it needs such styrene monomer. INEOS NOVA and BASF Corporation are parties to a medium-term styrene monomer swap arrangement. This contract gives both producers secure supply of styrene monomer to their downstream businesses in both North America and Europe. INEOS NOVA meets its contractual supply requirement from its facilities in North America. During 2005, NOVA Chemicals completed an expansion and modernization project at the Bayport styrene monomer facility that resulted in approximately 450 mmlbs per year of additional production capacity. Approximately 220 mmlbs per year of this capacity is committed to BASF Corporation as part of a capacity reservation arrangement. The Bayport styrene monomer facility was contributed to INEOS NOVA on October 1, 2007 as part of the expansion of the joint venture.

### *North American SPS*

INEOS NOVA has three SPS manufacturing facilities in North America: Decatur, Alabama; Joliet, Illinois, and Indian Orchard at Springfield, Massachusetts. INEOS NOVA ranks number three in annual SPS production capacity in North America and globally. Total SPS production capacity for North America is 1,635 mmlbs per year, consisting of both crystal and impact polystyrene.

Crystal polystyrene end-use applications include CD jewel boxes, food packaging, one-time-use foodservice ware (cups/plates/bowls/utensils), medical applications, quick-service/convenience packaging and insulation. Impact polystyrene resins are used in applications such as office/desk supplies, small appliances, industrial spools, bathroom accessories, electronics housings, food packaging and one-time-use foodservice ware.

### *European SPS and EPS*

INEOS NOVA has five facilities in Europe with total rated annual styrenic polymer production capacity of approximately 2,075 mmlbs. INEOS NOVA is the second largest producer of SPS in Europe, with an aggregate

capacity of 1,175 mmlbs per year produced at facilities in Breda, The Netherlands; Marl, Germany; Wingles, France; and Trelleborg, Sweden.

INEOS NOVA has the capability to produce EPS at four of its five European sites, with aggregate annual capacity of approximately 900 mmlbs, making it the number one ranked European EPS producer (number four globally) on the basis of annual EPS production capacity.

### DISTRIBUTION OF PRODUCTS

NOVA Chemicals' products are marketed primarily through its sales force, with support from established distributors, agents and traders. Canadian products are sold into the United States primarily through NOVA Chemicals' subsidiary, NOVA Chemicals Inc., for resale through distribution arrangements. NOVA Chemicals' subsidiary, NOVA Chemicals (International) S.A., sells in Europe, Asia, Africa, Australia, and Latin America either directly or through distribution arrangements. Distribution agreements among NOVA Chemicals' affiliates provide for arm's length pricing.

The following table summarizes, for the years ended December 31, 2008, 2007 and 2006, the geographic segments in which NOVA Chemicals sells its products and the percentage of sales in each segment.

<u>Geographic Segment</u>	<u>Percentage of Sales, Year Ended December 31,</u>		
	<u>2008</u>	<u>2007<sup>(1)</sup></u>	<u>2006<sup>(1)</sup></u>
Canada . . . . .	36%	35%	35%
United States . . . . .	45%	43%	42%
Europe and Others . . . . .	19%	22%	23%

Note:

- (1) The 2007 sales include: (i) the results from the first nine months of the former NOVA Chemicals' STYRENIX business unit and NAS and ZYLAR resins that were formerly included in NOVA Chemicals' Performance Styrenics business unit and contributed to the expanded joint venture; and (ii) NOVA Chemicals' 50% share of INEOS NOVA's sales for the last three months of 2007. The 2006 sales are comprised of the former NOVA Chemicals' STYRENIX business unit and NAS and ZYLAR resins.

No significant portion of NOVA Chemicals' business is dependent upon a single customer. Sales to Canadian and United States federal, state, provincial and local governmental bodies account for less than 1% of annual sales.

In total, NOVA Chemicals has negotiated contracts that contain cost-recovery mechanisms and a market-indexed component, for the sale of approximately 2 billion pounds per year of ethylene.

As part of NOVA Chemicals' ethylene production process, and in the preparation of feedstocks for this process, a number of co-products are also manufactured. Co-products are shipped to markets in Alberta, Ontario and the U.S. Gulf Coast.

NOVA Chemicals and INEOS NOVA have entered into certain non-competition and distribution agreements. Pursuant to these agreements, NOVA Chemicals distributes INEOS NOVA's European produced EPS in North America for INEOS NOVA and INEOS NOVA distributes NOVA Chemicals' ARCEL resins and EPS and also markets NOVA Chemicals' IMx™ technology for producing in-mold labeled cups and containers for NOVA Chemicals in Europe. NOVA Chemicals is responsible for its own distribution and sales of DYLARK resins in Europe.

NOVA Chemicals leases or owns approximately 5,900 rail hopper and tank cars for use in transportation and delivery of its polyethylene, co-products and styrenic polymer products to customers in North America. Trucks are used for distributing products sold in bags and boxes and smaller loads of bulk products. Marine vessels are used to transport bulk product and products sold in bags and boxes, mostly to Asia. NOVA Chemicals does not own or lease trucks or ships, but does pay transportation fees under short-term arrangements.

## COMPETITION

NOVA Chemicals competes with other chemical producers on the basis of price, service, product quality, performance and deliverability. Among NOVA Chemicals' competitors are some of the world's largest plastics and chemical companies and major integrated oil companies that are larger and have greater financial resources. Some also have their own raw material resources. The keys to competing successfully in this industry are scale of facilities, low-cost feedstocks and differentiated product and process technologies.

Prices for NOVA Chemicals' standard chemical and polymer products are determined in part by market factors, such as supply/demand balances and feedstock costs, that are beyond NOVA Chemicals' control. NOVA Chemicals generally sells these products at prevailing market prices but, on occasion, products are sold based on negotiated prices.

## CYCLICALITY

NOVA Chemicals' historical operating results reflect the cyclical and volatile nature of the plastics and chemical businesses. The markets for ethylene, polyethylene, styrene monomer and styrenic polymers historically experience alternating periods of inadequate capacity and tight supply, causing prices and profit margins to increase, followed by periods of oversupply resulting from capacity additions. Prolonged oversupply leads to declining capacity utilization rates, prices and profit margins. Because NOVA Chemicals derives nearly all of its revenue from sales of these products, its operating results are more sensitive to this cyclical nature than many of its competitors that have more diversified businesses. Currently, known ethylene and styrene monomer chain capacity additions in North America over the next several years are limited. On a global basis, while large ethylene and polyethylene additions in the Middle East and Asia have been announced, these projects continue to experience delays due to shortness of labor and construction materials and general market conditions. Accordingly, NOVA Chemicals does not expect all new global capacity to start up within the announced timeframes. The primary driver of cyclical upswings in the ethylene and styrenics sectors is generally the combination of limited supply growth and improved demand growth, which is driven by sustained Gross Domestic Product and industrial production growth.

Cyclicalities is exacerbated by volatility in feedstock prices. In response to higher feedstock prices and other market factors, plastics and chemical producers will generally announce price increases. However, the implementation of announced price increases depends on many factors, including market conditions, the supply/demand balance for a particular product and feedstock costs, which may be beyond NOVA Chemicals' control.

## INTELLECTUAL PROPERTY

### Overview

NOVA Chemicals owns directly, or licenses from affiliates, a large number of patents in Canada, the United States and other countries. NOVA Chemicals also owns or licenses a number of trademarks, which are used to identify various chemical and plastic products. While these patents and trademarks constitute valuable assets, NOVA Chemicals does not regard any single patent or trademark as being material to its operations as a whole.

NOVA Chemicals actively supports all of its technologies to maintain its competitive position, including technologies developed by NOVA Chemicals and those licensed from third parties. Some of the technologies licensed from third parties are subject to certain restrictions on use.

NOVA Chemicals was initially a licensee of the technology used in its manufacturing operations. However, over time, NOVA Chemicals has acquired a variety of business units with associated technology assets in areas including process and catalyst technology, as well as polymer technologies. In addition, since 1994 NOVA Chemicals has expanded its research and development activities. The result is a technology portfolio with approximately 600 patents (excluding INEOS NOVA owned patents), margin-enhancing polyethylene process technologies such as Advanced SCLAIRTECH technology, proprietary single-site catalyst positions and styrenic Performance Polymers such as ARCEL resins.

During 2008, 170 patent applications were filed in the name of NOVA Chemicals worldwide, of which 51 were in the Olefins/Polyolefins business unit and 119 were in the Performance Styrenics business unit. These include divisional and continuation patent applications as well as national and regional patent applications (which may result in more than one issued patent). Worldwide, during 2008, 69 patents were issued to NOVA Chemicals, of which 44 were in the Olefins/Polyolefins business unit and 25 were in the Performance Styrenics business unit.

### Polyethylene Technologies and Products

NOVA Chemicals owns two key technologies for the production of polyethylene — SCLAIRTECH technology and Advanced SCLAIRTECH technology. In addition to these technologies, NOVA Chemicals conducts research and development on other polyethylene technologies including gas-phase and high-pressure technology.

NOVA Chemicals acquired its proprietary SCLAIRTECH technology and a global SCLAIRTECH technology licensing business from DuPont in 1994. NOVA Chemicals' St. Clair River site utilizes SCLAIRTECH technology to produce SCLAIR HDPE resins. In addition, NOVA Chemicals' SCLAIRTECH technology is currently licensed for use at 11 plants worldwide.

In 2001, NOVA Chemicals began commercial operation of its new, proprietary Advanced SCLAIRTECH technology for the production of polyethylene. The first step in the introduction of this technology was to utilize a proprietary Z-N catalyst to manufacture new polyethylene products. In 2002, a line of new, Z-N catalyzed, octene-based SCLAIR resins was launched intended for higher-value polyethylene film applications.

In April 2003, NOVA Chemicals announced the commercial introduction of its first polyethylene resins produced with Advanced SCLAIRTECH technology and utilizing its new proprietary single-site catalyst. NOVA Chemicals manufactures and sells these polyethylene resins under the trademark SURPASS. SURPASS resins have been commercialized for film, rotational molding and thin wall injection molding applications.

During 2008, NOVA Chemicals continued to focus on developing and commercializing higher-value polyethylene manufactured using Advanced SCLAIRTECH technology, including those used in film, injection molding and rotational molding. In this regard, NOVA Chemicals introduced four new resin grades in 2008 that are manufactured using Advanced SCLAIRTECH technology.

#### *Polyethylene Catalysts*

NOVA Chemicals has developed three key proprietary families of catalyst technologies for polyethylene production. The first is a family of proprietary single-site catalysts for Advanced SCLAIRTECH technology and other polymer technologies including gas-phase polyethylene. These single-site catalysts impart unique

properties and create products that compete with many metallocene-based polyethylene products. NOVA Chemicals licensed one version of its proprietary single-site catalyst technology to DSM Elastomers and, in December 2008, DSM Elastomers announced a successful start up of its next generation specialty Ethylene-Propylene-Diene Monomer products that are derived using this catalyst technology. The second family of catalysts includes proprietary Z-N catalysts used for SCLAIRTECH technology and Advanced SCLAIRTECH technology. Finally, the NOVACAT family of catalysts was developed by NOVA Chemicals and its catalyst development partner, INEOS, for use in gas-phase polyethylene. NOVACAT catalysts provide enhanced throughput, product range and properties when compared to traditional Z-N catalysts in commercial gas-phase polyethylene production facilities. Variants of the catalyst are available for the manufacture of conventional and higher-value LLDPE and narrow molecular weight HDPE. The NOVACAT family of catalysts is currently being run on several different gas-phase technologies by NOVA Chemicals and licensees.

