

Sustainability Report FY2019

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Message from the Board

Dear Stakeholders,

In this Sustainability Report, we look to the next phase of our sustainability journey by reviewing our sustainability strategies and initiatives. It is our pleasure to present mm2 Asia Ltd.'s Sustainability Report 2019. This is the second report of mm2 Asia Ltd. (the **"Company"** or **"mm2"**, together with its subsidiaries, the **"Group"** or **"we"** or **"us"** or **"our"**) and the focus of this issue is to communicate our Group's continual commitment, approach and progress towards sustainable business practices.

Following our growth and expansion, we recognise the importance of sustainable business practices in and shaping our strategy, operations and performance. Our Board has incorporated sustainability issues in their strategic formulation, determined the material ESG factors highlighted in this Sustainability Report, and is responsible for overseeing the management and monitoring of said material ESG factors.

As one of the leading content and entertainment companies in Asia, we are committed to growing our business in a way that benefits society and protects our environment concurrently. We advance our journey by committing ourselves to understanding the needs and expectations of our stakeholders and working with them constructively.

Our performance in 2019

During the financial year, we managed to build up the number of deals entered into with established partners across the region. The Group's financial performance has improved as compared to the previous year. Our overall operational performance continues to improve, with gross profit margin rising from 45.5% in FY2018 to 46.7% in FY2019.

Separately, to demonstrate our commitment to environmentally sustainable practices, we have redesigned our food packaging at our cinemas to minimise our environmental impact while meeting consumer demand. To illustrate, we reduced 32.2% of food and packaging wastage in FY2019, compared to the prior year. On the other hand, business expansion in our cinema operations caused our energy consumption in FY2019 to increase, in dollar value, by almost 19% to S\$2,494,202, from S\$2,097,863 in FY2018 Nevertheless, we strive to strike a balance between healthy economic growth and contained environmental impact.

Our Group also continued to place great emphasis on diversity while providing equal opportunities to our employees. We have incorporated various initiatives and approaches to diversity and promote inclusion and gender non-discrimination. Our Group continues to monitor and collect internal data concurrently with core competencies to make a positive change to the communities we touch.

On behalf of mm2, we would like to share our sincere appreciation to our stakeholders who have supported and collaborated with us on our efforts. As we continue on our journey in 2019 and beyond, we look forward to continual engagement, partnership and support.

Sincerely,

Board of Directors of mm2 Asia Ltd

About this Report

This report is the second Sustainability Report by mm2 Asia Ltd. It follows Rules 711A and 711B of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B and is in accordance with Global Reporting Initiative ("GRI") Standards (2016) – Core Option.

GRI Reporting Principles

Materiality	Focusing on issues that impact business growth and are utmost importance to stakeholders	
Stakeholder	Responding to stakeholder expectations and interest	
Inclusiveness		
Sustainability	Presenting performance in the wider context of sustainability	
Context		
Completeness	Including all information that is of significant economic, environment and social impact to	
	enable stakeholders to assess the Group's performance	

GRI Reporting Period

This report covers data and information across our Group from 1 April 2018 to 31 March 2019 ("**FY2019**"). In our second year of reporting, we have included comparative data reflecting our progress towards our strategic goals as well as our Group's achievements.

Our Group has not sought external independent assurance for this Sustainability Report and will consider doing so in the future if necessary. We have relied on internal data monitoring and verification to ensure accuracy. In line with our commitment to reduce our impact on the environment, only electronic copies of this report will be made available at our website: www.mm2asia.com.



We welcome feedback from mm2's stakeholders because we believe that it is essential for our Group to improve continuously. We look forward to your views and suggestions by contacting us at <u>www.mm2asia.com</u>.

About Our Group



Listed on the Mainboard of **SGX-ST**, mm2 Asia Ltd. ("**mm2**" or our "**Group**") (Stock Code: SGX: 1B0) is Singapore's leading media and entertainment company. Our primary business activities include content creation, distribution and sponsorship, cinema operations, event production, concert promotion and postproduction. Our Group is headquartered in Singapore and our businesses operate in Singapore, Malaysia, Hong Kong, Taiwan, China and the USA.

