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Attachments

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XMH Holdings Ltd.
Sustainability Report 2019

(Incorporated in the Republic of Singapore)

(Company Registration Number: 201010562M)

CONTENTS

About This Report	
• Background	3
Message from the Board	4
Company Background	
• Company Profile	5
• Our Vision	6
• Our Mission	6
• Our Company's Values	6
• Governance Structure	6
Sustainability Approach	
• External Initiatives	7
• Members of Associations	7
• Governance and Sustainability Approach	8
• Stakeholder Engagement	8
• Defining Materiality	10
• Key topics identified	11
Economic Performance	12
Employment	
• Employees	14
• New Hires by Age Group and Gender	14
• Training	15
• Percentage of Employees Receiving Regular Performance Review	15
Customer Health and Safety	
• Quality of Sales and Services	16
Legal and Compliance	
• XMH's Ethical Principles	17
• Anti-corruption	17
• Environmental and Socioeconomic Compliance	17
GRI Content Index	18

ABOUT THIS REPORT

Background

It is our honour to bring to you our second sustainability report (“Report”) for FY2019 covering the period from 1 May 2018 to 30 April 2019 (“FY2019”). The entities included in this Report are XMH and its subsidiaries (the “Group”). This Report was prepared in accordance with Global Reporting Initiative (“GRI”) standards: Core option. This report outlines various key topics which may be of interest to XMH’s stakeholders.

We have chosen the GRI reporting framework as it is an internationally-recognised benchmark for the disclosure of governance initiatives and the environmental, social and economic performance and impact on organisations. The GRI content index and relevant references are set out on pages 18-19.

We have not sought external assurance for our sustainability report for FY2019. This Report will be made available online on the Group’s website. For any queries in relation to this report, we welcome you to contact us at www.xmh.com.sg/XMHH/contact.

MESSAGE FROM THE BOARD

Dear Stakeholders,

We are pleased to present to you XMH's second Sustainability Report. This Report outlines the policies, performances and targets for key economic, environmental, social and governance topics identified by the Group. The Group has integrated sustainability into our business strategies and management activities as we believe that sustainability plays a part in the Group which will be elaborated in the subsequent sections in this Report.

The Group has considered various concerns raised by our key stakeholders through stakeholder engagements which will be explained in this Report. Please refer to the "Stakeholder Engagement" on pages 8-9. This Report also highlights our sustainable practices embedded across XMH's business operations and our commitment to achieve the right balance of business values, sustainable growth, employee relationship and efforts in corporate compliance and governance.

Lastly, we would like to thank our key stakeholders, business partners and employees who have contributed to this Report and been with us in this sustainability journey. We hope to continue to work as a united and cohesive team and do our best to deliver optimal results and returns for our shareholders. We encourage our shareholders to read this Report together with our Annual Report 2019 for a holistic view of the Group's performance in FY2019.

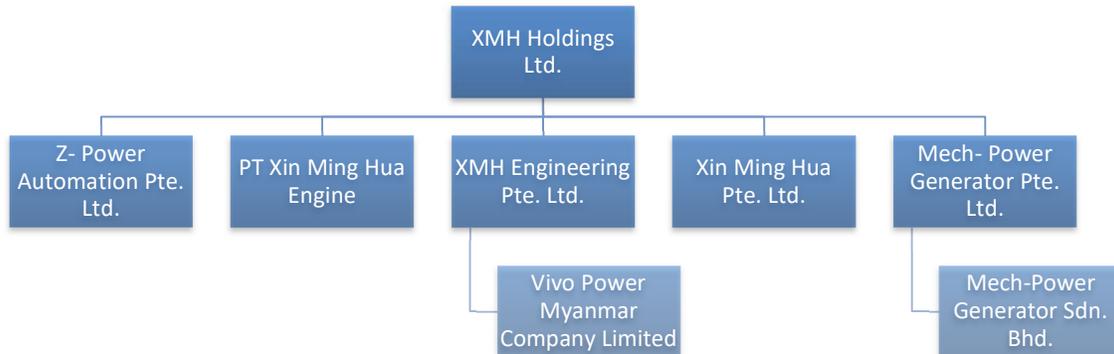
Sincerely,

Board of Directors
XMH Holdings Ltd.

