

# OPERATIONS REVIEW

108.3

REVENUE  
(\$'MILLION)

899

TOTAL NUMBER OF  
EMPLOYEES

MALAYSIA

● KUALA LUMPUR

SINGAPORE

YISHUN

ANG MO KIO

BUKIT BATOK

SIN MING

PIONEER

KAKI BUKIT

CHANGI

● Vehicle Testing Business

● Non-Vehicle Testing Business

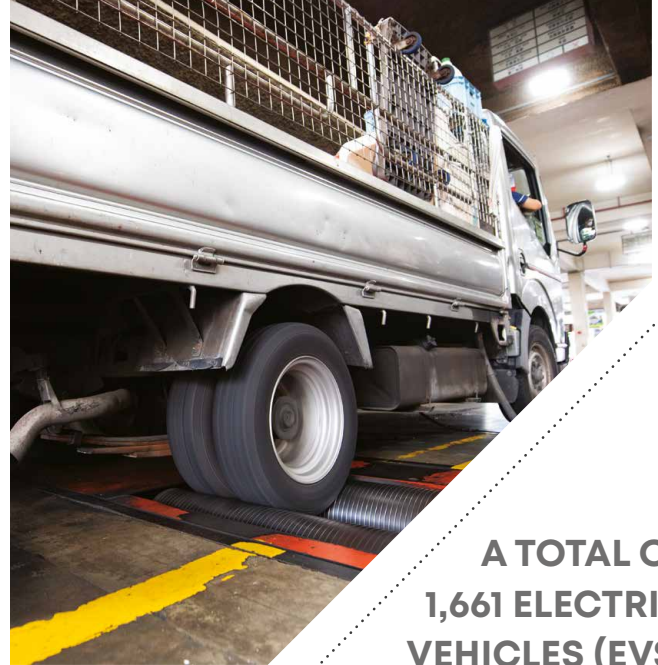
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## VEHICLE TESTING BUSINESS

We experienced strong demand in 2022, with a record 534,840 vehicles passing through our inspection lanes, thereby maintaining our leadership position with a market share of 73%.

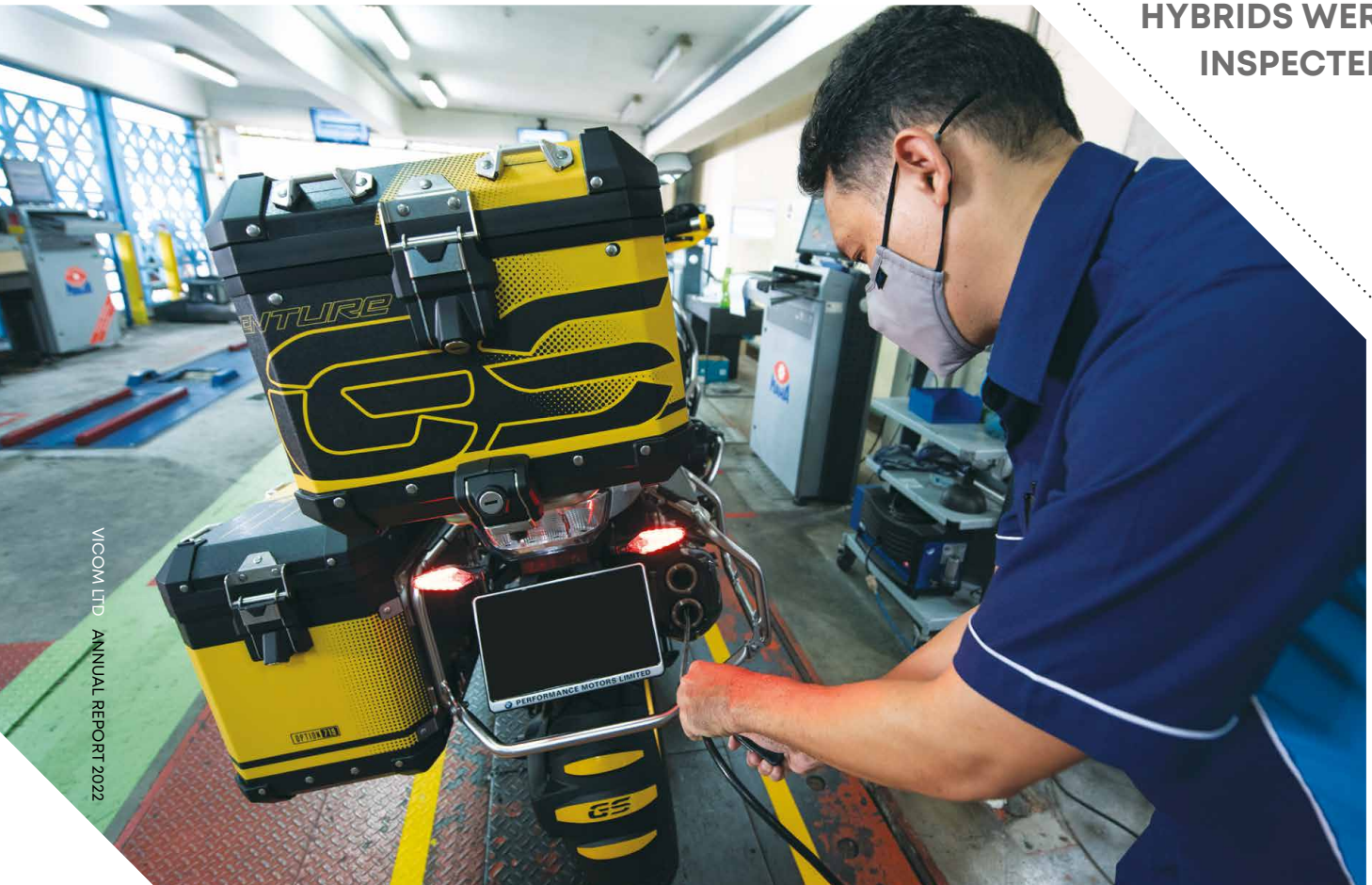
With the Government's push for the adoption of clean vehicles through the enhanced Vehicular Emissions Scheme and the Electric Vehicle Early Adoption Scheme, a total of 1,661 electric vehicles (EVs) and 37,371 hybrids were inspected during the year, compared to 577 and 32,625 in 2021.

