2014 RETIREMENT PLAN CHANGES FREQUENTLY ASKED QUESTIONS

Q: Why is CPChem changing the Retirement Plan?

A: The new Stable Value formula for new hires will enable CPChem to continue offering a competitive benefit to attract and retain the talent we need to be the premier chemical company in our industry. The Stable Value formula is designed to maintain a competitive benefit and provide a plan structure that is easier for new and prospective employees to understand, while providing a lump sum benefit that is more stable in value and will always increase as long as the participant continues to earn eligible compensation. The Stable Value formula also allows for more stability and predictability in CPChem's cost for funding the Retirement Plan.

Q: What is changing in the Retirement Plan for current employees?

A: CPChem is slightly modifying the methodology used to determine the amount of Success-Sharing for current employees to ensure more consistency in how Company performance is rewarded across CPChem's compensation and benefit programs for current employees. All current employees (hired before July 1, 2014) will be grandfathered into the current traditional Retirement Plan formula, which provides a benefit based on an employee's Career Average Pay, annual credits to a Variable Annuity Account (including interest credits and Success-Sharing Contributions) and Legacy Uplift benefits for certain employees.

Success-Sharing contributions are tied to CPChem's overall performance and will continue to range from 0% to 10% of the participant's prior year-end Variable Annuity balance. Beginning for plan year 2014 (awarded in March 2015), CPChem's Success-Sharing contribution will be determined by the Employee Incentive Program (EIP) payout. The Success-Sharing contribution will be determined as follows:

$$10\% \times \frac{\text{Actual EIP payout}}{\text{Maximum EIP payout}}$$

For example, if the *actual* EIP payout for the year is equal to the *target* EIP payout (7%), then the Success-Sharing contribution is 5% (10% x 7% / 14% = 5%).

Q: Will my Success-Sharing contribution under the new methodology depend on my EIP Award Unit?

A: No, while your actual EIP payout will continue to depend on your EIP Award Unit, your Success-Sharing contributions will be calculated using the methodology described above based on the average EIP payout across all Award Units for that given year as posted on the EIP web-page on CPChem's intranet site under "EIP News"/"EIP Historical Chart." As stated above, this new Success-Sharing methodology will begin for plan year 2014.

Q: Is the new Stable Value formula for new hires better than the traditional Retirement Plan formula for current employees?

A: The plan formula for new hires is easier for new and prospective employees to understand and provides a lump sum benefit that is more stable in value and will always increase as long as the participant continues to earn eligible compensation. However, it is expected to provide a lower benefit at retirement than the traditional Retirement Plan formula, assuming market conditions remain consistent with what we have seen over the last 100 years.

Q: I am a current CPChem employee with a last hire date before July 1, 2014; can I switch to the Stable Value formula?

A: No; only employees with a last hire date on or after July 1, 2014 are eligible to participate in the Stable Value formula.

Q: What happens if I leave CPChem and then later rejoin the Company?

A: If you retire or terminate employment and are later rehired on or after July 1, 2014, you are no longer eligible to earn additional retirement benefits under the traditional Retirement Plan formula. Your sole pension benefit accruals will be under the new Stable Value formula within the Retirement Plan. If you left before you were vested and come back within five years, your additional service will be counted to determine your total years of vesting service under the traditional Retirement Plan formula and for your benefit and vesting service under the Stable Value formula.

Q: If I am a CPChem pension-eligible employee, and I take an expatriate assignment or take another type of secondee assignment, am I subject to the rehire provisions described above?

A: No. If you are a pension-eligible employee and take a CPChem expatriate or secondee assignment, and therefore remain on CPChem's U.S. dollar payroll, and have a last hire date before July 1, 2014, you are not considered to have terminated employment from CPChem and will continue to participate in the traditional Retirement Plan benefit.

Q: Who is eligible to participate in the Retirement Plan?

A: You are eligible to participate in the Retirement Plan if you are a regular employee on the payroll of CPChem or another participating employer and you are scheduled to work 20 hours a week or more. If you are a part-time employee not scheduled to work 20 hours a week or more, you must complete at least 1,000 hours of service, either within one calendar year of your date of hire or in any calendar year following the year in which you were hired to be eligible to participate.

You are not eligible to participate in the Retirement Plan if:

- You are classified as a leased employee.
- You are an independent contractor.
- You belong to a collective bargaining unit that does not provide for your participation in the Retirement Plan.
- You are not on the CPChem or a participating Company's payroll.
- You are subject to a written agreement that states you are ineligible for the Retirement Plan.
- You are a member of the CPChem Puerto Rico Core LLC Pension Plan or the Pension Plan for Hourly Rate Employees of Performance Pipe at Bloomfield or Fairfield, Iowa.
- You are a CPChem employee paid on an hourly basis at Performance Pipe in Brownwood, TX, Hagerstown, MD, Pryor, OK, Startex, SC or Williamstown, KY or a CPChem hourly employee hired on or after January 1, 2004, at Performance Pipe in Knoxville, TN or Reno, NV.

