

The name that

And the name that will be long revered
HPC aims to emerge as Asia's best chemical company
and presents the Sustainability Report 2009

WITH **HPC**



H

P

We are not satisfied with a 99% effort.
Rather, we are concerned that
1% is left undone.
This is what keeps us from being
too proud We look for new
challenges all the time.
We accept new opinions,
conduct new research and from
this create something new.



Markets and customers change all the time.

That is why we pay close attention to
why we are 1% short.

We will never stop looking for new challenges so that
our company will be revered and remembered as
a company you can trust.



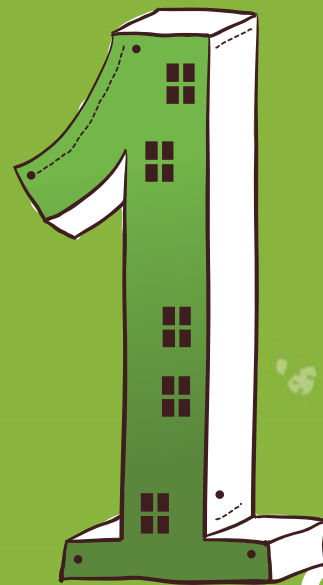
One of the most important things that we need to remember in order to be valued is **communications**. Facilitated **communications** with our customers in the past present and the future is the key to our being a company that is trusted and revered by our customers.

Communications with our shareholders is the most important element in sustainable management.

We live and think “communication”



HPC will continue to listen to what people from all walks of life have to say in the course of publishing the report while making a contribution to the promotion of sustainable development of human society.

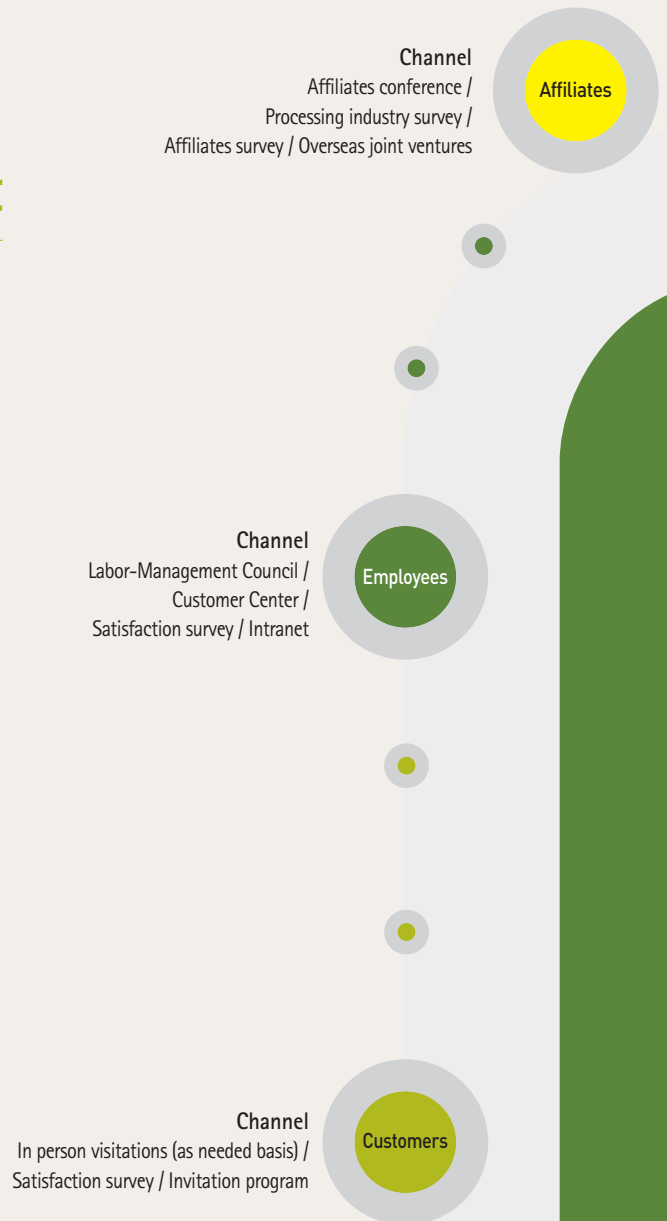


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HPC values communications between inside and outside customers the most. This is because only the sustainable company that can accommodate diversified stakeholders' demands and opinions can grow into a loved and lasting business. This is why we are equipped with diversified communication channels that can reflect our stakeholders' opinions and demands. HPC will further facilitate and systemize stakeholder communication channels in an effort to lay the foundation for sustainable management.

Sustainable growth, What do you think is the most important factor?



In consideration of their importance, HPC stakeholders were evaluated and selected first among the groups that most influence HPC.

For this reason, HPC equips itself with diversified communication channels



Channel
General Shareholders' Meeting /
Disclosed data / Investment
information website



Customer HPC makes continued efforts to understand rapidly changing markets and customers' demands and to maximize customer satisfaction by regularly conducting customer satisfaction surveys and holding seminars for our customers.



Employees HPC is making every effort to create an optimal working environment by realizing a fair compensation and diversified welfare system while inducing our employees to passionately take part in management.



Affiliates The company is establishing mutually beneficial operative relationships by providing affiliates with fair opportunities and transparent transactions.



Shareholder The company is making profits and realizing shareholder value through effective and transparent management while proactively inducing investments.



Local community HPC fulfills its social responsibility and maintains constructive relationships with local communities and NGOs through our diversified communication channels.



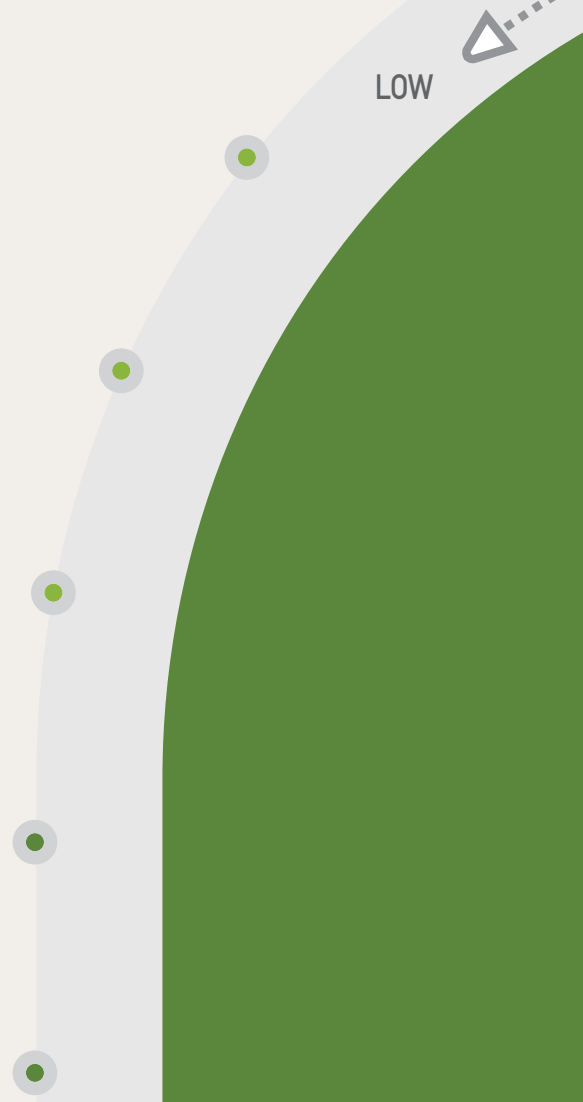
Government HPC follows all laws and regulations and creates social wealth by conducting sound business activities and improving the quality of life for the public good.

Channel
Sisterhood relationship / Local community conference /
Environmental protection /
Social contribution activity



Channel
Public hearing / Forum Council /
Participation in governmental projects /
Cooperation program

We value those issues that you cherish the most



Materiality Analysis

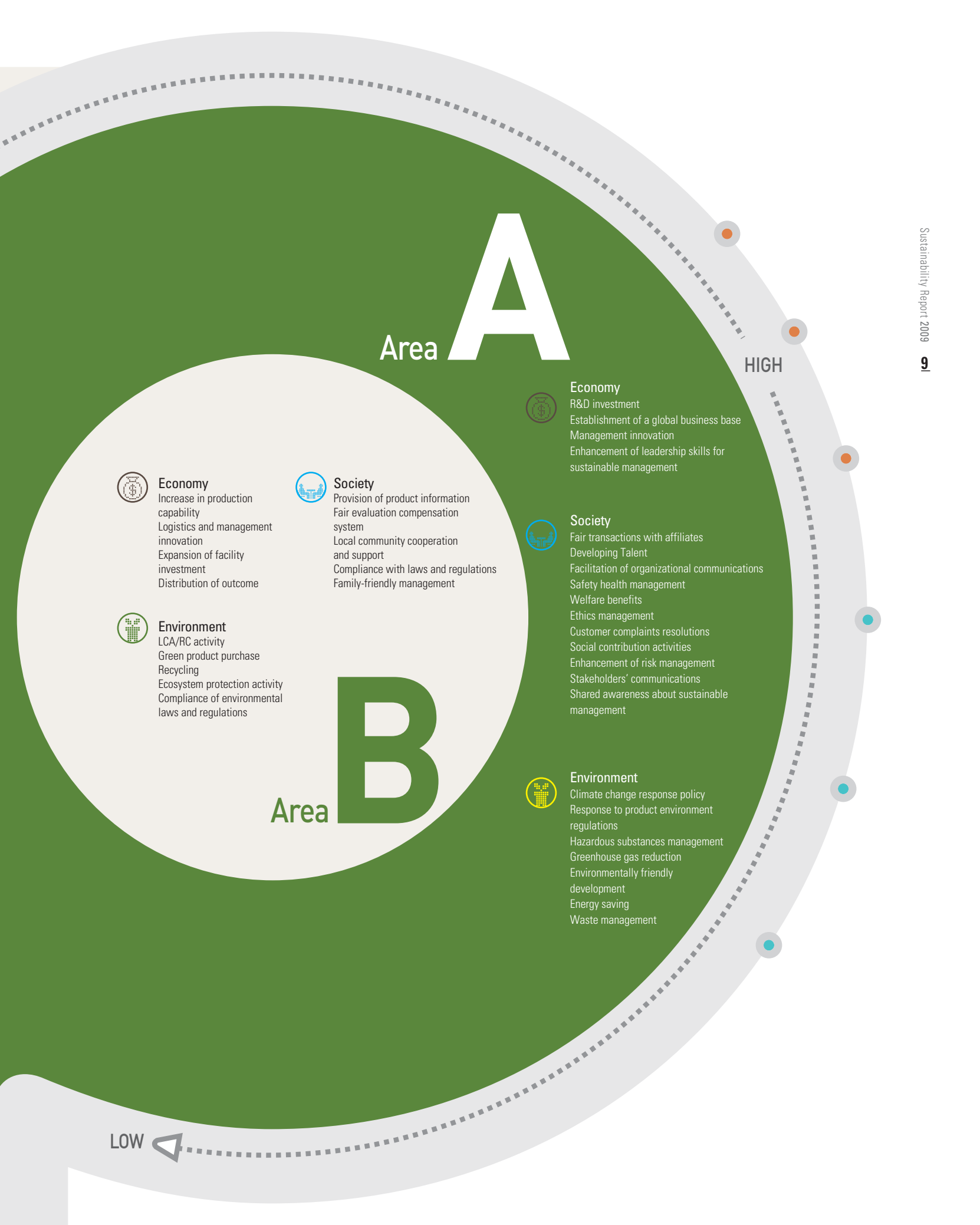
HPC has conducted a series of in-depth discussions required to generate and analyze important issues in an effort to establish our third sustainable report. It is due to the fact that changes in stakeholders and the management environment have diversified related issues and shareholders' interests and influence has transformed.

We believe that the Sustainable Report is the most important channel enabling facilitated communications with our shareholders. Accordingly, the report was established through a materiality analysis to sufficiently reflect shareholder interest.

According to the materiality analysis, 12 issues belonging to Area A considered highly important have been generated, and Area B is considered relatively less significant and has been briefly described at the time of making the report.

Standard of selection of issues

In order to decide the importance of issues, matters of primary concern by shareholders that were found in previous analysis and EIRis research on 2008 Sustainability Report and DJSI and CDP requirements were analyzed. Diversified internal and external factors were considered to select core issues.



Area A

HIGH

Economy
 Increase in production capability
 Logistics and management innovation
 Expansion of facility investment
 Distribution of outcome

Society
 Provision of product information
 Fair evaluation compensation system
 Local community cooperation and support
 Compliance with laws and regulations
 Family-friendly management

Environment
 LCA/RC activity
 Green product purchase
 Recycling
 Ecosystem protection activity
 Compliance of environmental laws and regulations

Area B

Economy
 R&D investment
 Establishment of a global business base
 Management innovation
 Enhancement of leadership skills for sustainable management

Society
 Fair transactions with affiliates
 Developing Talent
 Facilitation of organizational communications
 Safety health management
 Welfare benefits
 Ethics management
 Customer complaints resolutions
 Social contribution activities
 Enhancement of risk management
 Stakeholders' communications
 Shared awareness about sustainable management

Environment
 Climate change response policy
 Response to product environment regulations
 Hazardous substances management
 Greenhouse gas reduction
 Environmentally friendly development
 Energy saving
 Waste management

LOW

New Challenge & Change

This is the third report published by HPC.



Standard and characteristics of the report

This report has been established based on Sustainability Report GRI G3 Guidelines.

It has also referred to the result of analyses on various internationally adopted standards and publications by world-renowned corporations. The Sustainability Report has been published in Korean and English and has transparently disclosed management activity and achievements in 2009 centering on the main issues of shareholders. HPC has shared various issues related to sustainable management with numerous departments in the course of publishing the report and has focused on improving achievements in sustainable management. The aim is to share information on what to improve and how to resolve problems for sustainable management through facilitated communications with stakeholders in the future.

The date of publication of the latest report

Since 2007 when HPC published its first report, the company has released the Sustainability Report annually. The latest is the 2008 Sustainable Report that was published in September 2009 and is posted on its website (www.hpc.co.kr).

The period and scope of the report

The period of the report is from January 1st, 2009 through December 31st, 2009, and if the progress in sustainable management is indicated, data from 2006 through 2009 has been revealed as well. The report has been submitted to four domestic business operations including the Head Office in Seoul, a research center in Daejeon and two plants in Yeosu and Daesan.

Verification of the report

The report has gone through reliable and objective verifications through site inspections by KFO, a third-party verifier. Items subject to the verification include quantitative data and qualitative description.

New Challenge & Change



Contents

Challenge 18

For a company to be revered for the next century and beyond

- : Management Vision & Strategy 20
- : Sound Financial Structure 22
- : Transparent Governance 24
 - : Risk Management 25
 - : Ethics Management 26
- : Manpower management 28

Change 30

For realization of stakeholder value

- : Customer Satisfaction 32
- : Employee Satisfaction 34
- : Innovation Management 36
- : Mutually Beneficial Management for Affiliates 38

Citizenship 40

For the earth where we live

- : Response to Climate Change 42
 - : Green Management 46
- : Environmental Performance 49
- : Safety & Healthcare Management 54
 - : Social Contribution 56

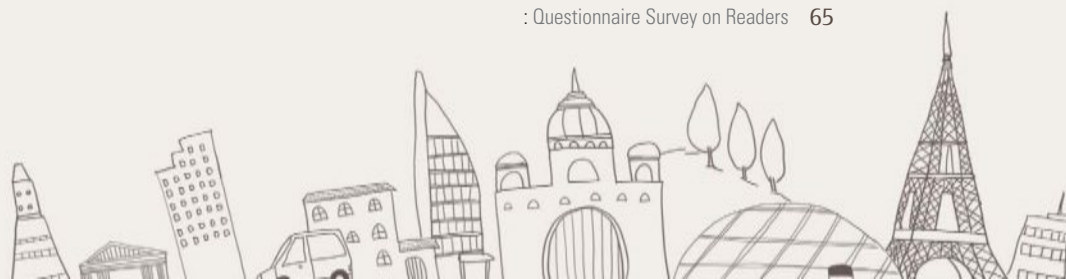
: GRI Index 58

: Awards and Organizational Affiliation 62

: Glossary 63

: Verifying Comments 64

: Questionnaire Survey on Readers 65





HPC values the environment and energy

Dear stakeholders!

HPC will emerge as the best chemical company in Asia.

HPC started a new year amid concerns that the recession of the global petrochemical industry affected by global financial crises in the latter half of 2008 would continue and that more new goods would flow out from the Middle East and China. However, HPC was able to achieve the highest results in its corporate history on the back of the pump-priming economic policy by China, global economic recovery, proactive exploration of local markets and expanded importance of high value added products. HPC has strategically expanded overseas business and pushed for new future business while diversifying business models to supplement the existing petrochemical business. All employees of the company are channeling their energy into aggressive and dynamic management to achieve a new target of recording 40 trillion won in sales in 2018.

Following acquisitions of Hyundai Petrochemical in 2003 and KP Chemical in 2004, HPC purchased Titan Chemical in July 2010 and is expected to post 12 trillion won in sales in 2010 on a combined basis. In addition to an external growth through the realization of economy of scale, the company is making every effort to fulfill its social responsibility as the best chemical company in Asia.

HPC will fulfill its social responsibility to suit its role as the best chemical company in Asia.

HPC started environmentally friendly management at an early stage and was selected as the best green management company in 2005 and received the Presidential Award for Energy Saving in 2008. The company has been highly recognized for having endeavored to reduce greenhouse gas emissions and having made efforts to proactively reduce energy in advanced preparations for the Convention on Climate Change. In addition, HPC is doing whatever it can to realize its corporate philosophy of the 'Creation of an Affluent Future'. This is being realized through ethical management where ethics in corporate management and our activities are held in the highest importance earning loyalty and trust from our stakeholders.

Thanks to these efforts, the company was listed on the DJSI Korea for two years in a row in 2009 and 2010 and selected as the best company in the petrochemical sector. Being cited as the best company on the DJSI Korea means that HPC has been internationally recognized for high competence in sustainable growth. As a number one priority, the company needs to earn further trust from its stakeholders through mutually beneficial management pursuing global growth and new business amid the rapidly changing management environment. HPC is making diversified efforts to provide various welfare benefits to employees to maintain peaceful labor relationships and paying close attention to operating beneficial cooperative programs by raising funds to establish partnerships for mutual growth along our affiliates.

HPC is making ceaseless efforts to give something back to society through volunteer activities in the local community where all employees take part and creating scholarship programs simultaneously achieving growth by prospering together with our customers and the local community.

HPC will take the lead in new low carbon green growth.

HPC pursuing a green management is conducting activities to protect the regional environment for the 'One Operation, One River' initiative in addition to in-house activities focused on reducing air pollutants, recycling resources and reducing the generation of wastes. Additionally, HPC has designated the development of environmentally friendly materials as a new business and implemented it through a newly installed functionality department. HPC's efforts to reduce the weight of materials used in various industries including the auto industry are expected to reduce contamination and make a great contribution to achieving low carbon green growth.

I sincerely hope that our shareholders and customers will be able to throw their full support behind our efforts, and I wish you all good health and happiness.

“
The 2009 Sustainable Report is not just for the reporting of results. There are answers given by HPC in 2009 with regard to questions on how to best respond to the challenges facing the company for the purpose of establishing a sustainable corporation to last into the next century and beyond. Facilitated communications with stakeholders will be the greatest influence of sustainable management conducted by HPC.
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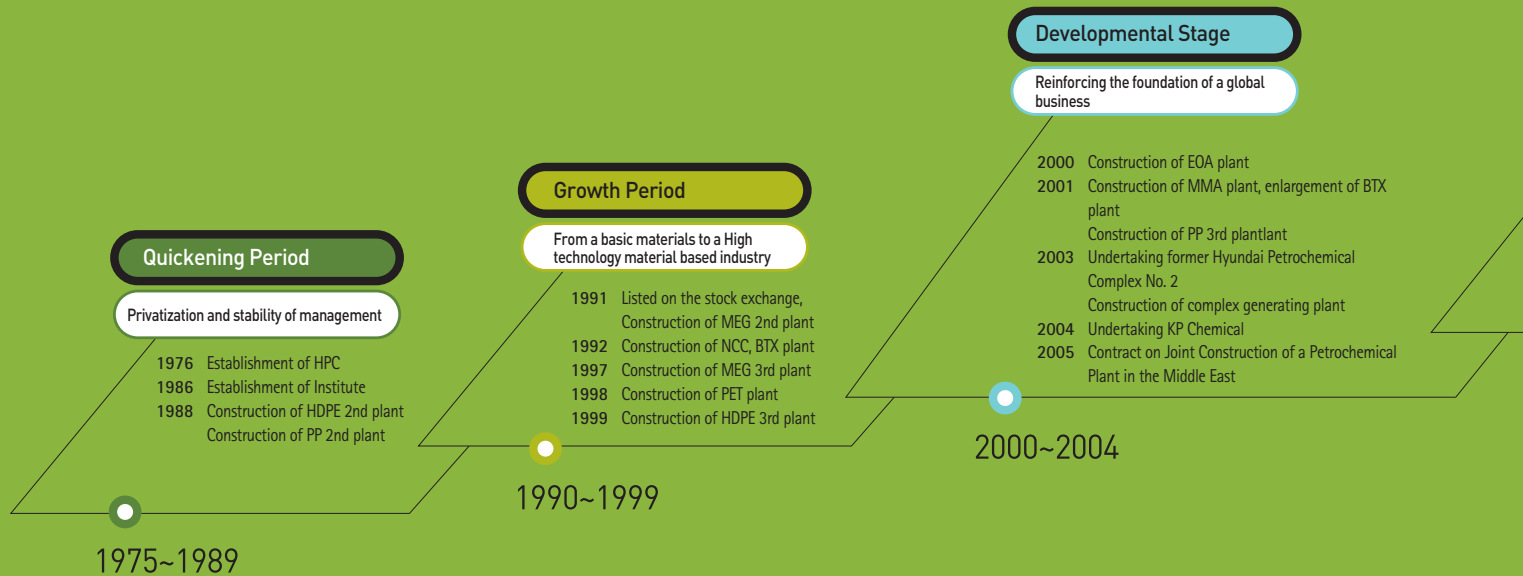
CEO, HPC Chong, Bum Shick

Since 1976

Since 1976 when the company was first established, HPC has led the development of the domestic heavy and chemical industries by revolutionizing a petrochemical industry that was still in its infancy through advanced adaptation of technologies.