Under the Active Mobility (Mandatory Testing – Motorised PMD with Handlebars) Order 2020, every motorised personal mobility device (PMD) that has an electric motor and handlebars must undergo mandatory inspection once every two years. The first batch of PMDs underwent testing at our various inspection centres in May 2022. By the end of the year, a total of 1,894 devices had been tested.



A light goods vehicle undergoing brake test

**A TOTAL OF  
1,661 ELECTRIC  
VEHICLES (EVs)  
AND 37,371  
HYBRIDS WERE  
INSPECTED.**



An inspector performing an emission test on a motorcycle





SBS Transit bus undergoing inspection

But, even as demand for our vehicle inspection services grew, our VICOM Emission Test Laboratory (VETL) services fell as parallel importers brought in fewer vehicles due to lower Certificate of Entitlement quota.

The temporary drop in demand for VETL services has not deterred us from upgrading the test equipment to ensure it will meet new standards under the Worldwide Harmonised Light Vehicles Test Procedure<sup>1</sup>, which will be replacing the New European Driving Cycle and the Japanese Driving Cycle in phases by 2024. This will put VETL at the forefront of emissions testing.

### RELOCATION OF JIC PIONEER

The lease for our JIC inspection centre at 53, Pioneer Road, will not be extended when it is due in December 2024. However, an understanding has been reached that the lease will be extended until the new plot of land at Jalan Papan is ready to replace the current vehicle inspection centre. The new centre is expected to be ready by the first quarter of 2026.

### NON-VEHICLE TESTING BUSINESS

Our non-vehicle testing services business under Setsco Services Pte Ltd (SETSCO) experienced strong demand during the year as economic recovery took root.

In the area of environmental testing, SETSCO was awarded several major contracts such as a three-year contract with the Public Utilities Board. The contract, which started in February 2022, was to conduct site inspection and audit, and laboratory test for air and water/trade effluent samples from the western sector of Singapore, comprising the Jurong Water Reclamation Plant and Ulu Pandan Water Reclamation Plant.

In the area of food and microbiology testing services, SETSCO was awarded two food sampling and analysis contracts by the Singapore Food Agency in 2022. We



A microbiologist performing test on water samples

also secured new customers from food retailers and manufacturers to test various food products such as fresh produce for microbial pathogens, heavy metal contaminants and preservatives like sulphur dioxide.

