



SUSTAINABILITY & CORPORATE RESPONSIBILITY

SUSTAINABILITY AT CCM

Sustainable long-term growth remains a strategic priority for us here at CCM. As we go about our business, we seek opportunities to leverage our influence as the leader in each of the sectors in which we operate in. Our holistic approach to sustainability is achieved by successfully integrating responsible management and sustainable development practices that balance out our economic ambitions with good environmental and societal considerations. Not only is this approach enabling us to maximise opportunities in areas such as innovation, community development and value creation, it is helping us enhance the sustainable development agenda of the nation.



VALUING OUR STAKEHOLDERS

As we advance forward in our sustainability journey, we are more convinced than ever of our role to enhance the quality of life of all our stakeholders by making positive contributions to the economy, people and the planet. We have a long history of stakeholder engagement and are committed to engaging in constructive and meaningful dialogue with our stakeholders. Effective communication helps us to build trust and leverage on the expertise of our diverse stakeholders. Stakeholder engagement also helps us to reaffirm the most material issues and devise ways to address them within the Group.

In 2017, CCM continued to make good strides forward in its pursuit of responsible business and sustainable growth. We continued to implement proven sustainability initiatives on the Economic, Environmental and Social (EES) fronts while rolling out new ones.



ECONOMIC

CCM is a Government-Linked Company (GLC) and is presently one of the largest manufacturers of chemicals and polymers in Malaysia. We have a strong corporate presence in Malaysia with more than 50 years history to our name as well as a regional presence through our offices in Singapore and Indonesia. Today, through our offer of a wide range of products and services to the chemicals and polymers sectors, we remain committed to providing sustainable solutions based on innovative sciences to these sectors to enhance the quality of life of our stakeholders.

CCM has set high benchmarks by implementing responsible, sustainable and consistent compliance procedures throughout the Group to meet growing domestic and overseas needs. We continue to make significant contributions to Malaysia's economic development as well as generate economic value for other nations, regions and communities by providing employment, paying taxes, supporting local goods and services as well as developing infrastructure. We consider it our responsibility to make a broader contribution to sustainable development in the communities in which we operate and continue to invest in national projects.

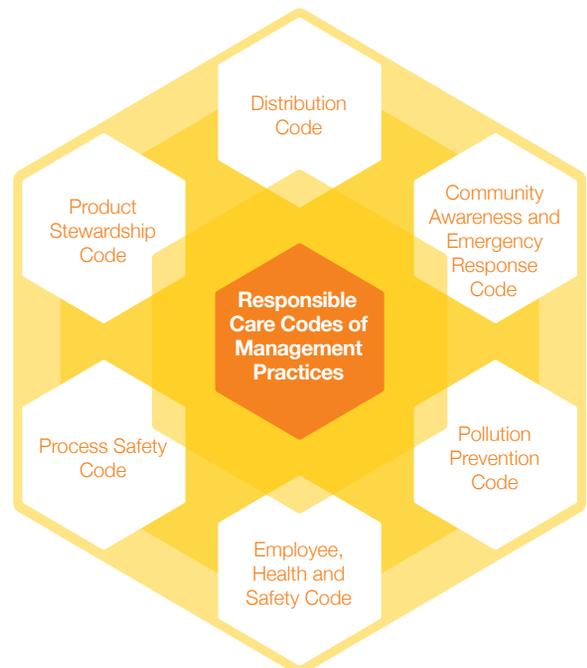
As a key player in the chemicals and polymers industries, we continue to assume a leadership role and work in partnership with our peers within the industry, governments, NGOs and local communities to realise our vision of Enhancing Quality of Life.

Chemical Industries Council of Malaysia

CCM is currently serving as an Executive Committee member of the Chemical Industries Council of Malaysia (CICM). CICM is the umbrella body representing the various subsector chemical groups comprising the oleochemicals, paints, fertilisers, petrochemicals, agriculture chemicals, industrial gases, coating resins and biodiesel sectors. We also chair CICM's Regulatory Affairs Committee and are a member of the Technical Committee of its Responsible Care Programme (RCP).

As a signatory of the Responsible Care Charter, our Chemicals business actively subscribes to and implements the six codes of management practices throughout its operations.