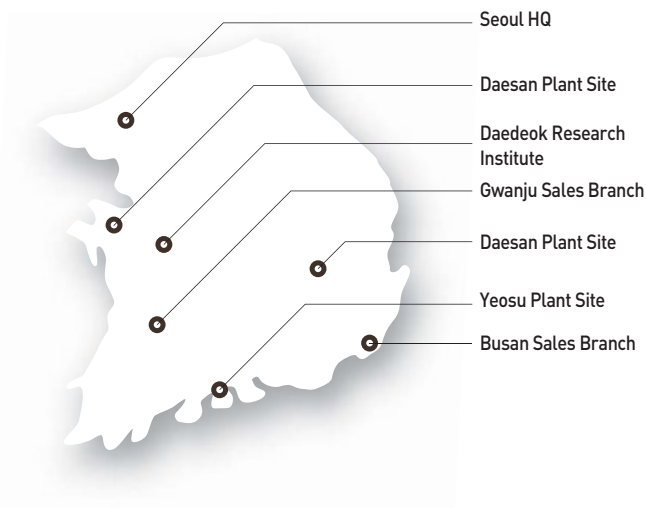
The following show evolution of HPC

| | |
|----------------------------------|--|
| Formal Name of Enterprise | Honam Petrochemical Corporation |
| Date of Establishment | March 16th, 1976 |
| CEO | Chong, Bum Shick |
| Main Business | Producing range products, Including synthetic resins, Chemicals and Foundational distillates |
| Number of Employees | 1570 |
| Sales | 5,969.8 Billion won |



Domestic business locations

| | |
|----------------------------|--|
| Seoul HQ | 8-11F, Lotte Tower Bldg., 395-67, Sindaebang-dong, Dongjak-gu, Seoul |
| Daedeok Research Institute | 24-1, Jang-dong, Yuseong-gu, Daejeon Metropolitan City |
| Yeosu Plant Site | Petrochemical Complex, 172, Jungheung-dong, Yeosu City, Jeollanam-do |
| Daesan Plant Site | 634, Dokgot-ri, Daesan-eup, Seosan City, Chungcheongnam-do |
| Daejeon Sales Branch | 209, 2nd Fl., Heungin Tower Offitel, 536-9, Bongmyeong-dong, Yuseong-gu, Daejeon City, Daejeon |
| Daegu Sales Branch | 3rd Fl., National Pension Service Daegu Office, 1198-5, Igok-dong, Dalseo-gu, Daegu City |
| Gwanju Sales Branch | 5th Fl., BYC Bldg., 1180, Chipyeong-dong, Seo-gu, Gwangju City |
| Busan Sales Branch | 2nd Fl., Law Firm Bldg., 1481-5, Geoje-dong, Yeonje-gu, Busan City |



Take-Off Stage

A top-tier Asian chemical company

- 2006 Establishment of Hoseok Chemicals Trade Co., Ltd. (Shanghai, China)
Establishment of Daesan MMA corporation joint venture with Mitsubishi Rayon, Japan
Undertaking Jiaxing Hoseok Engineering Plastics Co., Ltd.
- 2008 Construction and enlargement of Lotte Daesan Petrochemical Corporation
Enlargement of NCC, BRU, SM, BD and PE plant
Construction of PP, EG and TBA plant
Investment of Weifang Yaxing Corporation's stock
Launched commercial PC manufacturing
- 2009 Affiliation with Lotte Daesan Petrochemical Corporation
Undertaking SamBak LFT and SamBak Corporation
Listed as the best company in the petrochemical industry on the DJSK Korea

2005~2009

Overseas business leaders

Overseas companies

Hoseok Chemicals Trade Co., Ltd. (Shanghai, China)
CDE/8F world plaxa, no 855 pudong RD.(S) shanghai china
Tel. 86-21-5879-6116
Fax. 86-21-5879-6736

Jiaxing Hoseok Engineering Plastics Co., Ltd.
No 542. Chang Sheng East Road, Jiaxing, Zhejiang 314001
Tel. 86-573-8391-2158
Fax. 86-573-8391-2000

Overseas branches

Hoseok Chemicals Trade Co., Ltd. (Shanghai) Beijing Branch
B1607, TIANYUANGANG, NO. C2, DONG SAN HUAN NORTH ROAD, CHAOYANG DISTRICT, BEIJING, 100027, CHINA
Tel. 86-10-6597-8250
Fax. 86-10-6597-8253

Hoseok Chemicals Trade Co., Ltd. (Shanghai) Qingdao Branch
ROOM D, FLOOR 10, WANGJIAO TOWER, HONGKONG MIDDLE ROAD, QINGDAO, 266071, CHINA
Tel. 86-532-8588-8002
Fax. 86-532-8588-5919

Hoseok Chemicals Trade Co., Ltd. (Shanghai) Guangzhou Branch
ROOM 2513, METRO PLAZA, NO.183 TIANHE DISTRICT, GUANGZHOU, 510075, CHINA
Tel. 86-20-8755-7181
Fax. 86-20-8755-6573

Overseas offices

New York Office
100 Challenge Road, Ridgefield Park, NJ 07660, USA
Tel. 1-201-641-1300
Fax. 1-201-641-5283

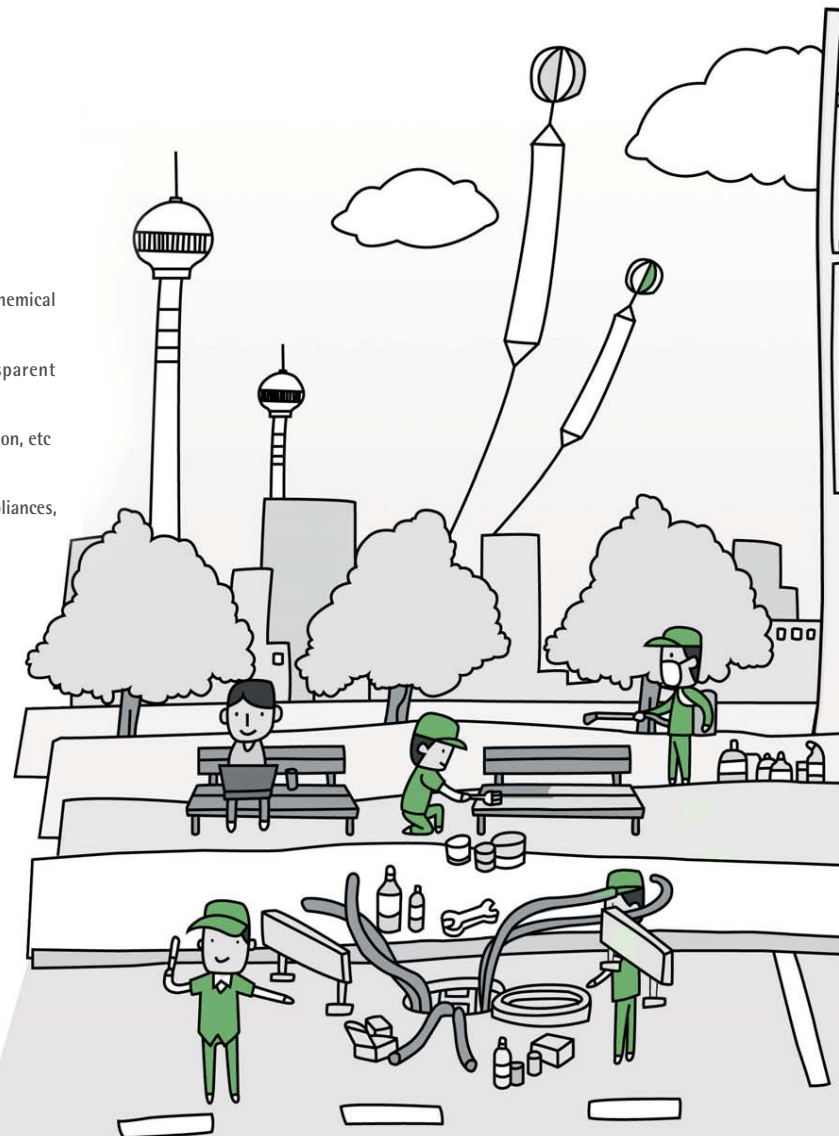
Hong Kong Office
RM 1102, 11F, JUBILEE CENTRE, 18 FENWICH STREET, WANCHAI, HK
Tel. 852-2586-1390
Fax. 852-3105-0850

HPC technologies and products can be found wherever people prosper with products ranging from the household products used in our everyday lives to agricultural, industrial and medical products. New agricultural materials and advanced materials are always in development.

What we make changes our everyday lives

Main products

- PE** Containers for common house wares, fishing nets, ropes, insulated cables, chemical containers, automotive fuel tanks
- PP** Automotive plastics, home appliances, disposable syringes, various transparent containers, hygienic non-woven, films for packing, etc
- Functional materials** Automotive Glass Run Channel, Window Gaskets for construction, etc
- PET** Heat-resistant containers, beverage containers, etc
- PC** Optical disks (CD, DVD), sunglasses, lenses, automotive head-lamps, home appliances, Medical appliances, hygienic products
- MEG** An anti-freezing solution, raw material of polyester, etc.
- EO** Raw materials of antiseptics, germicide and surface active agents
- EOA** Surface active agents, emulsifiers, anti-electrification agents, etc
- MMA** Medical adhesives, acrylic films, polyvinyl chloride buffers, etc
- BD** Raw materials of ABS(SBR, BR) Etc.
- SM** PS resins, ABS resin, paints and synthetic resins, ion exchange resins
- Benzene** Agrochemicals, photographic chemicals, explosives, insecticides
- Toluene** Medical supplies, paints, inks, dyes, perfumes, gunpowder, etc
- Mixed Xylene** Phthalocyanine, perfumes, paints, agrochemicals, common solvents



CHANGE **O**UR **L**IFE



HPC will emerge as a trusted

and revered company realizing a business that will last into the next century and beyond.

–20 : Management Vision & Strategy

–22 : Sound Financial Structure

–24 : Transparent Governance

–25 : Risk Management

–26 : Ethics Management

–28 : Manpower management



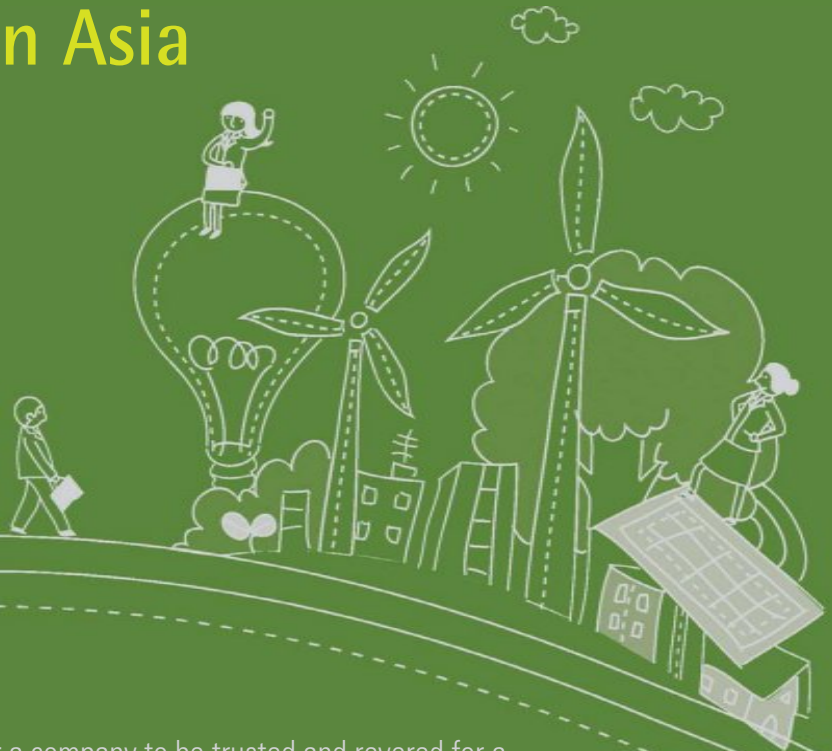
Challenge



Challenge

HPC takes the challenge to emerge as the best in Asia

Challenge



What do you think needs to be done for a company to be trusted and revered for a century or even longer HPC is readying itself to emerge not only as the best company in Asia but also as the company that will be the one customers turn to and trust in this century and beyond.

The company is focused on enhancing our core business based on transparent governance and a sound financial structure to ensure a stable revenue model while nurturing global talent and securing future growth engines.

HPC has the firm conviction that through sound business decisions and an all out effort it will become the best.

In order to be remembered as a company that is trusted and revered, HPC will seek out new challenges wherever they may be.

Do Our Best

Are we equipped with a management strategy for sustainable growth?

HPC is making thorough preparations to realize sustainable growth and investments. Merging with the Lotte Daesan Petrochemical Corporation in 2009, HPC established an integrated operation system and cut logistics, IT investment and operation costs in an effort to realize an economy of scale where productivity is increased. The company will enhance its existing competitiveness through logical investments and go global by securing future growth engines.

Management vision

HPC is exploring new horizons as the best chemical company in Asia. HPC's vision contains its determination to advance into a company that not only achieves external growth but also maintains a world-class corporate culture and sustainable competitiveness.



Core Values

- Customer Focus** Based on an in-depth understanding of our customers, we reflect our customer's perspectives and commit to the promises we have made by being honest at all times.
- Originality** HPC provides exclusive and outstanding services and products with innovative perspectives and tasks based on creativity and new paradigm shifts.
- Passion** HPC makes ceaseless efforts to promote business with the spirit of challenge and turning impossibilities into possibility by endeavoring to become the best.
- Partnership** HPC pushes for close cooperation to create synergy and pursues mutual benefit (Win-Win) with our business partners and customers.
- Performance Driven** HPC makes informed decisions based on projected outcomes for our stockholders values, and conduct perfect outcome management based on fair result assessment with ongoing efforts to improve productivity and efficiency.

Management strategy

Enhancement of control over the domestic market

In 2009, Daesan NCC Plant broke a one-million-ton mark in annual production of ethylene for the first time in Korea. In combination with Yeosu NCC Plant, the company has been capable of producing 1.75 million tons of ethylene per annum and has decided to invest a total of 520 billion won in the second round of expansion of the Yeosu NCC Plant and the enlargement of affiliate plants in 2010. Efforts to enhance control over the markets by reducing manufacturing costs and energy consumption and expanding production in affiliate plants (HDPE & PP) are in progress.

| Main product production capacity | | | | Unit : 1,000 tons/year |
|----------------------------------|-------------|--------------|-------|-------------------------|
| Main Products | Yeosu Plant | Daesan Plant | Total | Production achievements |
| Ethylene | 750 | 1,000 | 1,750 | 1,789 |
| MEG | 400 | 640 | 1,040 | 990 |
| PP | 380 | 500 | 880 | 897 |
| PE | 370 | 400 | 770 | 841 |

Acquire Future Growth

As a growing number of people have developed an interest in the environment at home and abroad, HPC has focused on developing green products through continual investments, and as the company has recently succeeded in developing PP nano composites, it has been able to acquire a new technology certification from the government. In addition, the company has enhanced the transparent resin business which is expected to achieve a high growth by advancing into the PC/PMMA business sector. Developments in light, strong and environmentally friendly polymer products such as LEF and EPP fuels the advance into future new business sectors including green business and life science areas.

To strengthen the high value added business, the company has continuously expanded the EO product and MMA businesses and has additionally constructed a domestic EOA plant thus making preparations for a future growth based on a possible merger with a competitive foreign company.

Constructing the Global Business Basis

HPC is stepping up its efforts to conduct overseas projects aimed at expanding global markets and is presently pushing for the construction of an EO plant in cooperation with Jiaxing Samgang Chemicals Co., Ltd. in China while pursuing a joint project with UNG in Uzbekistan. In addition, with the acquisition of Titan Chemicals Corp. in Malaysia, HPC is securing footholds to make another leap forward as a global company while expanding its business into South East Asia and the Middle East.

The company is exporting products to a total of 72 companies including 8 countries in China and South East Asia, 21 in Africa, 14 in the Americas and 3 in Europe and has plans to diversify export partner countries in South America and Oceania from our existing overseas branches.

Enhancement of control over the domestic market

- Strengthening the core business
- Improvement in production
- Reinforcing the raw material cost
- Unifying investment surplus power
- Improving the client base strategy



Constructing Global Business Basis

- Joint business with Jiaxing Samgang Chemicals Co., Ltd in China
- Joint business in Uzbekistan
- Expand business in South East Asia and the Middle East
- Diversify export partner countries

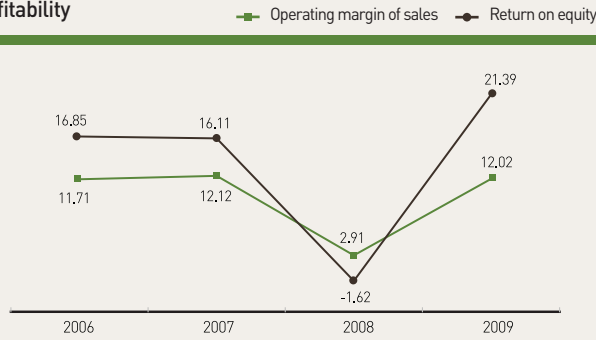
Acquire Future Growth

- Expand advanced material
- Strengthen performance polymer business
- Actively search for megatrend related businesses

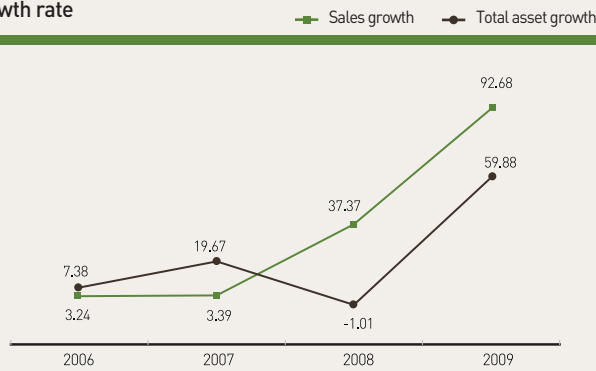


| Division | Area | Main product |
|-------------------|------------------------------------|------------------|
| Production base | China | CP, ETA |
| | Pakistan | PTA |
| | The U.K. | PTA, PET |
| | Uzbekistan | HDPE, PP |
| | Malaysia | Ethylene, PE, PP |
| Sales Corporation | Shanghai, Beijing, Canton, Qingdao | |
| Branches | Hong Kong, Moscow, New York | |

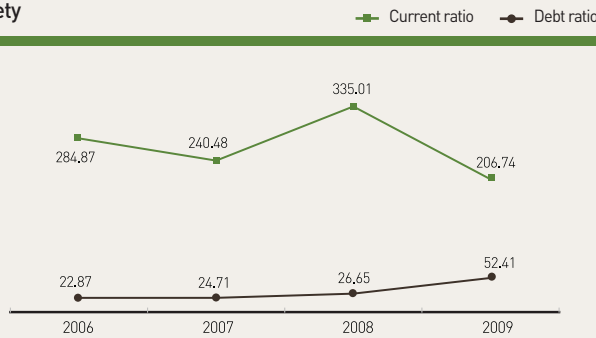
Profitability



Growth rate



Safety



Such factors as the reduced current ratio and the rising debt ratio in 2009 stemmed from the merger with the Lotte Daesan Petrochemical Corp.

Profit and Loss Outline

Unit : KRW billion

| Sections | 2006 | 2007 | 2008 | 2009 |
|------------------|--------|--------|--------|--------|
| Sales | 21,813 | 22,553 | 30,982 | 59,698 |
| Operating Profit | 2,554 | 2,734 | 903 | 7,176 |
| Recurring Profit | 3,816 | 4,634 | -453 | 7,967 |
| EBITDA | 3,500 | 3,609 | 1,638 | 9,500 |

Balance Sheet Summary

Unit : KRW billion

| Sections | 2006 | 2007 | 2008 | 2009 |
|-------------------|---------------------------|---------------|---------------|---------------|
| Total Assets | Total 29,976 | 35,874 | 35,510 | 56,774 |
| | Current Assets 9,432 | 10,038 | 8,861 | 23,065 |
| | Non-Current Assets 20,545 | 25,835 | 26,649 | 33,709 |
| Total Liabilities | Total 5,580 | 7,107 | 7,472 | 19,522 |
| | Current Assets 3,311 | 4,174 | 2,645 | 11,156 |
| | Non-Current Assets 2,270 | 2,933 | 4,827 | 8,366 |
| Total Equities | 24,396 | 28,766 | 28,038 | 37,252 |

Profitability Index

Unit : %

| Sections | 2006 | 2007 | 2008 | 2009 |
|--|-------|-------|-------|-------|
| Sales Operating Profit Margin | 11.71 | 12.12 | 2.91 | 12.02 |
| Sales Net Profit | 17.49 | 20.55 | -1.46 | 13.35 |
| Total Business Profit | 13.18 | 12.92 | -1.28 | 14.03 |
| Equity Capital Net Assets | 16.85 | 16.11 | -1.62 | 21.39 |
| Ratio of the Cash Flow for Operation with Total Net Assets | 10.1 | 9.8 | -1.3 | 19.4 |

Stability Index

Unit : %

| Sections | 2006 | 2007 | 2008 | 2009 |
|--|--------|--------|--------|---------|
| Current Ratio | 284.87 | 240.48 | 335.01 | 206.74 |
| Debt Ratio | 22.87 | 24.71 | 26.65 | 52.41 |
| Dependence on Borrowings | - | - | 6.10 | 2.03 |
| To Operating Income, Interest Coverage Ratio | 65.01 | 100.57 | 22.68 | 1364.20 |

We are creating a sound financial structure for our emergence as a star performer even through economic crises



Despite the gloomy prospects of a prolonged recession in petrochemical markets will be due to the financial crises which began in the U.S., HPC posted 717.6 billion in operating profits in 2009. This is a seven-fold increase from 2008, and sales drastically increased by 93% at 5,969.8 billion won. It seems that the current ratio was relatively reduced in 2009 and the debt ratio increased in the wake of the merger with the Lotte Daesan Oil Corp. However, the company has maintained not less than 200% of current ratio and 50% of debt ratio showing a high level of financial soundness and that is why HPC is recognized as resilient against crises.

Growth potential

In 2009, corporate sales increased 92% on the previous year leading to a surplus in net income. The company was able to achieve this rapid growth thanks to enhanced competitiveness in main products, specialized business based on the development of new materials, the improvement of productivity on the back of investments in facilities and the expansion of the domestic markets through cost reduction.

External factors also have had a positive effect, and these included recovered demand on the back of pump-priming policies by other governments as well as the adjustment of the rate of operation in competing countries and the delayed operation of new plants in other countries.

Profitability

The operating margin of sales was improved compared to 2008 when the financial crises were affecting the markets, but the rate was still similar to those recorded in 2006 and 2007. The company was able to set a record high in operating profits and EBITDA on the back of expanded sales caused by rising demand in China. Petrochemicals are highly likely to be influenced by prices of naphtha, the raw material of petrochemicals, so the company is making efforts to maintain average profitability and stable sales instead of innovative improvement of profitability.

Safety

It seems that the current ratio was somewhat reduced in 2009 amid the rising debt ratio in the wake of a merger with the Lotte Daesan Petrochemical Corp. Nonetheless, the company recorded no less than 200% in the current ratio and 50% in the debt ratio, displaying a high level of financial soundness.

