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## 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.
Message from the Executive Vice President

Our efforts are guided by our sustainable development principles:

- Embrace continual improvement in all aspects of our work
- Respect and comply with all environmental and safety laws and regulations
- Instill the concept of safety and health in all our activities
- Conserve resources, prevent pollution, protect and enhance the environment wherever possible
- Be a force of positive change in communities where we work and do business
- Promote an engaging workplace for diverse and talented people who want to make a difference
- Establish a connection between financial success and contributing to society
- Learn from our experiences, listen to the ideas of others, and regularly report our progress to the public

I am pleased to report that 2007 was yet another year of significant and continued achievement for our company. Formosa Plastics continued to expand operations and set new standards of safety, environmental and social performance — all while generating solid earnings amidst the backdrop of an industry economic downturn.

These accomplishments reflect the company’s continued dedication to the high performance standards that are the foundation of our success. They build upon more than a decade of progress that has seen our industry-best injury rate drop yet another 20%, our annual environmental permit non-conformances decline from 28 to zero and our normalized carbon footprint shrink by nearly 50%, all while production increased by almost 60%. These are tributes to our employees’ work ethic and our Environment, Health and Safety professionals’ leadership. I am proud of our efforts, and results to date and that we have now accomplished our goal of zero environmental non-conformances. I continue to also encourage all employees to persevere toward meeting our goal of zero injuries.

Producing these superb results in all these areas simultaneously means that we understand what our customers, employees, communities and other stakeholders expect from us. In addition to their opinions and expectations, we must also understand the needs of governmental agencies and the communities in which we operate. We must always be mindful of our responsibilities to these diverse groups, actively seek their input and thoughtfully consider their expectations and concerns.

On behalf of the Formosa Plastics’ senior management team and more than 2,100 employees, I present you with this year’s Environment, Health and Safety Annual Report. We hope that it will contribute to your appreciation, and understanding, of our efforts and successes, as well as where we have not performed as well as desired – areas we have identified for performance improvement.

In conclusion, I offer my gratitude to everybody who has helped this company achieve a year of successes. While I’m optimistic about the journey ahead of us, I’m also aware that it’s not always going to be easy. Fortunately, our common commitment for continual improvement and ongoing success in all areas reported on in this report will provide us with the road map we need to fulfill our mission next year — and beyond.

Sincerely,

Mr. C.L. Tseng
Executive Vice President,
Formosa Plastics Corporation, U.S.A.
Introduction to Performance Data from the
Vice President of Environment, Health and Safety

Formosa Plastics has always maintained a core belief that our business success is directly linked to the prosperity and quality of life of our local communities and employees. In this past year, we further reduced injuries at our facilities and achieved a record low injury rate for the corporation as a whole. We also achieved record-breaking success in reducing environmental permit non-conformances and emission release events.

While we have established a corporate culture that ensures that the safety of employees, contractors and the communities in which we operate is of paramount importance, we are always seeking ways to improve. For example, we have investigated the latest trends and best practices in the area of process safety management. In addition, we have participated with the Center for Chemical Process Safety (CCPS), other CCPS member companies and external stakeholders to develop a focused set of lagging process safety performance metrics that help companies monitor performance, drive process safety improvements and prevent future incidents such as fires and explosions. We have incorporated these lagging indicators into our company procedures and have included them in this EHS Annual Report for the first time. Looking to the future, the CCPS is now working with U.S. trade associations and other international organizations to adopt harmonized standards to improve global chemical industry process safety performance.

But solely looking at events AFTER they occur is not sufficient. Our CCPS efforts have also helped to establish key leading process safety performance measures and near-miss reporting processes as a means of identifying risks and patterns that provide insights into eliminating incidents BEFORE they occur. We plan to incorporate these leading indicators into future EHS annual reports to foster innovation and continual improvement in all of our safety programs, not merely our process safety program.