Q: Is anything else about the Retirement Plan changing, other than the new hire Stable Value formula and the revised Success-Sharing methodology?

A: No. Key Retirement Plan features, such as vesting, eligible compensation, normal and early retirement requirements and distribution options are not changing.

Q: Is the lump sum distribution option going away for current or future Retirement Plan participants as a result of these changes?

A: No. The available distributions options are not changing as a result of these changes, and the lump sum distribution option currently remains available as a distribution option for both the traditional Retirement Plan benefit and the Stable Value benefit.

Q: What is the vesting requirement?

A: You are 100% vested in your accrued benefit after three years of vesting service. If you join the Retirement Plan before you reach age 18, you must complete three years of vesting service starting with your 18th birthday in order to be vested.

Q: How is the Stable Value formula determined?

A: Each year, your hypothetical recordkeeping account is credited with pay credits equal to 15% of your eligible compensation. The amount in this hypothetical recordkeeping account is payable as a lump sum benefit at your Normal Retirement Age. If you terminate employment and elect to receive your benefit prior to your Normal Retirement Age, the lump sum will be reduced (special early retirement provisions apply). If you choose to receive your benefit in the form of an annuity, the value of your account will be converted to an actuarially equivalent annuity.

The following table provides an example of how the credits accumulate as a lump sum under the Stable Value formula. In this example, you are assumed to join Chevron Phillips Chemical at age 55 and work for Chevron Phillips Chemical for 10 years, with compensation including base compensation plus annual EIP bonus starting at $50,000 and increasing by $2,000 a year.

Example of Stable Value Benefit Accumulation

Year	Compensation	15% Stable Value Benefit Credit	Account Value End of Year (Payable at Age 65)
1	$50,000	$ 7,500	$ 7,500
2	$52,000	$ 7,800	$15,300
3	$54,000	$ 8,100	$23,400
4	$56,000	$ 8,400	$31,800
5	$58,000	$ 8,700	$40,500
6	$60,000	$ 9,000	$49,500
7	$62,000	$ 9,300	$58,800
8	$64,000	$ 9,600	$68,400
9	$66,000	$ 9,900	$78,300
10	$68,000	$10,200	$88,500

You can then receive the value of your account as a one-time lump sum benefit when you retire (assuming no reduction for early payment). If you choose to receive your benefit in the form of an annuity, the value of your account will be converted to an actuarially equivalent annuity to determine the Normal Retirement Benefit.

Q: Is my Stable Value benefit reduced if I take it before my Normal Retirement Date and/or Early Retirement Date?

A: Yes, if you commence your benefit before age 65 or age 62, depending on your retirement eligibility, your benefit is reduced by 5% per year from your unreduced retirement age.

Pension Benefit Multipliers — Stable Value Formula

You are eligible to commence your vested benefit any time after your employment at CPChem ends. However, your benefit will be reduced by 5% for every year you commence benefits before age 62 if retirement eligible* or age 65 if not retirement eligible. The next table illustrates the impact of commencing your Stable Value benefit prior to age 65. In the left column, you have an age range of 25 to 65. In the next two columns, you have the percentage of vested accrued benefit you could receive if you started your benefit at that age. The Pension Benefit Multiplier is based on your commencement age and years of service. The second column represents employees who are early retirement eligible and the third column represents those who are not.

Commencement Age	Retirement Eligible	Not Retirement Eligible
25	Not applicable	13%
35	Not applicable	21%
45	42%	36%
55	70%	60%
62	100%	86%
65	100%	100%

For example, let's explain the Pension Benefit Multiplier for an age 45 participant who is not retirement eligible. This employee is 20 years from his or her retirement age of 65. The Pension Benefit Multiplier for this participant is calculated as follows:

Pension Benefit Multiplier equals:

(100% – reduction factor) ^ (65 – age) = (100% – 5%) ^ 20 = 36% (rounded)

If this participant's age 65 lump sum benefit is $100,000, his or her lump sum benefit at age 45 is calculated as follows:

Age 45 Benefit equals:

Age 65 Benefit x Pension Benefit Multiplier = $100,000 X 36% = $36,000 (rounded)

Note that this participant can defer commencement from age 45, and his or her benefit will continue to grow due to a higher Pension Benefit Multiplier over time, although employees who have terminated employment must commence their benefit at age 65.

* Retirement eligibility begins at the earlier of age 55 and 10 years of service, age 65 and three years of service or 25 years of service. Retirement eligibility is unlikely to be satisfied for participants commencing benefits prior to age 45.

