Corporate EHS Policy

The company is committed to the protection of our environment, the safety and health of our employees and the community.

This is accomplished through the use of clear and well-documented systems and procedures, proper training and qualification, high performance expectations, continual improvement in pollution prevention, minimization and recycling, as well as workplace hazard analysis and prevention.

Through the joint efforts of every employee, we shall maintain full compliance with all applicable environmental and safety laws and regulations, conserve natural resources, reduce wastes and keep our environment clean and our workplace free of health and safety hazards, for ourselves, for the community and for future generations.
As expected, 2015 proved to be a challenging, yet successful, year. Overall, our revenue fell slightly, though we continued to be profitable. Declines in product pricing were offset by increased volumes, reduced feedstock costs, improved production capacities and higher utilization rates resulting from the major maintenance turnarounds conducted in late 2014.

Both the Vinyl Division and the Polyolefins Division advanced their strategic partnerships beyond North America. The Specialty PVC Division continued to increase production, reduce per unit production costs and introduce new products. Polypropylene provided an exceptional bright spot, with ongoing market tightness amid strong customer demand, product advancements and continued favorable pricing. Oil and Gas operations continued to struggle amid very tough market pricing, while the Olefins Division began reaping the rewards of its recent capital investments and new processing capabilities.

2016 is expected to present additional challenges as the global economy continues to deteriorate, with the U.S. market providing relatively stable, more desirable conditions. Inflation should remain low, along with oil and gas prices. Revenue, cash flow and profitability should be stable, though remain at risk -- our improved capacity utilization, new products and applications should mitigate some of that risk. We'll remain attentive to changing feedstock costs and product pricing.

Our plans include:
1. Closely monitoring global/regional economic conditions and changing oil/gas prices;
2. Continue with the permitting, designing and construction of our new capital investment projects; and
3. Increase on-line customer orders of PE and PP products, begin fully electronic contracts for end users in the U.S. and introduce new high-performance product grades and applications.

In conclusion, the company is experiencing a sea of change, with a challenging global economy, growing production, new products and more complex systems. We must work together to continue building an even more mature, unified company.

Mr. Walter Chen
Executive Vice President,
Formosa Plastics Corporation, U.S.A.
Introduction from the Vice President of Environment, Safety and Communications

Our 2015 EHS Annual Report continues our practice of reporting on our efforts in a range of areas relating to the company's environmental, social and financial performance. The report describes the progress we have made and our opportunities for improvement.

Safety is a core value for us, one that shapes our decisions every day and at every level within our organization. We consider a commitment to safety as the most fundamental element in our business and the keystone of responsible operations. As you read this year's EHS Annual Report, you will find many examples of Formosa's commitment to delivering superior value to our customers as we move forward in the important task of meeting the challenges of delivering essential products to our economy in a safe, secure and environmentally responsible way.

I personally invite you to read this year's EHS Annual Report to learn more about our efforts and results. We continue to set high standards and work with our employees, stakeholders and customers to address their expectations.

Robert F. Kelley
Vice President, Environment, Safety and Communications
Production and Operations

Formosa Plastics Corporation, U.S.A. is comprised of several wholly-owned subsidiaries, including three chemical manufacturing companies, which are the subject of this report. Environmental, health and safety activities at our chemical manufacturing subsidiaries are conducted, managed and evaluated according to corporate policies and procedures, and therefore, reported cumulatively on behalf of the corporation.

Formosa Plastics has traditionally reported only one dimension of environmental performance: the impact of manufacturing operations. This has included emissions, waste generation, the number of instances of reportable releases and permit exceedances. Figure 1 reflects the production levels we use to benchmark our report.

One way to measure, and compare, environmental performance is to normalize results relative to production, which is what we have done in parts of this report. For example, environmental performance measurements for waste generation were calculated by dividing total hazardous waste generation by the cumulative amount of products produced.

The benchmark production materials for this report include suspension and dispersion polyvinyl chloride (PVC), high density polyethylene (HDPE), linear low density polyethylene (LLDPE), polypropylene (PP) and caustic soda.

Terminology

Formosa Plastics Corp., U.S.A. FPC USA
Formosa Plastics Corp., Texas FPC TX
Formosa Plastics Corp., Louisiana FPC LA
Formosa Plastics Corp., Delaware FPC DE
Formosa Hydrocarbons Co., Inc. FHC
Circulating Fluidized Bed Energy Unit CFB

A Combined Report

As before, this year’s report incorporates our annual carbon footprint report. By combining these two reports, we are now able to report on all performance parameters at one time and much sooner than previously possible. Results are presented in the “Carbon Footprint Performance” section.