We pursue safe chemicals management and performance excellence groupwide. Our commitment helps boost public confidence and trust in the industry's dedication to safely manage chemicals throughout their lifecycles. This ensures that chemistry can continue to contribute to a healthier environment, improved living standards and a better quality of life for all.



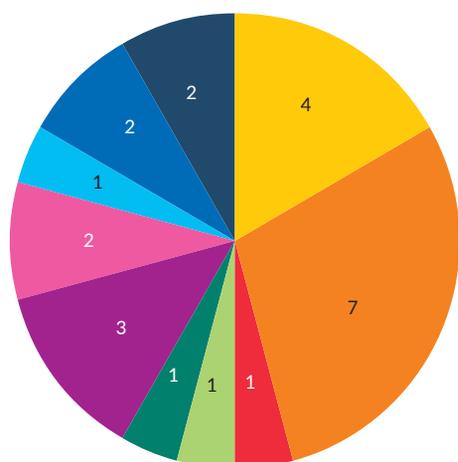
SUSTAINABILITY & CORPORATE RESPONSIBILITY

Bumiputera Vendor Development Programme (BVDP)

In support of the government's efforts to create a Bumiputera Commercial and Industrial Community (Masyarakat Perniagaan dan Perindustrian Bumiputera) under the Bumiputera Economic Council (Majlis Ekonomi Bumiputera) initiative, CCM established the Bumiputera Vendor Development Programme (BVDP). The CCM BVDP aims to support local businesses and expand our own business which ultimately contributes to the economic growth of the communities in which we operate. Vendors are provided guidance in developing and supplying products and services to our exact specifications. Their business competency performance is also evaluated.

The year in review saw us continuing to do our bit to develop capable Bumiputera vendors to address and tap into opportunities in the growing Halal pharmaceuticals, polymer and chemical industries. Five new vendors were appointed, namely Nashmir Capsule Sdn. Bhd., Utama Multimodal Logistics Sdn. Bhd., Widespread Malaysia Sdn. Bhd., NSF Engineering Sdn. Bhd. and Chemtrax Sdn. Bhd. To date, 24 vendors have been appointed by CCM under the programme.

CCM's BVDP Vendors Appointed by Anchor Companies



Investing in Skilled Technical Workers

CCM has invested in the development of the next generation of skilled technical workers in Malaysia by contributing machinery and equipment worth RM2.5 million to Kolej WIT, a leading engineering and technical-based training college in the country. The contribution is part of CCM's efforts to foster the practical application of skills and knowledge amongst students to ensure a steady pool of quality skilled technical workers in Malaysia, in line with the government's TN50 goal of spearheading the nation to become a top 20 country in the world by 2050.

ENVIRONMENTAL

As part of our long-standing commitment toward managing our environmental footprint, we address key environmental impacts across our businesses and focus on continuous improvement, with particular emphasis in the areas that are most relevant to each business. Our environmental sustainability efforts are focused on two complementary areas, namely minimising the environmental footprint of our operations and supply chain, as well as reducing the environmental impact of our products and packaging. We also implement various engagement activities to inculcate a culture of environmental awareness and responsibility among our employees, customers and communities.



Energy Efficient New Technology

A major improvement in 2017 was the consolidation of the chlor-alkali operations at Pasir Gudang Works 2 (PGW2) and the decommissioning of PGW1 operation. The main equipment with high electrical demand was replaced with new technology resulting in savings of RM3.8 million in 2017.

3R eCO-Buddies

In line with our efforts to minimise environmental pollution, all our manufacturing plants are equipped with wastewater treatment facilities. March 2017 saw the launch of the 3R eCO-Buddies initiative in conjunction with the Q1 Town Hall session at the CCM Polymers site. This initiative involves the proper identification, segregation and recycling of washed water. The successful implementation of the recycling system resulted in hard savings of RM750,000 per annum in 2017.

Rehabilitation of the Shah Alam Plant

The CCM Shah Alam Plant (SAP) began operations in 1964 with the commissioning of a chlor-alkali plant, followed by the commissioning of the compound fertilizer plant in 1965. At that time, much of the roofing and cladding of the fertilizer plant were made from asbestos, well before building regulations relating to asbestos were implemented in the 1980s. This posed an environmental challenge when the site was scheduled for decommissioning between 2015 and 2017.