Dividends

Corporate dividends were worth 47.8 billion won in 2009, and dividends per share rate was 30%, with the per share price at 1,500 won (a 30% increase from the face value), up 500% on the previous year. This dividend was based on achievements in 2009, and took into account business competitiveness to be secured in the future and investments made for future growth. HPC will continue to generate dividends that can improve corporate financial structure and satisfy shareholder demand through improved competitiveness in our core business and the stabilized creation of profits for the purpose of continuously increasing shareholder value.

Interest costs

The company posted 52.6 billion won in interest costs in 2009, up 45.3 billion won from the previous year. The interest expense was increased from a year ago because the company succeeded to liabilities at the time of merger with the Lotte Daesan Petrochemical Corp. on January 1st, 2009.

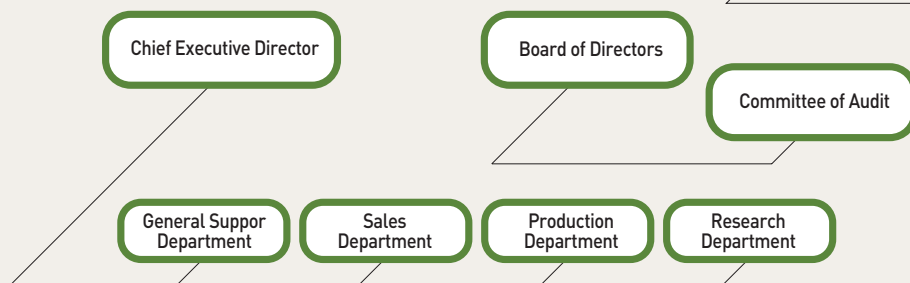
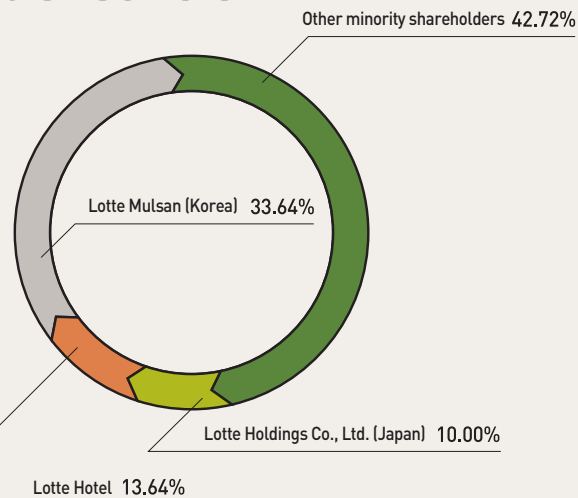
| Growth Index & Activity Index | | | | | Unit : % |
|-------------------------------|--------|-------|---------|--------------------|----------|
| Sections | 2006 | 2007 | 2008 | 2009 | |
| Sales Growth | 3.24 | 3.39 | 37.37 | 92.68 | |
| Operating Income Growth | -24.90 | 7.03 | -66.97 | 694.74 | |
| Net Profit Growth | -25.39 | 21.43 | -109.78 | Surplus conversion | |
| Total Asset Growth | 7.38 | 19.67 | -1.01 | 59.88 | |
| Asset Turnover Ratio | 0.75 | 0.69 | 0.90 | 32.34 | |

| Distribution of Economic Value | | | | | Unit : KRW billion |
|--------------------------------|--|--------|--------|--------|--------------------|
| Sections | 2006 | 2007 | 2008 | 2009 | |
| Stockholders & Investors | Total cash-dividend amount | 239 | 319 | 80 | 478 |
| Creditors | Interests | 14 | - | 40 | 488 |
| Customers | Sales-finished goods for domestic market | 10,044 | 9,730 | 13,471 | 22,564 |
| | Sales-finished goods for export | 11,671 | 12,723 | 17,511 | 37,134 |
| Suppliers | Raw material purchase | 15,828 | 17,126 | 26,365 | 39,866 |
| | Outside service charges | 19 | 20 | 21 | 138 |
| Employees | Wages | 666 | 687 | 625 | 1,155 |
| | Annuity, severance and retirement benefits | 99 | 98 | 80 | 134 |
| | Fringe benefit | 77 | 88 | 93 | 142 |
| Government and Society | Corporation tax | 1,503 | 1,326 | -262 | 566 |
| | Tax & dues | 38 | 37 | 50 | 69 |
| | Donations | 46 | 51 | 21 | 28 |

*Outside service charge is the total amount of Head Office and manufacturing.

Corporate governance needs to be transparent

HPC has established effective corporate governance based on principles such as responsible management, an independent Board of Directors and Committee of Audit and the transparent disclosure of information.



Shareholders and Capital Structure

HPC is an affiliate of Lotte Group, and holds a share of related independent chemical companies as well as the shares of the Lotte Group. The largest shareholder is Lotte Mulsan, holding 33.64% of shares, and each subsidiary company and other affiliates, such as Hotel Lotte and Lotte Holdings Japan hold 13.64% and 10% of our firm's shares respectively.

Protection of Shareholder Rights

Our company operates a 'Public announcement based-control system' that is reflected by the laws related to commercial markets, financial investment businesses, monopoly regulation and fair trade. We also manage to operate according to the official stipulations of the Financial Supervisory Commission and the Korean Stock Exchange Market. Through this system, we respect our stockholders' right to know by officially announcing information on main management matters, as well as on regular issues such as business and quarterly reports and a half term report in an exact and prompt manner. Also, minority stockholders who possess certain amounts of stocks can suggest a particular subject as a chief aim of the general meeting of stockholders according to the related laws and the articles of our incorporation. In addition, they can exercise their rights to inspect the company's financial documents, to convene the extraordinary general meeting of stockholders and to claim for release of the director from office. Anyone can report discrimination and corruption by using the Sinmungo System on the Internet.

Composition and Operation of the Board of Directors

The Board of Directors is the highest decision making body of the HPC and consists of a total of seven directors. Of them, four directors are independent outside directors. The CEO is selected in the Board of Directors' Meeting and takes charge of the entire business operation of the company. He is also

subject to supervision by the Board of Directors and audit by Committee of Audits. The Board of Directors includes experts in the petrochemical industry. In particular, CEO Chong Bum Shick is an inaugural member of HPC and is the premier expert in the industry who has grown together with the domestic petrochemical industry over the past 40 years. He is also highly recognized for being a field-oriented manager with expertise.

Employees are allowed to request the Board of Directors to approve matters that need to be resolved, and the Board of Directors resolve basic principles of corporate management and important matters related to business operation in accordance with related laws, regulations and articles of incorporation.

The Board of Directors resolves matters based on the attendance of a majority of registered directors and the consent of a majority of attending directors. Although all directors or part thereof do not attend the meeting, they are allowed to take part in resolution via a means of communication where video and sound is transmitted at the same time. In addition, directors with interest in a specific measure are prohibited from exercising voting rights to prevent conflicts of interest in advance. Compensation offered to officers including directors is designated by the Head Office, and is executed in a fair manner based on corporate management and personal achievements.

Committee of Audits

HPC has an audit committee as an inspection organization. This committee is focused on inspection for the council's management of business, as well as the role of preventive and preliminary inspection from the decision making step, so that the bright and sound culture of organization is settled in advance by preventing corruption and conflict.

The committee also consists of three outside directors. They are assigned by a general meeting of stockholders and their terms of office are decided by our company's articles of association in order to guarantee the independence of the committee of inspection. As a result of regular, occasional, and special

inspections by the committee in 2008, corruption cases were zero and the committee made sure that internal control system for the prevention of corruption was working properly. The Committee of Audit of HPC holds a meeting at least once every three months in accordance with the regulations of the Committee of Audits.

Risk management system

HPC is equipped with a crisis management communication system to rapidly and systematically respond to internal and external crises. The Crisis Management Team (CMT) consists of the CEO and crisis management staff members with the Planning Team, Legal Team, Support Team and Production Team in addition to the involvement of outside experts.

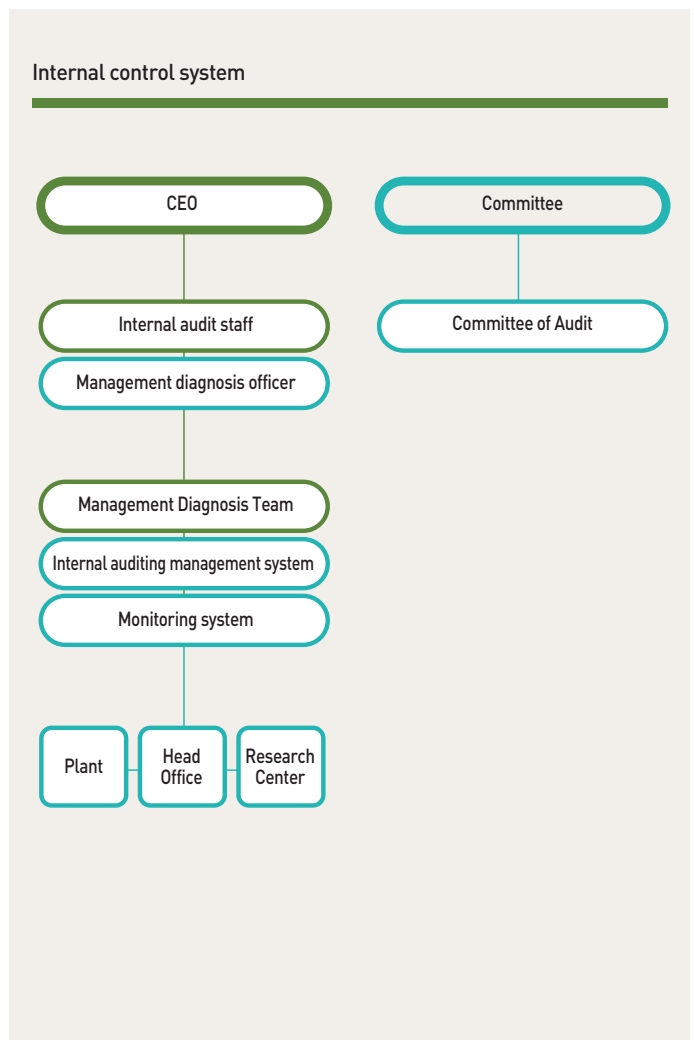
Crisis management staff members are making efforts to develop effective communication methods and improve employees' capability to respond to crises while effectively overcoming dangers by rapidly responding to them according to crisis management communication procedures.

Control management and management diagnosis

HPC is doing whatever it can to manage risks by operating a Management Committee and an Emergency Handling Committee who are continuously checking changes in the business environment and regularly discussing effects on the company while reflecting them at the time of establishing mid-to-long-term strategies and business plans. They are also preventing the recurrences of similar risks in the future by rapidly implementing management diagnosis (Internal Audit) and conducting strong measures after-the-fact with regard to potential risks. According to regular, frequent and special audits conducted by the Management Diagnosis Team in 2009, no instances of corruption have been found, and the internal control system aimed to prevent corruptions in advance has been operated in an appropriate way. Internal control is implemented according to the regulations on internal accounting management and helps raise internal and external credibility of financial information while enhancing managerial transparency and efficiency.

Environmental safety risk management

A diagnosis team composed of internal specialists takes charge of diagnosing the current state of hands-on environment safety management centering on compliance with related laws and regulations, optimal management of facilities related to environmental safety and the establishment of countermeasure system against potential risks. In addition, it is realizing autonomous environment safety management by regularly conducting environment safety diagnoses and monitoring environment safety management activities.



The company has established a risk management system to comprehensively control the various types of risks threatening sustainable management.

HPC is establishing a thorough crisis management system that can proactively respond to all types of crises



Ethics management, It is not a choice. It is our obligation

HPC fulfills ethical responsibilities with the firm belief that ethics management needs to be put before the maximization of corporate profits. The company has a Committee of Ethics and an Executive Office of Ethics in accordance with the Committee of Ethics regulations. As the Ethics Platform specifies responsibility and obligations for customers and shareholders, basic ethics for employees, mutual prosperity with affiliates, contribution to the nation and society and the operation of the Committee of Ethics, it sets the standard for employee behavior and value judgments.



The current state of ethics management

- Campaign not to exchange gifts during festive days
- Resolution on ethics management and signing ceremony
- Rewarding ethics management slogan
- Opinion survey on ethics of employees and affiliates
- Committee of PL Laws
- Submission of employees' integrity pledge and self-pledge
- Collection of Temporary Campaign Slogans and the establishment of a warning system
- Workshops on long-term ethics management strategies
- Cyber education on ethics management and self-development
- Operation of Sinmungo

Human rights policy

HPC values human rights and complies with laws and regulations on human rights and labor at home and abroad in all our business operations. The company hires employees following fair procedures in accordance with related laws and regulations including 'Labor Standard Act' and 'Equal Employment Act' and complies with labor laws at home and abroad at the time of establishing an investment agreement with domestic and foreign companies. In addition, the company employs locals first in overseas business operations contributing to advancing the local community.

HPC prohibits all discrimination based on region, religion and gender in accordance with Chapter 3 of the Ethics Platform and makes efforts to provide equal opportunities to minority groups including women and the handicapped. Although the company has a small number of female employees due to industrial characteristics, it has made efforts to increase

their number, and the rate of female employees has increased to 6.5% in 2009 from 5.0% in 2007. If their job grade is similar, all employees are offered the same basic salary regardless of gender. In addition to that, the company complies with the rate of mandatory employment of the disabled (2%) and is making efforts to expand employment in this area.

With regard to child labor, there is no possibility of the company using child labor due to industrial characteristics. The company has a legitimate labor union and offers allowances to employees who work during holidays and at night in accordance with the collective bargaining agreements, so there are no risks related to forced labor. All employees are allowed to join collective bargaining according to corporate regulations, and as of the end of 2009, the number of unionists was 787, which is a 50.1% unionization rate. In addition, the company protects the legitimacy of the Three Rights to Labor as guaranteed by law and regulation and negotiates with the labor union at the time of changing working conditions for unionists. The minimum wages offered by HPC except for various allowances is relatively high compared to the legal minimum wage, and the company conducts internal checks to comply with the legal minimum wage on an annual basis.

The current state of unionization Unit : persons

| Sections | | | The total number | Unionists | Unionization rate |
|-----------------|---------------------|---------------------|------------------|------------|-------------------|
| | Management position | Specialist position | | | |
| Head Office | 308 | 18 | 326 | 16 | 1.02% |
| Research center | 106 | 21 | 127 | 19 | 1.21% |
| Yeosu plant | 167 | 477 | 644 | 461 | 29.34% |
| Daesan plant | 157 | 316 | 473 | 291 | 18.52% |
| Total | 738 | 832 | 1,570 | 787 | 50.10% |

Autonomous fair trade compliance program

HPC is introducing an autonomous fair trade compliance program (CP, Compliance Program) in an effort to prevent the violation of laws including unfair trade and breaches of the Fair Trade Act and introducing fair competition. Since the introduction of the CP in December 2006, the company has routinely provided education and conducted checks on sales employees on a regular basis in an effort to enhance compliance with the Fair Trade Act while leading our affiliates to comply with the rules and regulations of the Fair Trade Act. Currently, the Legal Department is taking charge of the CP and reports operational achievements to the Board of Directors twice a year.

| Year | Action plan | Main implementation |
|------|---|---|
| 2006 | Introduction of the CP and enhancement of related systems | <ul style="list-style-type: none"> • Ceremony to proclaim the Compliance Program in the petrochemical industry • The Korea Fair Competition Federation Consulting • Establishment of internal system • Initiation of the CP <ul style="list-style-type: none"> - Manufacture of an operations manual and distribution to each department - CEO's proclamation of determination on the CP and the employees' pledge |
| 2007 | Earlier settlement of the CP | <ul style="list-style-type: none"> • Provision of education twice in the first half of the year (The Korea Fair Competition Federation and etc.) and implementation of on-line education in the latter half of the year • Preliminary inspection on compliance with the fair trade act at the time of establishing a contract and reviewing a project to prevent legal violations and conduct preventive activities |
| 2008 | Internalization of the CP | <ul style="list-style-type: none"> • Enhancement of education through lectures by invited attorneys • Enhancement of in-house inspection on pertinent departments • Provision of guidelines through the distribution of legally supportive data • Establishment of the CP database |
| 2009 | Compliance with global competition laws | <ul style="list-style-type: none"> • Concerted efforts made to comply with global competition laws including the Competition Act in China and the provision of education on global competition laws and how to respond to them to sales employees • Analyses on risk factors including international cartels and preventive activities |

Operation of the CP

Designation of the CP Manager

CP Manager designated by the Board of Directors takes full responsibility and monitors compliance with the Fair Trade Act.

Pledge of Employees

In order to maximize the effect of the CP, our CEO has posted the compliance of employees on our website. Subsequently, all our employees wrote a pledge to comply with all regulations and laws of fair trade.

Investigation of Fair Trade within the Corporation

We carefully conduct internal investigations within the corporation in order to prevent violations of the Fair Trade Act which may incur damages and strive to reinforce our competitiveness in the market.

Fair Trade Education

We have produced and distributed manuals for fair trade practices and inform each department of any revision in the regulations so that the employees themselves can detect any violation of law in the corporation.

Consultation Regarding the Fair Trade Act

We have prior consultations with fair trade professionals about our purchases, marketing, new projects, etc. in order to prevent any law violations.

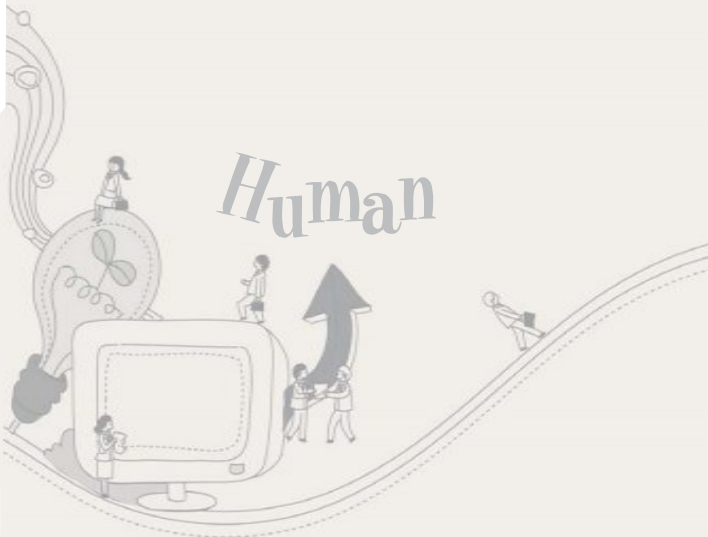
CP operational achievements in 2009

| Sections | Contents |
|--|---|
| Education for employees (Three sessions) | 112 employees with 13 sales departments (Lotte Manpower Development Center) |
| In-house education (Four sessions) | The current state of control on international cartels Education on unfair trade and others |

The source of sustainable competitiveness is people

In the belief that people are the source of sustainable competitiveness for a company that faces a rapidly changing management environment and fierce global competition, HPC is establishing a corporate culture that respects the creativity and independence of its employees and nurtures talented employees equipped with global competitiveness.

Challenge



Development of employee competence

HPC is providing outsourced education to specialized institutions to help them acquire expertise by job obligation. The company is improving efficiency and gradually enhancing competitiveness by nurturing professionals in a variety of areas including finance, taxation, personnel, labor, sales, bonds, logistics and compliance and sharing acquired expertise with pertinent departments. In addition, the company is providing stratified education by role and position centering on officers and managers and operating 360 cyber education programs on a monthly basis that include languages, leadership skills, marketing, finance, accounting and IT for employees all in an effort to improve employees' competence on a continual basis.

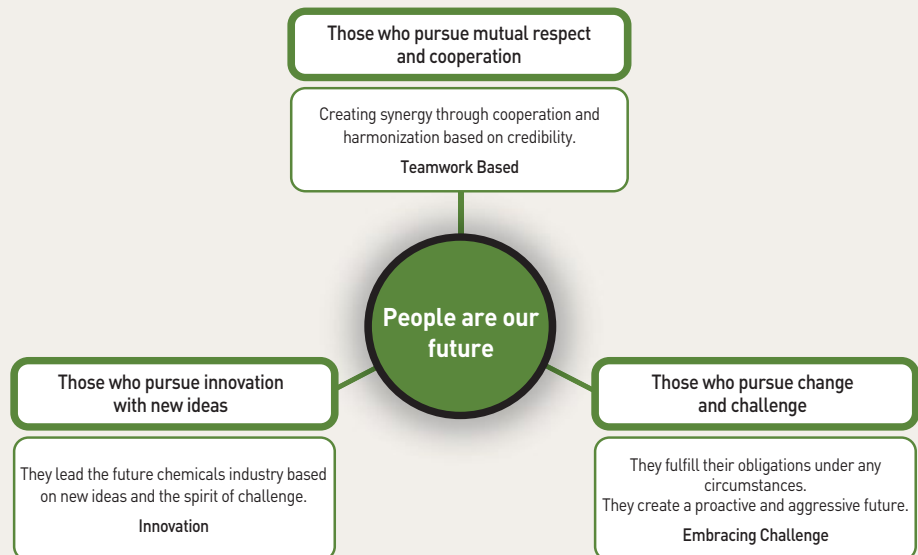
Development of core personnel

HPC is offering a variety of education programs with the aim to develop our core manpower.

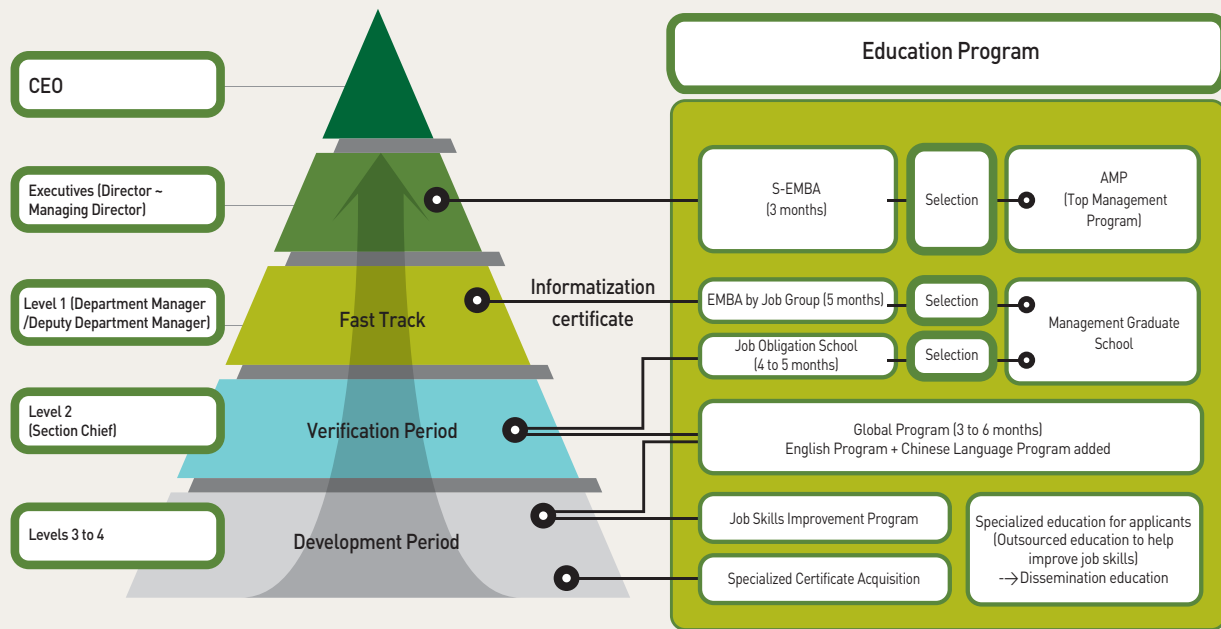
The company is developing core manpower by providing a School Program by job obligation and MBA programs to talented employees with growth potential. On the back of the School Program by job obligation including the HR School, Strategy School, Production Management School and the Finance School, the company is offering basic knowledge about pertinent areas and the latest trends for the purpose of enhancing pertinent expertise.