We intend to expand our geographical reach to North Asia through strategic alliances. Our approach prior to venturing into new geographical areas, such as evaluation of potential partners in our supply chain, legal structuring of our subsidiaries, etc. are in line with the precautionary principle and requirements set out in the GRI Standards.

In FY2019, Our Group entered into slate deals to co-produce high-quality digital and live content with international partners, as well as set up new business verticals in existing markets. Some significant events include:

- 1. In May 2018, mm2 established a financing partnership with South Korea's major content player whereby we will co-finance six (6) Southeast Asian films over three (3) years;
- 2. In July 2018, the Group took up a minority stake in a children performing arts school, Académie of Stars Pte. Ltd. to widen our reach to discover and groom budding talents;
- 3. In September 2018, our subsidiary, Vividthree Holdings Ltd. ("Vividthree") (Stock Code: SGX: OMK) successfully listed on the SGX Catalist board;
- 4. In July 2019, UnUsUaL Limited ("UnUsUaL") (Stock Code: SGX: 1D1), with an American production partner, launched APOLLO, a show that celebrated the 50th anniversary of man's first steps on the moon. UnUsUaL is moving up the supply chain to become an intellectual property (IP) owner, which will provide an additional revenue stream to the Group.

The Management of mm2 steers the growth of our Group in tandem with sustainability planning under the guidance of our Board of Directors (the "**Board**"). We have 211 employees based in our headquarters in Singapore supporting the Management team.

VISION

To be Asia's leading content and entertainment company

MISSION

To bring fun, joy and inspiration to people

CORE VALUES



Group Structure



Our Value Chain

Integrating a sustainable supply chain into our operations of all business verticals starts from content creation and production to its distribution and exhibition.

We continue to evaluate our suppliers to ensure that their performance is aligned with internal criteria established in our Group's Supplier Evaluation Policy and Procedures. The criteria include service excellence, product quality and timely delivery. To ensure that all suppliers are capable, accountable and independent, they are required to perform annual declarations and adhere to the Supplier Code of Conduct.

In FY2019, our Group did not have long term agreements with any key suppliers as services varied from project to project.

External Initiatives

Corporate Social Responsibility ("**CSR**") is both an integral part of our heritage and an essential element to our future success. We have multiple programmes and activities in place that largely involve the Board of Directors ("**Board**"), employees as well as the local communities. Our areas of focus are (1) to care for our people, (2) to be responsible for our supply chain, ethics and integrity and (3) to give back to society.

The major external initiatives include:

1. Partnerships with Community Chest

In April 2019, mm2 Entertainment Pte Ltd, a wholly-owned subsidiary of our Group, donated S\$1 of every ticket sold for the mm2-produced Malaysian autism-themed movie - "*Guang*." The movie proved to be an effective tool to raise popular awareness around autism. Furthermore, in commemoration of Singapore Bicentennial 2019, mm2 Asia made a S\$10,000 donation to Community Chest, in hopes of supporting various groups in need.

2. Industry Development

Following the success of "mm2 Movie Makers Awards", mm2 Entertainment now organises Scream Asia, a horror film festival, to attract high-quality short films, as well as a series of masterclasses, to give aspiring filmmakers from the region a chance to develop a feature film with mm2 Entertainment.

mm2 continues to work with partners such as IMDA to scout for, and develop talents in Singapore's media and entertainment industry.



3. mm2-NTU Bursary Fund

In 2017, through the NTU Development Office, mm2 set up the mm2-NTU Bursary Fund with the aim to support students who need financial aid to pursue their studies in Digital Animation or Digital Filmmaking. mm2 has pledged to donate a total amount of \$\$160,000 between 2017 and 2021, funding 2 bursary awards of \$\$6,000 each annually. \$\$100,000 of the total donation will go into the Endowed Fund, which allows for the sustainable generation of returns in perpetuity, ensuring the continuity of the mm2-NTU Bursary Fund. mm2 shall continue its support for the fund.

