

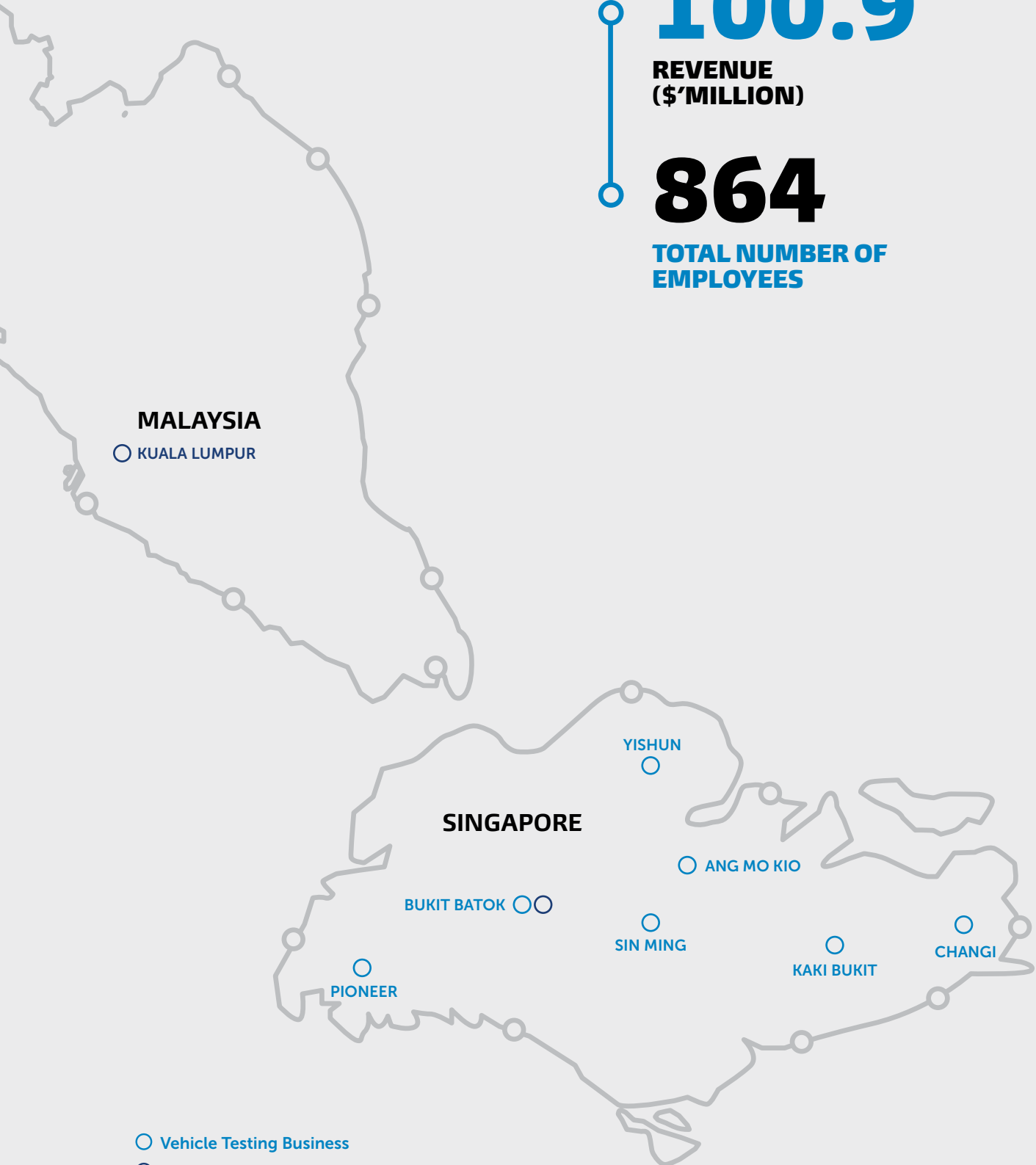
# OPERATIONS REVIEW

**100.9**

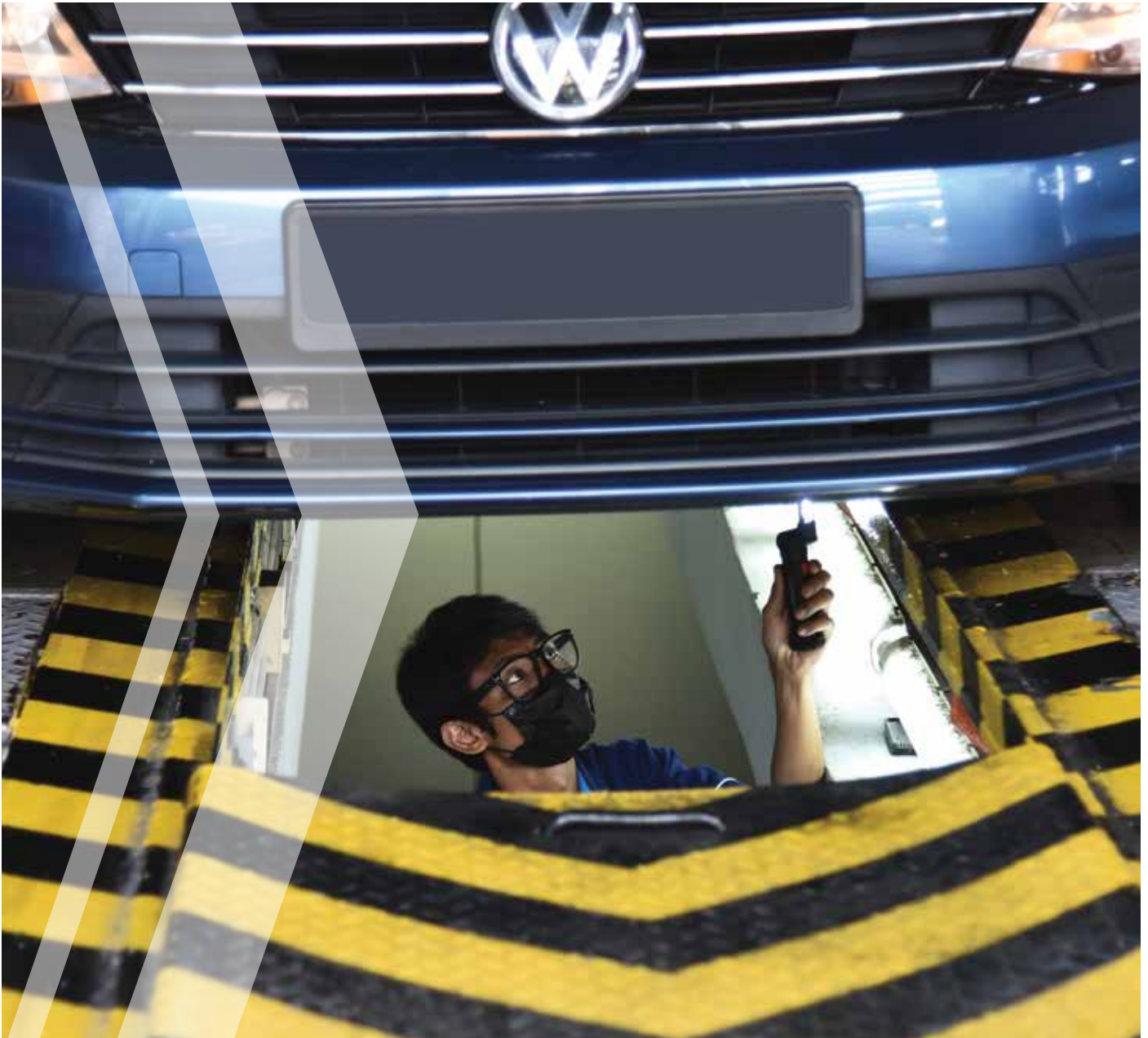
**REVENUE  
(\$'MILLION)**

**864**

**TOTAL NUMBER OF  
EMPLOYEES**



## OPERATIONS REVIEW



### VEHICLE TESTING BUSINESS

A record number of vehicles passed our inspection lanes in 2021 – buoyed by a new regulation requiring all Private Hire Vehicles (PHVs) to undergo annual inspection. In all, 523,639 vehicles, representing an increase of 30,119 vehicles or 6% from 2020, were inspected during the year. This strong performance enabled us to maintain our leadership position with a market share of 74.7% in 2021.