Manufacturing Operations of Formosa Plastics Corporation, U.S.A.

Formosa Plastics Corporation, Texas (FPC TX)
Point Comfort, TX

Formosa Plastics Corporation, Louisiana (FPC LA)
Baton Rouge, LA

Formosa Plastics Corporation, Delaware (FPC DE)
Delaware City, DE

Formosa Hydrocarbons Co., Inc. (FHC)
Point Comfort, TX

![Figure 1: Actual Production (Tons)](image)
**Safety Performance**

**Personnel Safety Performance**

Our Recordable Injury Rate (RIR) in 2015 decreased from 2014. As shown in Figure 2, our RIR was 0.75 injuries per 200,000 hours worked across the corporation. In comparison, the BLS Plastics Materials average for 2014 was 1.9 and the ACC Responsible Care average was 0.82.

The Lost Work Day Case Rate across the corporation held steady at about 0.45. See Figure 3.

<table>
<thead>
<tr>
<th>Comparison of Injury Rates - 2015</th>
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<tbody>
<tr>
<td>Formosa Plastics</td>
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<tr>
<td>U.S. Labor Statistics Avg.</td>
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<tr>
<td>NAICS 325211 Plastics Material (2014) – most recent data</td>
</tr>
<tr>
<td>American Chemistry Council</td>
</tr>
<tr>
<td>Responsible Care Companies Average (2014) – most recent data</td>
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</tbody>
</table>

**Process Safety Performance**

Formosa Plastics, along with industry partners at the American Fuel & Petrochemical Manufacturers (AFPM), has modified our annual safety data reporting programs to align with the ANSI Standard - API 754 “Process Safety Performance Indicators for the Refining and Petrochemical Industries.” Companies benchmark using AFPM Tier 1 Process Safety Event (PSE) and/or a Tier 2 PSE.

Figure 4 represents our performance under the new API 754 standard.

A Tier 1 PSE is an unplanned or uncontrolled release of any material, including non-toxic and non-flammable materials (e.g. steam, hot condensate, nitrogen, compressed CO2 or air) from a process that results in one or more of the following consequences:

- an employee, contractor or subcontractor “days away from work” injury and/or fatality;
- a hospital admission and/or fatality of a third-party;
- an officially declared community evacuation or community shelter-in-place;
• a fire or explosion resulting in $25,000 or more direct cost to the company;
• a pressure relief device (PRD) discharge to atmosphere, whether directly or via a downstream destructive device, with a discharge quantity greater than a threshold quantity listed in the standard in any one hour period that results in one or more of the following four consequences: liquid carryover, discharge to a potentially unsafe location, an on-site shelter-in-place location or public protective measures (e.g., road closure).

The number of process safety events is divided by total man-hours in a year to generate a rate, much like a recordable injury rate reported to OSHA. Each event is also scored for “severity” using a point system between 1 - 108 points, with 1 point being a relatively low risk - low severity event and 108 points being a very severe event with substantial impacts to employee health, off-site consequences and national media attention.

24 companies, representing 121 petrochemical facilities, participated in the Tier 1 PSE Survey.

• 16 of these companies, representing 40 facilities, submitted at least one Tier 1 PSE.
• 81 petrochemical facilities reported zero Tier 1 events during 2014.
• AFPM reported a Tier 1 PSE rate of 0.085 per 200,000 workforce hours during 2014, meaning there was one recordable PSE for approximately every 2.35 million workforce hours.

Formosa began using the AFPM and PSE method in 2013; we will continue using it to measure our performance in the coming years.

Environmental Performance

Maintaining Compliance

During 2015, FPC USA reported few releases and experienced only one permit nonconformance. As Figure 5 indicates, Formosa continues to manage permit compliance successfully. Over the past ten years, permit nonconformance events have declined by approximately 90 percent. The nonconformance data shown in the figure are mainly related to state authorized wastewater discharge permits. This figure does not typically include individual air permit excursions, self-reported to state agencies under the Federal Air Permit program (Title V). Air permit deviations, for example, are more often related to missing data and downtime for air pollution control instruments with little or no impact on the environment. The purpose of the chart is to track permit nonconformance incidents (NCRs) that involve an actual impact on the environment.

Federal regulations require certain facilities to report information to the National Response Center (NRC) immediately after the occurrence of an accidental release that is greater than a certain threshold quantity. In the event that an accidental release occurs at one of our facilities, immediate action is taken to notify the NRC, as well as state agencies, and an investigation is promptly launched. The investigation team identifies the fundamental cause of the release, determines whether the incident demonstrates a trend and recommends corrective actions to prevent the release from recurring. Release events that do not reach the reportable quantity (RQ) threshold are also investigated as near miss incidents.

