

Sustainability Statement



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.

The agenda of sustainability remains a priority for CCM. We acknowledge that our long-term success is not only dependent on our pursuit of our economic ambitions but on our ability to foster strong ties with local communities while being a good steward of the environment that we operate in. To this end, we are proactively making continual improvements on the Economic, Environmental and Social fronts to safeguard the longevity and success of our business.

SUSTAINABILITY REPORTING

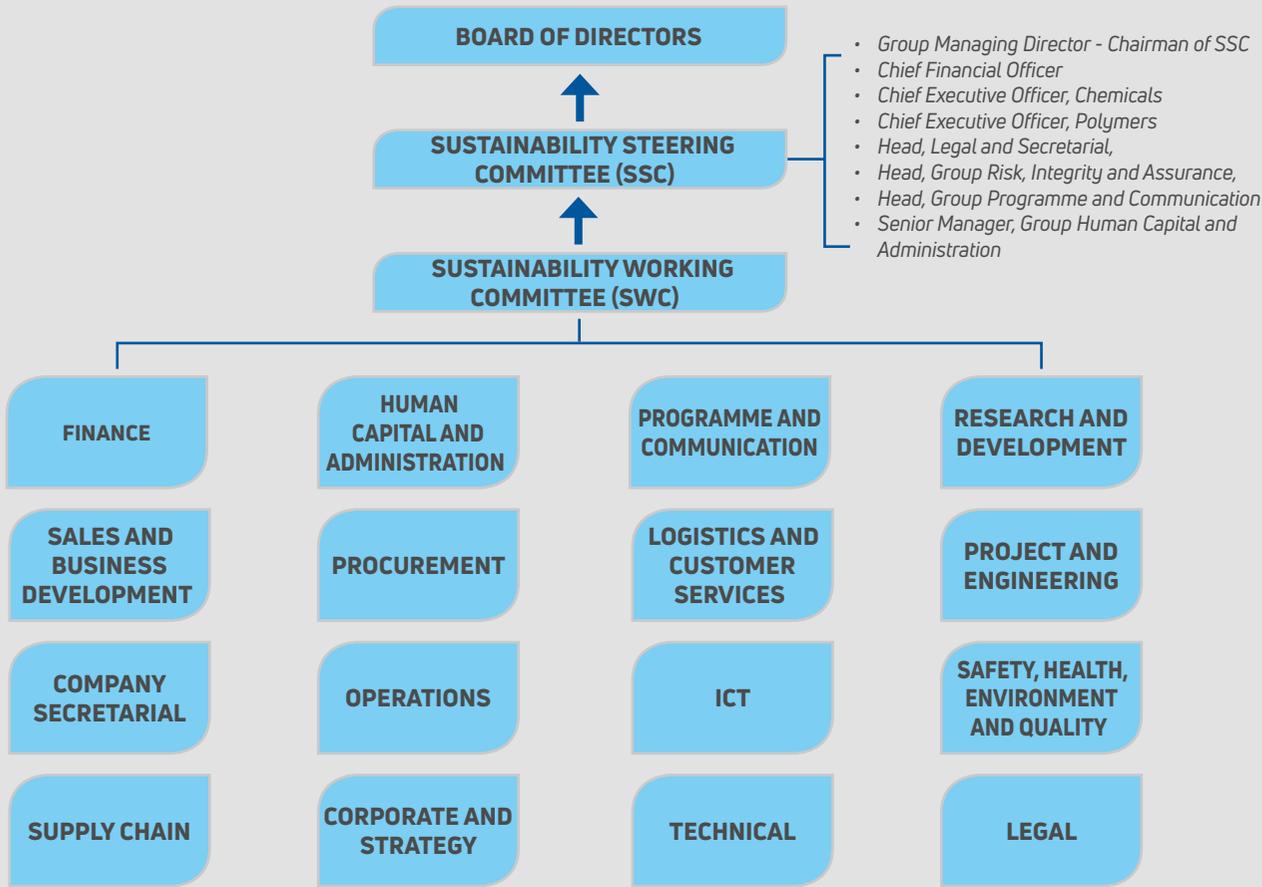
For the year under review, we continued to uphold effective Economic, Environmental and Social (EES) practices. Our 2018 EES initiatives to foster the sustainable growth of our businesses are outlined in our Sustainability Report. Our reporting scope for the financial year 2018 covers our activities from 1st January to 31st December 2018. As a robust approach towards embracing sustainability, it covers across

all of our operating units including our headquarter and two main business companies, CCM Polymers Sdn. Bhd. ("CCM Polymers" or "Polymers") and CCM Chemicals Sdn. Bhd. ("CCM Chemicals" or "Chemicals"). This is our first year of reporting that is in line with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