As the Green Movement gained momentum, demand for VICOM Emission Test Laboratory (VETL) services, which essentially caters to parallel importers bringing in newer and greener car models, also grew as car owners took advantage of the EV Early Adoption Incentive (EEAI) and the enhanced Vehicular Emissions

Scheme (VES) introduced by the Land Transport Authority (LTA) and the National Environment Agency (NEA).

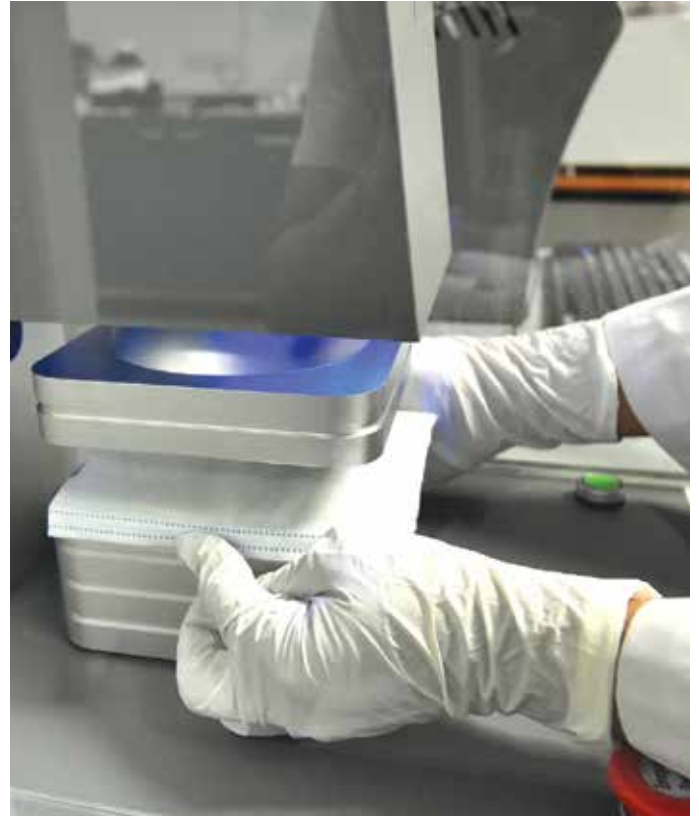
But even as demand for vehicle testing services increased, demand for accident reporting services under the VICOM Assessment Centre (VAC) fell as the impact of the COVID-19 pandemic was profoundly felt. With work-from-home (WFH) becoming a default for most companies, fewer cars were found on the roads during the year. Consequently, fewer accidents occurred – which, although a positive development in general, had a negative impact on our business. The decision by some insurance companies to discontinue the Accident Reporting scheme in July 2021 also impacted demand for VAC services.

### NON-VEHICLE TESTING BUSINESS

VICOM's wholly-owned subsidiary, Setsco Services Pte Ltd (SETSCO), continued to face challenges posed by the COVID-19 pandemic. The shortage of workers, which plagued the business from the start of the pandemic in 2020, continued to persist with border restrictions in force. The company also took special care to ensure the psychological and mental well-being of our staff, especially the non-Singaporean workers who had not been able to visit their families back home for almost two years.

Amidst the ongoing challenges, SETSCO managed to put in a better performance in 2021 as economic conditions slowly improved.

SETSCO's Construction Technology Division was awarded several major materials testing contracts for large projects such as the construction of the Customs, Immigration and Quarantine Building; the link tunnel of the Singapore-Johor Bahru Rapid Transit System; HDB dwelling projects in Tengah and Toa Payoh; and the Tuas Water Reclamation Plant. In addition, SETSCO secured another four packages under the 24-kilometre long Jurong Region Line by the LTA and a contract by the Building & Construction Authority to test imported sand and aggregates for the presence of harmful contaminations such as chloride, sulphate and reactive materials, for use in the construction industry.



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SETSCO's Biological & Chemical Technology Division continued to secure contracts for the testing of trade effluent/waste water discharge, soil and ground water of industrial land and air emissions. It also conducted industrial hygiene tests to ensure that the health and safety of workers in their environments were within approved limits.

We also secured two more tenders with the Singapore Food Agency (SFA) to procure and test food samples from hawker centres/restaurants and to detect Salmonella enteritidis in poultry farms. During the year, we continue to expand our testing services under the SFA Lab Recognition Program and now run 242 food testing services recognised under the programme.

