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.
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About the cover photo:
Title: Wetlands at Sunrise
Nikon D800
16-35 mm lens
F/9
1/15 sec

Photo credit: Bill Harvey
“Our main focus is on excellence in operations and maintaining our financial discipline, while seeking new opportunities to create value for customers and contribute to society.”
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.
Introduction from the Environment, Safety and Communications Division Head.

Each year offers the opportunity to challenge our people and our processes. In 2017, our EHS staff, and indeed all Formosa employees, rose to the challenge and set a new standard for safety performance under challenging circumstances. Formosa companies set multiple records and achieved industry recognition for superior safety performance. Our overall FPC USA injury rate ended the year at a record low 0.45. While these numbers are well below the chemical industry average, we know there’s always room to improve -- and we will.

In an effort to support and further advance our safety performance, the EHS Department implemented a new electronic Management of Change (MOC) process across all sites and is plans to implement an electronic Incident Management system in 2018. Our goal is to minimize business interruptions and expenses by anticipating areas of concern and proactively implementing institutional safeguards or engineering solutions. We have also instituted an aggressive program to investigate process safety related incidents and near misses using a new root cause analysis technique. Our expectation is that a relentless focus on process control, strict adherence to procedures and personal accountability will improve our operations and lead to a safer work environment.

I am also pleased to report that Formosa continues to make steady progress in resource management, producing more products using fewer resources. Since the initiation of our conservation efforts, energy efficiency has increased steadily, while water conservation efforts have increased water efficiency to the highest level since we began tracking this metric.

Our success is a testament to the hard work and professional dedication of the EHS staff, the EHS coordinators in our operating units, and the vigilant support from supervisors, line management and our Plant Managers. EHS performance of this caliber does not happen by chance; it’s the product of careful planning, training, systematic review, auditing and management accountability that starts at the top. To all our employees, thank you and congratulations on a notable achievement.

I trust you will find this year’s report informative, as well as useful in describing our programs and practices. It is our goal to create a report that presents concise information with sufficient context to allow comparisons to our peer companies in the chemical industry and beyond. Transparency and openness regarding our operations is essential to maintaining a dialogue with the public and the communities in which we operate.

John Pastuck
Division Head, Environment, Safety and Communications
“We plan to add new olefins production capacity, as well as new PE/PP capacity and new LDPE products.”
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 manufacturing subsidiaries are conducted, managed and evaluated according to corporate policies and procedures, and 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’ve done in parts of this report. For example, environmental performance measurements for waste generation were calculated by dividing total annual hazardous waste generation by the aggregated annual 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.

We plan to add new olefins production capacity, as well as new PE/PP capacity and new LDPE products.
“In the last 5 years, the FPC USA injury rate decreased by 64%.”
Safety Performance

Personnel Safety Performance

Our Recordable Injury Rate (RIR) showed continuing improvement in 2017, decreasing from 2016. As shown in Figure 2, our RIR was 0.45 injuries per 200,000 hours worked across the corporation. In comparison, the BLS Plastics Materials average for 2016 was 1.4 and the ACC Responsible Care average was 0.70.

The Lost Work Day Case Rate across the corporation dropped to 0.34. See Figure 3.

Process Safety Performance

Formosa Plastics, along with industry partners at the American Fuel & Petrochemical Manufacturers (AFPM), has modified 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.

Figures 4 and 5 represent 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 third-party; 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 down-stream 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.

22 companies, representing 118 petrochemical facilities, participated in the Tier 1 PSE Survey.

- 18 of these companies, representing 38 facilities, submitted at least one Tier 1 PSE.
- 80 petrochemical facilities reported zero Tier 1 events during 2016.
- AFPM reported a Tier 1 PSE rate of 0.063 per 200,000 workforce hours during 2016, meaning there was one recordable PSE for approximately every 3.20 million workforce hours.

Our safety performance extends beyond our site boundaries, too. In 2017, Norfolk Southern Railway awarded its annual National Safety Award to Formosa Plastics for the fifth year in a row.

Norfolk Southern established the annual safety award in 1995 to recognize chemical manufacturers and plants that ship 1,000 carloads or more of hazardous products over the railroad without a single incident.
Our operations employ modern combined cycle co-generation plants that produce some of the lowest cost, lowest emission electricity in the region.
Environmental Performance

Maintaining Compliance

During 2017, FPC USA reported few releases and experienced only three permit nonconformances. As Figure 6 indicates, Formosa continues to manage permit compliance successfully. Over the past ten years, permit nonconformance events have declined by 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. This chart tracks permit nonconformance incidents (NCRs) that involve an actual impact on the environment.

Federal regulations require facilities to report information to the National Response Center (NRC) immediately after an accidental release that is greater than a certain reportable quantity. In the event that an accidental release occurs at one of our facilities, immediate action is taken to notify the NRC, and 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. Releases that do not reach the reportable quantity (RQ) threshold are investigated as near miss incidents.

Figure 7 presents our RQ release over the past six years. The increase in 2017 was largely due to Hurricane Harvey and several unplanned shutdown events.