COMPANY BACKGROUND

Company Profile

With a rich history dating back to 1955, the Group is now reputable and well-known as a diesel engine, propulsion and power generating solutions provider to an array of customers in the marine and industrial sectors across Asia. The Company is a limited liability entity and our headquarters is located at 55 Tuas Crescent, #07-01, Singapore 638743. Other than having presence in Singapore, the Group has operations in Indonesia and Malaysia.



The Group has expanded its primary product offerings to include distributorships, agency, partnership and dealership rights from well-known brands such as Mitsubishi, Niigata Power Systems, Taiyo, Akasaka and Kamome (Japan), D-I and Doosan (Korea), SOLÉ, Korsør, Reintjes, CENTA and Schneider, ABB, Siemens and MTU, Logstrup and BUKH (Europe), SGP (India) and Logan (United States). To date, we have forged valuable relationships with more than 250 suppliers in our supply chain. In FY2019, there were no material changes to the Group’s supply chain.



COMPANY BACKGROUND

Our Vision

To be Asia's most trusted partner in power solutions.

Our Mission

To deliver optimal and reliable solutions to our marine and industrial customers.

Our Company's Values

- **Collaboration for success** – Through teamwork and working closely with customers, we deliver the best possible solutions to meet customers' needs.
- **Integrity in all we do** – We adhere to ethical principles in all our dealings with business partners, colleagues and ourselves.
- **Belief in people** – We believe our staff are capable of performing to expectations and, with nurturing, will have the potential to attain higher standards of excellence.
- **Strive for progress** – We seek to continually improve our level of proficiency and expertise in our scope of work.
- **Commitment to reliability** – We pledge to only deliver optimally dependable solutions that fulfil customers' requirements.
- **Resourcefulness for the right solutions** – We employ clever and enterprising methods to devise optimal products and/or services suited to meet customers' needs.

Governance Structure

Our sustainability efforts are being monitored by the Group's senior management where they assess the Group's performance from economic, environmental, social and governance perspectives. Senior management is also responsible for the on-going communication of such assessments to the Board of Directors ("Board"). The governance structure of the Group can be found in our Annual Report 2019 ("AR 2019") page 21.

SUSTAINABILITY APPROACH

External Initiatives

The Group believes that an organisation's success is not measured solely by its business achievements, but also the active role it plays in upholding good corporate practices and its ability to make positive impact on the society, economy and environment that it operates in. With this belief, the Group has performed the following:

- Contributed to the 9th Tharman Shanmugaratnam Veteran Volleyball Championships charity sport event.
- Donated to FaithActs.
- Donated to Society for the Aged Sick.
- Donated to the social welfare through UOB Chinese New Year Charity events namely the Business Times Budding Artists Fund.
- Donated to VAT PHA-O Humanitarian Water Project.
- Donated to Dompet Peduli Korban Kebakaran Sei Berombang.

The Group is committed to its Corporate Social Responsibility (“CSR”) efforts and will continue to implement CSR initiatives with consistency and determination to achieve a long term positive impact on societal issues.

Members of Associations

The Group has obtained several certifications through its various subsidiaries such as Mech-Power (“MPG”) and Z-Power Automation (“ZPA”).

- i) MPG has achieved several key certifications including the ISO 9001-2008 (Quality Management System), the OHSAS 18001:2007 (Occupational Health & Safety Management Systems), and the BizSAFE Level 3 certification from the Workplace Safety and Health Council (“WSH”) in Singapore.
- ii) ZPA attained certifications including ISO 9001-2008 (Quality Management System) and ISO 14001:2004 (Environmental management system), OHSAS 18001:2007 (Quality & Safety Management System), BizSAFE Star (Level of excellent in WSH Management System), Circle of Excellence 2012 / 2013 (Offshore & Marine Industry) and Singapore Green Building Product Labelling Scheme 2016.

