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.
2014 was a very busy and successful year that produced mixed results. Revenue remained essentially even, at over $5 billion, on lower sales volumes for some product lines but higher margins on others. Production volumes were impacted by several major production units undergoing planned turnaround maintenance work late in the year.

Nevertheless, the coming year is already shaping up to be a dynamic, event-filled period. Overall, we expect the global economy to be fragile and uneven. A 3% global GDP growth is forecasted, though its outlook is complicated by the oil price collapse and regional geopolitics. Domestically, the long-term U.S. outlook is broadly positive, with increased housing starts, strong auto sales and favorable per unit labor costs. The U.S. dollar will get stronger and interest rates are likely to rise at the end of the year. Energy and feedstock prices are expected to bottom out in 2015, then rise through 2020.

Our plans include:
1. Increase production units’ operational utilization rates, now that major turnaround maintenance projects have been completed;
2. Develop additional high value-added products, particularly resins for appliance and automotive parts, specialty films, vinyl foam board fencing/decking and new Specialty PVC applications;
3. Utilize a third-party wellness administrator to identify, and assist, employees in high-risk health categories;
4. Begin the process of developing our next 5-year plan, including several billion dollars in capital investments over the next five years;
5. Embed dedicated safety specialists in the new production units at Point Comfort during those units’ construction; and
6. Introduce newly designed, attractive packaging for all Specialty PVC, PVC, PE and PP products.

While 2014 produced mixed results for us, turnaround maintenance has now been completed for all of our major production units. Indeed, Formosa Plastics’ light shines brightly.

Sincerely,

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

Formosa Plastics Corporation, U.S.A. strives to be a leader in building an economically-strong, safe and environmentally-responsible company. We are pleased to share with our customers, communities, stakeholders and employees our 2014 EHS Annual Report; it updates our progress on becoming a more sustainable organization.

This is our 18th EHS Annual Report, allowing us to reflect on our progress over the past year with a sense of our continuing vision of long-term leadership in the petrochemical industry. Each section of the report offers a critical look at the issues that matter most to our company and stakeholders as we strive to enhance the benefits we bring to our business partners, communities and employees, while reducing our environmental impact. We note progress in key areas such as the reduction in our injury rate, improvements in process safety and resource conservation initiatives that make our facilities more efficient.

We invite you to read more about our approach in this EHS Annual Report.

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

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.
Safety Performance

Personnel Safety Performance

Our Recordable Injury Rate (RIR) in 2014 decreased from 2013. As shown in Figure 2, our RIR was 0.92 injuries per 200,000 hours worked across the corporation. In comparison, the BLS Plastics Materials average for 2013 was 1.5 and the ACC Responsible Care average was 0.73.

The Lost Work Day Case Rate across the corporation decreased to 0.42. See Figure 3.

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;

Comparison of Injury Rates - 2014

<table>
<thead>
<tr>
<th>Source</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formosa Plastics</td>
<td>0.92</td>
</tr>
<tr>
<td>U.S. Labor Statistics Avg.</td>
<td>1.50</td>
</tr>
<tr>
<td>NAICS 325211 Plastics Material (2013) – most recent data</td>
<td>0.73</td>
</tr>
<tr>
<td>American Chemistry Council Responsible Care Companies Average (2013) – most recent data</td>
<td>0.73</td>
</tr>
</tbody>
</table>
• 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.

Twenty-nine companies, representing 123 petrochemical facilities, participated in the Tier 1 PSE Survey.
• Twenty-one of these companies, representing 52 facilities, submitted at least one Tier 1 PSE.
• Seventy-one petrochemical facilities reported zero Tier 1 events during 2013.
• AFPM reported a Tier 1 PSE rate of 0.09952 per 200,000 workforce hours during 2013, meaning there was one recordable PSE for approximately every 2.01 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 2014, FPC USA reported a low number of releases and maintained a very low rate of 2 permit nonconformances. 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 reducing the overall number of events. 2014 saw a slight rise, mainly due to the previously mentioned major plant maintenance startups.
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 2009-2014.

Figure 8 presents the penalties paid during the same period. In 2014, Formosa Texas and Formosa Delaware settled claims with the TCEQ, DNREC and OSHA for $28,000. 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. See Figure 10. 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 burden 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.

As shown in Figure 11, our operations continue to evaluate new methods to reduce the need for water 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 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 5.6%, 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.
• Formosa offers a range of work/life benefits, such as flextime and a Life Assistance Program.

Corporate Contributions

In 2014, 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 2014.

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

The notable increase beginning in 2014 reflects our initiation of a new education contributions program to bolster engineering and construction trade enrollments and skills-training. 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 $110,000 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 for three school districts to conduct environmental education classes at the Formosa Tejano Wetlands Outdoor Classroom.
- Held four blood drives that yielded 422 units of blood. This was by far the largest contribution of any entity in the area.
- Supported annual fundraisers for Habitat for Humanity and the American Cancer Society’s Relay For Life.

In early 2015, the site initiated a major project to establish a Monarch butterfly migratory “way-station”, propagation habitat and milkweed research/distribution program. Additional details will be provided in next year’s report.

Livingston, New Jersey

- Awarded 3 National Merit® Formosa Scholarships, renewable for up to four years of full-time undergraduate study.
- Held its Annual Food Drive, resulting in donations of nearly 20 tons of food and 475 turkeys to the Community Foodbank of New Jersey.

Delaware City, Delaware

- Supported the publication of the New Castle County LEPC Community Emergency Response Guide.
- Supported local fire and police departments, Lions Club and Mayor’s Ball.

Baton Rouge, Louisiana

- Sponsored Our Lady of the Lake Children’s Hospital Foundation and The United Way through company and employee donations.
- Supported the Baton Rouge Community College Process Technology program via service on its Advisory Board, classroom instruction and scholarships.
- Served on the Student Advisory Board at Southern University.

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 Medical 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.

Formosa Plastics supports local civic, social and educational organizations

For example, we initiated a 3-year program of supporting educational opportunities to encourage students to pursue engineering degrees and occupational trade craft certifications. One effort supports the Engineering School at Louisiana State University; another supports Manhattan College.

Delaware City, Delaware

- Supported the publication of the New Castle County LEPC Community Emergency Response Guide.
- Supported local fire and police departments, Lions Club and Mayor’s Ball.

Baton Rouge, Louisiana

- Sponsored Our Lady of the Lake Children’s Hospital Foundation and The United Way through company and employee donations.
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Economic Performance

In 2014 we had revenues of over $5 billion, on slightly lower volume and improved profitability. Our employee count increased modestly. See Figure 18.

We completed the conversion of our second Circulating Fluidized Bed (CFB) power/steam generation plant to use natural gas in addition to pet coke or coal. Several new low-dust bagging lines were installed and major scheduled turnaround maintenance work was completed on almost every major production unit.

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, to be followed by the new MEG II and PE III units. 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, while a new medical facility will provide on-site employee wellness and urgent care services.

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 Latin 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 2014, as reported to the U.S. EPA.2

From 2010 through 2012, our carbon footprint shrunk by 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 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 2015 and 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 expansions that will come online in 2017. The modification of the second CFB power/steam generation unit to operate on natural gas should aid in this effort.

May 2015

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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.