Citations and Penalties Paid

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

All NOVs, warning letters, consent orders and enforcement notices are tracked by our Corporate Environment, Safety and Communications Division, and reported through our Environmental Management System (EMS) to ensure that senior management addresses every item in a timely manner. Figure 8 shows the number of NOVs we received during the past six years.
Figure 9 presents the penalties paid during the same period. In 2017, Formosa Texas and Formosa Delaware settled claims with the TCEQ, DNREC and OSHA. 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 10. 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. For example, Formosa uses Catoxid® proprietary technology for the onsite recovery and reuse of a major process by-product. The technology 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’re committed to demand-side management. Better energy management reduces the cost of our products, as well as the energy demand of our production processes.

Our operations employ modern combined-cycle cogeneration plants that produce some of the lowest cost, lowest emission electricity in the region. See Figure 11.

As shown in Figure 12, 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).

### Total TRI Air Emissions, Pounds

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>FPC TX</td>
<td>978,674</td>
<td>861,044</td>
<td>978,611</td>
</tr>
<tr>
<td>FPC LA</td>
<td>195,439</td>
<td>189,743</td>
<td>172,965</td>
</tr>
<tr>
<td>FPC DE</td>
<td>78,226</td>
<td>104,372</td>
<td>84,599</td>
</tr>
<tr>
<td>FPC USA</td>
<td>1,252,339</td>
<td>1,155,159</td>
<td>1,236,175</td>
</tr>
</tbody>
</table>

As shown in the table above, our total TRI air emissions increased slightly, due to a variety of factors. Emissions data are subject to year-to-year variability, caused by factors such as production rates (higher or lower emissions), unit shutdowns (lower emissions) and startups (one-time, higher emission events).

Overall, TRI air emissions were within expected variability; some increased, as others decreased. Vinyl emissions (Figure 13) continued an essentially even trend. EDC emissions (Figure 14) remained at historical levels following a one-time emission event.

Benzene emissions (Figure 15) remained essentially even, subject to year-to-year variability.

Chloroform emissions (Figure 16) essentially remained even, subject to year-to-year variability.

Greenhouse gas (GHG) emissions are reported in the Carbon Footprint Performance section of this report.
Social Performance

“Formosa values its employees; turnover is less than 50% of the industry average.”
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 2%, as shown in Figure 17. 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 provides 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 2017, 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 18 presents our results through 2017.

The sharp rise in 2017 reflects significant one-time contributions to improve critical public infrastructure in the Point Comfort area.

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 forty 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.

A few representative examples of our corporate citizenship activities are highlighted below.

Delaware City, Delaware

- Silver Level sponsor of the 11th Annual Hazardous Materials Training Workshop. This training workshop provides valuable annual training to the State’s First Responders.
- Supported local fire and police departments, Lions Club and Mayor’s Ball.

Baton Rouge, Louisiana

- Provided a 3-year donation to support the construction of a Critical Care Burn Center at Baton Rouge General Hospital. Understanding the importance and necessity of such care, the site pledged support of $25,000 annually for three consecutive years.
- Sponsored a sporting event that raised over $24,000 for the Children’s Hospital Foundation.
- Supported Baton Rouge Community College via service on its Advisory Board, classroom instruction and scholarships.
- Served on the Student Advisory Board at Southern University.

Point Comfort, Texas

- Over 100 employees volunteered more than 13,000 hours to serve 75 different organizations in the community.
- Sponsored an event that raised $180,000 for The United Way of Calhoun and Victoria Counties.
- Partnered with local school districts for field trips to the plant to encourage students to 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 collected 547 units of blood, an all-time record.

Since 2015, the site has managed a monarch butterfly migratory “way-station”, propagation habitat and milkweed research program. Several types of milkweed are grown and planted, providing an abundant source of milkweed for both Monarch and Queen butterflies. Research includes efforts to determine the ideal soil and water conditions for seed germination and the raising of rare native Spider Milkweed to produce plants for distribution to local residents.

Livingston, New Jersey

- Continued our National Merit® Formosa Scholarships Program, providing renewable annual stipends for up to four years of full-time under-graduate study.
- Held its Annual Food Drive, resulting in donations of nearly 18 tons of food and 480 turkeys to the Community Foodbank of New Jersey.
- Received an award for encouraging and supporting employees’ participation in Reserves, National Guard and related country readiness organizations.
Economic Performance & Carbon Footprint Performance

“We continue to invest in our plants and equipment, ensuring that Formosa has some of the most technologically advanced production capacity in the industry”
In 2017, we had revenues of nearly $5 billion, and our employee count increased modestly. See Figure 19.

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 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 PE units in Texas. A new state-of-the-art medical facility provides 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.

Figure 20 presents our carbon dioxide equivalent emissions, or carbon footprint, for the past six years, as reported to the U.S. EPA. From 2010 through 2012, our carbon footprint shrunk 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 utility and production plants 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 began a return to more normal carbon emission patterns in 2016.

We continued to reduce GHG emissions in 2017, despite Hurricane Harvey causing production unit shutdowns and startups—sources of non-routine GHG emissions.

New production units are expected to have their startups in the 2019-2020 timeframe, which may again increase these emissions.

Our Future Opportunity

Our future opportunity is how to achieve sufficient energy efficiencies to offset carbon emissions from production unit startups and expansions that will come online in the near future.

August 2018

2 Please note that GHG emissions are reported to the U.S. EPA as absoluteCarbonDioxideEquivalent(CO₂e)units, rather than absolute, or normalized, Carbon Equivalent (CE) units.
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