Despite the continued challenges facing the construction industry in general, SETSCO managed to secure a number of contracts in the area of construction materials testing, including another three testing packages for the 24km-long Jurong Region Line in 2022. This came on top of the five testing packages that were already secured in 2021. The Company was also awarded material testing contracts for the Cross Island Line, and housing estate units at Tengah, Woodlands, Sembawang, Jurong West, Whampoa and Queensway.

<sup>1</sup> The Worldwide Harmonised Light Vehicle Test Procedure is a global standard for determining the levels of pollutants, carbon dioxide (CO<sub>2</sub>) emissions and fuel consumption of traditional and hybrid cars, as well as the range of EVs.

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The gradual recovery of the aviation industry with the reopening of international borders boosted the Non-Destructive Testing (NDT) services from the aerospace Maintenance Repair and Overhaul sector.

During the year, SETSCO's Aerospace Department also completed the five-day National Aerospace and Defense Contractors Accreditation Programme on-site audit, a rigorous technical assessment of compliance to customer requirements and industry standards that is conducted by industry experts. The Department also attained the renewal approval of Part-145 from the Federal Aviation Administration, Civil Aviation Authority of Singapore (CAAS) and European Union Aviation Safety Agency (EASA) – certifications required for the review, evaluation and testing of aviation programs, systems, and intended methods of compliance.

Following the approval of the Singapore Airworthiness Requirement (SAR) Part-145 from the CAAS for our satellite facility at Jalan Buruh, the EASA has also granted SETSCO the SAR Part-145 approval for this same facility.

In the inspection field, SETSCO also won a long-term contract with a major oil company for the provision of inspectors for five years commencing 1 August 2022 to 31 July 2027.

## NEW TESTING CAPABILITIES

Besides existing testing services, SETSCO continued to exploit new opportunities and expand into new and/or adjacent testing areas. New services such as ballast water testing services were added during the year to serve the ship owners. Beyond ballast water testing, SETSCO is also looking at expanding its offerings to on board industrial hygiene, indoor air quality and air emission sampling and testing.

SETSCO started testing for pharmaceutical products and was awarded two contracts to analyse both the microbiological and chemical properties of new pharmaceutical cream formulation and won a tender to conduct sterility and endotoxin testing of pharmaceutical products.

It was also accredited to conduct new microbiology tests that allow for rapid screening of pathogens, such as the E. coli O157:H7 and Salmonella species. These tests greatly reduce the turnaround time as compared to other conventional methods, which is in line with the Group's strategy to shorten test duration in order to meet potential industry needs.



The chemists identifying traces of pesticides and contaminants in food



## SETSCO CONTINUED TO INVEST IN NEW ANALYTICAL INSTRUMENTS AND HAS DEVELOPED THE METHODS TO TEST FOR HUNDREDS OF PESTICIDES FOR A WIDE RANGE OF VEGETABLES AND FRUITS.

SETSCO continued to invest in new analytical instruments and has developed the methods to test for hundreds of pesticides for a wide range of vegetables and fruits. Concurrently, it is also developing drug residue testing capabilities for 15 classes of drugs spanning 80 compounds in food such as beef, pork, chicken, seafood, milk and egg.

A new three-dimensional (3D) laser scanning service was introduced. This 3D technology not only captures the dimensional profile of a surface, but also further analyses digitalised images when applied to large objects or areas. For example, using this 3D technology, SETSCO was able to capture the digital image of a 20m tall storage tank and analyse it for possible deformation and tilting.

SETSCO also utilised optical technology to measure the geometrical surface profile of reinforcement steel bars. Prior to the adoption of this technology, steel bar samples had to be cut and measured using several tools such as a profile projector, micrometer and Vernier calipers – a process which took four hours. But, with optical technology, the time it takes has been reduced to just 30 minutes.

Last but not least, SETSCO developed a new lightweight testing structure for impact and robustness tests on partition walls. The new structure was commissioned in early March 2022 and successfully completed a few jobs including the testing of glass brick samples. More of such tests are expected to be carried out going forward.

### EXPLOITING NEW TECHNOLOGIES

To help us look for business opportunities in technology areas that we are not yet in, and to leverage on technology to increase productivity and efficiency through robotic process automation and digitalisation, a Chief Technology Officer was recruited.

During the year, the Group continued to identify new opportunities by engaging Government bodies on multiple fields, including the Building and Construction Authority (BCA) on the use of drones for façade inspection work; and the Land Transport Authority on EVs and EV batteries.