### Styrenic Polymer Technologies and Products

NOVA Chemicals and INEOS NOVA own or have the rights to a significant portfolio of styrenics technology, in the fields of both polymer production and styrenic polymer applications. Prior to 1999, NOVA Chemicals licensed technology from a number of other companies and also developed its own technology for the polymerization of styrene monomer. As part of the Huntsman and Shell acquisitions, NOVA Chemicals acquired additional access to a broad range of styrenic product and process technology, as well as knowledge in polystyrene and styrenic Performance Polymers. The technologies acquired include the one-step Shell process technology for EPS and polystyrene manufacturing and compounding technology relating to a number of styrenic Performance Polymers.

NOVA Chemicals' key styrenic Performance Polymers include both foamed styrenic polymers and rigid styrenic polymers. The foamed styrenic polymers include ARCEL moldable foam resins that are sold into the protective packaging market, EPS Silver resins that are sold primarily into the European construction and building marketplace and DYLITE premium cup and container grade resins used for EPS cups. The rigid styrenic polymers include DYLARK resins for use in the automotive industry and food packaging and food services industry.

### Chemicals Technologies

During 2008, NOVA Chemicals, in collaboration with the University of Petroleum, China, the University of Stuttgart, Germany, and the Alberta Energy Research Institute, Canada, continued development of two catalytic processes for the conversion of heavy oil fractions to lighter components such as olefins and paraffins. If commercialized, these technologies could enable the transformation of low cost Alberta oil sands feedstock to chemical feedstock for olefins production. Success to date in this program has resulted in increased funding from the Alberta Energy Research Institute.

### Research and Development

The following table summarizes, for the years ended December 31, 2008, 2007 and 2006, the amounts NOVA Chemicals spent on research and development activities and technical support, including activities to improve existing products.

	Year Ended December 31,		
	2008	2007	2006
Research and Development . . . . .	\$ 42 million	\$42 million	\$43 million
Technical Support . . . . .	\$ 10 million	\$ 8 million	\$ 8 million

NOVA Chemicals' operating budget for 2009 is \$43 million for research and development and \$8 million for technical support.

### *Olefins/Polyolefins*

NOVA Chemicals' Olefins/Polyolefins business unit conducts research at the NOVA Chemicals Research & Technology Center and the NOVA Chemicals Technical Center, both located in Calgary, Alberta. Both centers are equipped with state of the art facilities for the development of new catalysts, olefin and polyolefin processes as well as full scale testing of new products. The demonstration plant for Advanced SCLAIRTECH technology is located at the St. Clair River site in Corunna, Ontario and is capable of testing new catalysts, new polyethylene products and reactor processes.

### *Performance Styrenics*

NOVA Chemicals operates a technical center located at the Beaver Valley site in Monaca, Pennsylvania. The Performance Styrenics business unit also operates a pilot plant at the Beaver Valley site.

## **RESPONSIBLE CARE AND ENVIRONMENTAL REGULATIONS**

In 1985, NOVA Chemicals adopted the Responsible Care initiative as the basis for its overall safety, health, environment, security and risk program. Responsible Care is a global chemical industry performance initiative created by the Canadian Chemical Producers' Association ("CCPA") in 1985 and adopted by the American Chemistry Council ("ACC") in the United States in 1988. Responsible Care is currently practiced by chemical industry associations in over 50 countries worldwide. Responsible Care requires participants to commit to the responsible management of the total life cycle of their products.

Since 1990, NOVA Chemicals has utilized an internal environment, health and safety audit program to manage regulatory compliance at its operating facilities. NOVA Chemicals' Responsible Care Audit Program was evaluated by a leading international environment, health and safety consulting firm in 1997, 2001, 2003 and most recently in December 2007. Based on the 2007 assessment, the consulting firm concluded that the Responsible Care Audit Program is a top quartile program that has all of the hallmarks of an industry leading program.

In 2004, NOVA Chemicals became one of the first ACC member companies to complete required audits of the Responsible Care Management System® ("RCMS"). The audit was conducted by an external accredited audit firm and focused on corporate level (headquarters) Responsible Care systems, procedures and documentation. The audit concluded that NOVA Chemicals is in compliance with corporate-level RCMS requirements and NOVA Chemicals' U.S. Operating Center was officially certified as RCMS compliant in January 2005.

Like other companies in its industry, NOVA Chemicals is subject to extensive environmental laws and regulations at all levels of government. These laws and regulations concern the manufacture, processing and importation of certain chemical substances, discharges or releases (whether to air, land or water) and the generation, handling, storage, transportation, treatment, disposal and clean-up of regulated materials. NOVA Chemicals is exposed to costs arising from its environmental compliance.

Although NOVA Chemicals believes that its businesses, operations and facilities are being operated in material compliance with applicable environmental laws and regulations, the operation of any petrochemical facility and the distribution of chemical products involve the risks of accidental discharges of hazardous materials, personal injury and property and environmental damage.

In 2002, Canada ratified the Kyoto Protocol thereby committing it to legislating reductions in air emissions that contribute to climate change. In 2007, the Canadian federal government released its plan for reducing industrial air emissions, including an ultimate goal of reducing greenhouse gas emissions by 20% from 2006 levels by the year 2020 and by 60 to 70% by 2050. Existing facilities are anticipated to be required to reduce greenhouse gas emissions intensity by 18% from 2006 levels beginning in the year 2010. The federal plan is proposed to be implemented through a series of amendments to existing regulations, which could occur as early as 2009. However, the Canadian federal government is currently reviewing its climate change strategy. As a result, legally binding federal greenhouse gas emission reduction requirements are expected to be imposed on NOVA Chemicals' operations in Canada, although the specific requirements and the impacts of such requirements are uncertain.

In addition to the anticipated federal regulation, most Canadian provinces are also contemplating some form of greenhouse gas emissions reduction legislation. In Alberta, the *Specified Gas Emitters Regulation* under the *Climate Change and Emissions Management Act* came into force in 2007 imposing annual reductions requirements on facilities that emit greenhouse gases. Established facilities are required to reduce carbon dioxide equivalent gases by 12% from a 2003-2005 average emissions intensity (baseline). In compliance with the regulations, NOVA Chemicals submitted the greenhouse gas emissions baseline data and the 2007 emissions data, certified by an independent consultant. Based upon the data submitted, NOVA Chemicals reduced emissions in excess of the provincial requirements. NOVA Chemicals has implemented emission intensity reduction improvements and expects it will be able to consistently comply with the regulations, assuming normal operating conditions.

In December 2008, the Province of Ontario released a discussion paper entitled *A Greenhouse Gas Cap-and-Trade System for Ontario*, which outlines the provinces' comprehensive emissions management strategy. The province set forth absolute emission reduction requirements compatible with Western Climate Initiative (WCI) and integrated into a broad North American cap and trade system. With the modernization of the Corunna facility in 2005 and the implementation of energy efficiency projects currently planned, NOVA Chemicals' expects it will be able to comply with the emission reduction requirements proposed in the discussion paper.

In the United States, greenhouse gas emission regulations are under consideration and some states have announced an intention to implement emission reduction programs. NOVA Chemicals' facilities in the United States, currently emit greenhouse gases at levels below the anticipated minimum regulatory thresholds.

NOVA Chemicals is developing and implementing a variety of initiatives to reduce greenhouse gas emissions and improve energy efficiency in its operations. The initiatives are focused on development of innovative technologies and modernization with new energy efficient equipment. NOVA Chemicals prepares a comprehensive report entitled "Managing Greenhouse Gas Emissions". This report provides information on the Corporation's strategy to address greenhouse gas emissions and its performance for the prior year.

United States and Canadian generally accepted accounting principles require companies to record liabilities associated with future plant decommissioning and site restoration costs on both active and inactive plants at their fair value based on a discounted value of the expected costs to be paid when the assets are retired. On December 31, 2008, NOVA Chemicals had \$18 million of accumulated reserve for activities anticipated to be required for the decommissioning and site restoration of currently active plant sites.

NOVA Chemicals reviews its accumulated reserves for decommissioning and site restoration quarterly to determine if adjustments are required. The reserved amount for future decommissioning and site restoration does not include any deduction for salvage or land value that may be realized, however these will be taken into consideration as the assets are depreciated. Because these plants may be in operation in excess of 40 years, significant uncertainty exists concerning the nature of the decommissioning and site restoration activities that may be required. Furthermore, significant judgment is involved in the estimation process because the degree of natural attenuation, evolution of new technologies and potential future land uses may mitigate future environmental liabilities and potential costs.

Environmental capital expenditures for NOVA Chemicals, including pollution abatement and remedial programs, were \$4 million in 2008 (2007: \$19 million; 2006: \$8 million) and are estimated to be \$6 million in 2009. Operating expenses relating to environmental protection were \$6 million in 2008 (2007: \$9 million; 2006: \$15 million) and are estimated to be \$6 million in 2009. Total remedial expenditures to dismantle and remediate discontinued facilities and sites totaled \$1 million in 2008 (2007: \$2 million; 2006: \$1 million). This figure is expected to be \$0.5 million in 2009.

NOVA Chemicals is active in a number of voluntary environmental initiatives to reduce emissions and wastes from its facilities, including participation in the CCPA's National Emissions Reduction Masterplan. NOVA Chemicals is also directly involved in the Canadian Chemical Industry's Environmental Performance Memoranda of Understanding with the Federal, Ontario and Alberta governments, which is a voluntary program designed to achieve reductions in air emissions from the chemical industry.

NOVA Chemicals participates in the High Production Volume (“HPV”) Challenge Program, launched in 1998 in cooperation with the U.S. Environmental Protection Agency and Environmental Defense Fund. The HPV Challenge Program has greatly accelerated the public availability of hazard screening data and critical information used to evaluate the potential health and environmental effects of HPV chemicals. This participation is consistent with NOVA Chemicals’ Responsible Care commitment, and the resulting research will enable the chemical industry to contribute to the scientific and public policy debate affecting the industry.

## **EMPLOYEE AND LABOR RELATIONS**

As of December 31, 2008, NOVA Chemicals employed approximately 2,850 full-time employees globally. On April 1, 2008, approximately 450 of NOVA Chemicals’ employees who had been seconded to INEOS NOVA since the expansion of the joint venture on October 1, 2007 became employees of INEOS NOVA.

Collective bargaining agreements with various unions, covering approximately 400, or 14%, of the approximately 2,800 North American employees, are in place at certain plants located in Ontario and Pennsylvania. A collective bargaining agreement involving approximately 235 employees at NOVA Chemicals’ olefins plant in Corunna, Ontario was re-negotiated in 2007 with an expiration date of March 31, 2010. A collective bargaining agreement involving approximately 170 employees at the polystyrene plant at the Beaver Valley site in Monaca, Pennsylvania was re-negotiated in 2006 with an expiration date of May 12, 2009. NOVA Chemicals expects to renew the Beaver Valley contract through collective bargaining. NOVA Chemicals engages in continuous dialogue with the unions to address current issues and proactively address potential bargaining items.

NOVA Chemicals provides medical, health, life insurance, retirement plans and other benefits to its employees, which are comparable with other companies in the chemical industry where its operations are located.