CCM took responsibility for ensuring that demolition activities for the whole site were dutifully carried out without posing any health risk to the surrounding communities and future re-development. To this end, we engaged contractors who were licensed to carry out safe, efficient, and environmentally-friendly removal solutions for asbestos-containing materials (ACMs) still on the SAP site. All in all, 770 metric tonnes of ACMS were successfully dismantled and disposed to Kualiti Alam Waste Management Centre (WMS) at a total cost of RM2.04 million.

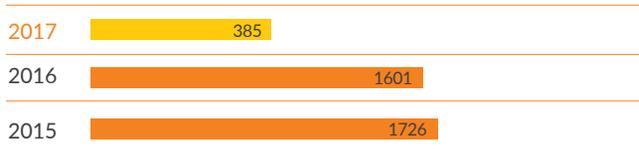
SOCIAL: LABOUR PRACTICES

Diversity

CCM welcomes diversity and the benefits that the differences between people can bring to the Company. Workplace diversity fosters mutual respect among employees. Diversity not only involves how people perceive themselves, but how they perceive others, and those perceptions affect their interaction with their peers. All races and age groups are well represented with men slightly outnumbering women. Our diversity indicators are presented in the charts on the next page:

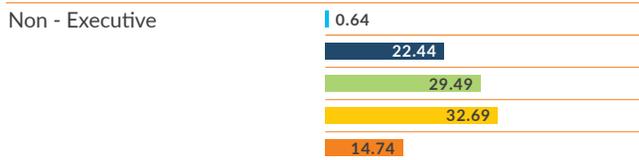
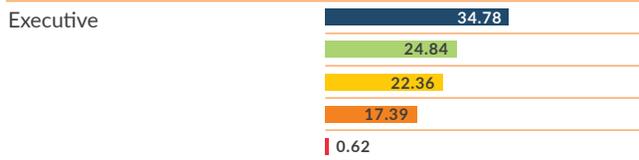
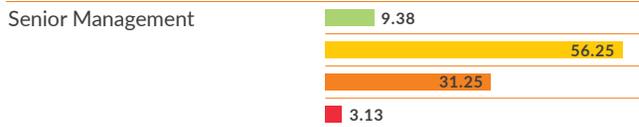
SUSTAINABILITY & CORPORATE RESPONSIBILITY

Total Number of Employees by Year



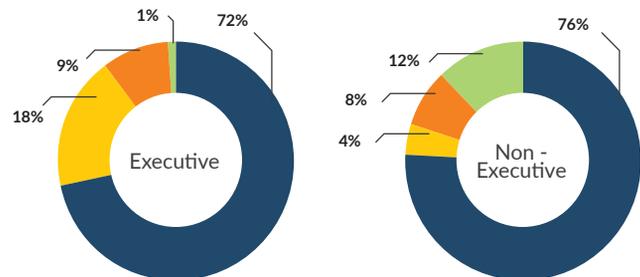
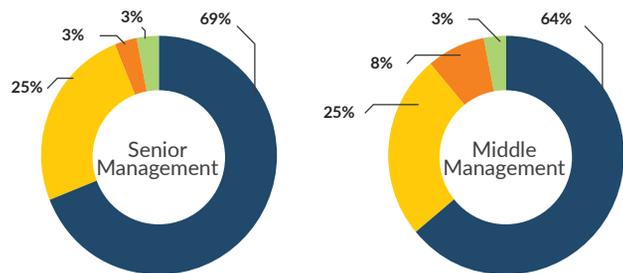
Breakdown by Age Group (%) at Different Levels of Management

Legend: Below 20 (Blue), 20-29 (Dark Blue), 30-39 (Green), 40-49 (Yellow), 50-59 (Orange), Above 60 (Red)



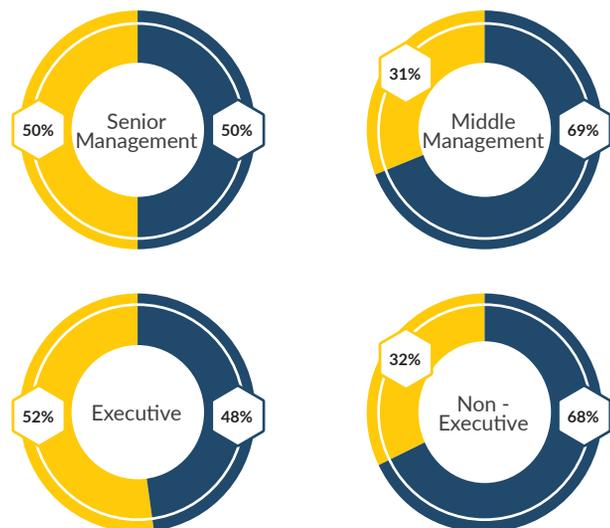
Breakdown of Employees by Ethnicity (%) Excluding Temporary Workers