As a roadmap of manpower development, MBA Programs (manpower, finance, strategy, marketing, new business and others) have been offered to directors and managing directors to help them develop strategic thinking power and to systemize their knowhow on management. A sufficient investment in core manpower will contribute to securing a foothold for our company's continuous growth.

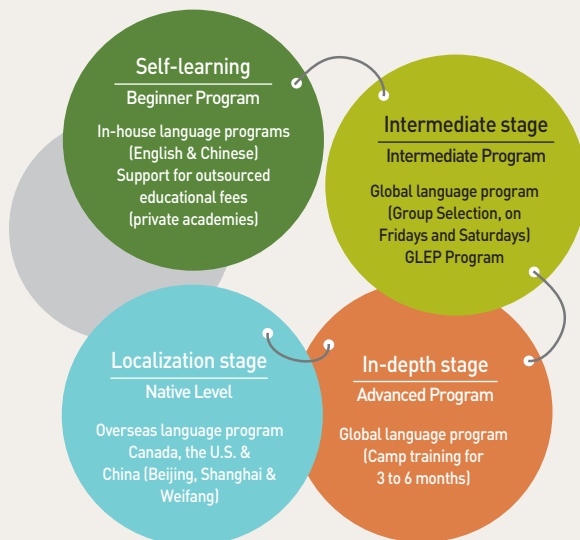
The Ideal HPC employee



A manpower development roadmap



Development of excellent global talent



Development of excellent global talent

HPC is developing talented employees with global minds and the competitiveness to explore overseas markets and facilitate local business. The company resolves the lack of global personnel at the time of business expansion through global manpower development (foreign languages) and overseas study programs to foster excellent global personnel. We nurture employees for new businesses through a Chinese Language Program linked with businesses and a special language program for those who are to be dispatched to Qatar. HPC has introduced a Korean History Exam to enhance globality for all employees.

A fair performance and compensation system

HPC refrains from a seniority system and pushes for personnel management and compensation based on capacity and performance while proactively inviting talented personnel so that employees can exercise their capabilities to the fullest.

The company is conducting evaluations on employee performance and experience once or twice a year to decide promotions and bonuses according to evaluation results. Employee evaluation reflected at a time of promotion is systematically operated so that employees can be fairly evaluated in accordance with the MBO. The fair performance and compensation system is improving achievements and further motivating employees to attain targets.

New change and innovation

have been initiated to realize values for our shareholders.

Change

- 32 : Customer Satisfaction
- 34 : Employee Satisfaction
- 36 : Innovation Management
- 38 : Mutually Beneficial Management for Affiliates



Shareholders' demands are rapidly changing.

The primary concern at the time of pushing for sustainable management is how to harmonize shareholder demands and the matters that interest them. In order to properly attend to our shareholders' rapidly changing opinions and effectively reflect them in corporate management, the corporate system needs innovation on a continual basis.

HPC is making efforts to realize a customer-oriented and market-centered management.

To this end, the company seeks to determine what our customers need. The company endeavors to accurately understand where customers stand at the moment, what they want to resolve, what they need and what they want to improve while doing whatever we can to meet their demands.

HPC is focused on knowing our customers and their perspectives, and this has laid the foundation for sustainable management that works.



For the Better

It is necessary to respond flexibly to rapidly changing market environments

Customer-oriented cocation

HPC putting energy into meeting customer demands and better understanding them through a variety of contact points such as frequent visits to customers to hear what they have to say and to communicate with them and conduct surveys on customer satisfaction. In addition, we proactively reflect our customer opinions by enabling customers to take part in the decision making process in areas ranging from product development to quality, design and marketing activities.

Surveys on customer satisfaction

Every year, HPC resolves customer complaints by analyzing the levels of customer satisfaction by sector on the quality of raw materials, packing, order, delivery, sales activity, post management and prices and establishes plans to improve situations and resolve the issues encountered. The company immediately recognizes customer complaints and reflects them by improving quality while taking measures to prevent recurrences. The Customer Support Department takes charge of keeping records ranging from how customer complaints have been generated and resolved to how they are going to be prevented in the future while regularly reporting them and reflecting repeated customer requests.

The 2009 Customer Satisfaction Survey was conducted in 335 domestic companies using HPC products and received responses from 151 companies (a 45% response rate). According to the customer satisfaction survey on the quality of raw materials, packing, order, delivery and sales activity, overall satisfaction had improved compared to the 2008 Customer Satisfaction Survey, and 30 to 40% of customers were very satisfied whereas 14% of customers were dissatisfied with the prices of raw materials and the speed of resolving problematic products.

Product innovation cases through customer complaint

Products subject to quality improvement on the part of the HPC Research Center are referred to as products developed in consideration of customer complaints. As for 'customized LLDPE tarpaulin coating grade development', existing customers who purchased several types of products for a mixture expressed difficulties in manufacturing uniformed products, and the company has developed and supplied products that have achieved an optimal mixture of related products. As a result, customers have been able to manufacture uniformed products that can be conveniently used.

Customer pre-management activity

HPC is making efforts to provide continuous satisfaction to customers and enhance customer confidence by achieving zero customer dissatisfaction through customer management services in place of post-management of customer requests. In particular, the company is establishing cooperative relationships by keeping close contact with customers based on the invitation of customers and direct visitation programs, and as this has led to improved productivity and quality and increased customer satisfaction.



Programs to invite and support customers

HPC is providing a wide range of technological information on our products by inviting customers by sector to its research centers or plants to offer specialized technology education and to establish organic relationships, achieve quality improvement and develop new products through the continuous exchange of technologies. The company is currently conducting a one-night and two-day program called the Polymer School on a regular basis.

Programs to visit and support customers

If customers request our researchers to visit their plants, HPC will spare no effort to resolve any problems. In addition, specialized HPC technicians directly visit customers to diagnose potential risk factors on the part of manufacturers. They then create a system of countermeasures while providing comprehensive safety diagnosis services. This is accomplished from the wealth of know-how acquired in over 30 years in the business.

Services to provide technology and data

HPC is equipped with an analysis system for which the KOLAS accreditation was acquired in 1997 and the use of ILAC-MRA was approved by the ILAC (International Laboratory Accreditation Cooperation) in 2005. With this the company provides product analysis services at customer request.

In addition, the company provides a variety of technical data necessary to customers on the website and rapidly responds to customer requests.

Customers can check technical data through simplified direct inquiries, and customer satisfaction has been achieved on the strength of the email

transmission system. In addition, if customers make inquiries about desired products in the product information and request them, they can be provided with samples by our sales staff or technical support staff.

Customers' personal information protection

HPC cherishes customers' personal information protection, so it has a policy on the operation and management of personal information while operating an organization to manage personal information. The company prevents customer information from loss, theft, disclosure, alteration and damage and provides education to raise employee awareness about information protection.

Activities to respond to Product Liability (PL)

HPC has secured product safety in all stages ranging from product development to customer service. In order to effectively respond to PL demands on the part of customers, the company has product liability insurance and has prevented losses caused by accident through education and PR activities and introduced PL regulations to prevent further loss. In products for the domestic market, labels describing precautions during handling according to the 'Industrial Safety and Health Law' and 'Harmful Chemical Substances Management Law' have been attached to product containers and packing materials. In exported products, the company indicates information according to laws and regulations in importing through the use of labels, to ensure appropriate handling practices during transport.

Polymer School

What is Polymer School?

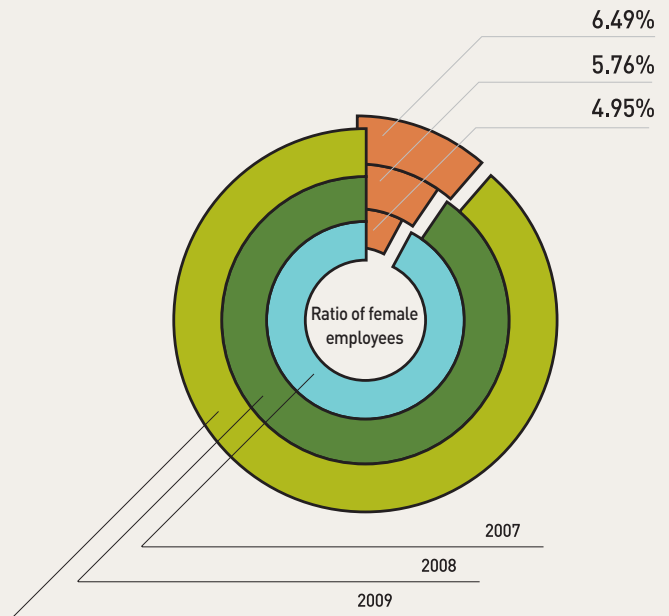
This program aims to introduce the current production of HPC for domestic customers of PP and PE and features a quality management and customer support system to address related questions and answers while endeavoring to enhance our customers' confidence in our products. With a total of 34 persons from 13 companies on hand in 2009, the Polymer School was held for one night and two days from November 12th. It offered a variety of programs to showcase global trends like Poly-Olefin, the current state of quality management, PP process and plant tours.



A fresh wind of change is blowing in our organizational culture

HPC aims at becoming a company for its employees instead merely a place where employees work for a company and is making every effort to create an optimal working environment. Our organizational culture is being equipped with creativity and competence through innovative activities and we are inducing all employees to voluntarily and passionately participate in management roles.

As of 2009, HPC has a total of 1570 employees in support, production and research areas, and 6.5% are female employees, and this number is continually on the increase. The number of average working years for employees is 14.1 years, and the number of retirees in 2009 was 48. HPC has recorded a 2.9% turnover rate and the company recruits new employees by following fair procedures. Our regular employees' number 1479 and part-timers number 61.



| The current state of personnel by area | | | | | | | Unit : persons |
|--|------------------|---------------------|--------------------------------------|-------------|--------------|-------|----------------|
| Year | Gender | Head Office (Seoul) | Research Center(Institute) (Daejeon) | Yeosu Plant | Daesan Plant | Total | |
| 2007 | Male employees | 188 | 98 | 674 | - | 960 | |
| | Female employees | 36 | 3 | 11 | - | 50 | |
| 2008 | Male employees | 272 | 105 | 643 | 468 | 1,488 | |
| | Female employees | 45 | 12 | 14 | 20 | 91 | |
| 2009 | Male empl | 272 | 110 | 634 | 452 | 1,468 | |
| | Female employees | 54 | 17 | 10 | 21 | 102 | |
| Total number of employees in 2009 | | 326 | 127 | 644 | 473 | 1,570 | |

The corporate culture of HPC

Facilitated organizational communications and information have been widely shared on the Intranet, and shared knowledge and suggestions are rewarded through knowledge points or suggestion mileages to further promote communications. Labor and the management maintain peace and constructive industrial relationships based on well-protected managerial rights on the part of the company and workers' rights for employees. Daesan Plant received the Labor-Management Culture Award (The Ministry of Labor) for cooperative labor-management relationships for three years running, and the Yeosu Plant was selected as a Mutually Beneficial Labor-Management

Negotiations Company (The Ministry of Labor).

In addition, HPC values employee diversity and actively motivates employees to develop their capabilities to the fullest by respecting creativity and independence based on a personal advantage and performance-based compensation system. HPC is well aware of the roles and importance of employees who are the only internal shareholders with regard to the sustainable management of the company. Keeping this in mind, the company offers employees various programs to promote education, welfare benefit and compensation so that they can realize self-actualization and improve corporate competitiveness.

Education system

The HPC education system is divided into stratified education, job skills education, temperament education and special education, and the company also offers outsourced education, cyber education, support for language education and self-development, education to prevent sexual harassment all work to create a pleasant working environment with a job school to nurture core employees. In addition, HPC supports specialized education through various domestic MBA programs designed to develop leaders for the next generation and doctorate programs aimed to nurture excellent R&D personnel. The company operates a two-night-and-three-day female employee leadership program for core female employees at a section chief level and a deputy section chief level for the purpose of developing excellent female human resources. The company pushed for enhanced efficiency in educational operations based on the emergency management system in 2009, and this led to a drastic reduction in educational training costs compared with in 2008.

Compensation and benefits

HPC is operating diversified welfare programs including support for medical expenses to improve the quality of life of our employees, an annual comprehensive health check, the purchase of group casualty insurance policies, support for tuitions for our employees' children, the provision of a company house for employees, vacation & event expenses, compensation for long-term service and support for club activities, housing and condo membership. In addition, the company is operating a temporary suspension system for a certain period time for retirees. This will provide retirees with a chance to prepare for a post-retirement life by helping them maintain a certain quality of life.

As HPC enables employees to use various welfare facilities including a company house, a fitness center, an aerobic center, an indoor swimming pool, a cultural event hall (a lecture hall) and a restaurant, employees can stay healthy together with their family members and enjoy sound leisure activities. In addition, the company supports English education for employees' children, plays films, provides study rooms and offers opportunities to tour plants, visit affiliates including Lotte Confectionery and Lotte World and enjoy watching baseball games. It also donates PCs to schools where employees' children attend assuring that our employees and their families are proud to be part of the company.

Employee Satisfaction Survey

HPC conducts an employee satisfaction survey every year to diagnose the organizational culture and set the direction for personnel management. Employees recognized that personnel management based on performance and capability was the direction that the company needs to take in the future, and the GWP (Great Work Place) Confidence Index was as high as 3.48, which was relatively stronger than other group averages.

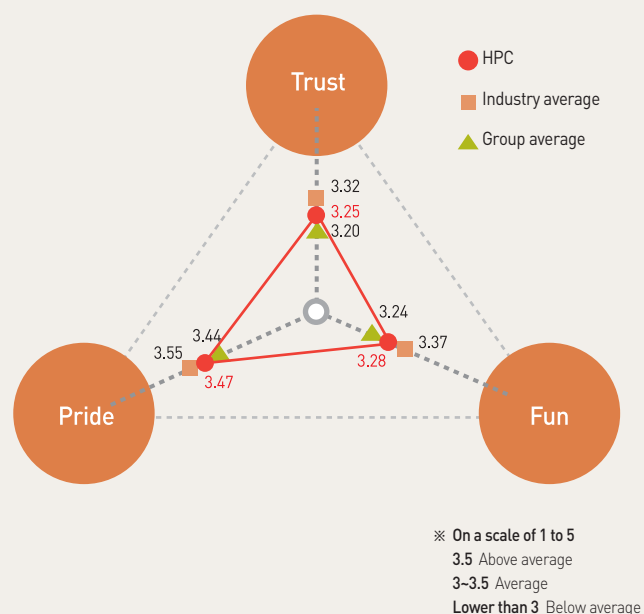
The total hours of education per person

| Division of education | Total man hours of education | Per capita education hours |
|------------------------------------|------------------------------|----------------------------|
| Stratified education | 14,465 | 9.20 |
| Temperament and language education | 63,514 | 40.40 |
| Job skills education | 26,913 | 17.12 |
| Special education | 3,533 | 2.25 |
| Total | 108,425 | 68.97 |

Annual average educational costs

| | 2007 | 2008 | 2009 |
|---|-----------------|-----------------|-----------------|
| The ratio of education and training costs against labor costs | 2.00% | 2.10% | 1.60% |
| Total education & training costs | 2.1 billion won | 2.1 billion won | 1.9 billion won |
| Per capita education and training costs | 1.3 million won | 1.3 million won | 1.2 million won |

Employee Satisfaction Survey



What types of changes and innovations occur in management?

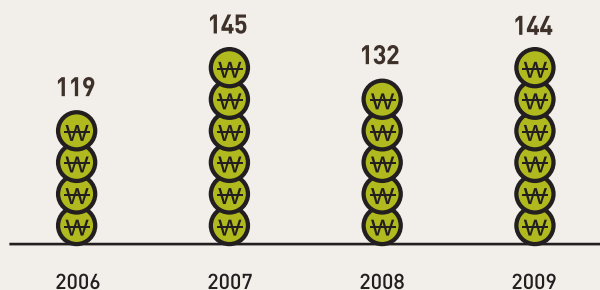
Enhancement of R&D competence

Based on our accumulated experience and knowledge, the HPC Daedeok Research Institute is developing new products for mutual prosperity with customers and is leading the domestic petrochemical technologies in poly-olefin polymerization catalysts, a variety of new poly-olefin materials and processes while endeavoring to upgrade and differentiate products for the enhancement of competitiveness in existing businesses. It also gradually expands research and development on high value added new products and conducts not only governmental projects led by internal researchers but also joint researches with specialized outsiders for the purpose of maximizing achievements in R&D. In particular, our pushes for joint research not only with domestic researchers but also with world-renowned research institutions abroad in order to actively explore high technology business, secure source technologies and enhance our competence in R&D.

| Patent Achievements | | | | | |
|---------------------|------|------|------|------|------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Patent (Case) | 16 | 21 | 23 | 27 | 40 |
| Registration (Case) | 9 | 15 | 12 | 20 | 8 |

Investment trends in R&D

Unit: KRW billion



Achievements in R&D for 2009

Development

- PP THF (Thermoforming) products
- New compatibilizer for WPC
- PP nano composites
- APEG Macromer
- Research on process optimization through the use of polymerization process model

Improvement

- Soft low temperature heat sealable film resin
- Interior & exterior decorations for new GM-Daewoo cars
- Products for low Denier T-Die tarpaulin
- Customized LLDPE tarpaulin coating grade development

R&D Deeping Talent

The company is expanding and improving the research support system by increasing the number of researchers and installing new laboratories so we can growing into a Top-tier Asian Chemical Company. We are also providing doctorate programs at KAIST and an industry-academia scholarship system to secure excellent researchers at a preliminary stage. HPC also induces researchers to actively participate in academic conferences at home and abroad to improve their capacity and grasp the rapidly changing latest technologies while acquiring new technologies and knowledge.

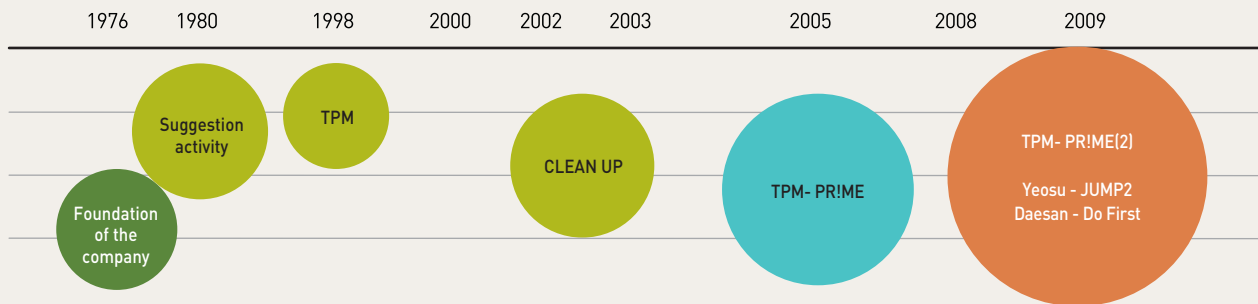
Production innovation activity

HPC continuously pushes for TPM (Total Productive Maintenance) activities to change organizational constitution and improve productivity. Since 2009, the Yeosu Plant has laid the foundation for sustainable growth with the slogan, 'JUMP 2 for a new leap forward' in the second term of PR!ME.

The Daesan Plant is increasing options on production innovation and expanding related activities with the slogan, 'Do it First.'

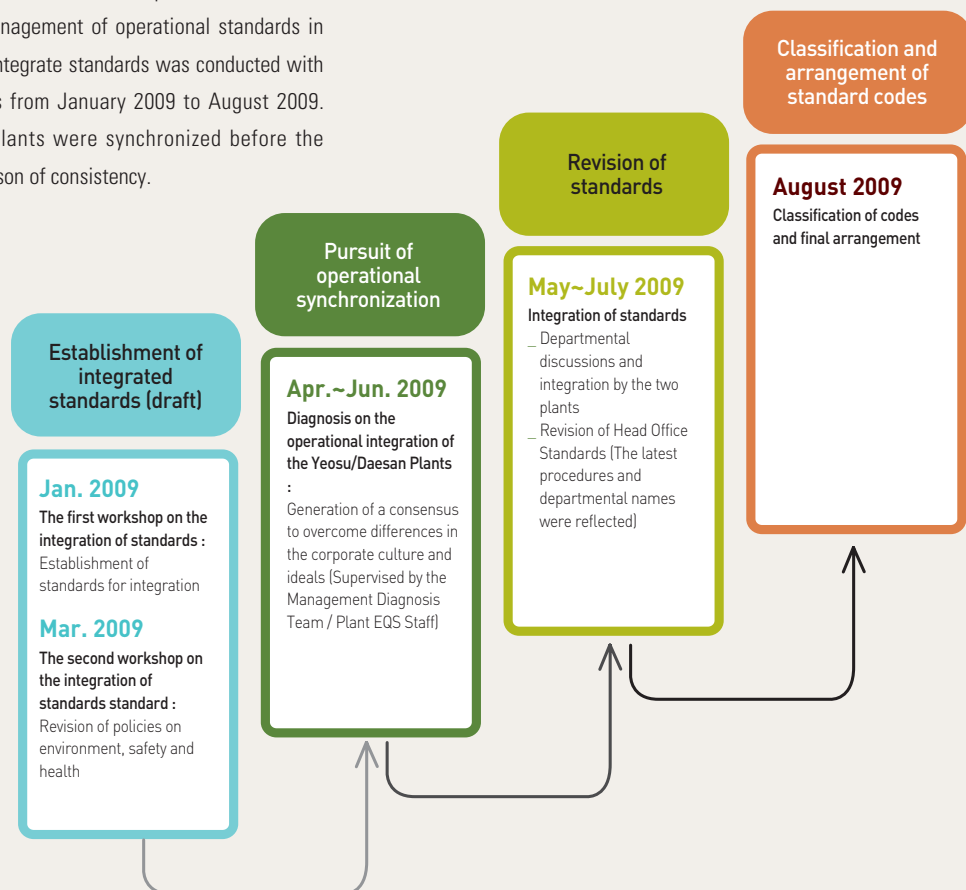
e-Collaboration system

HPC has established an e-Collaboration system aimed at linking to the integrated ERP in the petrochemical sector of the Lotte Group and combining operations with processes while laying the groundwork for collaboration and communications with our affiliates and partners. As a result, effective work processes have been established, and business efficiency has been improved on the strength of process synchronization with partners and customers and the sharing of information.