We have worked diligently over the past decade to build a foundation of practices and procedures that direct our efforts to protect the environment, our communities and our employees, as well as our facilities and operations. We have also established an internal system of checks and balances to verify that our practices are enforced and are effective. To help accomplish this, we regularly employ external experts and third-party registrars to audit and evaluate our management systems to internationally-accepted standards. We ensure that all incidents are investigated thoroughly and that corrective actions are implemented in an effective, timely manner.

I personally invite you to read this year’s EHS Annual Report to learn more about our efforts and results. This year we have expanded our reporting on our community involvement activities and success at reducing our carbon footprint. 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 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 growth in production we use to benchmark our report.

One way to measure environmental performance is to "normalize" measurements according 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: polyvinyl chloride (PVC), high density polyethylene (HDPE), linear low density polyethylene (LLDPE), polypropylene (PP), ethylene glycol (EG), and caustic soda.

Terminology

Formosa Plastics, Corp., U.S.A.  FPC USA
Formosa Plastics Texas       FPC TX
Formosa Plastics Louisiana   FPC LA
Formosa Plastics Delaware    FPC DE
Formosa Hydrocarbons         FHC
Safety Performance

Our Recordable Injury Rate (RIR) decreased in 2007 to a record low. 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 2006 was 3.0 and the ACC Responsible Care Company average was 1.18. Our Louisiana site completed the year without a single recordable injury and our Formosa Texas site achieved an all-time low injury rate of 0.54. The Lost Work Day Case Rate increased slightly in 2007 to 0.42 for every 200,000 hours worked. See Figure 3.

Process Safety Performance

Process safety metrics are being reported in our Annual Report for the first time (Figures 4 and 5). The CCPS has developed lagging indicators for process safety to help chemical processing companies benchmark performance using a standard set of criteria for identifying and tracking a process safety incident (PSI) and calculating process safety incident severity. A PSI event can involve a release of a process safety regulated chemical beyond primary containment, an injury, fire, explosion, or monetary damage to equipment beyond a set level. The PSI rate was 0.3 incidents per 200,000 hours worked in 2007.

The Process Safety Severity Rate takes into account the extent of the damage, release, or injuries related to any PSI. Scoring for any one PSI can range from a high of 108 points to a low of 1 point. The Severity Rate in 2007 was 0.43 per 200,000 hours worked, down significantly since we began tracking process safety incidents. The charts do not include contractor man-hours worked.

### Comparison of Injury Rates - 2007

- **Formosa Plastics:** 0.75
- **U.S. Labor Statistics Avg.:** 3.0
- **NAICS 325211 Plastics Material (2006) – most recent data:**
- **American Chemistry Council Responsible Care Companies Average (2006) – most recent data:** 1.18
Environmental Performance

Maintaining Compliance

During 2007, FPC USA reported a record low number of releases and achieved a long-term goal of zero permit nonconformances. As Figure 6 indicates, Formosa continues to manage permit compliance successfully. Over the past ten years, permit nonconformance events have declined by approximately 90 percent. The non-conformance 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, state agencies and an investigation is immediately 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” threshold are also investigated as “near miss” incidents. As Figure 7 demonstrates, Formosa has made steady progress reducing the overall number of reportable release events.

For the past five years Formosa has classified all reportable release events according to a system that assigns a point value to the event based on a number of criteria. Spills and releases are evaluated using four criteria: (1) Size of Release, (2) Type of Chemical, (3) Off-Site Impact and (4) On-site Impact. The four scores are added to generate a total score. The total score is then compared to three alphabetical categories:

A: > 40 points - Major Incident
B: 30-40 points - Moderate Incident
C: 0 - 25 points - Minor Incident

As shown in the chart to the right, the vast majority of our reportable release events over the past five years fall into the “minor” incident category. Since 2003, Formosa has reduced the number of the most severe incidents by 80%, moderate incidents by 69% and minor incidents by 85%.

We will continue to work to drive this number lower by investigating near miss release events and determining the root-cause of each incident.
Citations and Penalties Paid

Notices of Violation (NOVs), or citations, are official documents received from states 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 the FPC USA Corporate Environment, Safety and Communication 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 8 tracks the number of NOVs received by Formosa Plastics Corporation, U.S.A. from 2001-2007. Figure 9 presents the penalties paid during the same period.

