

PERFORMANCE REWARD PROGRAM FOR POINT COMFORT PRODUCTION
SALARIED EMPLOYEES

Effective: 04/01/2016

Revised 06/15/2016

1. PURPOSE:

This program evaluates the achievements of each operating plant and rewards contribution for good performance in production, product cost, quality, safety and environmental compliance made during the month.

2. SCOPE:

Included in this program are all the following categories of employee who are responsible for the performance of the facility:

- Department Manager, Staff Managers
- Engineers
- Staff
- Supervisors
- Office Assistants

The following categories of employees are excluded from this incentive program:

- Upper Managers
- Hourly Employees
- Contractors Employee

3. DEFINITIONS:

a. Production Achievement:

The standard production rate is based mainly on the design capacity of the facility and improvements or debottlenecks made thereafter. It will be recommended by the Production/Sales Management Division and will be presented to management for approval. The quality penalty will be imposed for each operating plant as follows:

SPVC/PVC/HDPE/PP/LLDPE/EG Plants:

The off grade product which is higher than the standard will be subtracted from the monthly SPVC/PVC/HDPE/PP/LLDPE/MEG production. The standard for off grade product for PVC/HDPE/PP/LLDPE/MEG product is 5% and 10% for SPVC. If the off grade product is the transition product because of the

change over from grade to grade, those amounts can be exempt from the standard for HDPE, PP and LLDPE product.

VCM/Utility/Olefins/Chlor-Alkali Plants:

For each percentage amount of downstream production that is affected by poor quality of VCM (for VCM Plant), Industrial, Deionized, Waste Water and steam (for Utility Plant), Ethylene and Propylene (for Olefins Plant), or EDC, Caustic (for Chlor-Alkali Plant), an equal percentage shall be subtracted from the monthly VCM production (for VCM Plant), Electricity production (for Utility Plant), Ethylene production (for Olefins Plant), or Caustic production (for Chlor-Alkali Plant).

b. Fixed Cost Standard:

Fixed cost standard will be based on the approved budget. Only the items which are controlled by production management are included for the evaluation which includes; Direct Labor, Indirect Labor, Utilities, Operating Supplies, Regular **Maintenance, Major Maintenance, Turnaround Expense, Outside Service, Sundry Expense, Plant Management Expenses, Operations Transfer in expenses, Regular Environmental Expenses, and Environmental Project Expenses.** If the actual Depreciation expense is higher than the standard, the over standard amount will be added to the actual fixed cost for the performance calculation. For the completed B-1 projects which were performed by Operations Department and resulted in 20% over spent without authorized approval on the budget revision, the over spent amount (more than 20% compared with approved budget) will be added to their department's actual fixed cost. Also if the completed B-1 projects have not been closed out within 4 months (including 2 months for B-4 form preparation and budget overrun explanation as B-1 execution department's responsibility) due to Operations Department's responsibility, then, the monthly penalty of 2.0% of project cost per month for all the delayed B-1 projects will be added to their department's actual fixed cost as an adjustment for their performance reward calculation.

c. Variable Cost Standard:

The Variable Cost Standard (product per ST or MWH) is the current budget variable based on the current price of each raw material, chemical and energy.

d. Environmental Non-compliance:

Any reportable discharge. Any violation of parameters set forth in the permit conditions or applicable regulations identified by a regulatory agency or third party audit.

e. Safety Non-compliance:

Any recordable injury as defined by OSHA regulations. Any violation of applicable regulations identified by a regulatory agency or third party audit.

4. METHOD OF EVALUATION:

a. Evaluation method:

The basis for the evaluation will be the Accounting CTA1, CTA2 and plant Quality/Environmental/Safety Monitoring reports. The minimum achievement for the reward is as follows:

	<u>MIN. LEVEL</u>
1. Production Achievement	94%
2. Product Fixed Cost	115%
3. Product Variable Cost	102%
4. Environmental Non-compliance items	0 Items
5. Safety Non-compliance Items	0 Items

For the VCM Plant, production and variable cost are based on VCM product. The rest of the three items are the combined total of EDC and VCM plant.

For the PVC Plant, production and variable cost are based on PVC product. The rest of the three items are the combined total of PVC and Compound plant.