Our subsidiary, Cathay Cineplexes Pte Ltd, continues to remain a member of the largest trade association in the world for movie theatre owners- the *National Association of Theatre Owners*. Being a member of the association provides extensive services to our viewers. We also continuously strive to obtain more accreditations that are key and beneficial to our Group's success and standing within the industry.

<u>Awards</u>

Our Group is committed to delivering customer satisfaction and we have received multiple awards in recognition of our excellence in content creation. We were awarded with the Golden Leopard at the 71st Locarno Film Festival for a Singapore film "*A Land Imagined*" and the Best Film Award for a Malaysian film, "*Guang*" at the 21st Shanghai International Film Festival.

We are firmly committed to putting in place appropriate corporate governance practices to achieve the objectives of protecting our stakeholders' interests and safeguarding ourselves against fraud.

The Board continues to maintain an effective role in setting goals, reviewing and advising on overall strategies and directions. Our Board is also responsible for the continuous monitoring and evaluating of our Group's environmental, social and governance ("**ESG**") performance to ensure that our objectives are in line with our commitments to sustainable development. We actively engage our key stakeholders to understand their needs and expectations, addressing their concerns in an appropriate manner.

Conflict of interest policy

Our Group continues to maintain a culture of keeping out corruption and dishonest behavior. We make sure that our conflict of interest policy is made available to all employees to facilitate the management of any potential conflict of interest. In FY2019, all of our key management staff members, including our Executive Directors and Executive Officers have completed, and submitted to the Board, the annual conflict of interest disclosures.

Fraud and whistleblowing policy and procedures

Our Group has disclosed in our Corporate Governance Report that whistleblowing avenues are put in place for employees to highlight any inappropriate matters. We have also published the policy on our website <<u>https://www.mm2asia.com/corporate-governance.php</u>>. The whistle-blowing policies and channels were made available to our employees to raise concerns about possible improprieties on matters such as financial reporting, misconduct, unlawful activities, and other improper activities.

The Audit Committee ("**AC**") will take appropriate disciplinary action following the completion of investigation to assure that employees will be protected from reprisals or victimisation for whistleblowing in good faith and without malice. In FY2019, we did not receive any reports on misconduct or malpractice by any of our employees or key management staff. As such, no disciplinary action was taken.

Our sustainability approach

Our Board is responsible for assimilating sustainability practices that are key concerns to our stakeholders, resulting in significant economic, environmental, and social impact.

Our Group seeks input from various stakeholders through informal and formal means. We evaluate the needs and expectations of our key stakeholder groups to maintain mutual relationships and align them with our value creation strategy. With our focus on innovation, we will continue to enter into deals to co-produce high quality digital and live content with potential business partners.

Stakeholder Engagement

In mm2, we strongly recognize the importance of a meaningful two-way engagement with our six (6) groups of stakeholders to understand their concerns and interests. Effective engagement allows our Group to formulate corporate strategies and to build a sustainable business. As such, we consult our stakeholders periodically to identify the key material issues.

Stakeholder Group	Engagement Activities	Stakeholders' Expectations	Frequency
Customers	Offer various content services to enhance customer experience around Asia	To provide an excellent platform in our cinemas to directly engage the consumers, enhance our brand experience, and build stronger customer relationships	Ad-hoc
Suppliers	Maintain business dealings with suppliers that offer top notch standards in areas such as ethical conducts and workplace standards	To comply with terms and conditions of purchasing policies and procedures, and maintain high ethical standards	Ad-hoc
Employees	Provide training and development courses for employees to remain competitive	To ensure staff rights, welfare, personal development and a good working environment	Ad-hoc
Investors	Hold annual meetings and regular board meetings to keep shareholders updated on the Group's economic performance	To ensure profitability, transparency, timely reporting and fair purchasing practices	Annually/ Ad-hoc
Business Partners	Continue to actively pursue business opportunities to expand and strengthen our capabilities and competencies to become a leading media and entertainment company in Asia	oportunities toTo build main drivers of our Group's growth in the medium-to-long term, with expectation of a higher number of film productions and co- productions coming out of NorthAction Action Action	
Government and Regulators	Ensure respectful relationships with regulators and disclose pertinent information in a timely manner	To ensure societal and environmental-friendly business approaches, compliance with regulations, timely reporting and resolution of issues	Ad-hoc

An overview of our approach and expectations with 6 key stakeholders is set out below:

2019 Sustainability Highlights



Defining the Materiality Issues

Five (5) material ESG topics were identified and details are provided in the table below. For future sustainability reporting, we will re-evaluate and review our material ESG topics to ensure their relevance to our Group and compliance with GRI Standards.