Legend: Malay (Dark Blue), Chinese (Yellow), Indian (Orange), Others (Green)



Breakdown by Gender (%) at Different Levels of Management

Legend: Female (Yellow), Male (Dark Blue)





Employee Engagement

Our success depends on our people performing to the best of their abilities. To achieve this, they must feel motivated, connected and valued. Ensuring our employees are engaged helps foster a culture of personal responsibility and innovation. Our annual employee engagement survey is a key element in gauging how employees feel connected and motivated. It is also a method to ensure we deliver our promises so that all employees can perform to the best of their abilities. The survey encompasses a wide range of topics. In 2017, our overall results showed an improvement with an 87% rating compared to 82% in 2016.

Numerous initiatives have been held to foster teamwork and interpersonal relationships between employees of all levels. This approach ensures our employees are continuously engaged and motivated. In 2017, our engagement efforts encompassed Breakfast with the GMD sessions, Quarterly Townhall sessions as well as festive celebrations and sports activities, among other activities.

Operational Excellence

CCM has always promoted Total Quality Management via an Operational Excellence culture with Quality People and Quality Processes delivering Quality Products and Quality Services to our customers.

In 2017, CCM continued to train staff on QC Tools and Lean Six Sigma. An additional 32 employees were trained in 2017 for OE-QC Tools classes, while two classes in Lean Six Sigma Green Belt were conducted with a total of 22 employees trained and passing the examination. In 2017, a total of 10 employees were certified as CCM Lean Six Sigma Green Belts. In 2017, the Lean Six Sigma programme contributed savings of RM25.26 million, while the programme has generated annualised savings amounting to RM110.57 million since June 2012.

Innovation & Quality Convention

The CCM Group's 22nd CCM Innovation & Quality Convention was held on 7 September 2017 as a platform for employees to share their experiences and successes in OE projects implementation. Teams from across the CCM Group presented their OE projects in a friendly competition for the best OE improvement teams. Our employees demonstrated their knowledge and skills by applying OE tools such as the Lean Six Sigma and Plan-Do-Check-Act methodologies to improve efficiency and effectiveness in their work.

Upholding Integrity

In 2017, we undertook various measures that underscored our commitment to upholding integrity. Following the commitment made by our suppliers under the Integrity Pact since 2015 to work together with CCM to fight corruption, the practice was expanded to the regional offices. The year also saw a three-year Organisation Integrity Plan being formulated and validated by representatives from the Malaysian Institute of Integrity and the Malaysian Anti-Corruption Commission (MACC). The plan was subsequently approved by the Board of Directors for implementation.

On 30 November 2017, we held our fifth Integrity Day with the theme "Embarking on Anti Bribery Compliance with ISO 37001".



SUSTAINABILITY & CORPORATE RESPONSIBILITY

SOCIAL: OCCUPATIONAL SAFETY AND HEALTH

The health and safety of our employees, customers and suppliers has always been a priority for CCM. Our dedicated safety team is committed to improve our Safety, Health and Environment (SHE) performance and to minimise incidents wherever we are working. To maintain our excellent safety record, thorough and frequent training is essential, with regular audits to ensure all our employees follow the correct procedures. We also encourage our suppliers and contractors to join our safety programmes.

EX-STORM Exercise

As a breach or breakdown in our facilities could cause a major hazard, our Emergency Response Plan is a crucial element in ensuring that any untoward incident is managed in a responsible and systematic way. Our Pasir Gudang plant is one of the active members of the Pasir Gudang Emergency Mutual Aid (PAGEMA) Group which collaborates to uphold high SHE practices and regulations among member companies. In 2017, PAGEMA's annual mock exercise, was expanded to involve five disaster scenarios at five companies and locations occurring over the span of 12 hours due to an earthquake.