SUSTAINABILITY APPROACH

Governance and Sustainability Approach

The Group's senior management is responsible for the on-going communication of the key topics identified as well as meeting the expectations of the key stakeholders. The Group embraces sustainability on strategic and operational levels and is committed to conduct its business activities in an ethical, socially and environmentally sustainable manner.

Stakeholder Engagement

As the Group continues to embark on its sustainability journey, we have identified our key stakeholders and assess the material aspects in relation to our business operations. The Group engages different stakeholders on an ongoing basis to address their concerns and expectations.

Stakeholders	Engagement Approach	Main Concerns/ Interests	Frequency
Customers 	On-going quotation, proposal meeting, website, site visits	Unrivalled quality of services and products, after sales service, maintaining ethical standards	Regularly
Suppliers 	Quotation, periodic discussion and evaluation	Compliance with terms and conditions of purchasing policies and procedures and fair purchasing practices	Regularly
Employees 	Induction and orientation program, annual staff appraisal, internal memo, annual trainings	Staff rights and welfare, personal development, good working environment and fair employment policy	Annually

SUSTAINABILITY APPROACH

Stakeholder Engagement (Cont'd)

Stakeholders	Engagement Approach	Main Concerns/ Interests	Frequency
Investors 	Annual meetings, circulars to shareholders	Transparency, timely reporting and dialogue at Annual General Meeting	Quarterly
Business Partners 	Frequent discussions and meetings	Partnership for opportunities and growth	Ad-hoc
Government and Regulators 	Periodic discussions with government agencies and departments	Environmental-friendly business approach, compliance with regulations, timely reporting and resolution of issues	Ad-hoc

SUSTAINABILITY APPROACH

Defining Materiality

The key topics identified were based on the ongoing communication and business dealings with the key stakeholders.

Identify material topics in relation to economic, environmental, social and governance

Attend workshops conducted by independent consultants, conduct background research in similar industry and hold internal discussions amongst relevant head of key functions

Prioritise material topics

Take the interest of different stakeholder groups into consideration, evaluate relevancy and determine priority

Validate material topics

Evaluate the material topics that have been prioritised and seek approval from senior management and the concurrence of the Board of Directors

SUSTAINABILITY APPROACH

Key topics identified

With reference to our first sustainable report published for FY2018, the Group has decided to disclose the following key topics in the FY2019 Report:

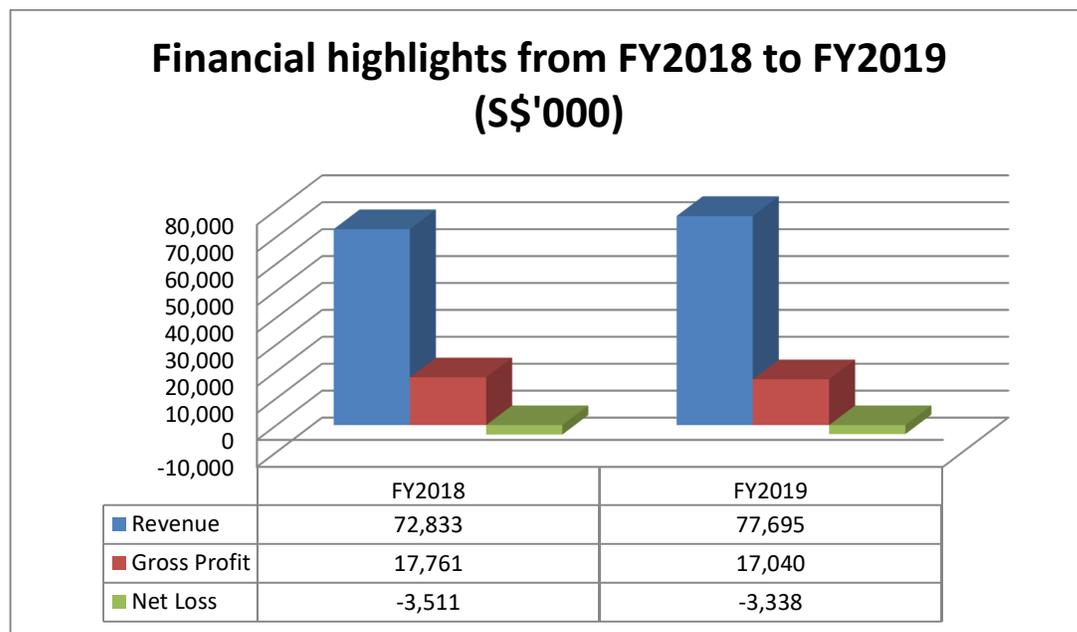
Topics	Description	Stakeholders	Reference
Economic Performance	Economic performance, value generation and distribution	Investors, Business Partners, Employees, Suppliers, Government and Regulators	Page 12
Our People and Talent Management	Fair employment practices in aspects of hiring, remuneration, training, promotion, dismissal, work hours, rest periods, benefits and welfare and approach to training and upgrading employee skills, and performance and career development reviews	Employees, Suppliers, Government and Regulators, Business Partners	Page 14
Quality of Sales and Services	Measures and responsibility to ensure standards of service and delivery of products in meeting customers' expectations	Customers, Employees, Business Partners	Page 16
Legal and Compliance	Policies and practice in place to uphold good corporate governance and manage ethical issues such as fraud, corruption, conflicts of interest in the conduct of business activities, including compliance with socioeconomic laws and regulations	Government and Regulators, Investors, Suppliers, Employees, Customers, Business Partners	Page 17