Integration of in-house standards

After the merger between HPC of the Yeosu Plant and Lotte Daesan Petrochemical Corp. of the Daesan Plant in January of 2009, problems occurred due to differences in the division of roles and procedures between the two plants and the separate management of operational standards in both plants. A four stage project to integrate standards was conducted with the participation of 31 departments from January 2009 to August 2009. Foremost, operations in the two plants were synchronized before the standards were integrated for the reason of consistency.



HPC pursues mutually beneficial cooperation among all members



Explanation on Purchase Team Leaders' Meeting



Remarks by the Representative of Affiliates

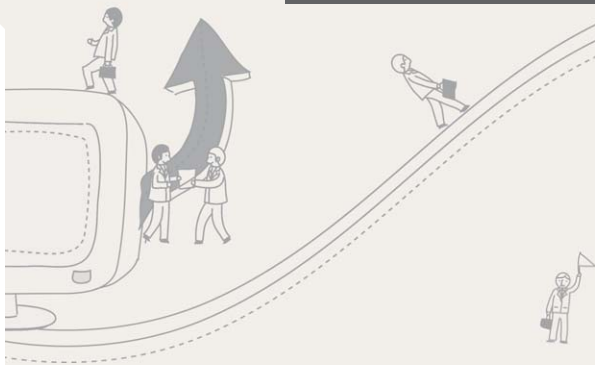


Explanation on the Meeting Agenda



Greetings by Purchase Executives

Change



HPC establishes organic relationships with affiliates as horizontal instead of vertical partners sharing visions and objectives with one another and pursuing mutual benefits. Accordingly, the company provides an equal opportunity to affiliates to achieve mutual benefits through transparent transactions. It also endeavors to enhance transparency by avoiding unjustifiable demands made by having a position of authority or by denying illusive gifts and bonuses. In addition the company figures out difficulties and requests on the part of affiliates through regular meetings with affiliates and reaches a consensus for mutual development.



A party after the meeting



Remarks by the Representative of Affiliates

Fair selection of affiliates

As of 2009, HPC affiliates numbered 1,238, and companies equipped with a certain level of bidding capability are free to register their bids with HPC on the Internet. The company nurtures excellent companies through regular evaluations and forces out poor performers in order to achieve transparency and fairness in affiliate selection.

Affiliates' meeting

As a result of resolution conferences and meetings for mutual benefits with 47 affiliates in Yeosu and 35 affiliates in Daesan; it was found that most affiliates were highly satisfied with transparencies in purchasing. HPC plans to share their vision through a network for affiliates and decide on ideas to realize mutual benefits.

Management of affiliates and support for production

HPC confirms operational conditions on production for affiliates and provides support while reducing the rate of defects and expanding sales through education on products. In addition, the company cooperatively manufactures production items through the introduction of new technologies and with the transfer of processing technologies for the purpose of improving competitiveness of affiliates. We also focus on new technologies by jointly developing various packing containers including non-PVC poly-olefin fluid bags and disposable containers without environmental hormones which is a first in Korea.

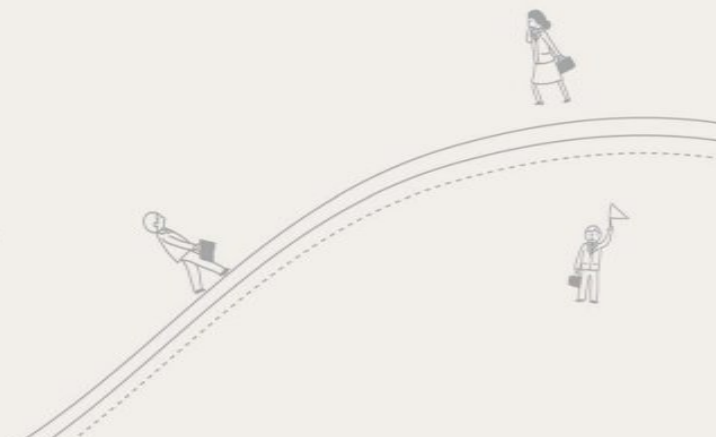
Mutually beneficial joint R&D

'Development of a 150 μ m silicon solar cell module manufacturing device'

HPC is conducting joint research on a 150 μ m silicon solar cell module manufacturing device with researchers from S-ENERGY of Jin Heung Industrial Co., Ltd. and Korea Institute of Energy Research. For the project, HPC has developed the raw materials, and Jin Heung Industrial Co. has developed an optimal solar cell module system based on sheet development. The joint research has been highly recognized for creating a synergy effect in research and development.

Technology support programs for affiliates

HPC provides affiliate employees with education on processing technology and products in order to improve technology and offer information on the latest trends of technology and industry while helping them advance into new areas. We also invite representatives and employees of affiliates to hold seminars on processing technology while operating technical support programs. The company contributes to improving quality by using an analysis system at our affiliates' request and frequently provides safety education to prevent damage to aging equipment and checks facilities in order to maintain the optimal conditions for quality and productivity.



For the earth where we all live together,

HPC puts the environment above all else for mutual growth
with the local community.

Citizenship

Citizenship



The earth we live on is getting warmer.

As the world is becoming one large global village, the nations of the world are raising their concerns on global environmental problems and energy deficiency.

Cherishing all living organisms on earth, HPC will further work to ensure a healthy earth where we all live with the hope that our future generations will look back on us with fondness for the work we are doing today.

- 42 : Response to Climate Change
- 46 : Green Management
- 49 : Environmental Performance
- 54 : Safety & Healthcare Management
- 56 : Social Contribution

Think

We are citizens of an earth star

Citizenship

Think Planet

The global climate is changing

Response to climate

HPC is equipped with an organic cooperation system with governmental agencies, KPIA and the Environmental Bureau of Lotte Group. The company has installed an Energy Environment Team in the Head Office to take charge of responding to climate change in addition to Energy TFT in the Yeosu/Daesan business operations. We deliver information on the risks and opportunities with regard to climate change to executive meetings on a real time basis and help to make decisions as soon as possible.

Energy management

HPC is maximizing the added value of energy use by installing Energy TFT in each business operation. The company is regularly checking steam/hot water losses and the energy-saving status for office machinery through the use of a two-man patrol team in the field while continuously exploring energy-saving items with the help of energy experts. In addition, the company has initiated the 'Green Practice' Program to help all employees lead a green life and to share information. We make it a rule to maintain a 26 degree room temperature in the office building, turn off lights during lunchtime and use personal cups. The company is gradually expanding our energy-saving activities in everyday life by promoting Car Free Days and Greenhouse Events.

Greenhouse Event

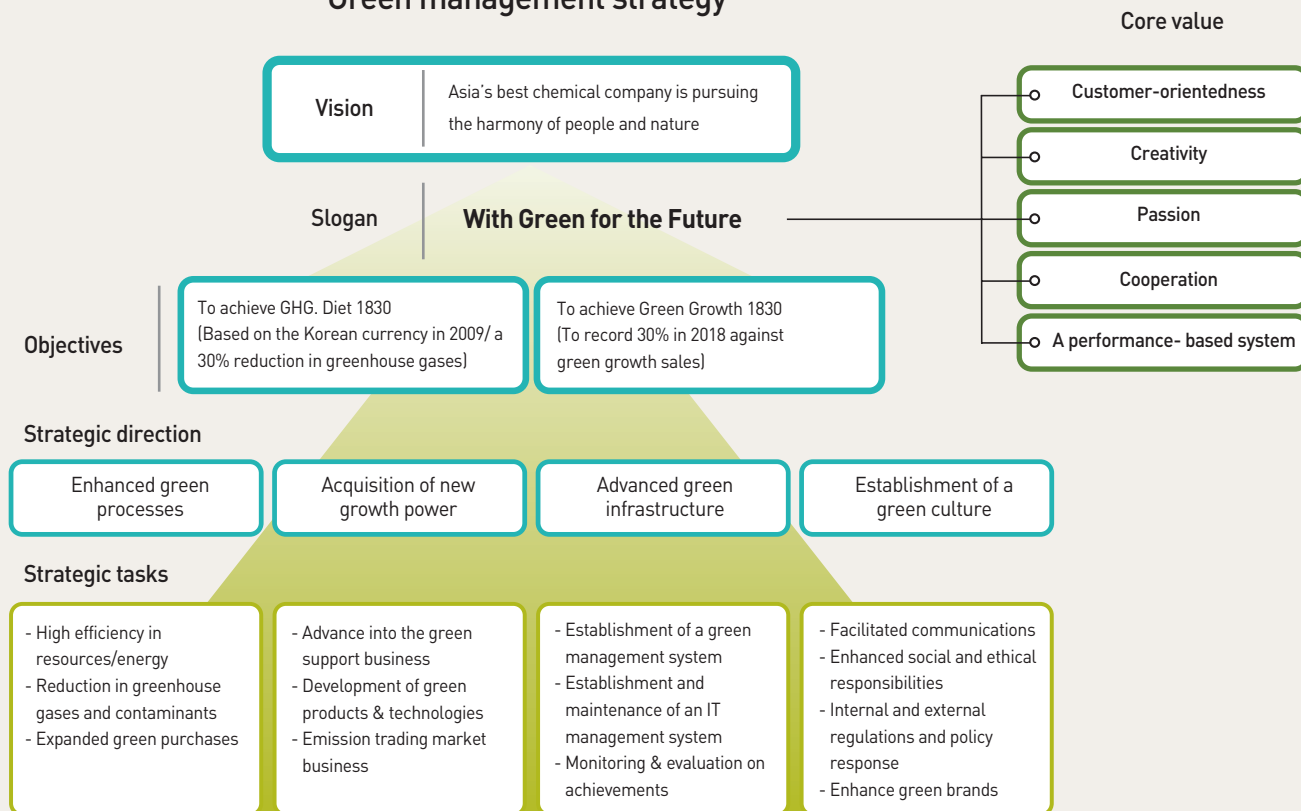
The 'Greenhouse Event' for employees residing in a company house and outside the company saves energy used in everyday life by 10%. In order to maximize the effect of the campaign, HPC has measured the energy use (electricity/gas/tap water) by household and provided awards to excellent energy saving households and distributing promotional stickers in an effort to induce proactive participation by all employees.

Climate change related risks and response activities

| | Risks | Activities for risk response |
|------------------|---|---|
| Regulatory risks | International agreements and regulations | Monitoring on policies at home and abroad on a regular basis and raised awareness on the part of employees |
| | Imposition on carbon tax / energy tax | Attendance at a public hearing and expression of opinions for a policy that harmonizes industrial competitiveness with regulations |
| | Emission Trading | Implementation of in-house emission trading |
| | Mandatory disclosure of emissions | Establishment of MRV-based IT system to accurately calculate the amount of emissions |
| | Regulations and standards of product indication | A study on how to calculate carbon dioxide emissions by product in the Korean currency |
| Physical risks | Changes in precipitation patterns | Source water storage management, improvement in flooded areas prior to torrential downpours and enhancement of drainage systems |
| | Extreme weather conditions | Expansion of the storage capacity for raw materials and products, operation of the Emergency Committee and management and innovation of rotating machinery and facilities |
| Other risks | Change in supply networks and customers | Acquisition of alternative raw and subsidiary materials, multiple suppliers, investments to save raw materials and fuel and green product development |
| | NGO/investors/customer reputation | Enhanced response to shareholders based on the Sustainability Report and other information sources |

As many countries in the world centering on the EU are expanding regulations on the environment and the use of energy; HPC is pursuing harmony between nature and humanity and has established concrete green management strategies to emerge as the best chemical company in Asia by realizing a low carbon green growth through the reduction of greenhouse gases.

Green management strategy



| Energy use | | Unit : TOE | | | |
|-----------------|--------------|------------------|------------------|------------------|------------------|
| | | 2006 | 2007 | 2008 | 2009 |
| Direct energy | Yeosu | 649,238 | 617,152 | 614,941 | 670,043 |
| | Daesan | 565,684 | 446,656 | 639,930 | 807,867 |
| | Total | 1,214,922 | 1,063,808 | 1,254,871 | 1,477,910 |
| Indirect energy | Yeosu | 71,618 | 73,161 | 81,731 | 98,562 |
| | Daesan | 135,146 | 256,830 | 231,072 | 241,060 |
| | Total | 206,764 | 329,991 | 312,803 | 339,622 |

With the increased purchase of external power through the expansion of SEOA, PC and DMC in the Yeosu Plant in 2009, the consumption of indirect energy increased from the previous year, and with the initiation of Daesan Plant, the consumption of direct energy has increased.

Greenhouse gas management

As part of efforts to reduce and manage greenhouse gas emissions, the company has the established 'Energy Saving Agreement' and has consistently pushed for energy recycling through energy diagnosis. We determine the amount of greenhouse gas emissions and the potential reduction by process and energy source in accordance with international IPCC standards verified by KEMCO. The company has established a greenhouse gas inventory for the first time in the industry and has completed the establishment of a greenhouse gas inventory for another first. We are making preparations to establish GEMS (Greenhouse gas & Energy Management System) to comprehensively manage greenhouse gases and energy in 2010.

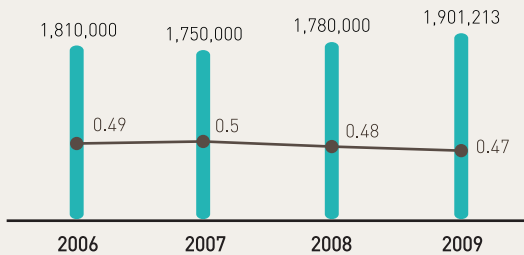
The amount of greenhouse gas emissions has been calculated based on direct greenhouse gas emissions, indirect greenhouse gas emissions and other indirect greenhouse gas emissions as specified by the WRI GHG Protocol and ISO 14064-1. In addition, some of optional information suggested in WRI GHG Protocol has been included in operational boundary to manage the amount of greenhouse gas emissions in pertinent areas. With the initiation of operation of the Yeosu Plant and the establishment and expansion of the Daesan Plant from 2008, the total quantity of greenhouse gas emissions has increased, but the amount of emissions based on Korean currency has been reduced on the back of continuous activities aimed to achieve improvement.

The quantity of CO₂ reduction : Voluntary Agreement (VA) Implementation Report Unit : tCO₂

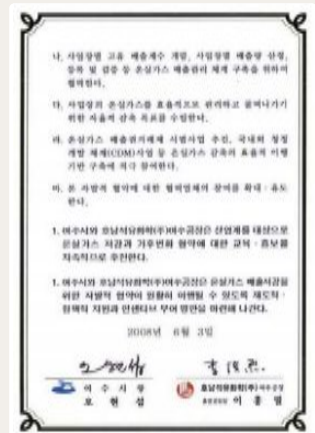
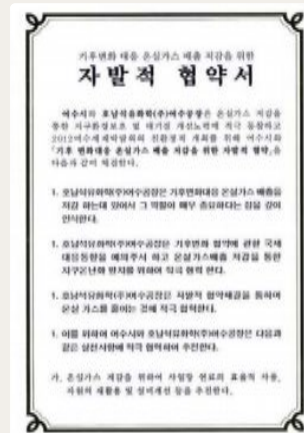
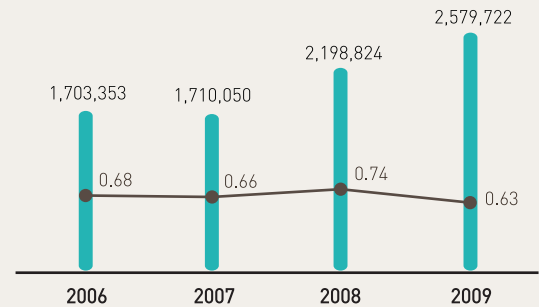
| Plant | 2006 | 2007 | 2008 | 2009 |
|--------------|---------------|---------------|----------------|---------------|
| Yeosu | 8,914 | 62,914 | 113,982 | 37,080 |
| Daesan | 3,358 | 20,403 | 89,134 | 51,605 |
| Total | 12,272 | 83,317 | 203,116 | 88,685 |

Total amounts of greenhouse gas emissions

Yeosu Plant

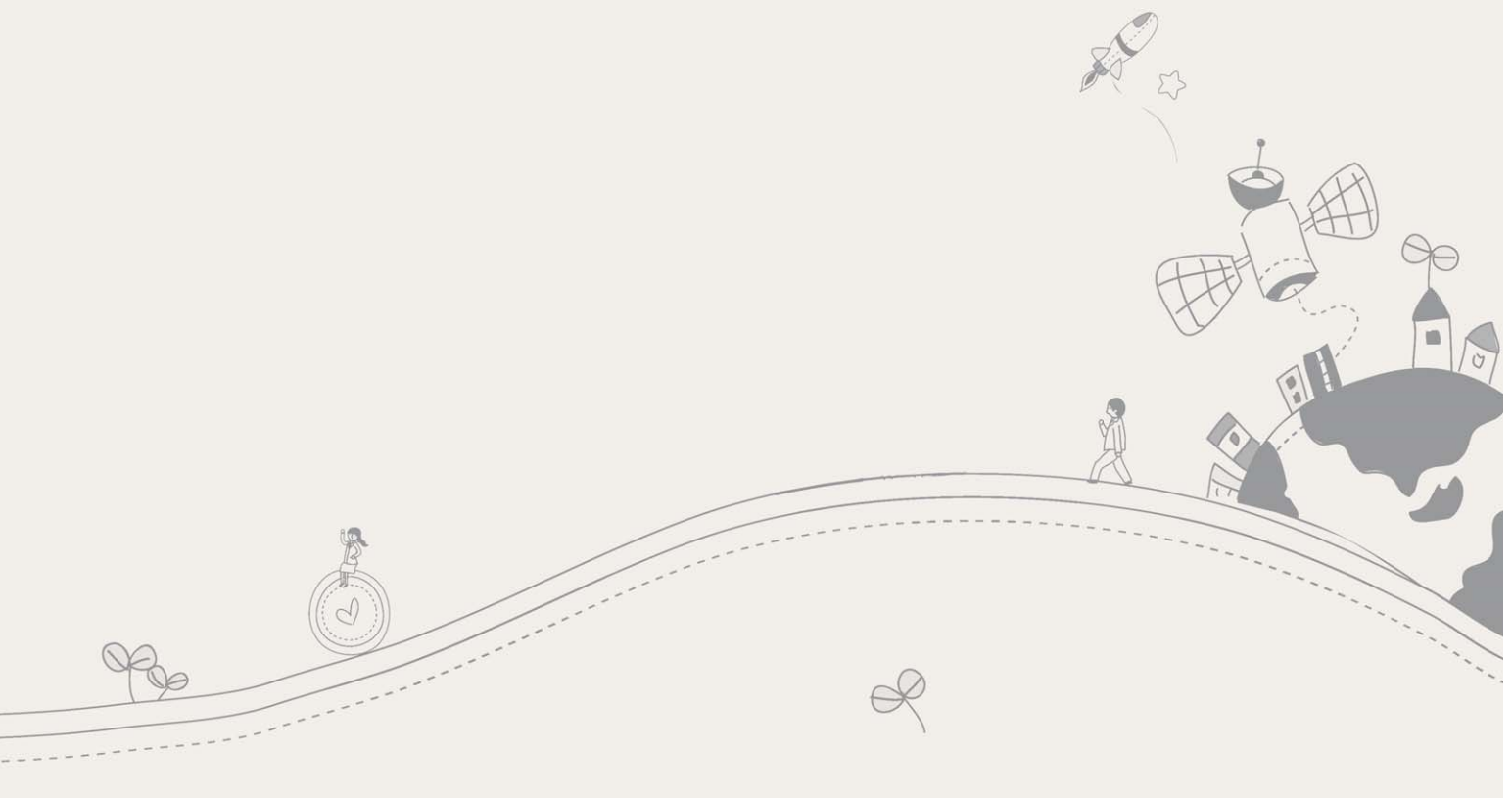


Daesan Plant



The current state of registration of greenhouse gas reduction business (The Ministry of Knowledge and Economy / Supervised by KEMCO)

| Plant | Year | Plant | Contents | Business Registration Quantity(tCO ₂) |
|--------------|------|--------------|--|---|
| Yeosu | 2008 | 3EG | Reduction in usage of LS by installation of a heat exchanger for waste heat recovery (E-3208) | 7,045 |
| | | NCC | Use by application of fluid coupling on the NC Quench Oil circulation Pump (Reduction in energy) | 1,378 |
| | | Power | FA-703 surplus CH ₄ boiler fuel recovery | 5,199 |
| | | EG1 | Vent CO ₂ according to recovery reduction in GHG emission | 14,526 |
| | 2009 | Power | Fluid change in GTG#2 Nox facilities (Steam→SBW) | 22,319 |
| | | NCC | DC-201B Feed/Effluent heat exchanger installation | 3,117 |
| | | MMA | Recovery of waste heat of incinerator exhaust | 2,590 |
| | | DMC | Installation of T-930(DMC Separation Tower) Preheater | 2,792 |
| | | MMA | Additional installation of Pre-heater in TBA supply pipes | 1,014 |
| | | Total | | |
| Daesan | 2007 | NCC | Reduction in furnace fuel use through the installation of Naphtha Feed Preheater to recover sensible heat of QW/QO | 3,562 |
| | | BRU | GHT 2nd stage Reactor Reduction of steam use by installation of hot separator for HRV | 2,787 |
| | | EG | Reduction of energy use by installation of heat exchange preheater for HRV | 1,338 |
| | 2009 | SM | Reduction in steam use through the application of multi-effect system | 41,916 |
| | | SM | Reduction in steam use through the use of application low SHR catalyst | 50,628 |
| | | SM | Reduction in steam and fuel through the application of fluid EB catalyst | 24,451 |
| | | BRU | Installation of a heat exchanger to recover HDA Unit Reactor (801-D) Feed/Effluent Waste Heat | 1,859 |
| | | BRU | Recovery of sensible heat of Dilution/Quench Flow introduced to adjust GHT 1st Reactor (601-D) response temperature through the installation of a heat exchanger | 4,178 |
| | | BRU | Recovery of condensation heat of vapor in the upper part of pre-process dehydration tower (701-E, 702-E) | 4,452 |
| | | Total | | |
| Total | | | 195,151 | |



We put the environment before all else and factor it in through the entire process

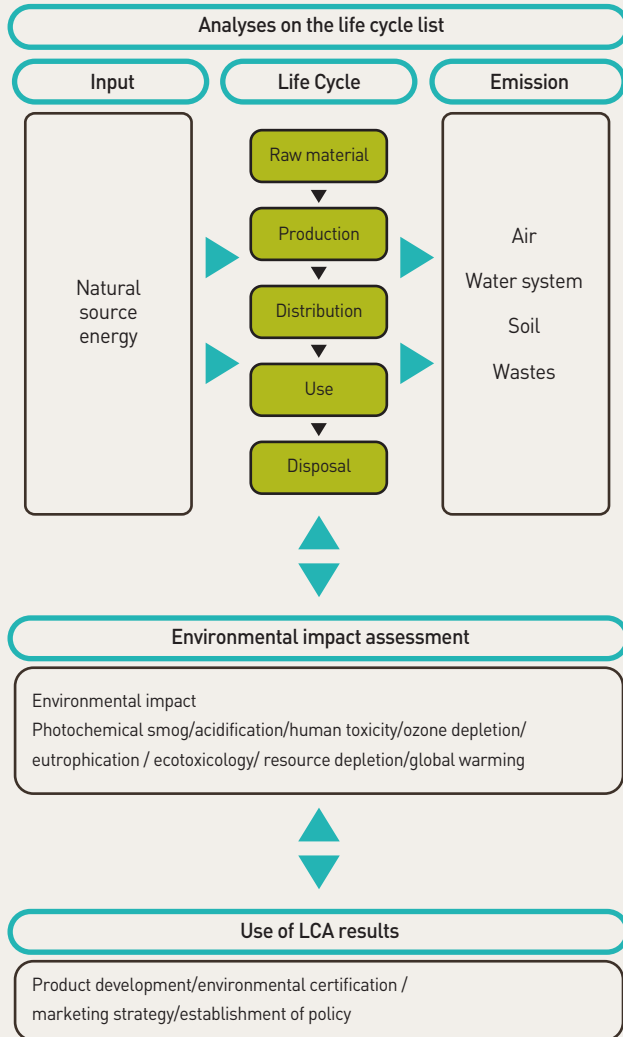
Life Cycle Assessment

HPC quantifies resources, energy and contaminants through the entire process through a Life Cycle Assessment (LCA) when conducting specialized environmental impact assessments.