## **FOREIGN OPERATIONS**

Foreign operations are subject to various risks differing from those in Canada and the United States including political events, tax changes, labor difficulties, price controls and other governmental actions. NOVA Chemicals actively addresses these risks as part of its risk management system.

NOVA Chemicals sells its products worldwide. NOVA Chemicals has established its international commercial headquarters in Switzerland to coordinate commercial activities outside of North America and maintains sales support operations globally.

## **LEGAL PROCEEDINGS**

NOVA Chemicals is involved in litigation from time to time in the ordinary course of its business. In management’s opinion, none of the litigation that NOVA Chemicals is currently involved in is material to NOVA Chemicals’ financial condition or results of operations.

## **RISK FACTORS**

### **Risks Related to the Arrangement**

On February 23, 2009, NOVA Chemicals entered into the Arrangement Agreement with IPIC providing for the acquisition by IPIC of all of NOVA Chemicals’ outstanding common shares for cash consideration of \$6.00 per share. In the course of its deliberations, the Board of Directors identified and considered a number of risks relating to the Arrangement, including the following:

- while the Corporation does not believe that there are material antitrust or other regulatory issues which will arise in connection with the Arrangement so as to prevent its completion, it is a condition to closing in favor of IPIC that all required regulatory approvals be received. There can be no assurance that all consents will be received, or that IPIC will waive its condition in respect of any outstanding approvals;

- if the Arrangement Agreement is terminated and NOVA Chemicals' Board of Directors decides to seek another merger or business combination, there is no assurance that NOVA Chemicals will be able to find a party willing to pay greater or equivalent value compared to the consideration available to NOVA Chemicals' shareholders under the Arrangement or that the continued operation of the Corporation under its current business model will yield equivalent or greater value to NOVA Chemicals' shareholders compared to that available under the Arrangement Agreement;
- IPIC's obligations under the Arrangement Agreement are subject to certain conditions and IPIC has the right to terminate the Arrangement Agreement. In certain circumstances, NOVA Chemicals may also be required to pay the termination fee of \$15 million, expense reimbursement fees and other fees under the Backstop Facility; and
- if the Arrangement is successfully completed, NOVA Chemicals will no longer exist as an independent public company and NOVA Chemicals' shareholders will therefore be precluded from participating in the longer term potential benefits, if any, of the business of NOVA Chemicals.

### **Risks Related to NOVA Chemicals or its Business**

The following risks relate to NOVA Chemicals or its business. If the Arrangement is consummated, some of these risks may decrease in likelihood or magnitude. Conversely, if the Arrangement is not consummated for any reason, certain risks may increase in likelihood or magnitude.

*NOVA Chemicals is and may continue to be materially adversely affected by the ongoing world financial crisis. The financial crisis and economic downturn will continue to have a negative impact on NOVA Chemicals' business, results of operations, and financial condition and its ability to accurately forecast its results, and may cause a number of the risks that NOVA Chemicals currently faces to increase in likelihood, magnitude and duration.*

The increasingly deteriorating macroeconomic conditions, continued financial crisis and related instability in the global financial system has had, and will continue to have, a material adverse effect on NOVA Chemicals' business and financial condition. The impact of these events will depend on a number of factors, including the duration and severity of these events, whether the U.S., Canadian and global economies enter into a prolonged recession, and whether the recovery period is brief or prolonged. As a result, NOVA Chemicals may face new risks as yet unidentified, and a number of risks that NOVA Chemicals ordinarily faces and that are further disclosed below have increased, or may increase in likelihood, magnitude and duration. These include but are not limited to deferrals or reductions of customer orders, potential deterioration of customers' ability to pay NOVA Chemicals or suppliers' ability to meet their obligations, losses or impairment charges, reduced revenue, reduced demand for NOVA Chemicals' products, deterioration in NOVA Chemicals' cash balances and liquidity, and increased volatility in energy and raw material prices. NOVA Chemicals' ability to access the capital markets may be severely restricted at a time when it would like, or need, to access such markets, which could have an impact on the Corporation's flexibility to react to changing economic and business conditions. The credit crisis could also have an impact on the lenders under NOVA Chemicals' revolving credit facilities and their willingness to extend maturing facilities or provide any consents or waivers under the facilities. Customer orders as well as normal seasonality trends have been and may continue to be impacted by ongoing extreme volatility across global financial markets and the economic downturn. These factors adversely impact the Corporation's ability to accurately forecast its performance, results or cash position.

*The cyclical nature of plastics and chemical businesses may cause significant fluctuation in NOVA Chemicals' income and cash flow.*

NOVA Chemicals' historical operating results reflect the cyclical and volatile nature of plastics and chemical businesses. NOVA Chemicals' businesses historically experience alternating periods of inadequate capacity and tight supply, causing prices and profit margins to increase, followed by periods of oversupply, resulting from capacity additions. Prolonged oversupply leads to declining capacity utilization rates, prices and profit margins. The markets for ethylene, polyethylene, styrene monomer and styrenic polymers are also highly cyclical, resulting in volatile profits and cash flow over the business cycle. Because NOVA Chemicals derives nearly all of its revenue from sales of these products, its operating results are more sensitive to this cyclical

nature than many of its competitors who have more diversified businesses. This cyclical nature is exacerbated by volatility in feedstock prices. NOVA Chemicals cannot provide assurance that pricing or profitability in the future will be comparable to any particular historical period, including the most recent period shown in its operating results.

Excess industry capacity, especially at times when demand is weak, has in the past and may in the future cause NOVA Chemicals and other industry participants to lower production rates, which can reduce its margins, income and cash flow.

***Rising costs of energy and raw materials may result in increased operating expenses and reduced results of operations.***

NOVA Chemicals purchases large amounts of energy and raw materials, including natural gas and crude oil, for its businesses, representing a substantial portion of its operating expenses. The prices of energy and raw materials have historically been highly volatile and cyclical, and NOVA Chemicals' energy and raw material costs have fluctuated significantly in recent years. Although certain of NOVA Chemicals' customer contracts are tied to changes in feedstock costs or provide for surcharges if feedstock costs change, many contracts are tied to market prices. NOVA Chemicals cannot predict whether and to what extent energy and/or raw materials prices will rise in the future or whether and to what extent it will be able to pass on such cost increases to its customers. Any significant energy and/or raw materials cost increase could have a material adverse effect on NOVA Chemicals' business, results of operations, financial condition or cash flow.

***Interruptions in NOVA Chemicals' supply of raw materials could adversely affect NOVA Chemicals' business.***

NOVA Chemicals purchases large amounts of raw materials, including natural gas and crude oil, for its businesses. If temporary shortages due to disruptions in supply caused by weather, transportation, production delays or other factors require NOVA Chemicals to secure its raw materials from sources other than its current suppliers, NOVA Chemicals cannot provide assurance that it will be able to do so on terms as favorable as its current terms or at all.

***NOVA Chemicals sells its products in highly competitive markets and faces significant price pressure.***

NOVA Chemicals sells its products in highly competitive markets. Due to the commodity nature of a majority of its products, and to a lesser degree for higher value polyethylene manufactured using Advanced SCLAIRTECH technology and styrenic Performance Polymers, competition in these markets is based primarily on price and to a lesser extent on product performance, product quality, product deliverability and customer service. As a result, NOVA Chemicals may not be able to protect its market position by product differentiation or pass on cost increases to its customers. Accordingly, increases in raw material costs and other costs may not necessarily correlate with changes in product prices, either in the direction of the price change or in magnitude. Although NOVA Chemicals strives to maintain or increase its profitability by reducing costs through improving production efficiency, emphasizing higher margin products and controlling selling and administration expenses, NOVA Chemicals cannot provide assurance that these efforts will be sufficient to offset fully the effect of any pricing changes on its operating results.

Among NOVA Chemicals' competitors are some of the world's largest chemical companies and major integrated petroleum companies that have their own raw material resources. Some of these companies may be able to produce products more economically than NOVA Chemicals. In addition, most of NOVA Chemicals' competitors are larger and have greater financial resources, which may enable them to invest significant capital into their businesses, including expenditures for research and development. If any of NOVA Chemicals' current or future competitors develop proprietary technology that enables them to produce products that compete with those of NOVA Chemicals at a significantly lower cost, segments of NOVA Chemicals' technology could be rendered over time uneconomical or obsolete. The entrance of new competitors into the industry may reduce NOVA Chemicals' ability to capture profit margins in circumstances where capacity utilization in the industry is decreasing. Further, production from low-cost producers in petroleum-rich countries is increasing in the chemical industry and may expand significantly in the future. Any of these developments could affect NOVA Chemicals' ability to enjoy higher profit margins during periods of increased demand.

***External factors beyond NOVA Chemicals' control can cause fluctuations in demand for NOVA Chemicals' products and in its prices and margins, which may negatively affect income and cash flow.***

External factors can cause significant fluctuations in demand for NOVA Chemicals' products and volatility in the price of raw materials and other operating costs. Examples of external factors include general economic conditions, including a prolonged economic downturn, competitor actions, technological developments, unplanned facility shutdowns, international events and circumstances, and governmental regulation.

Demand for NOVA Chemicals' products is influenced by general economic conditions. A number of NOVA Chemicals' products are highly dependent on durable goods markets, which are themselves particularly cyclical. If the global economy does not improve, demand for NOVA Chemicals' products and its income and cash flow would be adversely affected.

NOVA Chemicals may reduce production, idle a facility for an extended period of time, or discontinue certain products because of high raw material prices, an oversupply of a particular product, feedstock unavailability and/or lack of demand for that particular product. When NOVA Chemicals decides to reduce or idle production, reduced operating rates are often necessary for several quarters or, in certain cases, longer and cause NOVA Chemicals to incur costs, including the expenses of the outages and the restart of these facilities.

***NOVA Chemicals may not have sufficient funds available to meet its obligations. NOVA Chemicals has a significant amount of debt, which could adversely affect its financial condition.***

Liquidity risk is the risk that the Corporation will not have sufficient funds available to meet its liabilities. NOVA Chemicals defines liquidity as total revolving credit facilities, less utilization (including letters of credit), plus cash and cash equivalents. NOVA Chemicals' total liquidity as of December 31, 2008 was \$573 million. The Corporation's future liquidity is dependent on many other factors such as cash generated from ongoing operations, internal actions taken to reduce costs and conserve cash and sources of financing. NOVA Chemicals seeks to maintain liquidity within a targeted range to make scheduled cash payments, pay down debt, ensure ready access to capital, and assist in the solvency and financial flexibility of company operations. Adjustments to the liquidity reserve are made upon changes to economic conditions, anticipated future debt maturities, underlying risks inherent in Company operations and capital requirements to maintain and grow operations. NOVA Chemicals has a \$33 million credit facility (\$67.5 million as of December 31, 2008) that will expire on March 15, 2009. In addition, NOVA Chemicals has \$250 million of notes that come due on April 1, 2009. There is no assurance that the Corporation will have sufficient liquidity to meet its liabilities.

NOVA Chemicals has a significant amount of indebtedness. As of December 31, 2008, NOVA Chemicals had total indebtedness of approximately \$1.7 billion, including amounts drawn under its credit facilities. As of December 31, 2008, NOVA Chemicals had maximum borrowing capacity of \$683 million under its five credit facilities, subject to customary conditions. As of December 31, 2008, NOVA Chemicals had utilized \$184 million of the credit facilities, of which \$40 million was in the form of letters of credit.