ECONOMIC PERFORMANCE

The Group's business activities are:

- 1) Distribution and provision of value-added products and services;
- 2) After-sales services, trading and others; and
- 3) Projects, which comprise the assembly and installation of standby generator sets and provision of related services, and the design and manufacturer of marine switch boards, remote control distributor system and marine automation products.

XMH will explore initiatives to improve its financials and operations. We have been working well with our established partners to ensure that relationships forged will be mutually beneficial to our economic and operational stability.



The Group recorded a net loss attributable to shareholders of S\$3,338,000. This was mainly due to weak revenue arising from the challenging environment in which the Group operates in, together with aggressive competition faced and weak demand for marine related products.

For more information on XMH's economic performance, please refer to our AR 2019 – Operations and Financial Review (page 12) and Financial Statements (page 57) for detailed financial performance of the Group.

For FY2020, we have set our sights on our longer-term growth strategy and strengthen our foundation amidst aggressive competition in our businesses. We will continue to leverage on our expertise as a comprehensive power generating solutions provider to the marine and industrial sectors across Asia.

ECONOMIC PERFORMANCE

Our strategy is also to identify opportunities and convert them into tangible results, so as to ride the wave of recovery with the view to increase long-term growth for our shareholders.

EMPLOYMENT

Employees

As at 30 April 2019, we have about 200 employees. The Group adopts a fair and holistic hiring approach by taking into consideration of external factors such as experience and special skillset, apart from qualifications. The Group believes that the diverse background of each individual is an asset to the Company's growth in the future. XMH also provides a wide range of benefits for full time employment such as:

- Insurance coverage and healthcare benefits
- Annual leave
- Marriage, paternity and childcare leave
- Medical leave
- Transport allowance

New Hires by Age Group and Gender

Period	Age Group			Gender	
	Below 30	30 – 50	Above 50	Female	Male
FY2019	9	19	9	9	28
FY2018	29	21	6	11	45

Moving forward, we hope to improve the working environment and create more value for our employees through different initiatives, such as trainings or job rotation to expose our employees to different skillsets and areas of expertise. We seek to achieve effective communication across the organisation by gathering valuable feedback from our employees to ensure continuous improvement of the workplace environment. We will continue to practice non-discrimination in hiring employees of different age groups and ensure gender equality at all times.

EMPLOYMENT

Training

XMH believes in upgrading one's skills to cater to evolving and dynamic working environments. We have career development programs for all levels of employees to equip them with the skillsets required. Our employees receive periodic performance reviews in accordance with our human resource policy. In FY2019, all our staff received regular performance reviews in line with the Group's policies. Furthermore, XMH advocates two-way communication between employees and their superiors. Any concerns would be reported to their superiors, which would help to identify opportunities for changes to enhance the working environment in XMH. For FY2020, the Group hopes to conduct more in-house and on-the-job trainings for employees, approximately 200 hours to better familiarise themselves with the operations.