We are also actively engaging companies with new capabilities of testing such as cybersecurity assurance testing for hardware and software which will complement or add on to our range of services provided.

We continued to interact with educational institutes such as the National Technological University on the vulnerability testing of an Artificial Intelligence Programme and autonomous vehicles, as well as with the Institute of Technical Education on finalising automation projects as final year projects for its Technical Engineering Diploma students. These are meant to improve our last-mile process to raise productivity and improve safety.

### DIGITALISATION

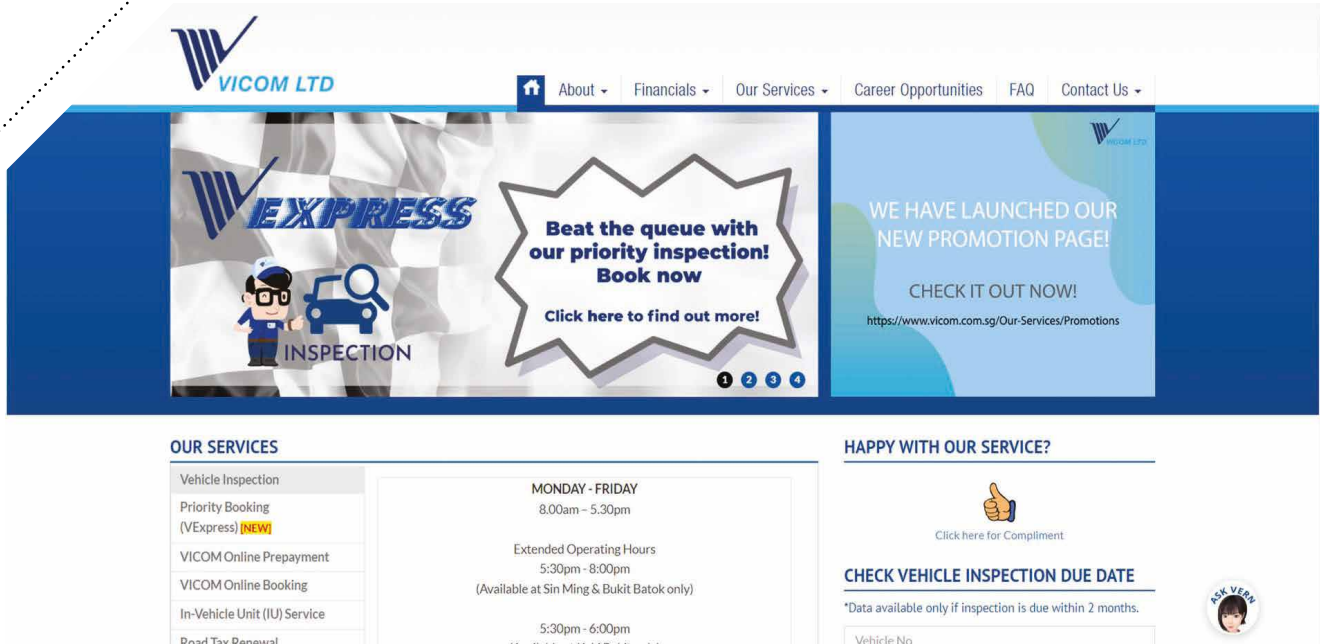
As part of the Group's three-year digitalisation roadmap, a total of four digitalisation projects for VICOM and two digitalisation projects for SETSCO were completed in 2022.

VICOM completed the development of the All-In-One digital payment solution under a unified point-of-sale payment reader for the second-generation Automated Payment Machines (APMs). The software was done in-house as opposed to an external vendor so as to give us greater autonomy and speed when changes are required.



Customers using our second-generation Automated Payment Machine

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VExpress, our new "Online Priority Inspection Booking System"

We also developed an "Online Priority Inspection Booking System" to enable motorists to book our vehicle inspection services in advance. The payment module was linked to the booking system to ensure a seamless experience for motorists from the point of booking to payment.

To better monitor the queues at our inspection centres, we launched a feature which provide our customers with popular time and estimated waiting time at the individual centres, thereby reducing traffic during peak hours and improving queue management at our inspection centres.

As part of the Group's efforts to digitise and reduce paper usage, JotForm – an online form – was used to digitise 40 paper forms used in our operational processes This helped greatly reduces the amount of paper that were used previously.