On February 22, 2009, NOVA Chemicals secured a \$150 million revolving credit facility with Export Development Canada and a syndicate of three Canadian banks that expires on June 30, 2010. In addition, in connection with the Arrangement, IPIC provided a \$250 million credit backstop facility (the "Backstop Facility") to NOVA Chemicals. The Backstop Facility may only be used as a single draw to assist the Corporation in repaying the \$250 million, 7.4% notes due on April 1, 2009. The amount that can be drawn is limited based on NOVA Chemicals' liquidity position as of April 1, 2009. The amount drawn and all related interest and fees will be payable upon expiration of the facility on June 30, 2010.

The level of indebtedness could have important consequences, such as limiting cash flow available for general corporate purposes due to debt service requirements, limiting NOVA Chemicals' ability to obtain additional debt financing, feedstock, materials or services on advantageous terms in the future due to debt levels or changes in credit ratings, limiting NOVA Chemicals' flexibility in addressing competitive and other changes in its industry and economic conditions generally due to cash flow restrictions, exposing NOVA Chemicals to risks inherent in interest rate fluctuations, and increasing NOVA Chemicals' vulnerability to general economic downturns and adverse competitive and industry conditions. These risks, if realized, could place NOVA Chemicals at a competitive disadvantage compared to any of its competitors that are less leveraged.

In addition, subject to the restrictions in its credit facilities and indentures, NOVA Chemicals may incur significant additional indebtedness from time to time. If new debt is added to current debt levels, the related risks described above would intensify. If such debt financing is not available when required or is not available on acceptable terms, NOVA Chemicals may be unable to grow its business, take advantage of business opportunities, respond to competitive pressures or refinance maturing debt, any of which could have a material adverse effect on its operating results and financial condition.

***NOVA Chemicals may not be able to remain in compliance with the financial covenants contained in certain of its revolving credit facilities and other financing agreements, which could result in a default and permit the lenders to declare all amounts to be due and payable and terminate all commitments to extend further credit.***

Certain of NOVA Chemicals revolving credit facilities, including its senior secured credit facility, as well as other financing agreements contain financial covenants. On January 28, 2009, NOVA Chemicals and its lenders amended the financial covenants in its secured revolving credit facility for the quarter ending March 31, 2009, to provide relief to give the Corporation access to its major credit lines during the first half of 2009, subject to complying with certain conditions subsequent which include securing \$100 million in additional financing by February 28, 2009 and securing an additional \$100 million by June 1, 2009. The Corporation anticipates that further amendments to its debt covenants will be required with an effective date no later than June 30, 2009. These amendments are expected to be required due to the continuing effect of the large loss incurred in the fourth quarter of 2008. There is no assurance that the Corporation will be able to obtain such amendments.

***NOVA Chemicals has agreed to jointly develop a financing plan with certain of its existing lenders that would only be implemented if the agreement with IPIC or an alternative transaction to acquire NOVA Chemicals was not completed. Implementation of this financing plan could have an adverse impact on NOVA Chemicals' current shareholders.***

NOVA Chemicals has agreed to jointly develop a financing plan with certain of its existing lenders. The plan would only be implemented if the agreement with IPIC or an alternative transaction to acquire NOVA Chemicals was not completed. The financing plan would provide for the refinancing of all or part of the Corporation's existing debt and the raising of incremental liquidity. Pursuant to the financing plan, NOVA Chemicals would issue both debt securities and equity securities or other hybrids in one or more financings or public or private offerings. The Corporation has agreed with certain of its existing lenders that such issuance of equity or equity-like securities would be intended to raise net proceeds of not less than \$300 million. Any such issuance would be highly dilutive to existing shareholders.

***A downgrade in the ratings of the Corporation's debt securities could result in increased interest and other financial expenses related to future borrowings and could restrict NOVA Chemicals' access to additional capital or trade credit.***

Standard & Poor's Corporation, Moody's Investor Service, Inc., DBRS Limited and Fitch Ratings Ltd. maintain credit ratings for NOVA Chemicals' debt securities. Each of these ratings is currently below investment grade. Any decision by these or other ratings agencies to downgrade such ratings in the future could result in increased interest and other financial expenses relating to NOVA Chemicals' future borrowings and could restrict its ability to obtain additional financing on satisfactory terms. In addition, any downgrade could restrict the Corporation's access to, and negatively impact the terms of, trade credit extended by its suppliers of raw materials.

***Operating problems in NOVA Chemicals' business may adversely affect NOVA Chemicals' income and cash flow.***

The occurrence of material operating problems at NOVA Chemicals' facilities may have a material adverse effect on the productivity and profitability of a particular manufacturing facility, or on NOVA Chemicals' operations as a whole. NOVA Chemicals' income and cash flow are dependent on the continued operation of its various production facilities. NOVA Chemicals' operations are subject to the usual hazards associated with chemical manufacturing and the related storage and transportation of raw materials, products and wastes, including pipeline, storage tank and other leaks and ruptures; fires; mechanical failure; labor difficulties;

remediation complications; discharges or releases of pollutants, contaminants or toxic or hazardous substances or gases and other environmental risks; explosions; chemical spills; unscheduled downtime; transportation interruptions; and inclement weather and natural disasters.

Some of these hazards may cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil, regulatory or criminal penalties. Furthermore, NOVA Chemicals is also subject to present and future claims with respect to workplace exposure, workers' compensation and other matters. NOVA Chemicals carries insurance against potential operating hazards which is consistent with industry norms. If NOVA Chemicals were to incur a significant liability that was not covered by insurance, it could significantly affect NOVA Chemicals' productivity, profitability and financial position.

***NOVA Chemicals conducts a significant portion of its operations through, and its consolidated results are materially dependent upon the performance of, INEOS NOVA. NOVA Chemicals does not control this joint venture and actions taken by it could materially adversely affect NOVA Chemicals' business.***

NOVA Chemicals' joint venture with INEOS, INEOS NOVA, is a 50:50 joint venture, meaning that NOVA Chemicals' ownership rights, funding obligations and governance rights are equal with INEOS. While NOVA Chemicals has a certain amount of influence over INEOS NOVA, it does not control INEOS NOVA and is therefore dependent on its joint venture partner, INEOS, to cooperate in making strategic and operational decisions regarding the joint venture. As with most joint venture arrangements, there is a significant risk that, as a result of differing views and priorities, there will be occasions when the two parties do not agree on various matters and any such disagreements may result in delayed decisions or disputes. Moreover, the day-to-day operation of INEOS NOVA's plants and business is the responsibility of the joint venture's management team. Therefore, NOVA Chemicals' ability to influence INEOS NOVA's operations on a day-to-day basis is limited and it may be unable to prevent actions that it believes are not in the best interests of INEOS NOVA or NOVA Chemicals. In addition, INEOS NOVA is not subject to the same requirements regarding internal controls and internal control over financial reporting that NOVA Chemicals follows. As a result, internal control problems could arise with respect to the joint venture. Any such actions or internal control problems could materially adversely affect NOVA Chemical's business, results of operations and financial condition.

As a plastics and chemical producer, INEOS NOVA is exposed to many of the same risks to which NOVA Chemicals is exposed and which are discussed elsewhere in this "Risk Factors" section.

***NOVA Chemicals' joint venture with INEOS may not realize all of its intended benefits.***

NOVA Chemicals may not realize the anticipated benefits of the joint venture with INEOS, and cash flow or profits derived from NOVA Chemicals' ownership interest in INEOS NOVA may be less than the cash flow or profits that could have been derived had NOVA Chemicals retained the transferred assets and continued to operate the STYRENIX business unit itself.

In addition, NOVA Chemicals and INEOS have agreed that at any time after the expiration of 18 months after October 1, 2007, either party is entitled to exercise a put of all, but not less than all, of such party's interest in the joint venture to the other party or a call for all, but not less than all, of the other party's interest in the joint venture. If either party exercises this put/call option, the other party has the right to present the exercising party with a reverse put or call, as applicable, on identical terms and the exercising party shall be deemed to accept such reverse put or call. If the put/call option is exercised, NOVA Chemicals may be required to acquire INEOS' 50% ownership interest in the expanded joint venture, which could require a significant investment by NOVA Chemicals that could adversely affect NOVA Chemicals' financial condition and result in NOVA Chemicals experiencing difficulties with respect to integrating the entire joint venture business into its existing business. Alternatively, NOVA Chemicals could be required to sell its interest in the joint venture to INEOS at a time when such interest may be valuable to NOVA Chemicals.

***NOVA Chemicals is exposed to costs arising from environmental compliance, cleanup and adverse litigation, which may have a substantial adverse effect on NOVA Chemicals' business, financial condition, operating results and cash flow.***

NOVA Chemicals is subject to extensive federal, provincial, state and local environmental laws and regulations concerning the manufacture, processing and importation of certain chemical substances, air emissions, water discharges and the generation, handling, storage, transportation, treatment, disposal and clean up of regulated substances. NOVA Chemicals' operations involve the risk of accidental discharges or releases of toxic or hazardous materials, personal injury, property and environmental damage. Furthermore, applicable environmental laws and regulations are complex, change frequently and provide for substantial fines, regulatory penalties and criminal sanctions in the event of non-compliance. In addition, substantial costs can sometimes result from orders that require rectification of environmental conditions. NOVA Chemicals cannot provide assurance that it will not incur substantial costs or liabilities as a result of such occurrences or the enforcement of environmental laws.

Risk of substantial environmental costs and liabilities is inherent in NOVA Chemicals' business. Also, NOVA Chemicals has liabilities and obligations arising in connection with discontinued operations, and has specific contractual obligations with respect to pre-closing environmental conditions at certain facilities divested by predecessor companies. Environmental investigations and remedial work have commenced at most locations and provision has been made in NOVA Chemicals' financial statements to cover the estimated costs of remediation of discontinued sites. NOVA Chemicals has incurred, and may incur in the future, environmental costs and liabilities and has made provisions in its financial statements for known matters. Nevertheless, NOVA Chemicals cannot provide assurance that it will not incur substantial costs and liabilities resulting from future events or unknown circumstances which exceed its reserves or will be material.

From time to time, NOVA Chemicals has entered into consent agreements or been subject to administrative orders for pollution abatement or remedial action. Under some environmental laws, NOVA Chemicals may be subject to strict and under certain circumstances, joint and several liability for the costs of environmental contamination on or from its properties, and at off-site locations where NOVA Chemicals disposed of or arranged for disposal or treatment of hazardous substances, and may also incur liability for related damages to natural resources. NOVA Chemicals has been named as a potentially responsible party under the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, or its state equivalents, at several third-party sites. NOVA Chemicals cannot provide assurance that significant costs will not be incurred.

***NOVA Chemicals could incur costs to comply with greenhouse gas emission reduction requirements, which in turn could reduce NOVA Chemicals' operating results and cash flow.***

In 2002, Canada ratified the Kyoto Protocol thereby committing it to legislating reductions in air emissions that contribute to climate change.

In 2007, the Canadian federal government released its plan for reducing industrial air emissions, including an ultimate goal of reducing greenhouse gas emissions by 20% from 2006 levels by the year 2020 and by 60 to 70% by 2050. Existing facilities are anticipated to be required to reduce greenhouse gas emissions intensity by 18% from 2006 levels beginning in the year 2010. The federal plan is proposed to be implemented through a series of amendments to existing regulations, which could occur as early as 2009. However, the Canadian federal government is currently reviewing its climate change strategy. As a result, legally binding federal greenhouse gas emission reduction requirements are expected to be imposed on NOVA Chemicals' operations in Canada, although the specific requirements and the impacts of such requirements are uncertain.