Average Training Hours

	FY2019	FY2018
<i>By Gender</i>		
Male	103	40
Female	73	98
<i>By Employee Category</i>		
Management and above	23	24
Executives	123	60
General Staff	30	54

Percentage of Employees Receiving Regular Performance Review

	FY2019	FY2018
<i>By Gender</i>		
Male	100%	100%
Female	100%	100%
<i>By Employee Category</i>		
Management and above	100%	100%
Executives	100%	100%
General Staff	100%	100%

CUSTOMER HEALTH AND SAFETY

Quality of Sales and Services

We take pride in our products and services delivered to the customers. Maintaining the quality of products sold and services rendered remain as one of the key fundamentals in our business. We place great emphasis on quality control to ensure consistent quality standards that meet the requirements of our customers. In FY2019, there were no instances of customers rejecting deliveries due to defective or unsatisfactory products.

Our quality control personnel work closely with our production team to ensure that the existing production flow and methods achieve the required standards of quality, and that innovation and improvements are continually introduced to our business processes to improve quality standards. We pledge to deliver prompt and optimally dependable solutions that meet the dynamic requirements of our customers. As such, we have established the following quality assurance and control systems to ensure consistency in the quality of our services and the products and services that we deliver.

Product Handling and Service Quality Check Procedures

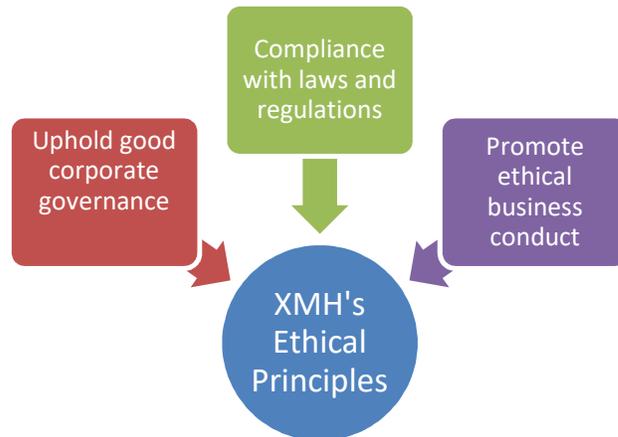
Products purchased/designed/manufactured, including technical specifications and compliance documents, are inspected at various stages. It is our policy to track and keep internal records of all incoming diesel engines, power generating sets and certain related components to allow us to provide timely feedback to our principals and/or suppliers. Outgoing products are checked against order specification and load tested before delivery to our customers, including supervision on installation and commissioning to ensure they meet the requisite performance specifications.

Customer Relationship Management

We believe that feedback from our customers and our timely response is vital for us to remain competitive in this industry. We ensure that our sales and services staff receive adequate training and are equipped with the necessary skills and right attitudes when dealing and negotiating with our customers. We have implemented an Enterprise Resource Planning (“ERP”) system which allows us to track our sales leads and enquiries, customer feedbacks and our follow-up actions.

LEGAL AND COMPLIANCE

XMH's Ethical Principles



Anti-corruption

XMH believes that good corporate governance within the organisation establishes and maintains an ethical working environment for all employees. XMH has put in place a whistle-blowing policy outlined in the employee handbook to emphasise the importance of ethical business practices. The Group encourages any employee to whistle-blow and raise any concerns relating to any suspected improper business activities. In the event of a reported whistleblowing case, the Audit Committee ensures that an investigation is carried out and followed by appropriate remedial actions.

In FY2019, we had zero cases of corruption highlighted to the Audit Committee. Moving forward, the Group will continue to uphold good corporate governance and comply with the relevant laws and regulations that the business operates in. We hope to maintain the target of zero reports on potential corruption cases for FY2020.