No.	Торіс	Description	Reference
1	Economic Performance	Our economic performance, value generated and distributed to communities where our business operates	Page 14 of this Report; Annual Report 2019: Pages 8 to 10 on Financial Review and Pages 50 to 162 on Financial Statements
2	Energy	Our effort to optimise consumption and management of energy for our business operations	Page 15 of this Report
3	Effluents and Waste	Our initiatives to promote environmental responsibility, including adopting the 3Rs	Pages 16 to 17 of this Report
4	Diversities and Equal Opportunities	Our fair employment practices to achieve a diverse and inclusive environment for our employees, providing provide appropriate training and career development for our people	Pages 18 and 19 of this Report
5	Marketing and Labelling	Our compliance to classify our films in accordance to IMDA-enforced Singapore classification guidelines	Page 20 of this Report

Economic Performance

mm2 is proud to report that the growth in the Group's revenue was 39% from S\$192.0 million in FY2018 to S\$266.2 million in FY2019. As our Group increased the number of deals entered into with established partners across the region, we have also collaborated with other filmmakers from various markets such as Hong Kong and Taiwan. The growth in revenue was mainly due to the expansion of our Group's core business, and event production and concert promotion business.

Our Group incurred costs amounting to approximately S\$142 million in FY2019 that was required for daily business operations. Our business continues to operate in a competitive environment, resulting in a decrease in net profit attributable to shareholders of 15% from S\$22.4 million in FY2018 to S\$19.1 million in FY2019.



Moving forward, our Group intends to integrate and synergise our content and out-of-home entertainment platforms, as well as modern technologies to connect with our consumers on multiple touch points.

For further details of mm2's financial performance, please refer to the following sections in our Annual Report 2019:

- 2019 Financial Review
- 2019 Financial Highlights

Energy

Environmental conservation forms an integral part of our sustainability plan and we are responsible for adopting a prudent approach in using our resources at our offices and cinemas. We are conscious about our usage of lighting, audio systems, filming equipment and air-conditioning. We do our part to reduce our usage of electricity by adopting energy-saving initiatives wherever possible.

The Operations team has carried out continuous measures to improve energy efficiency. The following energy-saving measures were implemented:

- 1) Replacement of high-consumption light fittings with energy-efficient ones such as LED and induction light fittings;
- 2) Daily checks to turn off under-utilised lighting within the cinemas;
- 3) Warming up cinema projectors and audio systems 1 hour before each hall's 1st screening;
- 4) Lightings in open areas i.e., cinema lobbies and concession areas are switched on 1 hour before operating hours;
- 5) Daily checks to monitor operating hours of air-conditioning units to achieve optimal operating efficiency; and
- 6) Environmental-friendly practices to conserve energy.

We are continuously identifying ways and areas to improve our performance. Despite our efforts, our energy consumption in FY2019 increased, in dollar value, by almost 19% to \$\$2,494,202, from \$\$2,097,863 in FY2018. The increase was mainly due to our expanded number of movie sessions across cinemas. Cinema halls and lobbies run on longer operating hours due to the increase in movie sessions scheduled.



In our continuous effort to be more energy efficient, we will continue to make progress through equipment replacement and system improvement. For example, we plan to adopt more efficient lightings such as LED lightings for cinema walkways and lobbies, as well as motion sensor lightings. We also plan to overhaul other capital equipment.

Effluents and Waste

mm2 is responsible for effluents and waste for our cinema operations. It is inevitable for us to produce waste. As such, we need to adopt best waste management practices to ensure the efficient management of water and waste. We are committed to the 3Rs- to *reduce, reuse and recycle* the waste produced by our operations. Waste is divided up into different categories, including paper and cupboard, food and general waste.