In 2007, Formosa Delaware settled claims with the Delaware Natural Resources Conservation Commission (DNREC against the company for air emission events) by paying a penalty of $26,000. The nine events covered by the settlement involved the release of vinyl chloride monomer on six occasions from the site covering the period from 2002 to 2007. FPC Delaware also agreed to an environmental project at the site which involved the installation of additional equipment to prevent release events.

Formosa Texas also settled claims alleged by OSHA for $7,000 related to a company process hazard analysis, and process safety information regulated under OSHA’s PSM - Process Safety Management program.

Please note that Figure 9 identifies the penalties in the year they are actually paid by Formosa, not the year in which the violation occurred, or the year in which the citation was received.
Resource Management

Hazardous waste generation as a function of production reached an all-time low in 2007. See Figure 10. This reduction was achieved mainly from a continued reclassification of materials and a focused program to reuse our materials. 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. See Figure 11. While Formosa is a major producer of energy, we are committed to demand-side management. Better energy management reduces the cost of our products, while also reducing the energy burden of our production processes. Formosa’s operations employ modern natural gas fired turbines that produce some of the lowest cost electricity with some of the lowest emissions in the region.

Our operations continue to evaluate new methods to reduce the need for water, as shown in Figure 12. One project under review includes the consolidation of concentrated brine streams that would allow for the enhanced recycling of other process wastewater.
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).

During 2007, emissions to the environment decreased dramatically for some chemicals, namely vinyl chloride, while increasing for others such as, ethylene dichloride (EDC), benzene and chloroform. See Figures 13-16. These charts represent only a few of the more than sixty compounds that Formosa regularly reports as part of the TRI.

Our total TRI emissions dropped by 12% in 2007 due to several factors; a leak in the process equipment in the Olefins Unit was repaired and fugitive emissions were substantially curtailed in two production units through aggressive leak detection and repair programs. All three manufacturing sites reduced TRI emissions in 2007.

Total Air Emissions

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<tr>
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<tr>
<td>FPC TX</td>
<td>1,453,057</td>
<td>1,271,353</td>
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<tr>
<td>FPC LA</td>
<td>121,162</td>
<td>118,063</td>
</tr>
<tr>
<td>FPC DE</td>
<td>102,478</td>
<td>79,632</td>
</tr>
<tr>
<td>FPC USA</td>
<td>1,676,697</td>
<td>1,469,048</td>
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Social Performance

Employee Turnover and Corporate Contributions

Formosa offers competitive salaries and benefits that meet the changing needs of our employees. Annual turnover of our employees remains low, as seen in Figure 17, demonstrating our success motivating and retaining an experienced workforce. The industry average in 2006 for manufacturing was just over 16%. Formosa also incurs the full cost of health, dental, life and long-term disability insurance premiums for each eligible employee and dependent. Company-sponsored training is made available to all employees. Formosa also offers a range of work/life benefits such as flextime and "Life Assistance Program".

Contributions by the company and our employees continue to focus on key programs like Habitat for Humanity. Employees have donated record amounts of money to help the victims of hurricanes Rita and Katrina, earthquakes in Taiwan and China and the tsunami in Indonesia. See Figure 18.

Greenhouse Gas Emissions

Figures 19 and 20 present our carbon equivalent emissions and resultant carbon footprint from 2001 through 2007, respectively. Since 2001 our carbon equivalent emissions shrank by about 6%, despite an almost 70% increase in production. This translates to almost a 50% reduction in our resultant carbon footprint.

Our greenhouse gas emission results are based solely on the natural gas consumption and carbon dioxide emissions at our major manufacturing plants in Texas and Louisiana. Contributions from our other two locations, FPC Delaware and Formosa Hydrocarbons, were found to be insignificant in comparison.

Any carbon footprint calculation is only relevant to the assumptions upon which it is founded. Results should never, or at least rarely, be used to compare one company, facility or product with another without fully understanding the underlying carbon calculation method and supply chain structures.
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 twenty years, we’ve made it a point to work with local organizations to improve education, health, civic growth, spiritual development and environmental protection and preservation. Donations of time and funding are only the beginning.