As Figure 6 shows, Formosa has made steady progress in achieving a low number of events.
Citations and Penalties Paid

Notices of Violation (NOVs), or citations, are official documents received from state or federal regulatory agencies regarding air, water or waste regulations. A citation or NOV typically describes an allegation of non-compliance with an environmental or safety regulation.

Notices of violation, citations, warning letters, consent orders and enforcement notices are tracked by FPC USA’s Corporate Environment, Safety and Communications Division and reported as part of our Environmental Management System (EMS) to ensure that every item is addressed in a timely and effective manner by senior management.

Figure 7 shows the number of NOVs we received from 2010-2015.

Figure 8 presents the penalties paid during the same period. In 2015, Formosa Texas and Formosa Delaware settled claims with the TCEQ, DNREC and OSHA for $1,662,000. Please note that this figure identifies the penalties in the year they are actually paid, not the year in which the violation occurred or the citation was received.
Resource Management

Hazardous waste generation as a function of production remained near the all-time low, as shown in Figure 9. This reduction was achieved mainly by a continued effort to reclassify materials and a focused program to reuse resources. More importantly, the company has met its long-term goal of a 95% reduction in hazardous waste generation from our 1995 baseline level.

Future efforts will focus on the remaining waste streams at our operations and new methods to reduce, reuse or recycle materials. In 2007, Formosa completed the installation and start-up of a multi-million dollar project to utilize the Catoxid® technology, a proprietary reuse technology for a major process by-product. The use of this new process enhances resource recovery and eliminates emissions associated with transporting the material.

For the past several decades, energy supply and demand have been at the center of many major environmental and sustainability debates. While Formosa is a major producer of energy, we are committed to demand-side management. Better energy management reduces the cost of our products, as well as the energy demand of our production processes. Formosa’s operations employ modern combined-cycle co-generation plants that produce some of the lowest cost, lowest emission electricity in the region. See Figure 10.

As shown in Figure 11, our operations continue to assess and implement new methods to reduce water use even as we increase production, equipment and employees.
Air Emissions

Federal regulations require that manufacturers who use threshold quantities of listed chemicals report a variety of information to local communities and to state and federal governments. One of the most substantive means to report this information is through the annual Toxic Release Inventory (TRI).\(^1\)

As shown in the table above, our total TRI air emissions increased slightly, due to several large maintenance turnaround events at our Texas site. Emission data are subject to year-to-year variability, caused by factors such as production rates (higher or lower emissions), unit shutdowns (lower emissions) and start-ups (one-time, higher emission events).

Overall, our 2014 air emissions were within this expected variability, with some increasing and some decreasing. Vinyl emissions (Figure 12) continued an essentially even trend. EDC emissions (Figure 13) returned to historical levels following a one-time emission event. Benzene emissions (Figure 14) remained low, due to our improved leak detection and repair program, as well as fewer process upsets.

Chloroform emissions (Figure 15) jumped unexpectedly in 2012, primarily the result of a one-time emission event. Otherwise, the drop in chloroform emissions since 2009 is due to new test data and improved operational procedures/controls.

\(^1\) The TRI data is typically not available for each year’s report until about the middle of the following year. To accommodate this delay, we typically publish two editions of our EHS Annual Report. The first edition is published during the first half of each year to report on the information available at that time, including data on our environmental and safety performance and carbon footprint. It’s reissued later in the year to include the previous year’s TRI emission data.
Social Performance

Employee Turnover

Formosa Plastics offers competitive salaries and benefits that meet the changing needs of our employees.

Our annual employee turnover remains low, at about 3.4%, as shown in Figure 16. In comparison, the average for all manufacturing (durable goods) was over 10.7%. This demonstrates our success at motivating and retaining a highly skilled, experienced workforce.

Factors contributing to this success include:

- Formosa incurs the full cost of health, dental, life and long-term disability insurance premiums for each eligible employee and dependents.
- Company sponsored training is available to all employees. For example, the new training center in Texas will help employees stay abreast of changing technologies and assist in the development of new operators and technicians for our production facilities.
- Formosa offers a range of work/life benefits, such as flextime and a Life Assistance Program.

Corporate Contributions

In 2015, as in past years, our corporate contributions focused on supporting key programs and services that improve the lives, health and education of people who live in the communities in which we operate. Figure 17 presents our results through 2015.

The sharp rise in 2012 reflects contributions in response to Superstorm Sandy emergency relief donations and efforts.

In addition, we increased the annual stipend award to those students who receive a National Merit® Formosa Plastics Corporation, U.S.A. Scholarship.
Corporate Citizenship

Formosa Plastics is proud to be a member of the communities in which we operate and is committed to making substantive contributions in each of them.