In addition to the anticipated federal regulation, most of the Canadian provinces are also contemplating some form of greenhouse gas emissions reduction legislation. In Alberta, the *Specified Gas Emitters Regulation* under the *Climate Change and Emissions Management Act* came into force in 2007 imposing annual reductions requirements on facilities that emit greenhouse gases. Established facilities are required to reduce carbon dioxide equivalent gases by 12% from a 2003-2005 average emissions intensity (baseline). In compliance with the regulations, NOVA Chemicals submitted the greenhouse gas emissions baseline data and the 2007 emissions data, certified by an independent consultant.

In the United States, greenhouse gas emission regulations are under consideration and some states have announced an intention to implement emission reduction programs.

NOVA Chemicals is developing and implementing a variety of initiatives to reduce greenhouse gas emissions and improve energy efficiency across its operations. Due to the uncertainty of long term regulatory requirements, NOVA Chemicals cannot provide assurance that it will not incur substantial costs to meet greenhouse gas emission reduction requirements or whether they will be material.

***NOVA Chemicals' business may be adversely affected by currency exchange rates and other risks associated with international operations.***

Although NOVA Chemicals reports its results in U.S. dollars, it conducts a significant portion of its business outside the United States, and is subject to risks normally associated with international operations.

NOVA Chemicals' financial results are impacted by both translation and transaction currency effects resulting from changes in currency exchange rates. Translation currency effects occur when the financial results of NOVA Chemicals' subsidiaries with functional currencies other than the U.S. dollar are translated into U.S. dollars using the exchange rates prevailing during the relevant period. The resulting impact of such translation can affect results when compared to other periods translated at different foreign exchange rates. Until September 30, 2008, the majority of NOVA Chemicals' subsidiaries which resided outside of the United States had functional currencies other than the U.S. dollar. On October 1, 2008, all of NOVA Chemicals' wholly owned subsidiaries adopted the U.S. dollar as their functional currency and are therefore no longer exposed to translation effects. However, NOVA Chemicals' non-wholly owned subsidiaries which reside outside of the United States retained their non U.S. dollar functional currency and are therefore still exposed to limited translation effects. Transaction currency effects occur when one of NOVA Chemicals' subsidiaries incurs costs or earns revenue in a currency different from its functional currency. Fluctuations in exchange rates may also affect the relative competitive position of a particular NOVA Chemicals' manufacturing facility, as well as NOVA Chemicals' ability to market its products successfully in other markets.

Other risks of international operations include trade barriers, tariffs, exchange controls, national and regional labor strikes, social and political risks, general economic risks, required compliance with a variety of foreign laws, including tax laws and the difficulty of enforcing agreements and collecting receivables through foreign legal systems.

***NOVA Chemicals may be subject to losses that are not covered by insurance.***

NOVA Chemicals carries comprehensive liability and property (including fire and extended perils) insurance on all of its facilities, with deductibles and other policy specifications and insured limits customarily carried in the petrochemical industry for similar properties. In addition, some types of losses, such as losses resulting from war are not insured. NOVA Chemicals determines coverage limits based on what it believes to be a reasonable maximum foreseeable loss scenario for its operations. In the event that an uninsured loss or a loss in excess of insured limits occurs, NOVA Chemicals may not be reimbursed for the cost to replace capital invested in that property, nor insured for the anticipated future revenues derived from the manufacturing activities conducted at that property, while NOVA Chemicals could remain obligated for any mortgage indebtedness or other financial obligations related to the property. Any such loss could adversely affect NOVA Chemicals' business, results of operations or financial condition.

***In addition to its joint venture with INEOS, NOVA Chemicals has made and may continue to make investments in entities that it does not control.***

NOVA Chemicals has established joint ventures and made minority interest investments designed to increase its vertical integration, enhance customer service and increase efficiencies in its marketing and distribution. NOVA Chemicals' principal joint ventures are INEOS NOVA and E3. NOVA Chemicals does not control these entities.

NOVA Chemicals' inability to control entities in which it invests may affect its ability to receive distributions from those entities or to implement its business plan fully. The incurrence of debt or entry into other agreements

by an entity not under NOVA Chemicals' control may result in restrictions or prohibitions on that entity's ability to pay dividends or make other distributions to NOVA Chemicals. Even where these entities are not restricted by contract or by law from making distributions to NOVA Chemicals, NOVA Chemicals may not be able to influence the occurrence or timing of such distributions. In addition, if any of the other investors in a non-controlled entity fails to observe its commitments, that entity may not be able to operate according to its business plan or NOVA Chemicals may be required to increase its level of commitment. If any of these events were to transpire, NOVA Chemicals' business, results of operations or financial condition could be adversely affected.

***Labor disputes could have an adverse effect on NOVA Chemicals' business.***

As of December 31, 2008, NOVA Chemicals had approximately 2,850 employees globally. On April 1, 2008, approximately 450 of NOVA Chemicals' employees who had been seconded to INEOS NOVA since the expansion of the joint venture on October 1, 2007 became employees of INEOS NOVA. Approximately 400, or 14%, of NOVA Chemicals' North American employees are represented by unions under two separate collective bargaining agreements. If NOVA Chemicals is unable to negotiate acceptable contracts with these unions upon expiration of an existing contract or other employees were to become unionized, NOVA Chemicals could experience work stoppages, a disruption in operations or higher labor costs, which could have an adverse effect on business, financial condition, results of operations or cash flow.

***NOVA Chemicals' business is dependent on its intellectual property. If NOVA Chemicals' patents are declared invalid or its trade secrets become known to its competitors, its ability to compete may be adversely affected.***

Proprietary protection of NOVA Chemicals' processes, apparatuses and other technology is important to NOVA Chemicals' business. Consequently, NOVA Chemicals relies on judicial enforcement for protection of its patents. While a presumption of validity exists with respect to patents issued to NOVA Chemicals in the United States and Canada, there can be no assurance that any of NOVA Chemicals' patents will not be challenged, invalidated or circumvented. Furthermore, if any pending patent application filed by NOVA Chemicals does not result in an issued patent, then the use of any such intellectual property by NOVA Chemicals' competitors could have an adverse effect on NOVA Chemicals' businesses, financial condition, results of operations or cash flow. Additionally, NOVA Chemicals' competitors or other third parties may obtain patents that restrict or preclude NOVA Chemicals' ability to produce or sell its products lawfully in a competitive manner, which could have an adverse effect on business, financial condition, results of operations or cash flow.

NOVA Chemicals also relies upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain its competitive position. While it is NOVA Chemicals' policy to enter into confidentiality agreements with its employees and third parties to protect its intellectual property, these confidentiality agreements may be breached and, consequently, may not provide meaningful protection for NOVA Chemicals' trade secrets or proprietary know-how, or adequate remedies may not be available in the event of an unauthorized use or disclosure of such trade secrets and know-how. In addition, others could obtain knowledge of such trade secrets through independent development or other access by legal means. Although NOVA Chemicals does not regard any single patent or trademark as being material to its operations as a whole, the failure of its patents or confidentiality agreements to protect its processes, apparatuses, technology, trade secrets or proprietary know-how could have an adverse effect on its business, financial condition, results of operations or cash flow.

***NOVA Chemicals' future pension costs and required level of contributions could be unfavorably impacted by the current credit crisis and market volatility.***

NOVA Chemicals currently maintains four defined benefit plans in North America covering various categories of employees and retirees, which represent its major retirement plans. In addition, NOVA Chemicals has smaller retirement plans and past service liabilities for former employees now employed by INEOS NOVA in Europe. The Corporation's contributions to fund its benefit obligations are based on actuarial valuations that are based on certain assumptions about the long-term operation of the plans, including employee turnover, retirement rates, the performance of the financial markets and interest rates. If future trends differ from the

assumptions, the amount NOVA Chemicals is obligated to contribute to the plans may increase. If the financial markets perform lower than what is assumed, NOVA Chemicals may have to make larger contributions to the plans than it would otherwise have to make and expenses related to defined benefit obligations could increase. Also, if interest rates are lower than NOVA Chemicals assumes, it may be required to make larger contributions than it would otherwise have to make.

In the third and fourth quarters of 2008, NOVA Chemicals experienced significant declines in the assets held in its pension plans due to the adverse conditions in the equity markets globally. The current economic conditions have had a significant negative impact on the plans' asset values and NOVA Chemicals expects that, absent government funding relief, the next measurement of its U.S. plans and U.K. past service obligations will indicate that NOVA Chemicals will have to make significantly larger contributions to its defined benefit plans. If difficult economic conditions continue throughout 2009, NOVA Chemicals will also be required to make significantly larger contributions to its Canadian plans in the future. Reported results could be materially and adversely affected and NOVA Chemicals' cash flow available for other uses may be significantly reduced.

***The trading activity and price of NOVA Chemicals' securities may be volatile and is affected by many factors.***

The trading activity and market price of NOVA Chemicals' securities could be subject to significant fluctuations. Among the factors that could affect the trading activity and price of NOVA Chemicals' securities are:

- Expectations as to whether the Arrangement will be consummated;
- The current financial crisis, which has caused significant market volatility worldwide;
- NOVA Chemicals' operating and financial performance and prospects;
- Quarterly variations in the rate of growth of NOVA Chemicals' financial indicators, such as earnings per share, net income, revenues and its liquidity position;
- Changes in revenue or earnings estimates or publication of research reports by analysts; and
- Governmental action or inaction in light of key indicators of economic activity or events that can significantly influence U.S. and Canadian financial markets, and media reports and commentary about economic or other matters, even when the matter in question does not directly relate to NOVA Chemicals' business.

Trading activity in NOVA Chemicals' securities may be related in part to factors that do not directly relate to NOVA Chemicals' operating and financial performance and prospects. Trading markets in general have experienced extreme volatility that has at times been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of NOVA Chemicals' securities and, as a result, an investment in NOVA Chemicals' securities.

## DIVIDENDS

Historically, NOVA Chemicals has paid quarterly dividends on its common shares at the rate of Cdn. \$0.10 per share, representing an aggregate of Cdn. \$0.40 per share annually. In 2008, NOVA Chemicals paid Cdn. \$33 million in dividends on its common shares. Under the Arrangement Agreement, NOVA Chemicals is not permitted to declare, set aside or pay any dividends or other payments in respect of its common shares (except, among other things, regularly scheduled quarterly cash dividends in such amounts not to exceed past practice). In addition, the Arrangement Agreement provides that if the Corporation declares, sets aside or pays any dividend on its common shares, during the period commencing on the date of the Arrangement Agreement and ending on the date that the Arrangement is consummated, IPIC may reduce the amount of the consideration per common share by any amount it determines in its sole discretion, provided that such discount shall not exceed the amount of such dividend, received per common share. In light of the agreements with IPIC, the Corporation has determined that it will not declare, set aside or pay any dividends on its common shares pending the closing of the transactions contemplated by the Arrangement Agreement.

NOVA Chemicals has paid the following dividends on its common shares during the preceding three years:

	Dividends per share		
	2008	2007	2006
Common Shares . . . . .	Cdn. \$0.40	\$0.40	\$0.40

## DESCRIPTION OF CAPITAL STRUCTURE

NOVA Chemicals is authorized to issue an unlimited number of common shares, first preferred shares and second preferred shares. Currently, only common shares are issued and outstanding.