For example, Formosa has sponsored or co-sponsored at least one Habitat For Humanity home each year for the past 10 years. Formosa employees from all over the country join forces to turn lumber into homes for hard-working families who might not otherwise achieve the dream of home ownership. We’ve specialized in conducting ‘Blitz Builds’, which transform a concrete slab into a home, ready for occupancy, in just one week!

Every year Formosa Plastics’ employees turn lumber into dreams. In 2007 we built our first new home in Point Comfort, Texas.

In addition, all three Formosa Plastics production facilities actively support and advance education in their respective communities. For example:

- **FPC Delaware**
  - funded a scholarship to a local high school for graduating seniors pursuing a math and/or science career path at the college level;
  - donated funds to a local elementary school for the continuation of its Nature Tours program and supports recreational activities at local elementary and middle schools; and
  - offers in-classroom presentations and lectures to further enhance the understanding of business and technology.

- **FPC Louisiana**
  - endowed two Professorships at Louisiana State University’s (LSU’s) College of Engineering; and
  - financially supported the LSU Center for Academic Success, through the LSU Foundation, to provide tutoring and class enhancements for students in the College of Engineering’s Thermodynamics and Electrical Circuits courses.

- **FPC Texas**
  - established five trust funds that annually generate nearly $250,000 in grants to residents of Calhoun and Jackson County, Texas. These trust funds include the Calhoun High School Scholarship Trust, the Formosa Environmental Trust, the Edna School Trust and the Memorial Medical Hospital Equipment Trust; and
  - helps lead the Partners in Education Program for Calhoun County, which supplies mentors, tutors, managerial guidance and financial support to the Calhoun County Independent School District (CCISD).

In 2007 The Calhoun High School Scholarship Trust provided scholarships for these 22 local students to pursue higher education.

Formosa’s Chairman, Y.C. Wang, established a series of foundation grants to provide permanent ongoing funding for community support programs in the Point Comfort area.

- Environmental Trust - $1 million
- Calhoun High School Trust - $1 million
- Religious Trust - $1 million
- Memorial Medical Hospital Emergency Equipment Trust - $500,000
- Edna School Trust - $500,000
Economic Review

Overall, 2007 revenue totaled $4.4 billion on product sales volume increases that, for the most part, exceeded their respective industry averages. Sales volume increases in polypropylene, PVC and caustic soda were particularly robust. Strong caustic product line sales and profitability, driven by market shortages and a strong demand from the aluminum industry, offset profit weaknesses in the chlorine derivative (EDC, VCM and PVC) product lines. The ethylene and polyethylene markets were mostly balanced, although we saw considerable pressure on profit margins. Polypropylene prices and margins were relatively stable, though these product lines also experienced pressure on profit margins. Export sales of PVC and polyethylene increased dramatically in 2007, driven largely by a favorable U.S. dollar exchange rate. Polypropylene exports, especially to Latin America, continued to be viable. While competitors’ domestic polypropylene production capacity is decreasing, additional overseas production capacity is expanding rapidly, especially in the Middle East where low natural gas prices provide a significant cost advantage.

Between 2007 and 2008, we will continue to invest in new capital projects that will enhance our position in the industry. While some of these projects are aimed at strengthening our existing product lines, others provide the basis for ensuring that our foundations remain strong enough to face future challenges. At an estimated cost of nearly one billion dollars, these projects will add to our production capacities for Specialty PVC, VCM, and caustic soda in Texas. Also included are an upgrade of the Neumin Production facility and the construction of a new power plant. To remain a viable, growth-oriented company, Formosa must reduce its reliance on outside sources of energy. The volatile price of natural gas affects the price of many of the resins that Formosa manufactures. If we are to maintain our low cost position in the industry we must reduce our exposure to these price fluctuations. With the help of our subsidiaries Neumin Production Company and Lavaca Pipeline Company, we can work toward securing our own resources, which includes searching for more oil and gas deposits, drilling our own wells and transporting these products safely to our plant sites.

Figure 21
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.