Over the past thirty-seven years, we've worked with local organizations to improve education, health, civic growth, spiritual development and environmental protection. Donations of time and money are only the beginning.

Point Comfort, Texas

- Sponsored a sporting event that raised $120,000 for The United Way of Calhoun and Victoria Counties (see photo).
- Partnered with Calhoun County and Victoria County school districts for field trips to the plant to encourage students to stay in school and consider a career in industry.
- Provided funding to the Calhoun County Independent School District to conduct environmental education classes at the Formosa Tejano Wetlands Outdoor Classroom.
- Held four blood drives that yielded 242 units of blood.

In early 2015, the site established a monarch butterfly migratory “way-station”, propagation habitat and milkweed research/distribution program. We raised over 200 mature plants that attracted an excellent monarch butterfly population; new caterpillars were on the plants within about a week of planting. Other plots contain native spider milkweed, which are being used to produce seeds that will be donated within the community.

Livingston, New Jersey

- Continued our National Merit® Formosa Scholarships Program, providing renewable annual stipends for up to four years of full-time undergraduate study.
- Held its Annual Food Drive, resulting in donations of nearly 25 tons of food and 518 turkeys to the Community Foodbank of New Jersey.

Formosa Plastics’ late founder, Y.C. Wang, established five foundation trusts to fund community programs in the Point Comfort, Texas area:

1. Formosa Environmental Trust;
2. Calhoun High School Scholarship Trust;
3. Formosa Religious Trust;
4. Memorial Hospital Equipment Trust; and
5. Edna School Trust.

Each year these trusts provide about $250,000 in grants to schools and community organizations in Calhoun and Jackson Counties.
Economic Performance

In 2015 we had revenues of nearly $5 billion, on slightly lower volume and improved profitability. Our employee count increased modestly. See Figure 18.

We again demonstrated the strength of our business strategy. You can expect that in the future we will follow the same principles that have guided our success thus far.

For example, we will continue to invest in our plants and equipment, ensuring that Formosa has some of the most technologically advanced production capacity in the industry. This includes completing construction and startup of the new Olefins III, LDPE and PDH units in Texas. A new state-of-the-art medical facility will provide on-site employee wellness and urgent care services. (See photo below).

As we move forward, a key success factor of our company strategy is making sure that we are positioned in the right markets to deliver growth. Part of this involves our continued exports to South America, Europe and other regions.

We will stay focused on excellence in operations and maintain our financial discipline while seeking new opportunities to create value for customers and contributing to society.

Carbon Footprint Performance

Figure 19 presents our carbon dioxide equivalent emissions, or carbon footprint, from 2010 through 2015, as reported to the U.S. EPA.²

From 2010 through 2012, our carbon footprint shrank about 30%, despite increased production. In 2013, however, the substantial reductions achieved by the Point Comfort site's Marine Traffic operations were more than offset by emissions from the startup of a new production unit at the site.

In 2014 and 2015 we again had many major plant maintenance startups, an on-going source of additional, atypical process emissions. These maintenance efforts have been completed, so we anticipate a return to more normal carbon emission patterns for 2016. New plants are expected to startup and begin operations in the 2017-2018 timeframe.

Our Future Opportunity

Our future opportunity is how to achieve sufficient energy efficiencies to offset carbon emissions from production unit start-ups and expansions that will come online beginning in 2017. The completion of modifications to the second CFB power/steam generation unit to operate on natural gas should aid in this effort.

May 2016

² Please note that GHG emissions are reported to the U.S. EPA as absolute Carbon Dioxide Equivalent (CO₂e) units, rather than absolute, or normalized, Carbon Equivalent (CE) units.
The information and recommendations in this publication are, to the best of our knowledge, reliable. Suggestions concerning uses or applications are only the opinion of FORMOSA PLASTICS CORPORATION, U.S.A. and users should perform their own tests to determine the suitability of these products for their own particular purposes. However, because of numerous factors affecting results, FORMOSA PLASTICS CORPORATION, U.S.A. MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING THOSE OF MANUFACTURING AND FITNESS FOR PURPOSE, other than that the material conforms to the applicable current Standard Specifications Statements herein, therefore, should not be construed as representations or warranties. The responsibility of FORMOSA PLASTICS CORPORATION, U.S.A. for claims arising out of breach of warranty, negligence, strict liability, or otherwise is limited to the purchase price of the material. Statements concerning the use of the products or formulations described herein are not to be construed as recommending the infringement of any patent and no liability for infringement arising out of any such use is assumed.