This Sustainability Statement provides a summary and highlights from the full report. For more details, please refer to the CCM 2018 Sustainability Report, our fifth standalone report which is available in digital format and can be downloaded from www.ccmberhad.com.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Group’s sustainability governance structure continued to evolve in 2018. As detailed in the diagram below, our corporate sustainability operations and strategies are overseen by CCM’s Board of Directors (the Board), with the support of the Sustainability Steering Committee (SSC) and the Sustainability Working Committee (SWC). The SWC has been newly integrated into the leadership structure to ensure and manage the implementation of sustainability-related matters.



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The roles and responsibilities of the SSC and SWC committees are as follows:

Sustainability Steering Committee (SSC)

- To appoint the members of the Sustainability Working Committee (SWC);
- To oversee and monitor the progress of integrated sustainability activities across CCM by the SWC;
- To ensure key members are involved in the decision-making process for all CCM's sustainability-related matters; and
- To report the progress of sustainability matters to the Board on a periodical basis.

Sustainability Working Committee (SWC)

- To directly monitor the sustainability performance of the Group at all levels;
- To coordinate and execute sustainability activities that are in line with the strategic direction of the Group and its policies; and
- To ensure sustainability matters are effectively communicated to all stakeholders i.e. the SSC, the Board, CCM employees, vendors, customers and others.

VALUING OUR STAKEHOLDERS

We value our diverse stakeholders and it is our aim to communicate with our stakeholders as transparently as possible on our strategic direction, motivation, goals, key developments and business progress. Through stakeholder dialogue, we seek to

identify opportunities to improve stakeholder management and relationships, co-create projects for our mutual benefit, and ensure our targets can be accomplished in the most effective way.

Throughout the year, we regularly engage with our stakeholders and create conversations centred on topics that are relevant to our operations and which impact society as a whole. The information and feedback we receive during these engagement sessions are leveraged on to ensure we make a greater impact in those areas that are most important to our key stakeholders. By involving internal and external stakeholders in the Group's growth and success, we aim that all parties will benefit from these efforts. The table below spells out the details of the year's key stakeholder engagement activities.

Our Stakeholders	Stakeholders' Focus and Areas of Interest	How We Address Their Concerns	Frequency of Engagement
 EMPLOYEES	<ul style="list-style-type: none"> • Career development • Work-life balance • Knowledge building and talent development • Employee health, safety and wellness • Diversity and inclusion • Talent management • Women's empowerment 	Capacity building programmes	Throughout the year
		Performance appraisal	Biannual (Mid-Year and Full Year review)
 GOVERNMENT AND REGULATORY BODIES	<ul style="list-style-type: none"> • Compliance • Product certification • Environmental emissions and discharge 	Pasir Gudang Emergency Mutual Aid (PAGEMA) meetings chaired by the Yang Di-Pertua of Majlis Perbandaran Pasir Gudang	Quarterly
		Dialogue session with the Department of Environment (DOE) on scheduled waste and Guided Self-Regulation (GSR)	4 sessions
		Site inspection/Audit by local authorities	Ad-hoc
		BOMBA inspection for renewal of Fire Certificate	Yearly
		Meetings and dialogue sessions	As and when required
		Annual General Meeting (AGM)	Yearly
		Extraordinary General Meeting (EGM)	As and when required
		Company announcements	As and when required
		Annual Report	Yearly
		Corporate Governance Report	Yearly
Website	Throughout the year		