### Common Shares

Each common share has one vote. The holders of the common shares are entitled to attend and vote at all meetings of shareholders except meetings of only the holders of another class or series of shares of the Corporation. In addition, subject to the preferential rights attaching to any shares of the Corporation ranking in priority to the common shares, the holders of the common shares are entitled to receive any dividends that may be declared by the Board of Directors on the common shares. Subject to the rights of the holders of shares of the Corporation ranking in priority to the common shares, the holders of the common shares are entitled to participate rateably amongst themselves and rateably with the holders of any shares ranking on a parity with the common shares in any distribution of the remaining property of the Corporation in the event of the dissolution, liquidation or winding-up of NOVA Chemicals or any other distribution of its property amongst its shareholders for the purposes of winding-up its affairs.

In May 1999, NOVA Chemicals' shareholders approved a shareholder rights plan where one right was issued for each outstanding common share. The rights remain attached to the shares and are not exercisable until the commencement or announcement of a takeover bid for NOVA Chemicals' common shares or until a person acquires 20% or more of NOVA Chemicals' common shares. The rights plan, as amended and restated, was reconfirmed by shareholders in April 2005 the ("Rights Plan"). The Rights Plan expires by its terms in May 2009. In connection with the Arrangement Agreement, NOVA Chemicals' Board of Directors has resolved to defer the "separation time" (as defined in the Rights Plan) so that none of the execution, delivery and performance of the Arrangement Agreement will cause the rights to become exercisable, and continue to defer such separation time unless otherwise requested by IPIC. The Rights Plan will be terminated at the effective time of the Arrangement and the rights will expire in their entirety without any payment being made in respect thereof.

### First Preferred Shares

Subject to the following and to applicable law, the first preferred shares as a class are not entitled to receive notice of, attend or vote at meetings of the shareholders of the Corporation. The first preferred shares may from time to time be issued in one or more series, and the Board of Directors may fix from time to time before such

issue the number of first preferred shares that is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of first preferred shares, including any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, and any sinking fund or other provisions. If issued, the first preferred shares of each series will, with respect to the payment of dividends and the distribution of assets on return of capital in the event of liquidation, dissolution or winding-up of NOVA Chemicals, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation amongst its shareholders for the purpose of winding-up its affairs, have preference over the common shares, the second preferred shares and over any other shares of the Corporation ranking by their terms junior to the first preferred shares of the series. The first preferred shares of any series may also be given such other preferences over the common shares, the second preferred shares and any other shares ranking junior to such first preferred shares as may be established by the Board of Directors.

### **Second Preferred Shares**

Subject to the following and to applicable law, the second preferred shares as a class are not entitled to receive notice of, attend or vote at meetings of the shareholders of the Corporation. The second preferred shares may from time to time be issued in one or more series, and the Board of Directors may fix from time to time before such issue the number of second preferred shares that is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of second preferred shares, including any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, and any sinking fund or other provisions. The second preferred shares of each series will, with respect to the payment of dividends and the distribution of assets on return of capital in the event of liquidation, dissolution or winding-up of NOVA Chemicals, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation amongst its shareholders for the purpose of winding-up its affairs, have preference over the common shares and over any other shares of the Corporation ranking by their terms junior to the second preferred shares of the series. The second preferred shares of any series may also be given such other preferences over the common shares and any other shares ranking junior to such second preferred shares as may be established by the Board of Directors.

### **CREDIT RATINGS**

NOVA Chemicals has outstanding 7.4% medium term notes due 2009, 7.85% senior notes due 2010, 6.5% senior notes due 2012, senior floating rate (six-month LIBOR plus 3.125%) notes due 2013 and 7.875% debentures due 2025. As of date hereof, NOVA Chemicals' notes and debentures are rated CCC+ by Standard & Poor's Corporation ("S&P"), B2 by Moody's Investor Service, Inc. ("Moody's"), B High by DBRS Limited ("DBRS") and B- by Fitch Ratings Ltd. ("Fitch") (each a "Rating Agency").

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Rating for debt instruments are presented in ranges by each of the Rating Agencies. The highest quality of securities are rated AAA, in the case of S&P, DBRS and Fitch, or Aaa, in the case of Moody's. The lowest quality of securities are rated D, in the case of S&P, DBRS and Fitch, or C, in the case of Moody's.

According to the S&P rating system, notes rated BB, B, CCC, CC, and C are regarded as having significant speculative characteristics. BB indicates the least degree of speculation and C the highest. While such notes will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. Notes rated CCC are currently vulnerable to nonpayment, and are dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

According to the Moody's rating system, notes which are rated B are considered speculative and are subject to high credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa

through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

According to the DBRS rating system, notes rated B are considered highly speculative and there is a reasonably high level of uncertainty as to the ability of the entity to pay interest and principal on a continuing basis in the future, especially in periods of economic recession or industry adversity. Each rating category from AA to C is denoted by the subcategories high and low. The absence of either a high or low designation indicates the rating is in the middle of the category.

According to the Fitch rating system, notes rated B indicate that significant credit risk is present but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment. The ratings from AA to CCC may be modified by a plus (+) or minus (-) sign to show relative standing within the major rating categories.

The credit ratings accorded to the notes by the Rating Agencies are not recommendations to purchase, hold or sell the notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future if in its judgment circumstances so warrant.

## MARKET FOR SECURITIES

### Common Shares

NOVA Chemicals' outstanding common shares are listed on the Toronto and New York stock exchanges ("TSX" and "NYSE", respectively). The following table sets forth the price range and volume of securities traded on the TSX and NYSE for each month in 2008:

Month	TSX		NYSE	
	Price Range (\$Cdn.)	Volume	Price Range	Volume
January 2008 . . . . .	\$25.62 - 32.18	12.7 million	\$24.81 - 32.45	20.0 million
February 2008 . . . . .	\$27.41 - 31.86	10.9 million	\$27.19 - 32.46	16.1 million
March 2008 . . . . .	\$23.66 - 30.30	12.3 million	\$23.14 - 30.73	17.9 million
April 2008 . . . . .	\$24.14 - 27.75	10.8 million	\$23.69 - 27.24	17.0 million
May 2008 . . . . .	\$25.29 - 29.25	8.4 million	\$24.87 - 29.37	11.4 million
June 2008 . . . . .	\$24.20 - 28.52	6.1 million	\$24.00 - 28.01	10.0 million
July 2008 . . . . .	\$23.22 - 26.98	9.3 million	\$23.16 - 26.73	22.7 million
August 2008 . . . . .	\$24.50 - 30.85	5.6 million	\$23.90 - 29.02	11.2 million
September 2008 . . . . .	\$21.45 - 30.59	13.7 million	\$20.54 - 28.50	21.1 million
October 2008 . . . . .	\$13.14 - 23.91	11.0 million	\$10.14 - 22.25	19.1 million
November 2008 . . . . .	\$7.46 - 16.00	8.0 million	\$5.80 - 13.86	12.4 million
December 2008 . . . . .	\$5.05 - 10.21	14.9 million	\$4.10 - 8.18	16.9 million

### Transfer Agent and Registrar

The transfer agent and registrar for NOVA Chemicals' common shares is CIBC Mellon Trust Company at its principal office in Calgary, Alberta.

## DIRECTORS AND OFFICERS

As a group, based on information provided to NOVA Chemicals by each director and executive officer, all directors and executive officers of NOVA Chemicals beneficially owned, directly or indirectly, or exercised control or direction over 517,181 common shares of NOVA Chemicals as at March 5, 2009, representing approximately 0.62% of the outstanding common shares.

### Directors

The following table sets forth as of December 31, 2008, in alphabetical order, the name of each director of NOVA Chemicals, his or her residence, principal occupation(s) during the five preceding years and the period during which he or she has served as a director of NOVA Chemicals or its predecessors. The terms of office of all of the directors of NOVA Chemicals expire at the termination of the 2009 annual and special meeting of shareholders, or until a successor is elected or appointed. Other than Messrs. Fortier and Lipton, who are retiring from the Board of Directors and not standing for re-election, each of the directors has been nominated for election to serve as a director for a further one year period ending at the termination of the 2010 annual meeting.

<u>Name and Residence</u>	<u>Period during which a director of NOVA Chemicals or its predecessor</u>	<u>Principal Occupation During the Preceding Five Years<sup>(1)</sup></u>
JERALD ALLEN BLUMBERG <sup>(2)(3)(4)</sup> Colorado, U.S.A.	Since February 15, 2000	Retired Executive Vice President of E.I. du Pont de Nemours and Company (science company)
DR. FRANK PETER BOER <sup>(3)(5)</sup> Florida, U.S.A.	Since February 21, 1991	President and Chief Executive Officer, Tiger Scientific Inc. (science and technology, consulting and investments)
JACQUES BOUGIE, O.C. <sup>(2)(6)(7)</sup> Québec, Canada	Since June 14, 2001	Retired President and Chief Executive Officer, Alcan Inc. (international aluminum company)
LAURIE BRLAS <sup>(5)(6)</sup> Ohio, U.S.A.	Since September 24, 2008	Executive Vice President and Chief Financial Officer, Cliffs Natural Resources Inc. (international mining company); prior to December 2006, Senior Vice President and Chief Financial Officer, STERIS Corporation (a leading provider of infection prevention and surgical products and services)
DR. JOANNE VANISH CREIGHTON <sup>(3)(5)</sup> Massachusetts, U.S.A.	Since June 14, 2001	President and Professor of English, Mount Holyoke College (higher education)
ROBERT EMMET DINEEN, JR. <sup>(2)(6)</sup> New York, U.S.A.	Since July 2, 1998	Attorney-at-law; prior to January 2009, of counsel to Shearman & Sterling LLP, Attorneys-at-Law; prior to January 2006, Senior Partner, Shearman & Sterling LLP
CHARLES WAYNE FISCHER <sup>(3)(5)</sup> Alberta, Canada	Since November 13, 2008	Retired President and Chief Executive Officer of Nexen Inc. (a global energy company); prior to January 2009, President and Chief Executive Officer of Nexen Inc.