Besides SFA, we also won a tender from Health Sciences Authority (HSA) to conduct microbiological tests such as Total Yeast and Mould, Staphylococcus Aureus, Salmonella, Sterility and Limulus Amebocyte Lysate. These tests were conducted on western pharmaceuticals, chinese proprietary medicine, cosmetic products and traditional medicines and health supplements.

SETSCO's Mechanical Technology Division secured some major contracts including conducting tests during the plant shutdown maintenance at Shell Bukom and Shell Seraya. These tests included conventional and advanced Non-destructive Testing (NDT), Radiography, Penetrant and Pulsed Array Ultrasonic

Testing, Corrosion Mapping and Remote Video Inspection. It also won a contract from ExxonMobil for Digital Radiography Testing (DRT) which essentially measures the wall thicknesses of the process pipeline. The information gathered is critical in calculating the corrosion rate and determine the remaining life for pipe repair or replacement planning.

### TECHNICAL EXPERTISE

VICOM has been conducting physical training for our inspectors quarterly to maintain their technical proficiency. However, COVID-19 has upended such physical training as inspectors from different centres are not allowed to inter-mingle. As such, we developed an e-learning platform to conduct the sessions. Training materials were prepared and uploaded and inspectors were taught how to use the new system.

The first online training was conducted in January 2021 and three more were conducted subsequently. Inspectors had to go through an online training session and sit through a quiz at the end of the module to ensure that they understood the lessons taught. A 100% participation rate was achieved for all sessions as inspectors were able to choose to attend lessons at their convenience.

With the implementation of online training, we are able to provide both quality and effective training to our inspectors at their own pace and convenience. However, physical training





in certain cases will still be needed as online training lacks the element of interaction and clarification of the technical aspects between inspectors and trainers.

As the nation moves towards the electrification of vehicles, it is imperative for VICOM to keep track of the development in the area of inspection for EVs. Management attended a total of three events in 2021.

The first event, an online conference titled “Emission Control in China and future plan to develop it”, was organised by the International Motor Vehicle Inspection Committee (CITA) in April 2021. It focused on current emission control methods in China and proposed inspection methods for periodic inspection on electric vehicles. Besides visual inspection, it proposed static inspection which involves the measurement of AC/DC insulation resistance and checks on the Battery Management System. In addition, dynamic inspection, which requires a chassis dynamometer, was recommended for checks on electrical energy consumption, drive performance and electromagnetic interference.

The second event, organised by TUV SUD Digital Academy in June 2021, was on “Safe Handling of High Voltage Systems in Motor Vehicles”. The course covered the layout of a high voltage system (HVS), dangers of electric current, accident prevention measure, first aid measures and technical safeguard. The purpose of the course was to impart a comprehensive transfer of basic knowledge and understanding in the area of safe handling of the HVS in motor vehicles. Though the course was primarily meant for technicians, the information shared was also useful for our inspectors as they go about inspecting EVs.

The third event, organized by the Slovenian Presidency of the Council of the EU and CITA in October 2021, was simply titled “Electric Vehicles”. It zoomed in on the outlook of EVs, focused on the differences between EV and Internal Combustion Engine (ICE) vehicles, types of charging modes and infrastructure, risks of EV and types of electrical tests available for EV. During the conference, the representative from the European Commission (Mobility and Transport) shared the timeline of revising the roadworthiness packages for Directive 2014/EU/EU on periodic

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road worthiness tests, Directive 2014/46/EU on Registration documents of vehicles and Directive 2014/47/EU on Technical roadside inspection of commercial vehicles for EVs. The EU is targeting the adoption of the Commission proposal by the second quarter of 2023.

VICOM conducted its 17th Technical Knowledge Exam (TKE) for its vehicle inspectors on 11 November 2021. The theory-based examination focused on new regulations implemented during the year and highlighted common mistakes made by vehicle inspectors during the course of their work. The TKE is testament to VICOM's commitment to deliver quality inspection services to its customers. Over 95% of our vehicle inspectors who sat for the TKE scored 85 marks and above. Those who received scores below 85 marks had to re-sit the test until they met the minimum of 85 marks.