Our Stakeholders	Stakeholders' Focus and Areas of Interest	How We Address Their Concerns	Frequency of Engagement
 CUSTOMERS	<ul style="list-style-type: none"> • Safe products and services • Quality management • Product quality and safety • Consumer health and well-being • Product environmental and social impact • Transparency and reporting • Traceability • Human rights 	Standards and certifications Customer feedback (complaints) Customer survey Product handling training for customers Customer installation assessment	Throughout the year As and when required Biennial for Chemicals Division and Yearly for Polymers Division 39 sessions for Chemicals Division and Throughout the year for Polymers Division Per new customer
 MEDIA	<ul style="list-style-type: none"> • Impact of the operations on the community • Product innovation 	Interviews Press releases AGM EGM	As and when required As and when required Yearly As and when required
 SHAREHOLDERS AND INVESTORS	<ul style="list-style-type: none"> • Business strategy • Financial performance • Governance and integrity • Global business strategy 	Investor roadshows & Interviews AGM Analysts' briefings EGM	As and when required Yearly Yearly As and when required
 SUPPLIERS	<ul style="list-style-type: none"> • Fair procurement • Transparency • Price stability • Product reliability 	Vendor development programme Vendor quality audit Vendor performance audit Vendor integrity pact briefing Procurement system Six-month training provided by the Ministry of International Trade and Industry	Throughout the year Yearly Each transaction of production materials Yearly Throughout <ul style="list-style-type: none"> • Monthly report on the procurement amount spent on vendors in the programme • Yearly feedback on the programme
 COMMUNITIES AND PUBLIC	<ul style="list-style-type: none"> • Community development • Quality products and services 	Community programmes Sponsorship and donations	Throughout the year Throughout the year
 BANKERS AND FINANCIAL INSTITUTIONS	<ul style="list-style-type: none"> • Financial performance 	Meetings and discussions	As and when required

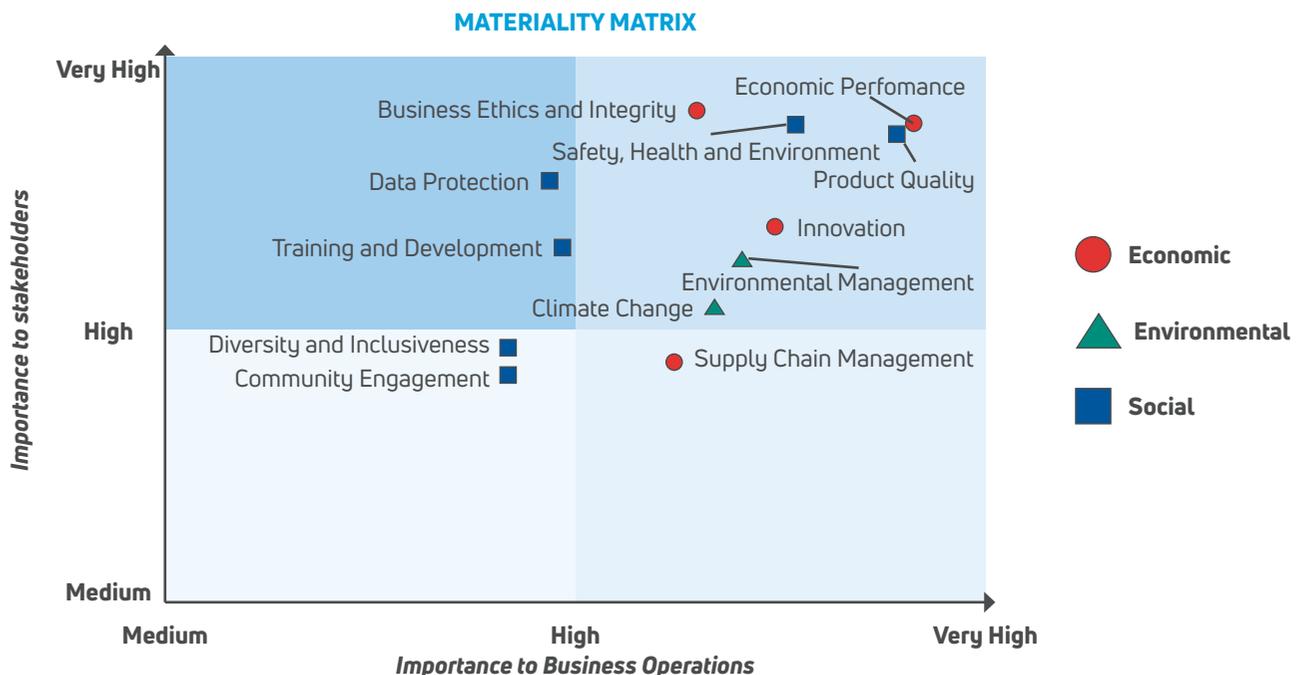
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Our Stakeholders	Stakeholders' Focus and Areas of Interest	How We Address Their Concerns	Frequency of Engagement
 INDUSTRY PEERS	<ul style="list-style-type: none"> Industry developments Competitiveness Open knowledge sharing between industries 	Industry forums	<ul style="list-style-type: none"> One visit by the Project Team to Profilco Filter at Vestolit Plant, Germany Involvement in Responsible Care Steering Committee and Technical Committee which meet every quarter
		Conferences	Attended 8 conferences in 2018: <ul style="list-style-type: none"> Palm & Lauric Oils Price Outlook Conference 2018 12th International Chlor-Alkali & Vinyls Conference 2018 The 22nd World Alkali Conference 9th Rubber Glove Conference & Exhibition 2018 MWA Symposium on Water Resources Management 6th International Protective Glove Conferences (IPGC) 11th International Automation Technology Exhibition 24th International Machine Tools & Metalworking Technology Exhibition.