<u>Name and Residence</u>	<u>Period during which a director of NOVA Chemicals or its predecessor</u>	<u>Principal Occupation During the Preceding Five Years<sup>(1)</sup></u>
LOUIS YVES FORTIER, C.C., O.Q., Q.C., LL.D. <sup>(2)(5)</sup> Québec, Canada	Since July 2, 1998	Chairman and Senior Partner, Ogilvy Renault, Barristers and Solicitors
KERRY LLOYD HAWKINS <sup>(3)(6)</sup> Manitoba, Canada	Since July 2, 1998	Retired President of Cargill Limited and Chief Executive Officer of Canadian operations, Cargill Limited (grain handling, transportation and processing of agricultural products); Prior to December 2005, President of Cargill Limited and Chief Executive Officer of Canadian Operations, Cargill Limited
JEFFREY MARC LIPTON Pennsylvania, U.S.A.	Since April 18, 1996	Chief Executive Officer, NOVA Chemicals; prior to January 2008, President and Chief Executive Officer, NOVA Chemicals
ARNOLD MARTIN LUDWICK <sup>(5)(6)</sup> Québec, Canada	Since February 15, 2000	Retired Deputy Chairman, Claridge Inc. (investment holding company)
CHRISTOPHER DANIEL PAPPAS Pennsylvania, U.S.A.	Since February 8, 2007	President and Chief Operating Officer, NOVA Chemicals; prior to January 2008, Senior Vice President and Chief Operating Officer, NOVA Chemicals; prior to September 2006, Senior Vice President and President, Styrenics, NOVA Chemicals
JAMES MARK STANFORD, O.C. <sup>(2)</sup> Alberta, Canada	Since December 3, 1999	Chairman of the Board, NOVA Chemicals and President, Stanford Resource Management Inc. (investment management)

Notes:

- (1) Information with respect to the principal occupations of each director is based on information furnished to NOVA Chemicals.
- (2) Member of the Corporate Governance Committee of the Board of Directors.
- (3) Member of the Human Resources Committee of the Board of Directors.
- (4) Mr. Blumberg was formerly a director of Burlington Industries, Inc., which declared bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in 2001. Mr. Blumberg resigned in June 2000 as President and Chief Executive Officer of Ambar, Inc., which declared bankruptcy under Chapter 7 of the U.S. Bankruptcy Code in 2001.
- (5) Member of the Public Policy and Responsible Care Committee of the Board of Directors.
- (6) Member of the Audit, Finance and Risk Committee of the Board of Directors.
- (7) Mr. Bougie served as a director of Novelis Inc. (“Novelis”) during 2005 and for a portion of 2006. During 2006, Mr. Bougie did not stand for reelection. In his capacity as a director of Novelis, Mr. Bougie was subject to management cease trade orders issued by certain of the Canadian provincial securities administrators against the directors and officers of Novelis by reason of Novelis’ default in filing its interim unaudited financial statements for the period ended September 30, 2005. The cease trade orders were issued in December 2005 and precluded Mr. Bougie from trading in securities of Novelis until the conditions in the orders were met. The conditions in the orders were met after the first quarter of 2006.

## Executive Officers

The following table sets forth the name of each executive officer of NOVA Chemicals, his or her residence, present positions within NOVA Chemicals and his or her principal occupations during the five preceding years.

<u>Name and Residence</u>	<u>Present Principal Occupation</u>	<u>Principal Occupation During The Preceding Five Years</u>
JEFFREY MARC LIPTON Pennsylvania, U.S.A.	Chief Executive Officer	Chief Executive Officer, NOVA Chemicals; prior to January 2008, President and Chief Executive Officer, NOVA Chemicals
CHRISTOPHER DANIEL PAPPAS Pennsylvania, U.S.A.	President and Chief Operating Officer	President and Chief Operating Officer, NOVA Chemicals; prior to January 2008, Senior Vice President and Chief Operating Officer, NOVA Chemicals; prior to September 2006, Senior Vice President and President, Styrenics, NOVA Chemicals
LAWRENCE ALLAN MACDONALD Pennsylvania, U.S.A.	Senior Vice President and Chief Financial Officer	Senior Vice President and Chief Financial Officer, NOVA Chemicals
JACK STEPHEN MUSTOE Pennsylvania, U.S.A.	Senior Vice President, Chief Legal Officer and Corporate Secretary	Senior Vice President, Chief Legal Officer and Corporate Secretary, NOVA Chemicals; prior to September 2006, Senior Vice President, Legal, General Counsel and Corporate Secretary, NOVA Chemicals; prior to April 2004, Senior Vice President, Legal and General Counsel, NOVA Chemicals
MARILYN NELLY HORNER Pennsylvania, U.S.A.	Senior Vice President and Chief Human Resources Officer	Senior Vice President and Chief Human Resources Officer, NOVA Chemicals; prior to September 2008, Vice President, Human Resources and Corporate Effectiveness, NOVA Chemicals; prior to September 2006, Vice President, Human Resources, NOVA Chemicals; prior to October 2005, Vice President and Controller, Olefins/Polyolefins, NOVA Chemicals

Mr. Lipton is retiring effective May 1, 2009, and the Corporation's board of directors has appointed Mr. Pappas, currently NOVA Chemicals' President and Chief Operating Officer, as President and Chief Executive Officer, effective May 1, 2009.



## Fees Billed by Ernst & Young LLP

The following fees were billed to NOVA Chemicals by Ernst & Young LLP and approved by the Board of Directors during the prior two years:

	<u>2008</u>	<u>2007</u>
Audit Fees . . . . .	\$1,989,959	\$2,335,882
Audit-Related Fees . . . . .	301,488	243,990
Tax Fees . . . . .	99,396	186,119
Total Fees . . . . .	<u>\$2,390,843</u>	<u>\$2,765,991</u>

Audit fees include fees for the audit of the consolidated financial statements of NOVA Chemicals, the external auditor's reporting on the effectiveness of internal controls over financial reporting, statutory audits of subsidiaries, review of quarterly reports, provision of consent letters and comfort letters in connection with certain regulatory matters, review of prospectuses and French translation of the consolidated financial statements. Fee amounts for 2008 are based on invoices relating to the 2008 year end audit that have been received and those expected to be billed.

Audit-related fees include fees for services that are related to the audit of the consolidated financial statements. These services include the audit of financial statements for NOVA Chemicals' pension plans and non-statutory audits of subsidiaries and affiliates, and consultation on accounting and disclosure matters.

Tax fees include fees for the preparation of income tax returns, value-added tax returns, and customs filings for NOVA Chemicals and its subsidiaries, preparation of income tax returns and provision of tax advice to expatriate employees, and advice on tax-related matters.

## Additional Information Relating to the Audit, Finance and Risk Committee

As noted above, the AFR Committee is currently composed of Messrs. Hawkins, Bougie, Dineen and Ludwick and Ms. Brlas. Mr. Hawkins, Chairman of the AFR Committee, graduated from North Dakota State University with a degree in business economics. In December 2005, he retired as the President of Cargill Limited and Chief Executive Officer of its Canadian operations. In his capacity at Cargill Limited, Mr. Hawkins had supervisory responsibility for the finance function. Mr. Bougie graduated from the University of Montréal with a law degree and with a degree in business administration. Mr. Bougie is the past President and Chief Executive Officer of Alcan Inc. Mr. Dineen graduated *cum laude* from Syracuse University with an LL.B. and from Brown University with a B.A. He was a partner at the law firm of Shearman & Sterling LLP and has extensive expertise in public finance transactions principally for companies involved in the oil and gas and pipeline business and for foreign and sovereign issuers in Canada and Latin America. He is also a specialist in U.S. and international private banking and financial transactions, including equipment and project financing. Mr. Ludwick graduated from the University of Manitoba with a B.A., was a member of the Institute of Chartered Accountants of Manitoba from 1962-2000, and earned his M.B.A. from the Harvard University Graduate School of Business Administration. Mr. Ludwick is the retired President, Chief Executive Officer and Deputy Chairman of Claridge Inc. Ms. Brlas earned her bachelor's degree in accounting from Youngstown State University and is a Certified Public Accountant. Ms. Brlas is the Executive Vice President and Chief Financial Officer of Cliffs Natural Resources Inc. ("Cliffs"). Her current responsibilities at Cliffs include finance, financial reporting, accounting and financial planning.

The Board of Directors approves, on the recommendation of the AFR Committee, all fees paid to the external auditors. In addition, in accordance with applicable rules regarding audit committees, including Multilateral Instrument 52-110, the AFR Committee reviews and approves (in advance) the scope and related fees for all non-audit services which are to be provided by the external auditors. In considering whether to approve non-audit services, the AFR Committee considers whether the provision of these non-audit services may impact the objectivity and independence of the external auditor and, in respect of non-audit services provided by Ernst & Young LLP in 2008, the AFR Committee has concluded that it does not.

## **INTERESTS OF EXPERTS**

The audited consolidated financial statements of NOVA Chemicals as at and for the years ended December 31, 2008, 2007 and 2006 filed with Canadian securities administrators were audited by Ernst & Young LLP, Chartered Accountants.

Ernst & Young LLP, Chartered Accountants, are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta and have complied with the SEC's rules on auditor independence.

## **ADDITIONAL INFORMATION**

Additional information relating to NOVA Chemicals is filed with Canadian securities administrators. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of NOVA Chemicals' securities and securities authorized for issuance under equity compensation plans, is contained in NOVA Chemicals' Management Proxy Circular with respect to the 2009 Annual and Special Meeting of Shareholders. Additional financial information is provided in the audited consolidated financial statements of NOVA Chemicals as at and for the years ended December 31, 2008, 2007 and 2006, together with the auditors' report thereon, and management's discussion and analysis included in NOVA Chemicals' 2008 Annual Report. All of this information can be accessed through the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

Copies of Board and Committee mandates and other corporate governance documents are available at [www.novachemicals.com](http://www.novachemicals.com). In addition, the AFR Committee Mandate is attached to this Annual Information Form as Annex 1.

## ANNEX 1

### AUDIT, FINANCE AND RISK COMMITTEE MANDATE

#### Creation

Pursuant to Article Three of the General By-Law No. 2 of NOVA Chemicals Corporation (the “Corporation”), a committee of the directors to be known as the “Audit, Finance and Risk Committee” (the “Committee”) is established.

#### Purpose

The Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibility relating to: the integrity of the Corporation’s financial statements; the financial reporting process; the systems of internal accounting and financial controls; the external auditor’s qualifications and independence; the performance of the internal and external auditors; risk management processes; pension and savings plans; and compliance by the Corporation with ethics policies and legal and regulatory requirements.

#### Committee Membership

- |                                       |   |
|---------------------------------------|---|
| Composition of the Committee          | a) The Committee must be composed of a minimum of four directors.   |
| Independence                          | b) Subject to the limited exceptions set forth in applicable securities law, each member of the Committee shall be “independent” as defined by applicable legislation and regulation.   |
| Financial Literacy                    | c) Each member of the Committee must be “financially literate”, as defined by applicable legislation and regulation. At least one member of the Committee shall be designated as an “audit committee financial expert”, as defined by applicable legislation and regulation. The designation of a person as an audit committee financial expert does not impose on such person any duties, obligation, or liability that are greater than the duties, obligations, or liability imposed on such person as a member of the Committee and the Board in the absence of such designation.   |
| Appointment and Term of Members       | d) The members of the Committee must be appointed or reappointed at the organizational meeting of the Board immediately following each Annual Meeting of the shareholders of the Corporation. Each member of the Committee continues to be a Committee member until a successor is appointed, unless he or she resigns or is removed by the Board or ceases to be a director of the Corporation. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than four directors as a result of the vacancy. |
| Appointment of Chairman and Secretary | e) The Board or, if it does not do so, the members of the Committee, must appoint one of their members as a Chairman. The Chairman shall: <ul style="list-style-type: none"><li>i) review and approve the agenda for each meeting of the Committee and as appropriate, consult with members of management;</li><li>ii) preside over meetings of the Committee;</li><li>iii) report to the Board on the activities of the Committee relative to its recommendations, resolutions, actions and concerns; and</li><li>iv) meet as necessary with the internal and external auditors.</li></ul>                                       |

If the Chairman of the Committee is not present at any meeting of the Committee, the Chairman of the meeting must be chosen by the Committee from the Committee members present. The Chairman presiding at any meeting of the Committee has a deciding vote in case of deadlock. The Committee must also appoint a Secretary who need not be a director.

- Use of Outside Experts      f) Where Committee members believe that, to properly discharge their fiduciary obligations to the Corporation, it is necessary to obtain the advice of independent legal, accounting, or other experts, the Committee shall have sole authority to engage the necessary experts, at the Corporation's expense, to advise the Committee or its members independently on any matter. The Committee shall have the sole authority to approve such experts' fees and other terms of reference. The Board shall be kept apprised of both the selection of the experts and the experts' findings through the Committee's regular reports to the Board.