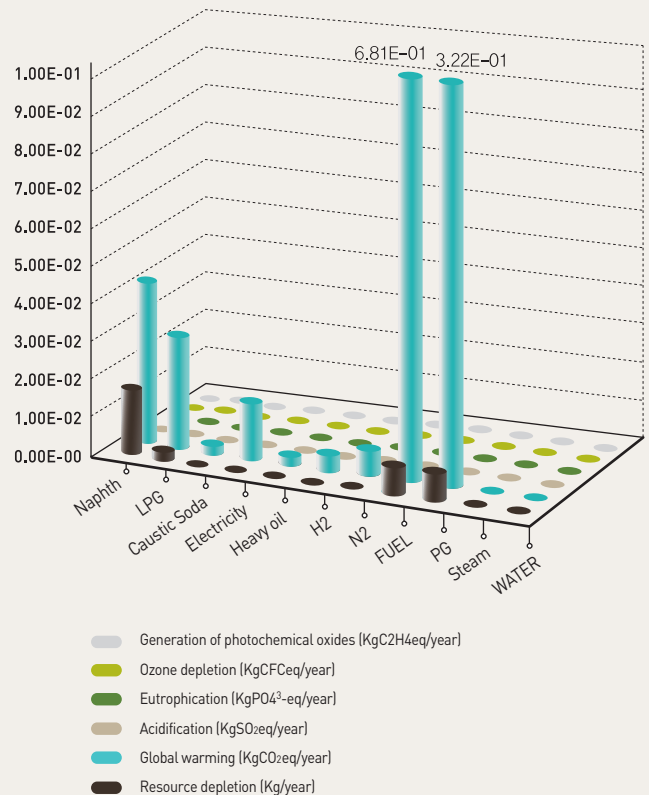
The company took part in establishing LCI DB in 2009 to assess five products including ethylene, propylene, benzene, toluene and xylene.

HPC predicts and analyzes the environmental impact caused by its production activities and assesses the importance of Environmental impact factors to manage them according to priority. The company evaluates the impact on the local community at the initial stage of plant expansion and installation and applies eco design to prevent adverse effects on the environment and society at large.

Life Cycle Assessment (LCA)



According to the LCA in 2009, of the 6 environmental impact categories, production activity had the greatest impact on global warming, and fuel and raw materials (Naphtha, PG) had the largest effect on environmental impact. Accordingly, HPC will improve its environmental impact through technological development aimed to optimize the use of fuel and raw materials and take appropriate response activities.



HPC places the highest emphasis on the environment in all its decision-making processes to minimize the impact of managerial activities on the environment. Based on the managerial principle, 'Harmony between Nature and People,' all employees of HPC push for green management to protect our beautiful earth environment with proactive and voluntary participation.

Development and purchase of green products

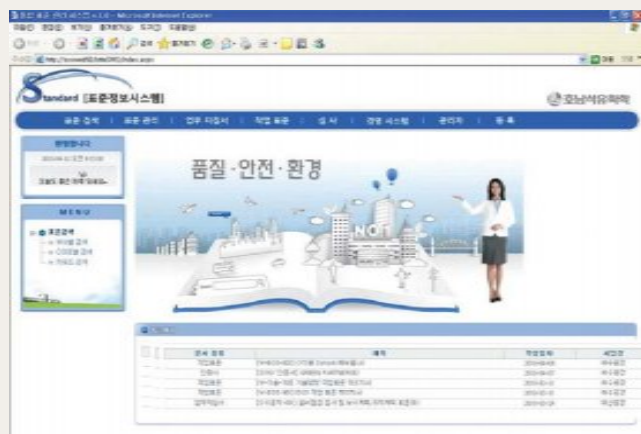
HPC fundamentally puts the environment before all else at the time of developing auto materials. The company contributes to reducing CO₂ by drastically reducing the weight of existing products through the development of PP Nano composite and PP LFT Composite. HPC is proactively pushing for green purchases as a leading petrochemical company that respects both people and the environment. HPC effectively uses limited resources and creates a pleasant working environment by making purchases based on an assessment on environmental friendliness through the entire process ranging from purchase to the selection of suppliers and materials.

"Development of materials that can reduce the weight of cars by 20%"
HPC first developed PP Nano Composite

Developing new materials that can reduce the weight of auto parts by 20%, PP Nano Composite Manufacture Technology has been certified as a new technology by the government. HPC announced that it would advance into the market with 'PP Nano Composite' which was unveiled by the company and is a mixture of Nano clay (a natural substance with a layer structure) with PP used in the side sill molding supporting the door in between the front wheel and the rear wheel of a car. If the product replaces existing material, car weights can be reduced by 20% or more, and this is expected to contribute to reducing CO₂.

「Money Today on September 10, 2009」

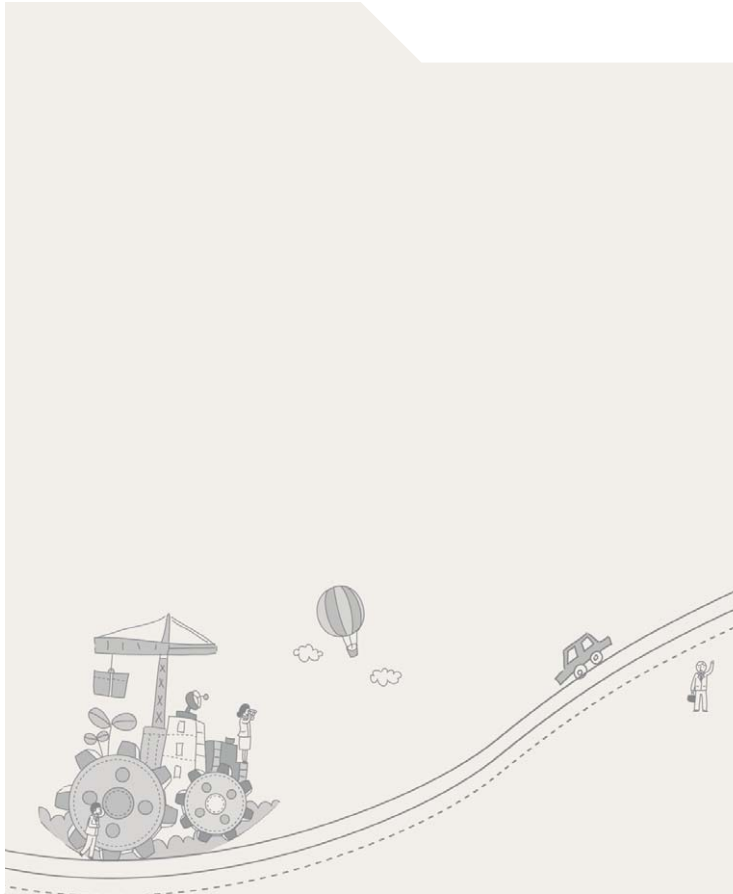
Environmental management certification



HPC maintains ISO 14001, OHSAS 18001 and KOSHA 18001 and is highly recognized for its commitment to environmental management and strong achievements in the entire managerial processes. In 2009, the Yeosu Plant was selected as an environmentally friendly (green) business by the Ministry of Environment for its excellent environmental management system. In addition, the plant is realizing an advanced management system through the operation of a standard information system that collectively manages information on the environment, safety, health and quality.

The current state of certification

| Plant | Certification | Certification authority | Remarks |
|--------|--------------------|-------------------------|-----------------------------------|
| Yeosu | ISO 14001 | KFQ | Environmental management system |
| | OHSAS 18001 | KFQ | Safety & health management system |
| | KOSHA 18001 | KOSHA | Safety & health management system |
| | ISO 9001 | KFQ | Quality management system |
| | ISO/TS 16949 | KFQ | Auto quality management system |
| | SONY Green Partner | SONY | Client certification |
| Daesan | ISO 14001 | LRQA | Environmental management system |
| | OHSAS 18001 | LRQA | Safety & health management system |
| | ISO 9001 | LRQA | Quality management system |



RC (Responsible Care)

RC embodies voluntary management activity that fulfills our corporate social responsibility and makes a great contribution to enhancing the internal environment, safety and health activities.

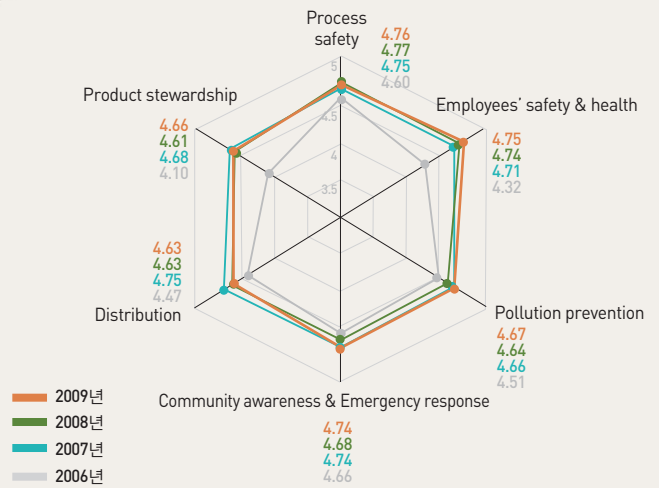
2004 was the First Year of RC and HPC has made ceaseless efforts to settle RC. The company has expanded RC activity to the entire business in 2008 and conducted RC workshops, RC self-assessment and RC promotion through systematic RC TFT from 2009.

HPC has had employees conduct self-assessment on effective implementation of 6 RC codes consisting of employee safety and health, process safety, contamination prevention, community awareness, emergency response, and distribution and product stewardship. As for the Yeosu Plant, the level of our entire codes was improved from the previous year and management on environment safety production is being enhanced on an ongoing basis, but the distribution sector was relatively reduced. At the Daesan Plant, codes of product stewardship and distribution will be introduced to establish an integrated RC operation system alongside the Yeosu Plant in 2010.

The Outcome of RC Self-Assessment

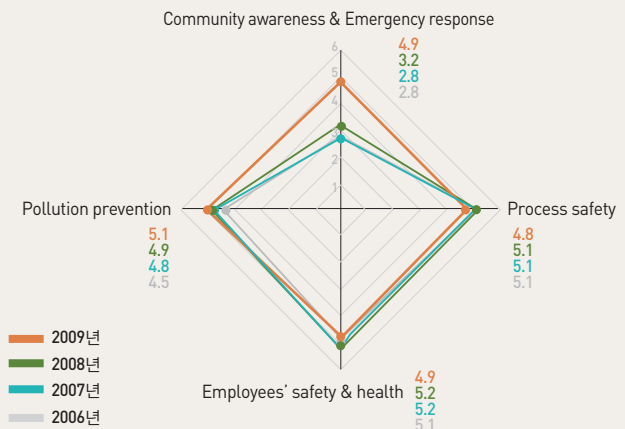
Yeosu Plant

| | 2006 | 2007 | 2008 | 2009 |
|--|------|------|------|------|
| Process safety | 4.60 | 4.75 | 4.77 | 4.76 |
| Employees' safety & health | 4.32 | 4.71 | 4.74 | 4.75 |
| Pollution prevention | 4.51 | 4.66 | 4.64 | 4.67 |
| Community awareness & Emergency response | 4.66 | 4.74 | 4.68 | 4.74 |
| Distribution | 4.47 | 4.75 | 4.63 | 4.63 |
| Product stewardship | 4.10 | 4.68 | 4.61 | 4.66 |



Daesan Plant

| | 2006 | 2007 | 2008 | 2009 |
|--|------|------|------|------|
| Pollution prevention | 4.5 | 4.8 | 4.9 | 5.1 |
| Process safety | 5.1 | 5.1 | 5.1 | 4.8 |
| Community awareness & Emergency response | 2.8 | 2.8 | 3.2 | 4.9 |
| Employees' safety & health | 5.1 | 5.2 | 5.2 | 4.9 |



HPC conducts systematic management

Environmental Performance Assessment

Environment performance assessment is an objective verification tool for environmental management activities, and HPC analyzes the achievements of numerous environmental management activities to reflect the results in its managerial decision-making and uses the information gathered in communication with our stakeholders. The company has selected concrete indices of environmental performances and developed an assessment rating scale and weight value with regard to each index to come up with a composite index. This helps everyone to better understand improvements and deterioration with regard to important environmental performances and environmental performances by index.

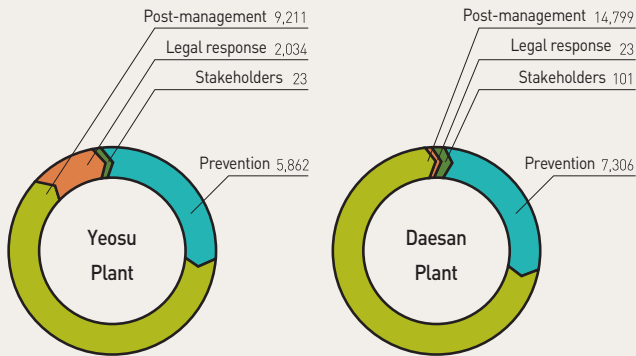
Environmental investment costs by year

Unit : 1 million won

| Plant | 2006 | 2007 | 2008 | 2009 |
|--------------|---------------|---------------|---------------|---------------|
| Yeosu | 21,064 | 24,054 | 18,910 | 17,130 |
| Daesan | 22,610 | 27,123 | 29,592 | 22,229 |
| Total | 43,674 | 51,177 | 48,502 | 39,359 |

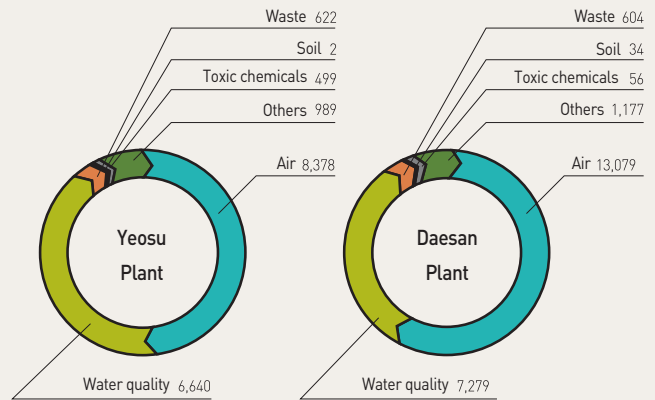
Differentiation of Environmental Investments in 2009

Unit: 1 million won



Differentiation of Environmental Investments in 2009

Unit: 1 million won



Result of environmental performance assessments in the Yeosu Plant

| Distinction | Standard | 2006 | 2007 | 2008 | 2009 |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| MPI (Management Performance Index) | 40.0 | 58.0 | 55.6 | 53.6 | 51.2 |
| OPI (Operation Performance Index) | 50.0 | 71.5 | 79.0 | 62.0 | 61.0 |
| ECI (Environment condition index) | 10.0 | 10.4 | 10.1 | 10.1 | 9.6 |
| Environmental performance assessment | 100.0 | 139.9 | 144.7 | 125.7 | 121.8 |

Result of environmental performance assessments in the Daesan Plant

| Distinction | Standard | 2006 | 2007 | 2008 | 2009 |
|--------------------------------------|--------------|--------------|--------------|-------------|--------------|
| MPI (Management Performance Index) | 40.0 | 49.6 | 53.2 | 40.8 | 50.4 |
| OPI (Operation Performance Index) | 50.0 | 62.5 | 77.0 | 44.5 | 73.5 |
| ECI (Environment condition index) | 10.0 | 10.0 | 10.1 | 10.5 | 10.2 |
| Environmental performance assessment | 100.0 | 122.1 | 140.3 | 95.8 | 134.1 |

Environmental performance assessment index system

| Index | Concrete index | Scope of assessment |
|----------|------------------------------|--|
| Internal | MPI (Management Performance) | Environmental management system |
| | | Compliance with environmental management system in accordance with ISO |
| | | Observing the law |
| | | Compliance with basic responsibility through the implementation of environmental laws and regulations |
| Internal | OPI (Operation Performance) | Operation of environmentally friendly management techniques |
| | | Improvement of corporate value and enhancement of internal competence through the introduction of advanced environmental management techniques |
| | | Relationship with the local community |
| | | Fulfillment of corporate social responsibility through regional development and improved relationships with local residents |
| Internal | OPI (Operation Performance) | Input |
| | | Improvement through the effective use of raw materials, energy and cost-saving |
| Internal | OPI (Operation Performance) | Products |
| | | Efforts to reduce environmental contaminants and manufacture environmentally friendly products and performances |
| External | ECI (Environment condition) | Environment pollution conditions in surrounding areas |
| | | Establishment of targets to manage contaminants through the understanding of environmental contamination in surrounding areas |

Air management

HPC reduces air pollutants through the improvement in the process by using low ozone depleted material throughout the entire process and handles the pollutants generated through contamination prevention facilities to minimize atmospheric emissions. The company regularly checks our contamination prevention facilities to optimize them and installs TMS in major outlets effectively conducting environmental monitoring 24/7.

Operation of an automatic environment monitoring system (TMS, Tele-Monitoring System) 24/7

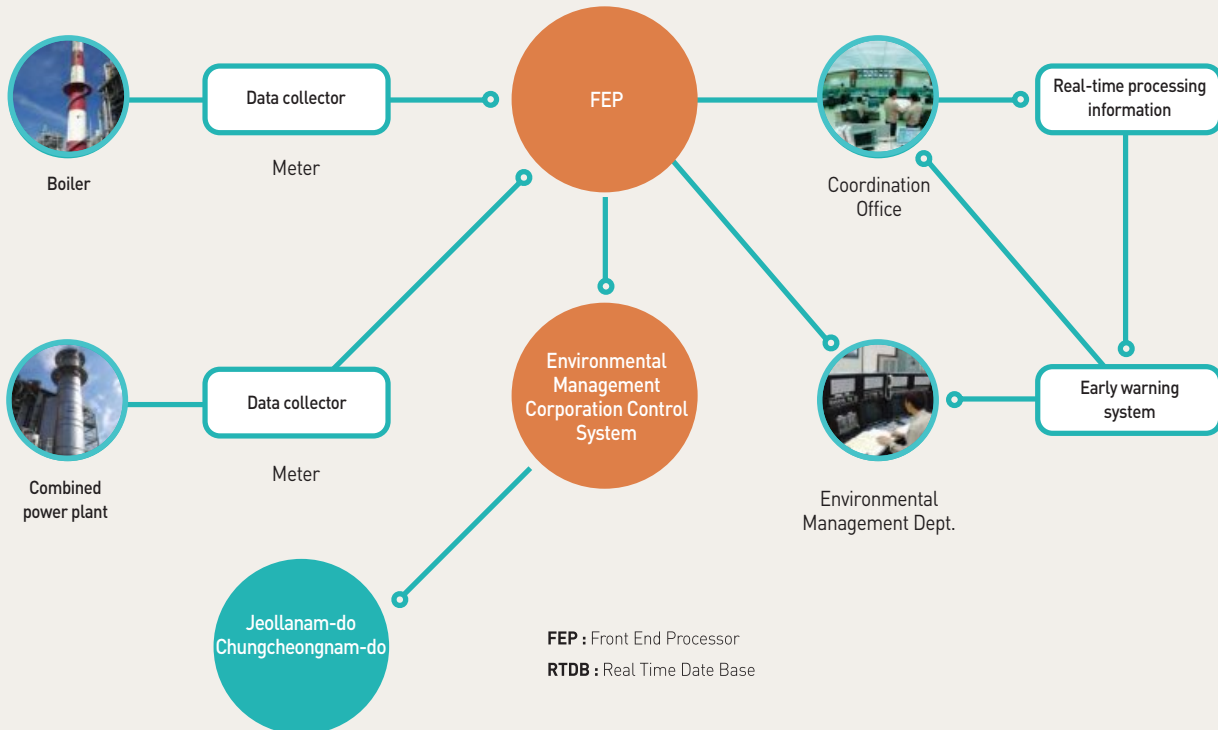
HPC checks the normal operation of air pollution prevention facilities and wastewater treatment facilities within business operations and also the concentration of pollutants on a real time basis. We effectively manage our prevention facilities by installing TMS in main outlets in order to prevent unexpected environmental accidents. The concentration of Pollutants are automatically detected, and an alert system is activated if managerial standards are exceeded. Measurement data in major outlets are transmitted to public offices on line via the Environmental Management Corporation TMS Control Center.

Concentration of Discharged Air Pollutants Unit : Ton/Year

| Plant | | 2007 | 2008 | 2009 |
|--------|-----------------|--------|--------|--------|
| Yeosu | Dust | 70.2 | 72.6 | 71.9 |
| | SO ₂ | 64.8 | 62.3 | 47.9 |
| | NO ₂ | 1375.2 | 1628.8 | 1716.7 |
| | CO | 51.0 | 39.2 | 30.3 |
| Daesan | Dust | 10.0 | 11.6 | 12.4 |
| | SO ₂ | - | - | - |
| | NO ₂ | 3.2 | 2.7 | 3.1 |
| | CO | 0.7 | 8.6 | 1.8 |

As for Yeosu Factory, data on in-house boilers are included. As Daesan Factory does not have in-house boilers, SO₂ has not been detected.