For the Olefins I Plant, production, variable cost and fixed cost are based on the ethylene product. The Environmental and Safety Non-compliance items are the combined total of Olefins I plant units. For Olefins II, production, variable costs are based on ethylene production. Fixed cost should include both Olefins II & Fract II. However, the environmental and safety non-compliance items are to be evaluated separately.

For the Chlor-Alkali Plant, production is based on NaOH product. The rest of the four items are the combined total of HCL, bleach, EDC and NaOH plant.

For the Ethylene Glycol Plant, production is based on MEG product. The rest of the four items are the combined total of EG and ASP plant.

For the Polyolefins Plant, the evaluation is based on the HDPE product for the HDPE Department, PP product for the PP Department and LLDPE product for LLDPE Department.

b. Calculation of Award:

- 1) The performance is determined by the five categories listed above. The actual achievement percentage figures for the month will be compared with the standard established for that month. A set amount will be awarded as an incentive for each percentage point (or each ST point) achieved over the minimum level. However, in the event that the minimum levels are not met, a set amount will be deducted per percentage point (or each ST point) under the minimum level (see the attached calculation schedule). Adjustment may be given to the items that are affected by a force Majeure condition. For production loss, Environmental and Safety Non-compliance Items which are attributed to the responsibility of the Maintenance Department will be adjusted from the calculation. Only 50% of the maintenance responsible production loss will be adjusted. The maximum monthly maintenance department's responsible production loss will be the actual monthly production loss compared to the standard capacity. If actual monthly production is higher than the standard capacity, the maintenance department will share 25% of extra production from production department (i.e. production department will only use 75% of extra production for reward calculation).
- 2) For the other production adjustment, such as raw material shortage, utility shortage, high product inventory, total plant scheduled turnaround adjustments, the adjusted amount will be only reach to the minimum reward production rate (i.e. no reward and penalty during adjustment period).
- 3) This reward program will be calculated on a monthly basis by each operating department. If one month's total calculated reward is negative, it will be carried over to the next month. If one quarter's (3 months) total calculated reward is negative, it will be changed to zero and will not be subtracted from the other quarter.
- 4) Each individual's reward will be based on the average of the monthly calculated reward of their responsible departments.
- 5) For the General Manager's office and Administration salaried employees (without their own program), their performance reward will be based on the average of all the production department's reward. However if there is any environmental or safety non-compliance items which are attributed to the responsibility of these departments,

then, they will not receive the average environmental or safety performance reward and will be penalized for that items, the penalty will be -\$125 for each environmental non-compliance item and -\$150 for each safety non-compliance item.

- 6) The final reward is adjusted by the job grade for the position held. The adjustment factor is attached.
- 7) In the event an employee is transferred, either in or out of the production department, the reward calculation will be prorated based on the employee's actual days of service.
- 8) In the case of a grade change, or promotion, the adjustment and starting day of new reward amount payable will be per corporate guidelines.
- 9) The reward calculation will be pro-rated for the employee's absence due to short-term disability, long-term disability, disciplinary suspension and unpaid leave.
- 10) Employee Termination and Resignation: Employees who have been terminated or have resigned from the Company prior to the end of the year (annual program) or quarter (quarterly program) will NOT receive any pro-rated incentive amount for that year or quarter, except for retirees and/or deaths of which a pro-rated incentive will be paid based on his/her service period. (Note: this provision will apply to year 2002 and beyond)
- 11) The rewards are all based on monthly performance and will be issued by the end of the second month following the end of each quarter.

6. AUTHORIZATION AND EXEMPTION:

- a. The standards set for each category and budget is subjected to review and change at the end of each year or as necessary. Change to the standard will be based on the completion of new Improvement Projects. However, to encourage improvements made by the facility, a 6 months grace period will be given from the date of project completion for production rate improvements before the new standard is adopted (The given period will not apply to a whole train expansion project).

7. ATTACHMENT:

- 1) FPC TX Production Unit Salaried Employee Performance Reward Target and Calculation Schedule

2) Job Grade and Position Adjustment Factor for PC and BR
Productions Plants Salaried Employee Performance Reward
Program.