Group-wide, our offices and cinemas utilise environmentally-friendly printers with print-on-demand and double printing features. By controlling paper usage with the common printing system, paper consumption and its related carbon emissions are reduced. We also use single-sided printed paper for printing.

One of the key strategies is to work with responsible and certified suppliers who comply with our procurement guidelines so as to minimise our impact on the environment.

Waste Management

The main waste products from cinema operations include plastic, food waste and paper. Proper treatment of our effluents is to ensure that hazardous substances do not leach into the ecosystem. Managing waste properly also brings about potential savings to our Group.

Paper and Plastic

This is especially relevant in ensuring that our paper and plastic packaging is obtained from sustainable sources.

Annual reviews on cinema food packaging were conducted to streamline the number of stock-keeping units. We work closely with our packaging vendors to use innovative packaging to minimise our environmental impact while meeting consumer demand.

In FY2019, as part of our effort to reduce paper consumption, we introduced digital corporate vouchers, allowing patrons to receive their vouchers via email, enabling them to redeem them online. With this in place, we will continuously make an effort to turn all corporate vouchers into e-vouchers.

Effluents and Waste

Food Products

By sourcing food products which can provide a healthier alternative for our consumers, we hope to achieve a reduction in oil usage and wastage.

Our used cooking oil is disposed of via used oil collectors accredited by the National Environment Agency (NEA), so that the used oil can be treated before being responsibly recycled. In FY2019, the volume of oil waste managed through NEA-accredited oil collectors amounted to 5,360kg across the cinemas.



In terms of cinema concessions, we have been practicing the *First-in, First out (FIFO)* method when it comes to storing/labelling food inventory and monitoring occupancy rates for each movie session before the preparation of hot food for walk-in purchase. We further minimise food waste by ensuring food items nearer to date of expiry are first utilised and not cooking more than what is required.

Management of food portions is part of our consideration when it comes to our quarterly reviews of menu offerings and F&B campaigns. This helps to control the amount of food waste when the patron could not consume their orders completely. In FY2019, we decreased 32.2% of food and packaging wastage compared to the year before.

Moving forward, our Group will make continued efforts to reduce water usage and maintain zero water effluent discharge. We ensure to comply with local wastewater standards and pay adequate attention to effluent quality in order to limit impact on the surrounding environment.

Diversity and Equal Opportunities

We are a diverse organisation that strives to offer equal opportunities for recruitment, career progression and training. Our Group is geographically diverse and we must consider the societies and cultures in which we operate. We ought to be sensitive to differences in values, traditions, and religions, and respect the approaches to diversity and inclusion. We are to develop locally specific approaches to diversity and promote inclusion, stated in the Code of Conduct for our employees.



Diversity and Equal Opportunities

Cathay Cineplexes Pte Ltd

In Cathay Cineplexes, we are dedicated to creating an inclusive culture that truly reflects our values and enables every worker to unlock their potential. In FY2019, we reviewed our diversity strategy and created teams with a balanced gender structure. We have a total of 140 employees in FY2019. To drive diversity and underscore our commitment to equal opportunities, we leverage the Media Education Scholarship by the Infocomm Media Development Authority (IMDA) to groom young talents as professionals in the media industry.



In FY2020, we will continue to create teams with a balanced age structure and build a basis of diverse educational backgrounds and experiences. Our Group will develop goals and measures on a departmental level to advance our female candidates into roles of different areas. We will further increase the percentage of leadership positions held by women.

Marketing and Labelling

All of our productions featured in advertisements, marketing collaterals and websites are labelled with the producers' names, authorities' endorsement, production release dates, running time and casts, for clear communication purposes. It is therefore essential that our labelling is comprehensive and concise, allowing our customers to be sufficiently informed of our content production.

All films produced by our Group are rated and evaluated according to the film classification guidelines enforced by the local authority, Infocomm Media Development Authority (IMDA). Our Group is also committed to complying with Films Act 1991 before the release of films. All films are labelled with the film classification on the posters for advertising purposes.