Chimney TMS



Water quality management

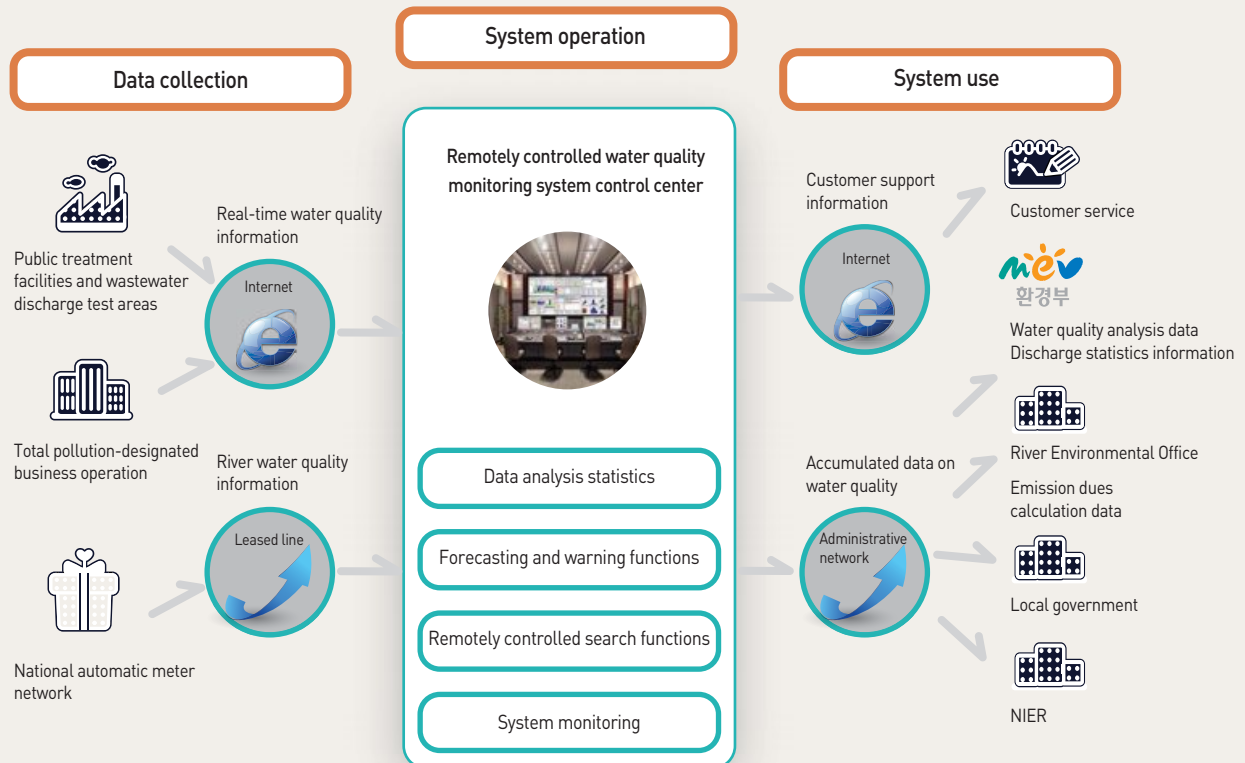
Wastewater generated in each business operation is first treated in our own wastewater treatment facilities before being directly discharged or retreated in final wastewater treatment facilities operated by local government and later safely discharged to the sea. HPC operates its wastewater treatment facilities based on physiochemical and biochemical treatments through a pure oxygen activated sludge process that reduces the use of industrial water, the discharge of wastewater and water contaminants by recycling wastewater. The Yeosu Plant has invested 1.1 billion won in 2009 to replace aging facilities and underground wastewater pipes and has additionally installed a monitoring system in three rainwater courses.

| Wastewater emission | | Unit : Ton/Year | | | |
|---------------------|------------------|------------------|------------------|------------------|--|
| Plant | 2006 | 2007 | 2008 | 2009 | |
| Yeosu | 2,242,712 | 2,081,836 | 2,090,401 | 1,847,318 | |
| Daesan | 2,187,288 | 1,468,515 | 2,094,709 | 1,962,599 | |
| Total | 4,430,000 | 3,550,351 | 4,185,110 | 3,809,917 | |

| Concentration of Wastewater | | | | | | Unit : ppm |
|-----------------------------|-------------------------|------|------|------|------|-----------------|
| Plant | OPIOutput-water quality | 2006 | 2007 | 2008 | 2009 | Legal standards |
| Yeosu | COD | 33.7 | 44.6 | 32.3 | 44.6 | 300 |
| | BOD | 24.3 | 37.0 | 25.2 | 29.8 | 300 |
| | SS | 37.3 | 33.7 | 25.4 | 30.9 | 300 |
| Daesan | COD | 17.2 | 21.9 | 29.4 | 27.9 | 90 |
| | BOD | 3.5 | 3.2 | 4.0 | 3.1 | 80 |
| | SS | 14.6 | 8.2 | 9.5 | 6.8 | 80 |

As for Yeosu Factory, it is based on inflow for sewage treatment, and as for Daesan Factory, it is based on permitted discharge.

Water quality TMS



Resource / Recycling

HPC procures Naphtha, a basic raw material, from domestic refineries or foreign companies, and as the use of Naphtha has increased with the expansion of plants and production, it tends to grow to some extent. Accordingly, HPC maximizes the effective use of resources through productive innovation. The Yeosu Plant is supplied with ample industrial water from the Juam Dam's great volume of water, and the Daesan Plant is provided with water from Daeho and Asan Lakes and the Boryeong Dam. As the chemical industry tends to make use of a lot of industrial water, the company is gradually improving efficiency in the use of water sources by introducing a wastewater recycling process.

Wastes

HPC conducts a real-name waste system to determine the source and cause of wastes by type and enhances wastes management and awareness on waste reduction by providing education to all employees. Although generating waste packing material at the time of handling products is unavoidable, the company is making efforts to reduce the amount by optimizing product transportation and sending most waste packing materials generated in plants to be recycled.

Quality of Raw Material Consumed

Unit : Ton/Year

| Plant | 2006 | 2007 | 2008 | 2009 |
|--------------|------------------|------------------|------------------|------------------|
| Yeosu | 2,195,583 | 2,146,673 | 2,104,033 | 2,267,180 |
| Daesan | 2,002,867 | 2,104,909 | 2,253,723 | 3,175,619 |
| Total | 4,198,450 | 4,251,582 | 4,357,756 | 5,442,799 |

Total Water Intake

Unit : Ton/Year

| Plant | 2006 | 2007 | 2008 | 2009 |
|--------------|-------------------|-------------------|-------------------|-------------------|
| Yeosu | 11,435,847 | 11,502,850 | 12,302,756 | 11,919,824 |
| Daesan | 9,084,619 | 8,572,035 | 11,896,715 | 14,490,439 |
| Total | 20,520,466 | 20,074,885 | 24,199,471 | 26,410,263 |

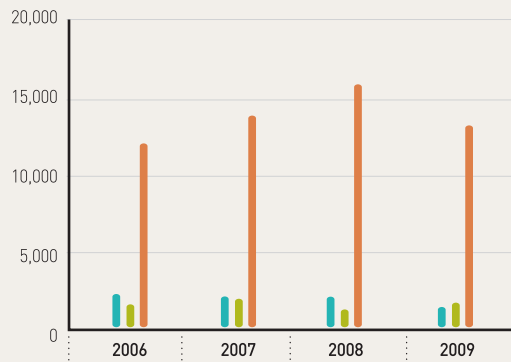
Quantity of recycled wastes and the rate of recycling

Unit : Ton/Year

| | Yeosu Plant | | Daesan Plant | |
|------|-------------|-----------------------|--------------|-----------------------|
| | Recycling | Rate of recycling (%) | Recycling | Rate of recycling (%) |
| 2006 | 12,049 | 75.1 | 3,357 | 54 |
| 2007 | 14,000 | 76.7 | 5,143 | 68 |
| 2008 | 15,938 | 82.9 | 6,255 | 55 |
| 2009 | 13,186 | 81.9 | 8,230 | 65 |

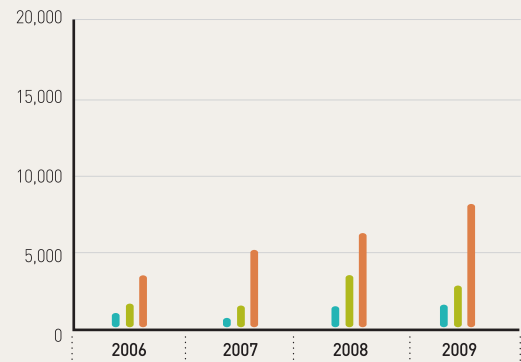
Amount of Treated Waste

Unit : Ton/Year



Yeosu Plant

| | 2006 | 2007 | 2008 | 2009 |
|-------------|--------|--------|--------|--------|
| Incinerated | 2,373 | 2,323 | 2,116 | 1,504 |
| Land-filled | 1,613 | 1,933 | 1,166 | 1,811 |
| Recycling | 12,049 | 14,000 | 15,938 | 13,185 |



Daesan Plant

| | 2006 | 2007 | 2008 | 2009 |
|-------------|-------|-------|-------|-------|
| Incinerated | 1,132 | 924 | 1,576 | 1,530 |
| Land-filled | 1,732 | 1,542 | 3,569 | 2,808 |
| Recycling | 3,357 | 5,143 | 6,255 | 8,230 |

Toxic Chemicals

HPC established the Voluntary Agreement on Reduced Chemical Discharges with the Ministry of Environment in an effort to reduce the quantity of discharged toxic chemicals and to do whatever it can to make continuous improvements. HPC checks the sources of all discharges by installing detectors and interceptors to prevent any toxic material from being leaked. In 2009, the Yeosu Plant was able to reduce the quantity of toxic chemicals despite an increase in the total production and use of toxic chemicals by replacing the total antioxidants in an MMA plant with a general chemical. Although there have been no leakage incidents through our thorough management of toxic materials, the company is continually conducting preventive activities to immediately respond to leak accidents that might occur in the future.

Soil Quality

HPC has established and complied with internal management guidelines on soil contamination and concreted facility floors while waterproofing to prevent contaminants from being soaked into the soil. The company is doing its utmost to prevent soil contamination by obtaining environmental work permits for facilities where soil contamination may occur.

| Toxic Chemical Emission Amounts | | | | Unit : Ton/Year |
|---------------------------------|--------------|--------------|--------------|-----------------|
| Plant | 2006 | 2007 | 2008 | 2009 |
| Yeosu | 87.3 | 88.2 | 78.4 | 77.8 |
| Daesan | 124.5 | 111.6 | 124.2 | 130.6 |
| Total | 211.8 | 199.8 | 202.6 | 208.4 |

Ecosystem protection activity

Where the Yeosu Factory and Daesan Factory are not famous for inhabitation of endangered species or bio-diversity, but changes in the ecosystem are regularly quantified and monitored in consideration of regional characteristics in an effort to protect the natural environment through proactive participation in Convention on Biological Diversity.

Response to REACH

HPC will endeavor not to affect export of products and processed products by client companies to Europe by completing registration of 11 substances in 2008. The company is pushing for the registration through Only Representative (OR) in the U.K. and will regularly monitor similar REACH systems in Japan, China and Taiwan while proactively responding to the REACH.

HPC is working towards a respectful environment where people are valued by achieving a zero-accident business operation

Safety & Health Management

HPC is pushing for a zero-accident business operation with the firm convictions and principles on safety and health management pursued by the CEO. The company is operating safety and health management systems including OHSAS 18001 and KOSHA 18001 in addition to Process Safety Management (PSM) throughout the entire process and installing a safety management organization composed of safety experts in each business operation in order to respond to all potential risks in environmental safety. There is also a Industrial Safety and Health Committee where an equal number of unionists and corporate representatives work together to establish an advanced safety culture by collecting opinions from workers in the field and improving situations through regular meetings.

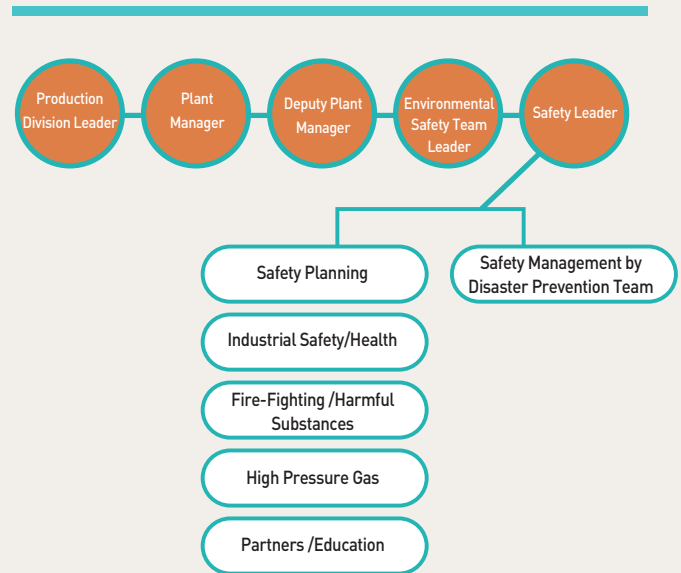
HPC was certified as an excellent process safety management company by receiving Grade P in process safety management from the Ministry of Labor. Notably, the Yeosu Plant received the Labor Minister Award on July 7th, 2009 for excellent process safety management.



Safety checks

Employees regularly patrol their working areas and respond to even minor changes, and specialized safety workers detect non-compliances in various harmful substances storage facilities and fire-fighting facilities to improve situations. In addition, a safety inspection team checks the working area once a week to rectify situations and share information with other departments. HPC establishes and operates a comprehensive disaster prevention system in order to improve the function of equipment and processes and disperses its disaster prevention facilities to secure efficiency, flexibility and the reliability of safety management.

Safety management organization



Comprehensive disaster prevention system



Industrial disaster prevention activities

HPC prevents industrial disasters by quantifying performances of activities for safety and health and raising awareness about safety. Regular safety education is provided online through the use of the RC & EHS System, and all HPC employees are allowed access to the systems and to make use of the registered contents. In addition to regular safety education, fire swat training to counter actual fire situations and basic fire-fighting training for all employees is provided, and a joint training between the public sector and the private sector is offered in cooperation with a nearby fire station every year in order to rapidly respond to emergency situations.

According to exploration of secondary accidents and potential risks through the use of HPC environment, safety and health system (EHS System), a total of 7441 accidents were detected in Yeosu Plant in 2009, and it was 12 cases per person. Of them, 5752 cases that accounted for 77.1 % were improved. In Daesan Plant, 5959 cases were detected, and it was 12 cases per person as well, and 98% of them were improved.

As a result of continuous efforts for zero-accident, Yeosu Plant recorded 10.05 million man hours in zero-disaster from October 2003 through December 31, 2009, and Daesan Plant posted 4.97 million man hours in zero-accident from October 2005 through December 2009. In particular, HPC rewarded employees according to corporate regulations and held various events to boost morale of employees in efforts to improve productivity.

HPC achieved zero-accident in incident rate, one of objective indices on activities to prevent industrial accidents and performances every year. The company attained zero-accident in such important indices on employees' morale and productivity as injury rate, occupational disease rate, and absentee rate for the past 5 years.

Health activities

All employees are permitted to receive medical consultations and services in a health care center installed in each business operation, and the company is creating an environment where various healthy activities including individual medical checks and medical history management are conducted to help employees stay healthy.

The company helps employees quit smoking through various non-smoking clinic programs and conducts an anti-smoking campaign throughout the company by introducing a smoking-area permit system. Employees practice gymnastics and aerobics for the purpose of stretching before starting work to keep in shape, and the company prevents employees from suffering musculoskeletal diseases by conducting surveys on musculoskeletal risk factors and improving working conditions.

HPC not only pays attention to employee health but also to the health of their family members and the local community. The company provides the same comprehensive medical examination services offered by a general hospital to employees and their spouses to ward off serious illness, and the company house areas are equipped with a fitness center, a swimming pool, a tennis court, a table tennis court, an aerobic training center and a golf course that are also open to local residents.

| Incident Rate (IR) | | | | |
|------------------------------|-------------------------------|------------|------------|------------|
| Division | | 2007 | 2008 | 2009 |
| The entire domestic industry | Number of employees (persons) | 12,528,879 | 13,489,986 | 13,884,927 |
| | Number of victims (persons) | 90,147 | 95,806 | 97,821 |
| | Incident rate (%) | 0.72 | 0.71 | 0.70 |
| Chemical manufacture | Number of employees (persons) | 286,457 | 287,906 | 291,822 |
| | Number of victims (persons) | 2,189 | 2,911 | 2,925 |
| | Incident rate (%) | 0.98 | 1.01 | 1.00 |
| | Number of employees (persons) | 1,187 | 1,191 | 1,143 |
| HPC | Number of victims (persons) | 0 | 0 | 0 |
| | Incident rate (%) | 0 | 0 | 0 |

| Graph of Injury rate, Occupational diseases rate, lost day rate, Absentee rate | | | | |
|--|--------------|-----------|-----------|-----------|
| Division | | 2007 | 2008 | 2009 |
| Total working hours | Yeosu | 1,517,642 | 1,515,135 | 1,429,767 |
| | Daesan | 1,210,270 | 1,230,159 | 1,087,048 |
| Total number of injury | | 0 | 0 | 0 |
| * Injury rate | Yeosu/Daesan | 0 | 0 | 0 |
| Total number of occupation disease | | 0 | 0 | 0 |
| * Occupational diseases rate | | 0 | 0 | 0 |
| Total number of day lost | Yeosu | 0 | 0 | 0 |
| | Daesan | 300 | 57 | 0 |
| * Lost day rate | Yeosu | 0 | 0 | 0 |
| | Daesan | 49.57 | 9.27 | 0 |
| * Absentee rate | | 0 | 0 | 0 |

* Incident Rate (IR)

$$\text{Incident Rate (IR)} = \frac{\text{Number of victims}}{\text{Average number of employees}} \times 100$$

* Injury Rate (IR)

$$\text{IR} = \frac{\text{Total number of injury}}{\text{Total working hours}} \times 200,000$$

* Occupational Diseases Rate (ODR)

$$\text{ODR} = \frac{\text{Total number of occupation disease}}{\text{Total working hours}} \times 200,000$$

* lost Day Rate (LDR)

$$\text{LDR} = \frac{\text{Total number of day lost}}{\text{Total working hours}} \times 200,000$$

* Absentee Rate (AR)

$$\text{AR} = \frac{\text{Total absentee days during the period}}{\text{Total working days during the period}} \times 200,000$$

HPC is growing along with the local community

HPC is pushing for activities contributing to realizing equality in a society where each and every person is happy and affluent. Equipped with the Committee of Social Contribution that strengthens and systematically conducts social contribution activities and aids support organizations in all business operations, the company is pursuing strategic and systematic contribution to sustainable development of society under a mid-to-long-term roadmap. We believe in sustained contribution rather than one-off donation events in our charitable works.

Matching Grant and Woosuri (Small Change) System

Introducing the Matching Grant and Woosuri System which is our mid-to-long-term strategy for social contribution activities, HPC induces all members ranging from the CEO to the rank and file to conduct social contribution activities in an effort to spread a donation culture all across society. Matching Grant is where the company offers the same amount of donation as their employees and the Woosuri System is where employees lay aside a small amount of money from their wages. These wonderful programs have taken root as the representative social contribution programs of the HPC.

Love Gimchi Event & The Delivery of Rice and Life's Necessities

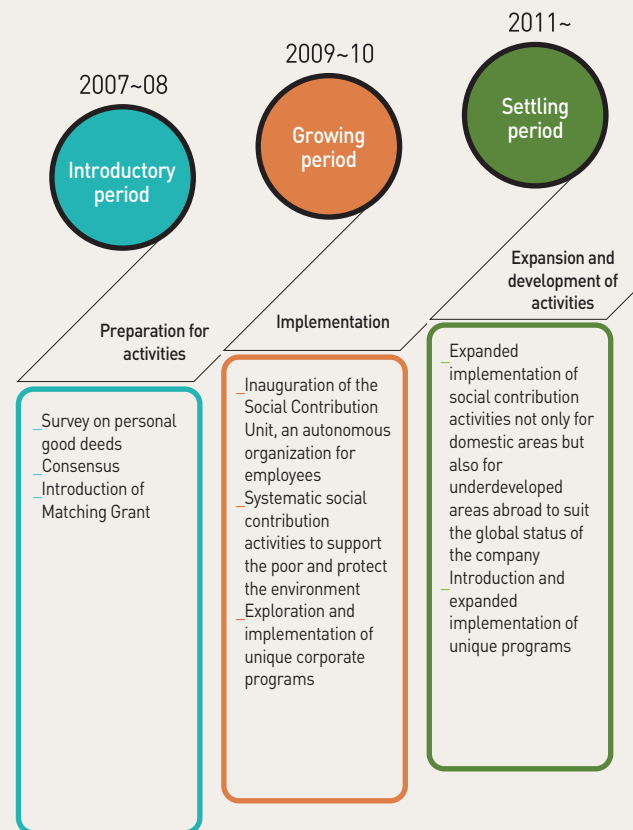
HPC is delivering Gimjang Gimchi to low income families in local communities by making Gimchi with Chinese cabbages and radishes that are grown and harvested organically in the kitchen gardens of the company housing residence. Two-member teams deliver rice and the necessities of life in person to senior citizens living alone, the handicapped and youths from poor households.

Support for social welfare centers

HPC is making efforts to help the poor by providing social welfare centers with firewood, side-dishes and the necessities of life. In addition, the company takes part in numerous events held in the local communities and listens to what the visitors to these social welfare centers have to say in order to better meet their needs in the future.

At the year's end, the company holds a special event reflecting on social contribution activities over the past one year and expresses gratitude while providing the supplies needed for the winter seasons and donations to local community and social welfare centers.

A mid-to-long-term strategy for social contribution activities



Support for '2009 Open! A Pleasant Chemical World'

'Open! A Pleasant Chemical World' is an annual social contribution program organized by the Korea RC Commission for elementary school students and local residents to nurture young scientists and chemists. 270 students from 24 elementary schools in Seosan participated in 'Open! A Pleasant Chemical World,' where the company operated its own booth to monitor the event providing a total of 24 helpers.