SETSCO was invited to speak as an industry partner under SFA's Laboratory Recognition Program on the topic of "Supporting Singapore's Approach in the Management of Import and Export Food Safety" at the e-APEC Food Safety Cooperation Forum. With delegates including those from various government agencies, businesses associations and stakeholders from USA, Australia, Chile, China, Malaysia and Indonesia, SETSCO was able to network with many stakeholders and raise its profile in the international testing community.

### DIGITALISATION

A Digitalisation Steering Committee (DSC) was set up in 2020 to provide governance and support to driving and accelerating digitalisation in the VICOM Group. Following that, Accenture, a leading global professional services company was commissioned

in 2021 to help develop a three-year comprehensive digital roadmap to address the digital future of the Group.

The digital roadmap focusses on three pillars of (1) Customer Centricity, (2) Asset and Operations Excellence and (3) Intelligence Enterprise. The expected outcome is to improve customer satisfaction and operation efficiency by developing end-to-end digital touch points to our customers and using data analytics to optimise operations.

To achieve this, it is imperative that the level of awareness of digital technology amongst our staff be raised. To this end, three basic and one advanced e-learning programmes were launched for our employees. A total of 496 staff attended the three basic programs under Cybersecurity, End-user computing and Digital Technologies and 351 staff attended the more advanced program on Data Analytics.



Ten senior staff were selected to attend the CDG-IMDA (Infocomm Media Development Authority) Company-Led Training (CLT) program for Data Analytics conducted by National University of Singapore (NUS). This program was funded by IMDA and aimed to boost the data analytics capabilities of mid-career professionals. Our staff had to undergo six months of on-the-job and instructor-led training on topics such as “Foundations of Data Analytics”, “Machine Learning and AI Data Analytics Project Management and Strategy”, “Data Exploration and Visualisation”, and “Analytics Techniques such as Correlation Analysis and Predictive Analytics”. To complete the course, staff had to put learning into practice by embarking on a project at work.

With the training, the 10 senior staff will be better able to lead their departments to further improve the efficiency of work processes, reduce cost and drive higher customer satisfaction.

## CUSTOMER EXPERIENCE

Customer experience, also known as CX, is the holistic perception that customers have of their experience with a business or brand. It is the result of every interaction a customer has with the business, from navigating the website to talking to customer service and receiving the product or service.

During the year, VICOM continue to make progress in the driving of a Customer Service culture. We received 7,412 compliments, about 36% more than the 5,436 compliments in 2020. On the other hand, the number of complaints dropped by 10%, from 42 in 2020 to 38 in 2021. The improvement in both compliments and complaints is giving a very positive indication that the Customer Service culture has been slowly ingrained into the daily lives of our staff.



Besides serving the customers well at the inspection centres, there was also an increase in motorists using the online payments via the VICOM website. Diners’ online payment increased by 55% while PayNow online payment increased by 290% or almost 1,000 transactions performed each month. Motorists enjoyed the comfort of pre-paying inspection online via their mobile, anytime and anywhere at their convenience. PayNow is well received among corporate customer especially corporate insurance fleet owners when remitting premiums. The transaction is instant and secure as compared to cheque payment which typically requires a few days to clear.

## VICOM BAGGED AN AWARD AT THE ANNUAL SECURITIES INVESTORS ASSOCIATION SINGAPORE (SIAS) INVESTOR’S CHOICE AWARDS - WINNING THE RUNNER UP OF THE SHAREHOLDER COMMUNICATION EXCELLENCE AWARD (SCEA) 2021, MID CAP CATEGORY.

During the year, we also expanded our online booking to Personal Mobility Device (PMD), Vehicle Inspection & Type Approval System (VITAS) & Speed-limiter inspection tapping on the earlier VFIT booking platform. With this, motorists could make bookings for such adhoc services on a 24/7 basis through our website.

## THE IMPACT ON COVID-19

COVID-19 continued into the second year but this time round, the Group was better equipped to cope with the challenges. Backend staff who were able to work from home continued to do so, while frontend staff continued to practice Safe Management Measures at the workplace. Various clean workplace environment measures that have been implemented include the use of handheld disinfectant electrostatic spray guns to disinfect high touch point locations regularly and weekly ART (Antigen Rapid Test) for staff facing the public. As at the end of 2021, all of VICOM’s staff have been fully vaccinated.

## RECOGNITION

VICOM received several plaudits during the year.