Q: If I am a Stable Value formula participant and I plan to take an annuity, how is my annuity benefit influenced by interest rates?

A: The current traditional Retirement Plan is designed as an annuity. Therefore, the annuity amounts grow at a pre-defined rate based on eligible compensation. Individuals who select the lump sum payment option will receive a lump sum amount that would vary depending on prevailing interest rates and mortality tables at the time of commencement. Conversely, the Stable Value formula is designed as a lump sum. Therefore, the lump sum amount grows at a pre-defined rate based on eligible compensation, and individuals who select the annuity payment option will receive an annuity amount that would vary depending on prevailing interest rates and mortality tables at the time of commencement. The table below demonstrates how the annuity amounts vary based on interest rates for a sampling of lump sum benefit and age combinations.

Monthly Annuities Payable at Different Rates*

		INTEREST RATE						
Age at Payment	**Lump Sum at Payment Age****	**3%**	**3.5%**	**4%**	**4.5%**	**5%**	**5.5%**	**6%**
35	$100,000	$ 330	$ 360	$ 392	$ 424	$ 457	$ 491	$ 525
45	$200,000	$ 741	$ 799	$ 860	$ 921	$ 984	$1,048	$1,113
55	$400,000	$1,766	$1,880	$1,996	$2,115	$2,235	$2,358	$2,482
65	$500,000	$2,860	$3,001	$3,144	$3,289	$3,436	$3,584	$3,735

* Note: these annuities were calculated using the 2014 417(e)(3) mortality table.

** Lump sum at each payment age represents the Stable Value benefit reduced for early payment, as applicable.

Q: How is the Variable Annuity benefit in the traditional Retirement Plan formula determined?

A: At the end of each month, your hypothetical recordkeeping account is credited with pay and interest credits. Pay credits are equal to 1% of your eligible compensation for that month, and interest credits are based on a hypothetical investment mix that is 50% invested in the Barclays Capital Aggregate Bond Index and 50% invested in the S&P 500 Index, minus 4% (subject to a 3% minimum). In addition, the Variable Annuity benefit may be increased annually with Success-Sharing credits, depending on business conditions. Your account continues to earn interest credits until you receive payment of your benefits. The part of your Retirement Plan benefit from the Variable Annuity benefit component will depend on the value of your account when your payments begin. If you choose to receive your benefit in the form of an annuity, the value of your account will be converted to an actuarially equivalent annuity and added to the Career Average Pay benefit for determining your Normal Retirement benefit.

Q: What is the Career Average Pay benefit in the traditional Retirement Plan formula?

A: Each year you earn a Career Average Pay benefit credit equal to 1.5% of your eligible compensation for that year, retroactive to your first day of participation in the Retirement Plan. Career Average Pay benefit credits are cumulative. At the end of your career, this part of your benefit will equal the sum of all your Career Average Pay benefit credits. You will then receive this amount each year — divided into monthly payments — as part of your Retirement Plan benefit when you retire (assuming no reduction for early payment and a life annuity election).

Q: How can I receive my benefit?

A: When you become eligible to receive your benefit, you may choose from the forms of payment available under the Retirement Plan at that time. The default form of payment is an annuity. An annuity provides monthly income over your lifetime (and the lifetime of your spouse or other beneficiary, if elected). If you are single, your default annuity is a Single Life Annuity, which provides you with a monthly benefit for your lifetime, but does not provide benefits to a beneficiary. If you are married, a 50% Joint and Survivor Annuity will be your default annuity and provides a reduced benefit for your lifetime and a monthly benefit for the life of your spouse/beneficiary after your death. You can choose an alternative form of payment, but you must have your spouse's documented consent if married. In addition to annuity forms of payment, you can also elect a one-time lump sum distribution.

Q: Are there any associated changes to the CPChem 401(k) Savings and Profit-Sharing Plan?

A: No, there are no changes being made to your 401(k) Plan benefits as part of the Retirement Plan changes during 2014. As always, CPChem retains the discretion to amend its employee benefits plans and programs at any time.

<u>Notice to Participants</u>:
This document is not intended to create, nor will it be construed to form, a contract or promise for either employment or a benefit. Participation in the Retirement Plan is subject to all applicable Retirement Plan terms and conditions. The official Retirement Plan is the governing plan document, and any differences between this document and the Retirement Plan are unintentional. If any differences are found to exist, the Retirement Plan will govern. CPChem reserves the sole right to administer, interpret, modify, amend, suspend or terminate the Retirement Plan, in whole or in part, at any time, including any form or type of coverage thereunder. Any decisions of CPChem regarding the Retirement Plan shall be final and binding upon all participants.