Establishment of sister village relationships

By establishing sister relationships, HPC is providing practical support to farming and fishing villages through home renovation, common facility renovation, clean-up, medical and disease prevention activities and the sale of specialties. The company is enhancing ties with local residents by expanding mutual exchanges through various events and activities. These relationships help the elderly aged 65 or older in sister villages to go sightseeing in the Month of Family in May every year and invites villagers to

corporate plants. In addition, the company visits each and every villager with gifts during Chuseok and New Year's Day. As part of an effort to create jobs for villagers, the company weeds an area surrounding corporate plants twice a year and also provides support to poor farmers in sister villages and areas surrounding corporate plants where there is a shortage of labor during the busy farming season.

Environmental protection activities for local communities

HPC regularly conducts environmental protection activities in nearby reservoirs, mountains, rivers, sea areas and roads based on our interest in the natural environment and the biodiversity of the local community. Employees of the Yeosu Plant voluntarily took part in the Green Yeosu Campaign with local residents in an effort to help the 2012 Yeosu Expo become a success by cleaning up rivers and streams, side streets, parks and tourism sites. We are taking the initiative in realizing a beautiful and clean Yeosu.



2009 Open! A Pleasant Chemical World



2009 Kick-off Ceremony for Social Contribution Team



Participation in a flea market and donation on World Environment Day

Social contribution activities

On December 11th, 2009, I delivered Gimjang Gimchi, underwear, and daily necessities to the elderly living alone in a nearby area during the winter.

One day I arrived at the fifth home while delivering daily necessities. I was pleasantly welcomed by a grandmother who lived in a room in a half-basement. She was a victim of domestic violence for years before her husband died not long ago leaving her all alone. According to a social worker, she was much thinner and had a much harder time when her husband was still alive. It was such a sad story.

Her house looked so shabby. It was so small that one person could not possibly feel comfortable lying inside.

Since she has a child, she could not benefit from the minimum cost of living support from the government. This was due to the fact that the child is responsible for supporting her. However, she said that she had not heard from him for years. Like this woman, many senior citizens who live alone are not protected by the government due to institutional limitations despite the fact that they are actually having an excruciatingly difficult time. She tightly held my hands and kept saying, "Thank you." She was moved to tears now that she does not have to worry about what to eat and how to endure the cold wintertime. Although I delivered only the Gimchi and underwear, she was filled with gratitude. Watching her, I could not leave her right away, so I held her hands for a long time while talking to her.

My heart felt so heavy when I left her to visit another home. I still vividly remember the grandmother who waved her hand at us until we were far in the distance.

General Support Team Assistant Manager Kim, Seon Ju

GRI Index

| GRI Index No. | GRI Index Details | Page | Additional Explanation | |
|-------------------------------|-------------------|--|------------------------|--|
| Vision and Strategy | 1.1 | Statement from the most senior decision-maker of the organization | 12, 13 | |
| | 1.2 | Description of key impacts, risks, and opportunities | 20, 21, 23, 25, 42 | |
| Organizational Profile | 2.1 | Name of the organization | 14 | |
| | 2.2 | Primary brands, products, and/or services | 16, 17 | |
| | 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures | 15, 24, 25 | |
| | 2.4 | Location of organization's headquarters | 15 | |
| | 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report | 15, 21 | |
| | 2.6 | Nature of ownership and legal form | 24 | |
| | 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries) | 15, 16, 17, 21 | |
| | 2.8 | Scale of the reporting organization | 14, 15, 22, 23 | |
| | 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | 23 | |
| | 2.10 | Awards received in the reporting period | 54, 62 | |
| Report Parameters | 3.1 | Reporting period | 10 | |
| | 3.2 | Date of most recent previous report | 10 | |
| | 3.3 | Reporting cycle | 10 | |
| | 3.4 | Contact point for questions regarding the report or its contents | 67 | |
| | 3.5 | Process for defining report content | 8, 9 | |
| | 3.6 | Boundary of the report | 8, 9, 10 | |
| | 3.7 | State any specific limitations on the scope or boundary of the report | 10, 44 | |
| | 3.8 | Report standard of the subject that can have a great impact on the possibility of comparison by period or organization with regard to joint venture, subsidiaries, lease facilities and outsourced works | 10 | |
| | 3.9 | In the process of data measurement techniques, bases of calculations, including hypothesis and principles, supports applied expectations | 8, 23, 55 | |
| | 3.10 | Explanation of the effect of any statements of information provided in earlier reports | 10 | |
| | 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the earlier reporting period | 22, 23 | |
| | 3.12 | Table identifying the location of the Standard Disclosures in the report | 58, 59, 60, 61 | |
| | 3.13 | Policy and current activities for external verification on reports | 10, 64 | |

| GRI Index No. | | GRI Index Details | Page | Additional Explanation |
|--|------|---|----------------|------------------------|
| Governance Structure | 4.1 | Governance structure of the organization | 24, 25 | |
| | 4.2 | Dual commitment of Chair of Board of Directors as executive | 24 | |
| Responsibility and participation | 4.3 | Number of independent directors or non-executive members on the Board of Directors | 24 | |
| | 4.4 | Mechanism where shareholder or employees advise the Board of Directors or set a certain direction | 24 | |
| | 4.5 | Relationship between compensation for the Board of Director, high-ranking executives and officers (including composition by department) and organizational performance (including social/environmental performance) | 24 | |
| | 4.6 | Process to prevent conflicts of interest within the Board of Directors | 24 | |
| | 4.7 | Process to determine qualifications and expertise of directors for the purpose of supporting Economic/environmental/social strategies | 24 | |
| | 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation | 20, 26, 43 | |
| | 4.9 | Process for the Board of Directors to determine and manage economic/environmental and social performances | 24 | |
| | 4.10 | Processes for evaluating the highest governing body's own performance, particularly with respect to economic, environmental, and social performance | 24 | |
| | 4.11 | Explanation of adoption of principles and approaches on prevention and adoption methods | 24, 25, 42 | |
| | 4.12 | Subscribing or supporting external initiatives including economic/environmental/social charters and principles | 27, 44, 47, 54 | |
| | 4.13 | The current state of acquisition of membership of associations (ex: industrial association) and national or international policy organizations | 62 | |
| | 4.14 | List of stakeholder groups engaged by the organization | 6, 7 | |
| | 4.15 | Basis for identification and selection of stakeholders with whom to engage | 6, 7 | |
| | 4.16 | The current state of stakeholders' participation methods including type of participation and frequency of participation by stakeholder group | 6, 7 | |
| | 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and the responses according them | 8, 9 | |
| Economic Approach & Performance | EC1 | Direct economic value generated and distributed | 22, 23 | |
| | EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change | 42, 43 | |
| | EC3 | Coverage of the organization's defined benefit plan obligations | 23 | |
| | EC4 | Significant financial assistance received from government | Not available | Not applicable |
| | EC5 | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation | 26 | |
| | EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation | 38 | |
| | EC7 | Procedures for local hiring priority and proportion of senior management hired from the local community | 26 | |
| | EC8 | Development and impact of infrastructure investment and services provided primarily for public benefit | 56, 57 | |
| | EC9 | Indirect economic impact | Not available | Not applicable |

| GRI Index No. | GRI Index Details | Page | Additional Explanation | |
|-------------------------------------|--|--|------------------------|----------------|
| Social Performance – Society | S01 | Program to evaluate and manage the effects on the local community | 49 | |
| | S02 | Percentage and total number of business units analyzed for risks related to corruption | 24 | |
| | S03 | Percentage of employees trained in organization's anti-corruption policies and procedures | 27 | |
| | S02 | Actions taken in response to incidents of corruption | 24, 25 | |
| | S04 | Participation in public policy lobbying | 7, 42 | |
| | S05 | Donation to political parties and politicians | Not available | Not applicable |
| | S06 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | Not available | Not applicable |
| S07 | Monetary value of significant fines for non-compliance with laws and regulations | Not available | Not applicable | |
| Environmental Performance | EN1 | Materials used by weight or volume | 51 | |
| | EN2 | Percentage of materials used that are recycled input materials | 50 | |
| | EN3 | Direct energy consumption by primary energy source | 43 | |
| | EN4 | Indirect energy consumption by primary source | 43 | |
| | EN5 | Energy saved due to conservation and efficiency improvements | 43 | |
| | EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives | 42, 43, 44 | |
| | EN7 | Initiatives to reduce indirect energy consumption and reductions achieved | 42, 43 | |
| | EN8 | Total water withdrawal by source | 51 | |
| | EN9 | Water sources significantly affected by withdrawal of water | 50 | |
| | EN10 | Percentage and total volume of water recycled and reused | 50 | |
| | EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Not available | Not applicable |
| | EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas | 53, 57 | |
| | EN13 | Habitats protected or restored | Not available | Not applicable |
| | EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity | Not available | Not applicable |
| | EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk | Not available | Not applicable |
| | EN16 | Total direct and indirect greenhouse gas emissions by weight | 44 | |
| | EN17 | Other relevant indirect greenhouse gas emissions by weight | 44 | |
| | EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved | 44, 45 | |
| | EN19 | Emissions of ozone-depleting substances by weight | 50, 52 | |
| | EN20 | NOx, SOx, and other significant air emissions by type and weight | 50 | |
| | EN21 | Total water discharge by quality and destination | 49, 51 | |
| | EN22 | Total weight of waste by type and disposal method | 52 | |
| | EN23 | Total number and volume of toxic substance spills | 50, 52 | |
| | EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | Not available | Not applicable |
| | EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff | Not available | Not applicable |
| | EN26 | Initiatives to mitigate the environmental impact of products and services, and the extent of impact mitigation | 46, 47, 49 | |
| | EN27 | Percentage of products sold and their packaging materials reclaimed by category | 50 | |
| | EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | Not available | Not applicable |
| | EN29 | Significant environmental effects on the transport of products, raw materials and employees | 51 | |
| | EN30 | Total expense and investment to protect the environment | 50 | |

| GRI Index No. | | GRI Index Details | Page | Additional Explanation |
|--|--|--|----------------|------------------------|
| Social Performance – Labor & Human Rights | LA1 | The current state of labor by employment contract | 34 | |
| | LA2 | Total number and rate of employee turnover by age group, gender, and region | 34 | |
| | LA3 | Benefits provided to full-time employees | 35 | |
| | LA4 | Percentage of employees covered by collective bargaining agreements | 26 | |
| | LA5 | Minimum notice period(s) regarding significant operational changes | 26 | |
| | LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees | Not available | Not applicable |
| | LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region | 55 | |
| | LA8 | Programs in place to assist workforce members or community members regarding diseases | 55 | |
| | LA9 | Health and safety topics covered agreements with labor unions | Not available | Not applicable |
| | LA10 | Average hours of training per year per employee by employee category | 35 | |
| | LA11 | Programs for lifelong learning that support the continued employability of employees and assist them in managing their careers | 35 | |
| | LA12 | Percentage of employees receiving regular performance and career development reviews | 28, 29 | |
| | LA13 | Composition of governance bodies and breakdown of employees | 24, 34 | |
| | LA14 | Ratio of basic salary of men to women by employee category | 36 | |
| | HR1 | Total number of significant investment agreements that have undergone human rights screening | 26, 39 | |
| | HR2 | Percentage of partners that have undergone human rights screening | 39 | |
| | HR3 | Human rights policies and the percentage of employees trained | 27 | |
| | HR4 | Total number of incidents of discrimination and actions taken | 24, 26 | |
| | HR5 | Freedom of association and collective bargaining | 26 | |
| | HR6 | Measures to eliminate child labor | 26 | |
| HR7 | Measures to eliminate forced labor | 26 | | |
| HR8 | Percentage of security personnel trained in human rights | Not available | Not applicable | |
| HR9 | Number of violations of the rights of indigenous people and related measures | Not available | Not applicable | |
| Social Performance – Product Liability | PR1 | Policy to maintain customers' health and safety | 33 | |
| | PR2 | Number of violations of health and safety regulations on products and services | Not available | Not applicable |
| | PR3 | Type of information on procedural products and services | 33 | |
| | PR4 | Number of violation of laws and regulations on labeling of products and services | 33 | |
| | PR5 | Customer satisfaction-related policies and procedures | | 32 |
| | PR6 | Marketing-related policies and programs including advertising, promotion and sponsorship | 27, 32 | |
| | PR7 | Number of violation of marketing-related laws and regulations including advertising, promotion and sponsorship | Not available | Not applicable |
| | PR8 | Number of complaints on the violation of customer information protection | Not available | Not applicable |
| | PR9 | Amount of penalties for violation of laws and regulations on products and services | Not available | Not applicable |

Awards and Organizational affiliation

| Year | Prize Description | Sponsor/ Management |
|------|---|--|
| 2003 | Received the grand prize in Korea's green business department | Korea efficiency Association |
| 2005 | Received the grand prize in green management | Korea Economic newspaper |
| 2005 | Received the grand prize Korea's green management | Korea efficiency association |
| 2006 | Received grand prize in Korea's productivity | KMA |
| 2007 | Urban and suburban interaction recognition | Regional maritime affairs and fishers office, in Yeosu |
| 2008 | Received the grand prize in energy management | Federation of knowledge and economy |
| 2008 | Received the grand prize in Labor and management | Ministry of Labor |
| 2009 | Received the Labor Ministry Award for Excellent Process Safety Management | KOSHA, Ministry of Labor |

HPC was selected as an Excellent Petrochemical Company by DJSI Korea



DJSI (Dow Jones Sustainability Indexes) is a sustainable management index jointly developed by Dow Jones, the world's foremost financial information company, and SAM, an asset manager. DJSI Korea comprehensively assessed the sustainable management of the top 200 Korean companies by applying global standards based on the DJSI Index that the Korea Productivity Center announced at the national level for the first time in Korea along with the Dow Jones and SAM.

HPC entered Dow Jones Sustainability Korea in 2009 and was selected as an Excellent Petrochemical Company in the 2009 Comprehensive Sustainability Assessment. HPC was selected as an excellent petrochemical company by DJSI Korea because it was highly recognized for sustainable growth competence at home and abroad by fulfilling economic, environmental and social responsibilities.

The current state of affiliation (Name of associations)

- Federation of Korean Industries
- Korea Employers Federation
- Korea Industrial Technology Association
- Korea Petrochemical Industry Association
 - ①NCC and PO Council
 - ②Environment & Safety Board
 - ③Korea Responsible Care Association
- Korean Tax Association
- Korea Specialty Chemical Industry Association
- Seoul Chamber of Commerce & Industry
- Korea International Trade Association
- The Polymer Society of Korea
- Korea Efficiency Association
- Korea Listed Companies Auditor
- Korea Listed Companies Association
- Korea Productivity Center
- Federation of Korean Industries (Korea Economic Research Institute)
- Federation of Korean Industries (International Management Institute)
- Korea-Japan Economic Association
- Korea Surfactant and Adhesive Industry Cooperative
- Korea Institute of Chemical Engineers
- Korea Chemical Industry Federation
- Korea Fair Competition Federation
- Incorporated Association Korea Engineering Club
- Surplus Management
- ASIA BUSINESS COUNCIL
- EPCA
- Custom Federation
- Daesan Regional Representative Council
- Local Agenda 21 for Susan
- Korea Chemicals Management Association
- Korea Environmental Preservation Association
- Korea Gas Safety Corporation
- Korea Fire Safety Association
- Korea Radioisotope Association
- Korea Electric Engineers Association
- Korea Fine Chemical Logistics Association

TOE (Ton of Oil Equivalent)

TOE is defined as a 107 kcal calorific value generated from 1 ton of crude oil (use of gas, electricity and energy).

PSM (Process Safety Management)

It is a 'total safety management system' to help ensure a safe and healthy workplace, through systematical and scientific management of the plants with high risk facilities, that may lead to severe industrial accidents.

TMS (Tele-Monitoring System)

An automatic measuring device set up to measure exhaust gases at the point of emission. The data is used to check whether businesses are complying with emission standards under the Clean Air Conservation Act, imposes fines for excess emission, and draws up air pollution policy.

GRI (Global Reporting Initiative)

An international organization established in 1997 by UNEP and CERES, developing and spreading globally applicable sustainability reporting guidelines.

ISO 14001

(International Organization for Standardization)

It's an internationally recognized environmental management system, which certifies an organization for its environmental management.

KOSHA 18001

(Korea Occupational Safety & Health Agency)

A health and safety management certification system developed by the Korea Occupational safety & Health Agency (KOSHA).

OHSAS 18001

(Occupational Health & Safety Assessment Series)

It's an occupational health & safety management system for standards and guidelines helping to protect industrial accidents through the analysis of risky factors and constant management.

RC (Responsible Care)

Through the perfect management of toxic substances, which are produced and used in the chemical industry, the company fulfills its social responsibility while continuously trying to improve the safety and health of employees and local residents, and keep our environment clean.

LCA (Life Cycle Assessment)

An objective process to evaluate the environmental burdens associated with a product, process, or activity, such as the identification of the energy and materials used and the wastes released into the environment, distribution and recyclability, in order to evaluate and implement opportunities to affect environmental improvements.

TPM (Total Productive Maintenance)

Productive innovation activity to drastically improve 4M (Material, Man, Machine, Method), core elements in the production filed.

Cartel

Activity to unfairly restrict competition in cooperation with others through contracts, agreements, resolution and others.

IPCC (Intergovernmental Panel on Climate Change)

An abbreviation of a governmental panel on climate change.

It is jointly organized by UNEP and WMO and attended by governments.

GHG (Greenhouse Gas)

Components of natural or artificial atmospheric gases that absorb and radiate in specific wavelengths within an infrared radiation spectrum radiated from the surface of the earth or by the atmosphere and clouds. According to the Kyoto Protocol, they include SF₆, HFCS and PFCS in addition to carbon dioxide, nitrous oxide and methane.

ERP (Enterprise Resource Planning)

This refers to enterprise resource management and integrates business processes including production, sale, purchase, personnel and accounting to share information and improve efficiency.

Emission Trading

This aims to grant the amount of emission to countries (companies) obligated to reduce greenhouse gas emissions and allow them to trade the amount with one another.

PL (Product Liability)

This aims to force manufacturers or sellers to compensate consumers if a consumer or a third party loses a life or sustain losses due to defective products.

VA (Voluntary Agreement)

The goal to save energy and reduce greenhouse gas emissions based on mutual trust between the government and the companies that produce supply and consume energy. Companies set appropriate targets and comply with them, and the government provides incentives including funds and tax benefits to companies providing support in a non-regulatory way.

WRI (World Resource Institute)

This is a Washington-based environmental policy research center composed of specialists including scientists, economists and policy-makers that helps governments, private companies, environmental protection organizations and development support organizations protect the environment without causing damage to the environment while satisfying human desire and achieving economic growth through survey and policy suggestions.

Honam Petrochemical Corp. Verification of Sustainability Management Report 2009

Introduction

The Korea Foundation for Quality was asked to verify the HPC 2009 Sustainability Report ('Report' hereinafter). Only the HPC manager is responsible for the report and reporting standards, and the Korea Foundation for Quality takes charge of providing verifying opinions on the report.

Independence of Verification

KFQ has no conflict of interest with HPC in terms of profit generation-related activities except providing third party verification service for the report. Nor do we have any biases regarding HPC's stakeholders.

Criteria of Verification

The KFQ has conducted verification in accordance with the 'AA 1000 Assurance Standard (AA 1000 AS)' published by Accountability in 2003. The standard operates under 3 principles such as Materiality, Completeness and Responsiveness, and the Reports were assessed under these principles.

In addition, the 2006 Sustainability Reporting Guidelines (G3) of GRI (Global Reporting Initiative) has been widely accepted in the world and was used as the sustainability reporting standards.

Verification Scope and Procedure

The subjects of the verification scopes are the performance and sustainability management efforts conducted by Honam Petrochemical Corp. headquarters, the Yeosu and Daesan plants, and the Research Institute.

Verification has been planned and undertaken to achieve reasonable assurance whether there exists any material error or misrepresentation in the Report. Also KFQ has verified the credibility of the Report contents and the effectiveness of the internal process systems for preparing the Report according to the following steps.

• Desk Review

We have performed an analysis on HPC's sustainability perspective data by comparing the contents described in the Report against GRI Guidelines and the information acquired through internet and media surveys.

On-site verification has been planned to confirm the credibility of sustainable management activity and performance data.

Financial information in the report has been crosschecked with the audited '2009 Financial Statement of HPC'.

• On-site Assessment

On-site assessment has been conducted to evaluate the information management system related to the accurate performance of information contained in the report and the efficacy of the reporting process in the HQ, two business operations and the research centers.

Based on the sampling principle after due consideration of the information materiality, we have examined the relevant documents on sustainability management activities and its performances, and interviewed personnel in charge of reported sustainability activities to gather evidence.

• Resolution of Findings

We have discussed the specific errors and distorted information found during the procedures above, and reviewed the final version of the Report to check that the corrections and reflection of the founded facts by HPC were accurate. Then, a GAP analysis against the GRI guideline was conducted again on the final Report.

Limitation

The integrity of the accurate performance of data contained in the report has limitations originated from ways to determine, calculate and assume performances of pertinent data.

Conclusion

Based on our review, KFQ have obtained reasonable basis to express the conclusion on the Report are below :

1. The level of application of the 2006 Sustainability Reporting Guidelines (G3) in the report was evaluated as A+.
2. HPC processes to identify and present the activities, performance, concerns and issues brought up by stakeholders, and have disclosed their responses and performance in regard to the proper identification of material issues.
3. HPC has implemented an internal system to generate, gather and analyze information and data on the Report and made it available to the public.

In conclusion, KFQ has not found that there are any material errors or misrepresentations in the report.

Excellence

This is the third Sustainability Report published by the HPC. All core indices and additional indices as requested by GRI Index have been presented while applying GRI G3 and it has exhibited transparency by unveiling not only the positive but also the negative aspects in the report.

HPC has been making efforts to meet shareholders' expectations by collecting their opinions through various communication channels, determining the significance of their requests and reflecting them in a sustainable management strategy.

Improvement

It is recommended to continuously reflect the GRI Sector Supplement Index that takes industrial characteristics into account to satisfy the shareholders' right to know.



20th August, 2010

Korean Foundation for Quality (KFQ) CEO **Kim, Jae Ryong**



We will pay close attention to your valued opinions.

Our stakeholders' opinions will be used as important material that contributes to advancing our reports published in the future. Please fill out the following questionnaire and add your comments after reading the report and send them to us via mail or fax. We will send a gift to those who take the time to share their opinions.

Publicity staff of Planning Team, 10 Fl., Lotte Tower, 395-67, Sindaebang-dong, Dongjakgu, Seoul, Korea (Postal code)156-711
FAX 82-2-843-1010

* You can participate in the survey on the homepage.

<http://www.hpc.co.kr/poll/20101021.asp>

HPC Customer Center
You may ask any questions you wish to HPC.
HPC will do our utmost to answer even the most trivial of questions.

http://www.hpc.co.kr/07_Ccenter/index.asp



Mobile participation in the survey
If you download the QR Code Application for a smart phone and scan it, you can take part in the survey.





If you contact us to ask questions on the report, we will do our best to answer all your questions.

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