OUR MATERIAL SUSTAINABILITY MATTERS

Our material sustainability matters are not limited to matters that may have significant financial impact on our organisation, but also include matters that may impinge on our ability to meet present and future needs. We choose our material matters based on the guidelines provided by Bursa Malaysia where we identify issues that reflect the significant EES impact of our activities and which influence the perspectives and decisions of our stakeholders. In FY 2018, we performed a materiality assessment involving members of the SWC and representatives from the relevant departments within CCM to produce a materiality matrix. This matrix discloses 12 key material sustainability matters in order of importance to our business and our stakeholders as shown below.



In managing these 12 material matters, we uphold our vision of ‘Enhancing Quality of Life’ through our Sustainability Policy. The relevant stakeholder, GRI and SDG indicators for each material sustainability matter are as shown below.

No.	Material Sustainability Matter	GRI Indicator	Stakeholder Group	SDG
Economic				
1.	Economic Performance	201 Economic Performance	Shareholders and Investors, Bankers and Financial Institutions, Industry Peers	 
2.	Business Ethics and Integrity	205 Anti-corruption	Employees, Government and Regulatory Bodies, Shareholders and Investors	 
3.	Innovation	102-2 Activities, brands, products and services	Media, Customers, Communities and Public	 
4.	Supply Chain Management	102-9 Supply chain	Suppliers	
Environmental				
5.	Environmental Management	303 Water, 305 Emissions, 306 Effluents and Waste	Government and Regulatory Bodies, Communities and Public, Industry Peers	 
6.	Climate Change	302 Energy	Government and Regulatory Bodies, Communities and Public, Industry Peers	 
Social				
7.	Product Quality	416 Customer Health Safety	Customers, Shareholders and Investors, Government and Regulatory Bodies, Industry Peers	
8.	Safety, Health and Environment	403 Occupational Health and Safety	Employees, Government and Regulatory Bodies, Communities and Public	 
9.	Data Protection	418 Customer Privacy	Customers, Employees, Government and Regulatory Bodies	
10.	Training and Development	404 Training and Education	Employees	
11.	Diversity and Inclusiveness	405 Diversity and Equal Opportunity, 102-8 Information on employees and other workers	Employees	
12.	Community Engagement	413 Local Communities	Shareholders and Investors, Communities and Public, Media	 

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CCM SUSTAINABILITY POLICY

In furtherance of our vision of enhancing quality of life, the CCM Group of Companies is committed towards achieving sustainability that will benefit our stakeholders, the environment, our people and the communities in the territories in which we operate.

In achieving this, we shall:

1. Ensure that our activities, products and services are, so far as is practicable, safe to the environment and the health of the people.
2. Be committed towards the prevention of injury, ill health and pollution as well as towards environmental conservation.
3. Comply with all applicable statutory, regulatory and business requirements in the territories that we operate.
4. Optimise the use of natural resources to reduce our carbon footprint and as far as practicable, practice energy efficiency throughout all our plants and facilities.
5. Be committed towards full conformance to applicable quality, safety, health and environmental international standards.
6. Operate in an open, transparent and accountable manner.
7. Cultivate a diverse, inclusive and respectful workplace.
8. Work closely with our stakeholders and local communities to further improve their quality of life.
9. Define our sustainability goals, objectives and targets and measure our sustainability performance against agreed targets.
10. Provide, as far as practicable, the appropriate resources in order to achieve our sustainability goals, objectives and targets.
11. Continually review and improve our sustainability performance by encouraging innovative thinking and monitoring global economic, social and environmental trends, best practices, challenges and opportunities.
12. Communicate this Policy to all relevant parties including our stakeholders, customers, employees and the local communities in which we operate.