CCMC PGW was selected as one of the five hosts for the event named 'Exercise for Special Team Operation & Response Mechanism' (EX-STORM) which was postulated this year as a national disaster exercise drawing in 700 fire and rescue personnel. The scenario involved a chlorine gas release from a storage tank due to pipelines breaking down. This accident had caused a widespread plume of toxic gas escaping into the environment affecting the community within a 10km radius of the plant.

Chemical Emergency Service (CES) Team

The CES Team was formed to provide advice on safety measures and the remedial actions to be taken when a chemical emergency occurs during transportation or product unloading at customer premises and to provide a trained professional team to respond to chemical emergencies. Today, CCMC collaborates with the Fire and Rescue Department Malaysia, specifically with their Hazardous Materials (HAZMAT) team to share information and knowledge about our manufactured products as well as carries out joint spill exercises/simulations. CCMC is regarded as a Subject Matter Expert (SME) by the Fire and Rescue Department Malaysia.

Towards a World Class SHE Culture

A SHE culture is of paramount importance in our business operations and we strive to achieve world class standards in this area. This is especially important as we need to ensure we meet all regulatory requirements in our operations and premises and obtain mandatory licences on a yearly basis. Since 2016, CCMC has organised a SHE perception survey to gauge our progress towards reaching the standard of world class SHE companies. In 2017, we embarked on our "Towards World Class SHE Culture" programme, a journey and commitment by senior management and staff to achieve world class performance which targets zero incident, zero pollution and zero waste. The ultimate aim of this programme is for the Chemicals Division to achieve a "Zero by Design" SHE culture and way of life.

SOCIAL: SOCIETY

As part of our developmental efforts, we are committed to investing back into the communities in which we operate. We enhance the well-being of communities via direct financial support, through employee volunteerism activities for humanitarian projects and fundraising activities, as well as through partnerships with organisations and other philanthropic causes.

CCM PINTAR Programme

CCM PINTAR programme is a school adoption programme initiated by Khazanah Nasional Berhad. Our involvement in the PINTAR programme began in 2007 and we have adopted 15 schools to date. The programme aims to provide support to participating schools towards a holistic development of future generation and improve socio-economic standards through educational achievement. In 2017, more than 50 activities were conducted at 15 primary schools nationwide involving more than 11,600 students and 850 teachers.

Rakan Saintis Sungai CCM (RSS)

Developing youth as environmental ambassadors, the Rakan Saintis Sungai CCM (RSS) programme offers students a first-hand learning experience on water conservation. Introduced in 2010 as Program Rakan Alam Sekitar, the programme was later rebranded as Program Rakan Saintis Sungai CCM. This programme raises awareness by educating primary and secondary school students on the importance of environmental conservation, emphasising river health in particular. Participants develop a responsible attitude to their natural surroundings and water resources. In 2017, the RSS programme was organised in the states of Johor and Perak.

Skim Latihan 1Malaysia Programme

This programme is aimed at providing soft-skills and on-the-job training for Malaysian graduates, especially those from under-privileged families. This is one of CCM's Corporate Responsibility initiatives which are aligned with CCM's Corporate Values. Since 2013, CCM has provided on-job-training placements to 209 trainees with 33 of them being absorbed into the CCM workforce.

In Support of World-class Golf

We continue our support for the Professional Golf of Malaysia (PGM) platform by enabling players to showcase their skills. CCM believes that our local players have what it takes to achieve global recognition. With hard work, passion and continuous support, we are confident that they can make a name for themselves internationally and make Malaysia proud. In 2017, the PGM CCM Seriemas Championship was held at the Kota Seriemas Golf and Country Club in Nilai, Negeri Sembilan. With total prize money of RM220,000, the tournament attracted top local players who battled it out against international professional golfers.

Kayuhan Kasih Merdeka 2017

The Kayuhan Kasih Merdeka 2017 event was held to commemorate Malaysia's 60th Merdeka celebrations and inculcate patriotism among Malaysians. Held at the Seri Alam police headquarters, this cycling event aimed to foster unity and national pride through a fun community-based activity. Aside from nurturing love for the country and promoting a healthy lifestyle, the event also sought to help those in need. Kayuhan Kasih Merdeka 2017 received positive response from the community and attracted more than 200 participants who cycled along the 20km route with the Jalur Gemilang flying high on their bicycles.

For the finer details of CCM's sustainability efforts, please refer to the CCM Sustainability Report 2017 which is available on the Company's website, www.ccemberhad.com.