We are also responsible for ensuring that our marketing and advertising activities do not make any ethical breaches. We advertise our content production that adheres to the Singapore Code of Advertising Practice, administered by the Advertising Standards Authority of Singapore (ASAS).

All information disclosed on our websites, advertisements and films is subject to a review process by our marketing team and senior management.

Throughout all of our film production, labelling and marketing in FY2019, we had no incidents of noncompliance with local regulations, or with voluntary codes that resulted in a fine, penalty or warning.

Moving forward, we will continue our commitment to responsible marketing and carefully ensure all films are correctly classified according to the guidelines. Moreover, we aim to maintain zero non-compliance incidents with the local regulations or voluntary codes.

GRI Content Index

GRI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable	
	GENERAL DISCLOSURE		
GRI 102: General	Organisational Profile		
Disclosures 2016	102-1 Name of the organisation	SR page 1	
	102-2 Activities, brands, products, and services	SR page 3	
	102-3 Location of headquarters	SR page 3	
	102-4 Location of operations	SR page 3	
	102-5 Ownership and legal form	SR page 3	
	102-6 Markets served	SR page 3	
	102-7 Scale of the organisation	SR page 3	
	102-8 Information on employees and other workers	SR page 3 and AR 2019 page 62	
	102-9 Supply chain	SR page 6	
	102-10 Significant changes to the organisation and its supply chain	Not Applicable	
	102-11 Precautionary principle or approach	SR page 3	
	102-12 External initiatives	SR page 7	
	102-13 Membership of associations	SR page 8	
	Strategy		
	102-14 Statement from senior decision maker	SR page 1	
	Ethics and Integrity		
	102-16 Values, principles, standards, and norms of		
	behaviour	SR page 4	
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	102-18 Governance structure	SR page 9	
	Stakeholder Engagement		
	102-40 List of stakeholder groups	SR page 10	
	102-41 Collective bargaining agreements	SR page 10	
	102-42 Identifying and selecting stakeholders	SR page 10	
	102-43 Approach to stakeholder engagement	SR page 10	
	102-44 Key topics and concerns raised	SR page 10	
	Reporting Practice	1.0	
	102-45 Entities included in the consolidated financial		
	statements	Annual report 2019	
	102-46 Defining report content and topic boundaries	SR page 2	
	102-47 List of material topics	SR page 12	
	102-48 Restatements of information	Not Applicable	
	102-49 Changes in reporting	Not Applicable. There were no changes in the list of material topics and topic boundaries from the FY2018 Sustainable Report.	

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GRI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
GRI 102: General		
Disclosures 2016	102-50 Reporting period	SR page 2
	102-51 Date of most recent report	13 July 2018
	102-52 Reporting cycle	SR page 2
	102-53 Contact point for questions regarding the report	SR page 2
	102-54 Claims of reporting in accordance with the GRI Standards	SR page 2
	102-55 GRI content index	SP pages 21 and 22
		SR pages 21 and 22
CDI 402	102-56 External assurance	SR page 2
GRI 103:	103-1 Explanation of the material topic and the	SR page 14-20
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Approach 2016	103-2 The management approach and its components	SR page 14-20
	103-3 The management approach and its	SR page 14-20
	components	
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GRI 201: Economic	201-1 Direct economic value generated and	SR page 14
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	302-1 Energy consumption within the organisation	SR page 15
GRI 302: Energy	302-2 Energy consumption outside of the	SR page 15
2016	organization	
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GRI 306:	306-1 Water discharge by quality and destination	SR page 16
Effluents and Waste	306-2 Waste by type and disposal method	SR page 17
Diversity and Equal C	Opportunities	1
GRI 405: Diversity		
and Equal	405-1 Diversity of governance bodies and employees	SR pages 18 and 19
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	417-1 Requirements for product and service	SR page 20
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GRI 417: Marketing	417-2 Incidents of non-compliance concerning	SR page 20
and Labeling 2016	product and service information and labelling	511 pube 20
	417-3 Incidents of non-compliance concerning marketing communications	SR page 20