OUR COMMITMENT TO SUSTAINABLE ECONOMIC PRACTICES

CCM is presently one of the largest manufacturers of chemicals and polymers in Malaysia. The Group leads the market in industrial and specialty chemicals as well as serves as a one-stop centre for the provision of a wide range of polymer-coating solutions.

Having been in the industry for more than 50 years, we continue to play a vital role in the various industry bodies. We are a Government-linked Company (GLC) with an active membership with the Chemical Industries Council of Malaysia (CICM), Malaysian Rubber Glove Manufacturers Association (MARGMA), Business Council for Sustainable Development Malaysia (BCSDM), Federation of Malaysian Manufacturers (FMM), Minority Shareholder Watchdog Group (MSWG) and Institute of Corporate Directors Malaysia (ICDM). For more details of our economic performance, please refer to CCM's Sustainability Report 2018.

PROMOTING NOVEL SOLUTIONS

CCM Polymers inherently carries out innovative practices by formulating improved products which cater to our customers' requirements. Our long term product development strategy is to introduce new disruptive products to improve product application efficiency and create new markets. We work closely with our customers to understand their current demand and identify future needs so that our innovation and R&D team can continuously challenge the new technology frontier for breakthrough products.

In May 2018, our Chemicals Division made a switch from the traditional fossil fuel-powered boiler to a dual-fuel boiler which utilises hydrogen gas. The switch managed to significantly reduce our carbon footprint by 1,376 MT of carbon dioxide equivalent (CO₂e).

CULTIVATING INNOVATION

In August 2018, an Innovation Competition was held within the Group to cultivate a forward-thinking culture and elevate individual potential in providing innovative solutions. The goal of the competition was to select teams with the best presentation reflecting novel idea generation and innovative thinking as well as effective problem-

solving and business-pitching skills. The winning teams also represented CCM at the PNB Group Innovation Challenge 2018 that was held on 29 October 2018 at the Sime Darby Convention Centre. Our talented employees proved that we are always at the pioneering forefront by walking away with the major prize at the competition.

SUPPORTING LOCAL INDUSTRY

Local suppliers are our preferred choice for procurement. This is due to their offer of lower costs for logistics and warehousing, flexible and timely delivery, prompt response and assistance, plus the better product control and monitoring.

In 2018, CCM Chemicals worked with a total of 664 local suppliers (representing 91% of its supplier base) while CCM Polymers worked with a total of 218 suppliers (representing 96% of its supplier base).

IN SUPPORT OF BUMIPUTERA VENDORS

For the year in review, we continued our efforts to procure from local Bumiputera suppliers as part of our CCM Bumiputera Vendor Development Programme (BVDP). Initiated in 2007, the CCM BVDP aims to create Bumiputera entrepreneurs who are reliable and competitive, have the ability to produce local products and services to replace imported ones that are currently used by CCM, as well as encourage research and development (R&D) for products and services.

UPHOLDING BUSINESS INTEGRITY

To maintain sound business practices throughout our entire supply chain, communication and training on anti-corruption policies and procedures are conveyed to the whole Group through our Integrity initiatives.

OUR COMMITMENT TO SUSTAINABLE ENVIRONMENTAL PRACTICES

We recognise the environmental impact of our business operations in terms of carbon emissions and climate change. As part of our commitment to protecting the planet, we measure our environmental footprint across the value chain to prioritise areas of improvement. We aim to achieve optimum energy utilisation for the long-

term while also reducing our energy costs. The efforts in energy saving within our operations involve creating robust energy-saving programmes which will produce a positive impact on the environment and create awareness among our employees, customers and communities. For more details of our environmental performance, please refer to CCM's Sustainability Report 2018.

REDUCING OUR CARBON FOOTPRINT

We strive to reduce the impact of our supply chain, operations and products on the climate. For 2018, we complied with the Inter-governmental Panel on Climate Change (IPCC) by reporting our carbon emissions in relevant annual publications.