Environmental and Socioeconomic Compliance

XMH is aware of the potential exposure and resulting penalties of not complying with the relevant laws and regulations, including our products and services which may cause the Group to suffer from reputation damage and loss of business opportunities. Through an established business strategy/ model that incorporates ethical principles and accountability, the Group is committed to keeping the business sustainable. We ensure that we are fully compliant with applicable laws and regulations. In FY2019, there were no incidents of non-compliance with relevant laws and regulations that could result in either public allegation of non-compliance or penalties. Moving forward for FY2020, we hope to maintain the target of zero incidents reported to uphold good governance practice and comply with laws and regulations.

GRI CONTENT INDEX

GRI Standard	Disclosure	Notes/ Page Reference
GRI 102: General Disclosures		
102-1	Name of the organisation	Sustainability Report - page 3
102-2	Activities, brands, products, and services	Sustainability Report - page 5
102-3	Location of headquarters	Sustainability Report - page 5
102-4	Location of operations	Sustainability Report - page 5
102-5	Ownership and legal form	Annual Report 2019 - page 141
102-6	Markets served	Sustainability Report - page 5
102-7	Scale of the organisation	Sustainability Report - page 5 and 12, Annual Report 2019 - page 15
102-8	Information on employees and other workers	Sustainability Report - page 14
102-9	Supply chain	Sustainability Report - page 5
102-10	Significant changes to the organisation and its supply chain	No significant changes
102-11	Precautionary Principle or approach	Not applicable
102-12	External Initiatives	Sustainability Report – page 7
102-13	Membership of association	Sustainability Report – page 7
102-14	Statement from senior decision-maker	Sustainability Report - page 4
102-16	Values, principles, standards, and norms of behavior	Sustainability Report - page 6
102-18	Governance structure	Sustainability Report - page 6
102-40	List of stakeholder groups	Sustainability Report - page 8 and 9
102-41	Collective bargaining agreements	Not applicable
102-42	Identifying and selecting stakeholders	Sustainability Report - page 8 and 9
102-43	Approach to stakeholder engagement	Sustainability Report - page 8 and 9
102-44	Key topics and concerns raised	Sustainability Report - page 11
102-45	Entities included in the consolidated financial statements	Sustainability Report - page 5
102-46	Defining report content and topic Boundaries	Sustainability Report - page 3
102-47	List of material topics	Sustainability Report - page 11
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	Sustainability Report - page 3
102-51	Date of most recent report	1 April 2019
102-52	Reporting cycle	Sustainability Report - page 3
102-53	Contact point for questions regarding the report	Sustainability Report - page 3
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report - page 3
102-55	GRI content index	Sustainability Report - page 18 and 19
102-56	External assurance	We have not sought external assurance for our sustainability report FY2019 and may consider it in the future.

GRI CONTENT INDEX

GRI Standard	Disclosure	Notes/ Page Reference
GRI 103: Management Approach		
103-1	Explanation of the material topic and its Boundary	Sustainability Report - page 3, 12-17
103-2	The management approach and its components	Sustainability Report - page 12-17
103-3	Evaluation of the management approach	Sustainability Report - page 12-17
GRI 201: Economic Performance		
201-1	Direct economic value generated and distributed	Sustainability Report - page 12-13, Annual Report 2019 - page 57
201-2	Financial implications and other risks and opportunities due to climate change	Not applicable
201-3	Defined benefit plan obligations and other retirement plans	Not applicable
201-4	Financial assistance received from government	Not applicable
GRI 205: Anti-Corruption		
205-1	Operations assessed for risks related to corruption	Sustainability Report - page 17
205-2	Communication and training about anti-corruption policies and procedures	
205-3	Confirmed incidents of corruption and actions taken	
GRI 307: Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Sustainability Report - page 17
GRI 401: Employment		
401-1	New employee hires and employee turnover	Sustainability Report - page 14
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	
401-3	Parental leave	We will work on collecting the relevant data and reporting it in the next report
GRI 404: Training and Education		
404-1	Average hours of training per year per employee	Sustainability Report - page 15
404-2	Programs for upgrading employee skills and transition assistance programs	
404-3	Percentage of employees receiving regular performance and career development reviews	
GRI 416: Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	Sustainability Report - page 16
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
GRI 419: Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report - page 17