### **Meetings**

- Time, Place and Procedure of Meetings      a) The time, place and procedure of Committee meetings shall be determined by Committee members, provided that:
- Quorum      i) a quorum for meetings must be a majority of the members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to communicate with each other;
- Quarterly Meetings      ii) the Committee must meet at least quarterly;
- Notice of Meetings      iii) notice of the time and place of every meeting must be given in writing or by facsimile to each member of the Committee, the internal auditors and the external auditors of the Corporation at least 24 hours prior to the Committee meeting;
- Waiver of Notice      iv) a member may waive notice of a meeting, and attendance at the meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called;
- Attendance of External Auditors      v) the external auditors are entitled to attend each meeting at the Corporation's expense;
- Calling a Meeting      vi) a meeting of the Committee may be called by the Secretary of the Committee on the direction of the Chairman or Chief Executive Officer of the Corporation, by any member of the Committee, the external auditors or internal auditors; and
- Committee Determines Attendees      vii) notwithstanding the provisions of this paragraph, the Committee has the right to request any officer or employee of the Corporation or the Corporation's outside counsel or external auditor to be present or not present at any part of the Committee meeting.
- Reports to the Board      b) The Committee shall make regular reports to the Board.

## Duties and Responsibilities of the Committee

### 1. Financial Statements and Disclosure

- |   |    |  |
|---|----|--|
| Annual Report and Disclosures*              | a) | Review and discuss with management, the external auditor and recommend for approval by the Board, the Corporation's annual report (including the audited annual financial statements and disclosures made in management's discussion and analysis), annual information form, management proxy circular (including the report of the Committee), any reports on adequacy of disclosure and internal controls, all financial statements in prospectuses or other offering documents, and any financial statements required by regulatory authorities.  |
| Prospectuses*                               | b) | Review and discuss with management and the external auditor, and recommend for approval by the Board, any prospectuses, but excluding any prospectus supplements issued under a shelf prospectus of the Corporation, and any pricing supplements issued under a medium term note prospectus supplement of the Corporation.   |
| Quarterly Interim Reports and Disclosures   | c) | Review and discuss with management and the external auditor and approve the Corporation's interim reports, including the quarterly financial statements and press releases (or disclosures made in management's discussion & analysis) on quarterly and year end financial results, prior to public release.   |
| Accounting Policies and Estimates           | d) | Review and discuss with management and the external auditor and approve all accounting policies that would have a significant effect on the Corporation's financial statements, and any changes to such policies. This review will include a discussion with management and the external auditor concerning: <ul style="list-style-type: none"><li>i) any areas of management judgment and estimates that may have a critical effect on the financial statements;</li><li>ii) the effect of using alternative accounting treatments which are acceptable under Canadian and US GAAP or IFRS (when adopted by the Corporation);</li><li>iii) the appropriateness, acceptability, and quality of the Corporation's accounting policies; and</li><li>iv) any material written communication between the external auditor and management, such as the annual management letter and the schedule of unadjusted differences.</li></ul> |
| Financial Information and Earnings Guidance | e) | Discuss with management the use of "pro forma" or "adjusted" non-GAAP (or IFRS when adopted by the Corporation) information and the applicable reconciliation, as well as approval in principle of the process to provide financial and related information to analysts and rating agencies. The Committee need not discuss in advance each instance in which the Corporation may provide earnings guidance or presentations to rating agencies.   |
| Regulatory and Accounting Initiatives       | f) | Discuss with management and the external auditor the effect of regulatory and accounting initiatives as well as the use of off-balance sheet structures on the Corporation's financial statements.   |

- Litigation g) Discuss with the Corporation’s Chief Legal Officer any litigation, claim or other contingency (including tax assessments), that could have a material effect on the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed in the financial statements.
- Financing Plans h) Review the financing plans and objectives of the Corporation, as received from and discussed with management.

**2. Risk Management and Disclosure and Internal Control**

- Risk Management Policies\* a) Review and recommend for approval by the Board changes considered advisable, after consultation with officers of the Corporation, to the Corporation’s policies relating to:
  - i) the risks inherent in the Corporation’s businesses, facilities and strategic direction;
  - ii) the overall risk management strategies (including insurance coverage);
  - iii) the risk retention philosophy and the resulting uninsured exposure of the Corporation; and
  - iv) the loss prevention policies, risk management and hedging programs, and standards and accountabilities of the Corporation in the context of competitive and operational considerations.
- Adequacy of Disclosure and Internal Controls b) Review at least quarterly, the results of management’s evaluation of the adequacy and effectiveness of disclosure controls and internal controls over financial reporting within the Corporation in connection with the certifications signed by the CEO and CFO and filed with securities regulators. Management’s evaluation will include a review of:
  - i) policies and procedures to ensure completeness and accuracy of information disclosed in the quarterly and annual reports, prevent earnings management and detect financial statement misstatements due to fraud and error; and
  - ii) internal control recommendations of the internal and external auditors, including any special steps taken to address material control deficiencies and any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal controls.
- Risk Management Processes c) Review with management at least annually the Corporation’s processes to identify, monitor, evaluate, and address important enterprise-wide business risks.
- Financial Risk Management d) Review with management activity related to management of financial risks to the Corporation.

**3. External Auditors**

- Appointment and Remuneration of External Auditors\* a) Review and recommend to the Board in accordance with the ultimate authority and responsibility of the Committee and the Board:
  - i) the selection, evaluation, reappointment or, where appropriate, replacement of external auditors; and

- ii) the nomination and remuneration (including non-audit fees) of external auditors to be appointed at each Annual Meeting of Shareholders.
- b) Resolve any disagreements between management and the external auditor regarding financial reporting.
- c) The external auditors shall report directly to the Committee.
- d) Review a formal written statement requested at least annually from the external auditor describing:
  - i) the firm's internal quality control procedures;
  - ii) any material issues raised by the most recent internal quality control review, peer review of the firm, or any investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;
  - iii) any steps taken to deal with any such issues; and
  - iv) all relationships between the external auditors and the Corporation.

The Committee will actively engage in a dialogue with the external auditor with respect to whether the firm's quality controls are adequate, and whether any of the disclosed relationships or non-audit services may impact the objectivity and independence of the external auditor. The Committee shall present its conclusion with respect to the independence of the external auditor to the Board.
- e) Ensure the rotation of senior audit personnel who have primary responsibility for the audit work, as required by law.
- f) Review and approve (in advance) the scope and related fees for all auditing services and non-audit services permitted by regulation which are to be provided by the external auditor for non-audit services which are approved by the Committee prior to completion of the audit.
 

The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.
- g) Ensure the establishment of policies relating to Corporation's hiring of employees or former employees of the external auditor, if such individuals have participated in the audit of the Corporation, as required by law.
- h) The Committee should meet with the external and internal auditors without management present and discuss any issues related to performance of the audit work, any restrictions, and any significant disagreement with management. The Committee should also meet separately with management to discuss any issues raised by the auditors.

#### 4. Internal Audit

- a) i) review and approve the mandate of the internal audit function including internal audit's purpose, authority, and responsibility;

- ii) approve whether the internal audit activity should be outsourced and if outsourced approve the supplier; and
  - iii) review the appointment and replacement of the senior internal audit executive, if there is no outsourced provider.
- Internal Audit Plans      b) Review and approve the annual Internal Audit Plan and objectives, the degree of coordination with the external auditor, and the extent to which the planned audit scope can be relied upon to detect weaknesses in internal controls, fraud, and other illegal acts.
- Internal Audit Responsibilities      c) Discuss with management and the external auditor the internal audit department's responsibilities, budget, and staffing and any recommended changes in the scope of internal audit.
- Audit Findings and Recommendations      d) Review the significant control issues identified in internal audit reports issued to management and the responses and actions taken by management to address weaknesses in controls.

**5. Pension and Savings Plans**

- Statements of Pension Investment Policy and Procedures      a) Review and approve the Corporation's Statement of Investment Principles and Beliefs, and the Statements of Investment Procedures.
- Pension Funding      b) Approve funding decisions for the retirement plans in accordance with actuarial reports and legal requirements in the applicable jurisdiction.
- Amendments to Plans for Changes in Benefit Levels      c) Review and approve amendments to savings and retirement plans for changes in benefits provided under the plans, other than administrative or legislative changes.
- Appointment of Auditors, Actuaries, and Investment Managers      d) Approve the recommendations of the officers of the Corporation regarding the reappointment or appointment of auditors and recommendations of the Pension and Savings Plan Committees regarding appointment of investment managers and actuaries of the savings plans and retirement plans, as appropriate.
- Savings and Retirement Plan Financial Statements      e) Receive confirmation from management that the annual financial statements of the savings plans, retirement plans, and related trust funds, have been prepared and filed as required by applicable regulations.
- Pension and Savings Plans Committees Reports\*      f) Review and recommend for approval by the Board, the annual Pension Committee Reports on the operation and administration of savings and retirement plans and trust funds.
- Mandates of the Pension and Savings Plan Committees and Appointment of Members      g) Review and approve the mandates of the Pension and Savings Plans Committees (to be approved jointly with the Human Resources Committee of the Board), any amendments thereto, and the appointment or re-appointment of pension and savings plan committee members as provided in the mandates.
- Delegation to the Pension and Savings Plan Committees      h) Approve the delegation of certain responsibilities to members of the pension and savings plans committees.
- Actuarial Reports and Funding Assumptions      i) Review the actuarial reports on retirement plans as required by applicable regulations, any special actuarial reports, and the funding assumptions to be used in preparing the reports.

Accounting Assumptions

- j) Review and approve, at least annually, the accounting assumptions used for disclosure of liabilities for retirement plans and post-retirement liabilities.

## 6. General Duties

Business Conduct Policy Compliance

- a) Obtain reports at least annually from the Chief Compliance Officer on the Corporation's and its subsidiary/foreign affiliated entities' conformity with applicable legal and ethical compliance programs (e.g., the Corporation's Business Conduct Policy).

Code of Ethics

- b) Ensure that the Corporation has adopted a code of ethics for senior financial officers and review at least annually a report from the CEO and CFO of their assessment of the ethical culture and control environment in the finance function.

Public Disclosure

- c) Review, monitor and assess, on a regular basis, the adequacy of the Corporation's Communication and Disclosure Policy that establishes guidelines and standards for communications with shareholders, investment analysts, other stakeholders and the public generally.

Compliance Reporting Process

- d) Ensure that a process and procedure has been established by the Corporation for receipt, retention, and treatment of complaints regarding non-compliance with the Corporation's Business Conduct Policy, violations of laws or regulations, or concerns regarding accounting, internal accounting controls or auditing matters. The Committee must ensure that procedures for receipt of complaints allow for confidential, anonymous submission of complaints from employees.

Regulatory Matters

- e) Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's compliance policies.

Mandate Review\*

- f) Review and recommend for approval changes considered advisable based on the Committee's assessment of the adequacy of this Mandate. Such review will occur on an annual basis and the recommendations, if any, will be made to the Board in accordance with the procedure set out in the Corporate Governance Committee mandate.

Annual Performance Evaluation

- g) The Committee will conduct an annual evaluation of its performance as a committee and report the results to the Board.

\* Board approval required