At our Polymers Division, the initiatives to control our carbon footprint start from within. Through our Operation Excellence project, we were able to save RM17,427 and RM22,920 in electricity costs in 2017 in 2018 respectively.

Approximately 94% of carbon emissions at our Chemicals Division comes from electricity consumption relating to the electrolysis process in chlor-alkali manufacturing. To mitigate this impact, we upgraded our electrolyser technology in 2015 and completed it in 2016, utilising a higher-performing membrane which reduced our overall emission by 5% in 2018 in comparison to 2014's reading.

OUR COMMITMENT TO SUSTAINABLE SOCIAL PRACTICES

At CCM, our policies and targets are shared across the entire Group. This not only enables us to establish and maintain safe and stable operations, it also ensures that we incorporate safe, environmental-friendly and healthy elements throughout the lifecycle of our products. We also leverage on our policies and targets to maintain high standards and continuously improve upon the quality of products and services that we deliver. For more details of our social performance, please refer to CCM's Sustainability Report 2018.

ENSURING CUSTOMER HEALTH AND SAFETY

At our Chemicals Division, 100% of our products are assessed for their health and safety impact under the Chemical Health Risk Assessment (CHRA) criteria; 57% under the Restriction of Hazardous Substance (RoHS) compliance guide; 14% under the Global Product Strategy (GPS) and approximately 28.6% of our products are assessed for compliance with the Control of Industrial Major Hazard (CIMAH) regulations.

PROTECTING CUSTOMERS' PERSONAL DATA

In compliance with the Personal Data Protection Act (PDPA) 2010, CCM and its group of companies adopted the PDPA Compliance Policy in 2014. Today, standard templates are in place for PDPA clauses to be adopted in all agreements, forms and notices. We also roll out awareness programmes on PDPA requirements to our workforce from time to time.

MAINTAINING CUSTOMER PRODUCT QUALITY

March 2018 and July 2018 saw us achieving ISO 9001: 2015 certification for our Polymers Division and Chemicals Division respectively. This international standard provides us the guidance and tools that ensure that our products and services consistently meet customer requirements, and that quality is consistently improved.

We monitor all feedback and resolve all complaints received from our customers. In 2018, a total of 67 complaints from our Chemicals business and 11 complaints from our Polymers business were received and resolved.

We also conduct customer satisfaction surveys and the 2018 results are as follows:

- CCM Chemicals Customer Satisfaction Result: 3.06 / 4.00
- CCM Polymers Customer Satisfaction Result: 4.00 / 5.00

ENRICHING COMMUNITIES

As part of our efforts to elevate communities, we organise various community engagement initiatives on an annual basis and provide employment opportunities. Our initiatives in 2018 included the STEM UP Challenge; the

Promoting Intelligence, Nurturing Talent and Advocating Responsibility (PINTAR) programme; the Rakan Saintis Sungai (RSS) CCM initiative; the Back to School Programme; the Professional Golf of Malaysia (PGM) CCM Championship 2018 event, as well as myMAP and SL1M initiatives.

NURTURING OUR EMPLOYEES

CCM conducts year-round employee engagement to maintain good relationships with our employee and strengthen the camaraderie within our organisation. Regardless of gender or race, everyone is given an equal opportunity in terms of their remuneration and their ability to participate in senior management and leadership roles throughout our organisation.

We conducted an employee engagement survey to understand employee satisfaction level and carried out structured learning and development programmes in order to allow our employees to learn, grow and share their knowledge and experiences.

KEEPING EMPLOYEES SAFE AND HEALTHY

We strive to create an agile and high-performance organisation by keeping our employees safe and healthy. We monitor injury trends while as Safety, Health and Environment (SHE) committee is in place to identify and resolve health and safety issues arising from our operations. We are prepared for any emergency and exposure to hazards through our accident and incident management measures that are applied throughout our operations. Our concern does not only extend to our operations and employees but also our other stakeholders, especially the communities in which we operate.

ENSURING A DIVERSE AND INCLUSIVE WORKPLACE

We are dedicated to fostering a diverse and inclusive workplace that attracts and retains exceptional talent. Our Company employs a workforce that stems from various age groups and ethnicities, and we promote gender non-discrimination as well.

For the finer details of CCM's sustainability efforts, please refer to the CCM Sustainability Report 2018 which is downloadable from the Company's website, www.ccMBERHAD.com.