## DEEPENING OUR KNOWLEDGE

We continued to prioritise the importance of continuous training and the development of our staff – both in the area of technical as well as general competency. As such, a Company Training Committee (CTC) was formed.

The CTC was one of the initiatives launched by the National Trades Union Congress (NTUC) to support workers in achieving better work prospects through company training.

With the set-up of CTC, we have identified the skills and training that employees need to support the Group's strategic vision and direction and to keep up with industry transformation. This will allow us to build new competencies, close existing skills gaps and enhance productivity through technical, adaptive and technology skills so that our employees continue to be relevant.

## CUSTOMER EXPERIENCE AND ENGAGEMENT

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 service.



CEO Mr Sim Wing Yew presenting the Best Customer Service Award to our cashier Ms Tan Say Hong, Anna

VICOM received a total of 8,377 compliments, about 13% more than the 7,412 compliments received in 2021. The number of complaints, on the other hand, fell from 38 to 32.

About 70% of our customers pay the vehicle inspection fees using the APMs at the inspection centres. To provide customers with more cashless options, another 16 second-generation APMs were installed at our centres during the year. These newer APMs accept digital payment options such as PayNow and payWave, on top of NETS or credit cards.

A marketing campaign was also launched in January 2022 to drive up the usage of our online pre-payment service. As a result, there was an increase in PayNow online pre-payment transactions from a monthly average of 800 transactions in 2021 to a monthly average of 1,800 in 2022. The Diners Club online pre-payment transactions also increased.

VICOM had, since September 2021, stopped issuing physical periodic inspection certificates. However, for motorists, who still prefer to have proof of the inspection result, or are not digitally savvy to check the OneMotoring website, VICOM launched a new service in February 2022 that enables motorist, who signed up for VICOM Solutions

for Vehicle Inspection, to receive an SMS notification once their vehicles pass inspections.

In December 2022, a new service, VICOM Express Service or “VExpress”, was put on trial at VICOM Sin Ming. It is an online booking service for our customers to pre-book an appointment for inspection.

### **SUSTAINABILITY**

Under the guidance of the Sustainability Committee, we continued to make good progress in Environmental, Social and Corporate Governance (ESG) initiatives. Two of the key initiatives are highlighted below. For full details on all our ESG initiatives, please refer to our Sustainability Report (SR) on our website.

### **GREEN INITIATIVES**

Besides getting the charging infrastructure up for future EVs, we have also completed a new Power Purchase Agreement (PPA) to install solar panels at SETSCO building and five of our vehicle inspection centres. The PPA is expected to take effect from the second quarter of 2023, upon the full commissioning of the solar panel system which will be a great leap forward in the progress towards lowering our carbon footprint.





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VICOM's Board of Directors, Senior Management and staff at the Singapore Corporate Awards 2022

## SAFETY

Due to a spike in workplace fatalities during the year, the Ministry of Manpower implemented a "Heightened Safety" period from 1 September 2022. The Group responded with a Safety Time Out to re-assess all the risks associated with the workplace, shared learning points from the fatal accidents that had happened in the industries, and conducted toolbox meetings to remind staff on the importance of workplace safety.

The Code of Practice (COP), which was launched on 19 September 2022, and later gazetted as an Approved COP (ACOP) in October 2022, aims to clarify and strengthen the ownership of Workplace Safety and Health's (WSH) roles and duties to that of the Chief Executive Officer (CEO) and the Board of Directors. As such, the Group had reviewed its Safety Management System and taken the necessary actions to ensure the full compliance with the 17 measures outlined in the ACOP.

## RECOGNITION

Both VICOM and SETSCO received plaudits during the year.

VICOM won two corporate awards – the "Best CEO Award" and "Silver in the Best Risk Management", for the Mid Cap Category at the Singapore Corporate Awards 2022. It was also the runner-up of the Shareholder Communications Excellence Award 2022, Mid Cap Category at the annual Securities Investors Association Singapore Investor's Choice Awards.

In the annual Singapore Governance and Transparency Index 2022, VICOM scored 103 and performed significantly better than the average score of 70.6. We were ranked 14 out of 489 listed companies surveyed.

SETSCO received a letter of appreciation from ExxonMobil Asia Pacific Pte Ltd in 2022 for achieving "Zero Recordable Injury for the Year 2021" within its ExxonMobil Singapore Manufacturing Complex and another letter of appreciation from Petrochemical Corporation of Singapore (Private) Limited (PCS) for "Zero Lost Time Incidents in 2021".