In the annual “Singapore Governance and Transparency Index (SGTI) 2021, VICOM scored 103 and performed significantly better than the average score of 68.7. We are ranked 21st out of 519 listed companies surveyed.

VICOM bagged an award at the annual Securities Investors Association Singapore (SIAS) Investor’s Choice Awards - winning the runner up of the Shareholder Communication Excellence Award (SCEA) 2021, Mid Cap Category.

SETSCO, on the other hand, received a letter of appreciation from ExxonMobil Asia Pacific Pte Ltd on 8 February 2021 in recognition of our company’s achievement of Zero Recordable Injury for Year 2020 within ExxonMobil Singapore Manufacturing Complex.

SETSCO received a letter of appreciation and plaque from Petrochemical Corporation of Singapore (Private) Limited (PCS) in recognition its achievement of Zero Lost Time Incidents in 2020.

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### ACCREDITATION

SETSCO was accredited to conduct Resistance Performance Test (total viable spore count) under the United States Pharmacopeia (USP) 41: 2016, Chapter 55. Total viable spore count test is a common, in-coming inspection test for biological indicator (BI) users. This test serves as one of the simple tools that end users can use to ensure the quality of the product they are receiving. This test is required in the pharmaceuticals industry and we developed it as an addition to the previously accredited Endotoxin and Sterility tests.

### CERTIFICATION

SETSCO was successfully audited and received its renewal certification for ISO 45001 and ISO 50001 during the year.

The ISO 45001 certification specifies requirements for an Occupational Health and Safety (OH&S) Management System, to enable organisations to provide safe and healthy workplaces by preventing work-related injury and ill health, as well as by proactively improving its OH&S performance, while ISO 50001 Energy Management System provides a framework for establishing energy management best practice to help organisations to improve their energy efficiency. This certification enables organisations to establish the systems and processes necessary to improve energy performance include energy efficiency, use, and consumption.

SETSCO also attained the AS 9100 (Quality Management Systems - Requirements for Aviation, Space, and Defense Organisations) Certification in February 2021 after it was successfully audited by an international aerospace certification organisation based in Singapore.

During the year, SETSCO obtained Singapore Airworthiness Requirement (SAR) -145 approval from Civil Aviation Authority of Singapore for its satellite facility at Jalan Buroh. With this approval, we can now perform Penetrant Testing for Maintenance, Repair and Overhaul (MRO) parts besides the new manufactured parts and hence further expanded our customer base.

### RELOCATION OF SETSCO

After a year of delay due to COVID-19, SETSCO finally shifted to the \$50 million new building at Bukit Batok in September 2021. The property consists of a six-storey industrial building with basement car park and was designed to house a small dormitory for foreign workers. It has a remaining lease of 34 years, expiring on October 2055. The premise was selected because of its close proximity to housing estates, good accessibility from the Ayer Rajah Expressway and Pan-Island Expressway, availability of public transport and room for future expansion.

The land plot is 7,554 m<sup>2</sup> and Gross Floor Area (GFA) is 18,843 m<sup>2</sup>. Though the land plot is smaller than the property at Teban Gardens, there is approximately 30% more usable space due to the higher plot ratio.

As part of our effort to promote environment's sustainability in Singapore, we decided to redesign and renovate the building based on BCA Green Mark (GM) scheme. This Green Mark is a recognised green building scheme tailored for the tropical climate. It encourages the industry and professionals to collaborate and develop green building solutions, raising Singapore's built environment's sustainability standards. BCA Green Mark aims to raise our standards in energy performance and place greater emphasis on other sustainability outcomes which include using smart technologies, enhancing a building's resilience to climate change and creating healthier environments for building users.

With a greener building and bigger area, the new building houses 78 labs as compared to 67 labs in the former premises in Teban Gardens. The new additions include the advance polymer lab, flammability test lab, reliability stress test lab, ingress protection test lab, hot climate conditioning lab, Gas Chromatography Mass Spectrometry/Mass Spectrometry (GCMS/MS) & Liquid Chromatography Mass Spectrometry/Mass Spectrometry (LCMS/MS) lab, foam test lab, asbestos analysis lab, microbiology development lab, pharmaceutical test room and an ISO Class 7 cleanroom. These additions will provide opportunities for SETSCO to further broaden and deepen its testing business.

