

OPERATIONS REVIEW

111.9

REVENUE
(\$'MILLION)

940

TOTAL NUMBER OF
EMPLOYEES

OVERVIEW

In 2023, despite a slowdown in Singapore's economy, the business performance of the Group remained resilient.

The vehicle inspection business performed satisfactorily, with a successful upgrade of the Vehicle Emission Testing Laboratory (VETL) to the Worldwide Harmonised Light Vehicles Test Procedures (WLTP), as well as the piloting of the installation of On-Board Unit (OBU) in the Electronic Road Pricing (ERP) 2.0 installation exercise.

The Group also implemented various elements of the strategy to grow the non-vehicle testing business, by expanding our testing capabilities to existing and adjacent areas, and also venturing into the new business area of providing security evaluation and testing services for IT products by acquiring An Security, a leader in this field.

During the year, the Group has rolled out several initiatives to improve the customer experience and also invested resources to deepen the knowledge of our staff. Plans are also underway to develop the site at Jalan Papan to support the growth of the business in the future.

Furthermore, the Group remains committed to integrating sustainability, both into our businesses as well as an enabler through our testing, inspection, and certification capabilities, ultimately delivering value to all our stakeholders.

VEHICLE TESTING BUSINESS

We continued to experience strong demand in 2023, with 520,895 vehicles passing through our inspection lanes, thereby maintaining our leadership position with a market share of over 72%.

With the Government's push for clean energy vehicle adoption, a total of 3,389 EVs and 38,781 hybrids were inspected during the year, compared to 1,661 and 37,371 in 2022.

The Vehicle Emission Testing Laboratory (VETL) was closed for 2 months in the first quarter of the year for the upgrade to the Worldwide Harmonised Light Vehicles Test Procedures (WLTP). For the upgrading exercise, teams of engineers from Germany, Japan, Thailand, and Indonesia flew in to be part of this project which included the decommissioning of the existing equipment, as well as the installation and commissioning of the new ones.

The upgrade represented a major and near-total conversion of the laboratory built in 2009. Besides the change in equipment for running and testing of vehicle emissions, the entire Heating, Ventilation, and Air Conditioning (HVAC) system of the laboratory was replaced to meet the new WLTP standard.

The test laboratory was finally re-opened on 17 March 2023 as scheduled and it was accredited by the assessment team from the Singapore Accreditation Council (SAC) to conduct WLTP tests as well as the World Motorcycle Test Cycle (WMTC). The WMTC is an added feature



On-Board Unit (OBU) Installation Lounge.



Worldwide Harmonised Light Vehicles Test Procedures (WLTP).



Inspectors installing OBU on motorcycle.

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for this upgrading project allowing us to extend emission testing to motorcycles, and beyond vehicles of less than 3.5 tons.

With the upgrading, VETL conducted more tests for the year than in 2022. The better performance was a result of regulatory changes by NEA to impose stricter emission control via adjustments of rebates to the Vehicular Emissions Scheme (VES), as well as the extension of the EV Early Adoption Incentive (EEAI), and it can also be attributed to the release of more COEs in the last quarter of the year.

VICOM was named as one of the Appointed Partners (AP) of LTA for the OBU installation in the ERP 2.0 exercise. To enable LTA to test-run both the operational and technical aspects of this large-scale exercise, VICOM was selected to conduct a pilot trial between 10 August 2023 and 11 September 2023. The pilot concluded successfully with 479 vehicles installed with the OBU.

After the pilot run, VICOM started the Small-Scale Implementation (SSI) phase in December 2023 and completed the OBU installations for 3,300 vehicles.

The VExpress priority booking service at Sin Ming VICOM was soft-launched in late December 2022 and went into full swing from April 2023 onwards. This new service has made it more convenient for customers to inspect their vehicles at

our centre. Customers can choose their preferred date and time for inspection through our website, for just a small charge of \$10 on top of the periodic inspection fees.

To create a better experience, we added a VExpress Waiting Lounge for customers to relax during their inspection. The air-conditioned lounge provides complimentary drinks, light refreshments, magazines, and also a monitor showing real-time updates on the vehicle inspection.

After the successful implementation at Sin Ming VICOM, we expanded this offer to Yishun VICOM in November 2023. A total of 1,302 VExpress customers have used our VExpress service last year.

We have also added a new “E-cert” feature on our VICOM website. It was launched in September 2023 and allows customers to conveniently download their certificate after completing their periodic inspection. More than 2,200 motorists had downloaded their E-cert from our website in 2023.

2023 also saw the launch of an upgraded VSIR 2.0 for corporate customers. The main product features include a modernised dashboard that provides customers a clear overview of due dates for their fleet’s inspection in the month, the number of vehicles that completed inspection, and a forecast

of the number of vehicles that are due in the next 3 months allowing for better planning and utilisation of the fleet. Customers are also able to know the failure rate and retrieve failure reports to improve their maintenance regime. Users can view their E-certs, receive notifications via SMS or email and opt for electronic payment which reduces administrative paperwork, minimises the use of paper and promotes sustainability.

NON-VEHICLE TESTING BUSINESS

Our non-vehicle testing services, operated by Setsco Services Pte Ltd (SETSCO), witnessed robust demand in some sectors, but felt the contraction in the manufacturing sector.

SETSCO cemented its leadership in environmental testing with several key contracts in 2023: a renewed three-year contract with the Public Utilities Board for water quality testing in the east of Singapore, comprising Changi Water Reclamation Plant, Kranji Reclamation Plant, and Bedok NEWater Factory, as well as a sampling and water quality testing service for the Cross-Island MRT Line project and a few indoor air quality and industrial hygiene projects.

SETSCO enjoyed a successful year in Food & Microbiological Testing, securing several notable contracts such as a two-year deal with a hospital for microbiological testing. The Singapore Food Agency also exercised its option to extend its existing food safety testing contract for an additional two years, further solidifying SETSCO's position as a trusted partner in food safety assurance.

Singapore-based multinational news network CNA highlighted SETSCO in two informative features in its Talking Point programme. The first, aired on 1 June 2023, delved into the safety of ready-to-eat salmon, for which CNA commissioned SETSCO to conduct tests on fifteen raw salmon samples. The segment, spanning 3 minutes, showcased an interview with Ms Agnes Ye, Head of Microbiology, discussing the test results and the health risks associated with potential pathogens.

In another feature, aired on 7 September 2023, CNA explored the nutritional value of durians and commissioned SETSCO to test four types of durian samples.

The segment included an interview with Mr Toh Say Yong, Head of Food Chemistry, providing insights into the test results and their interpretation.

SETSCO's expertise in nutri-grade testing led to increased testing requests from many beverage outlets to analyse the saturated fat and sugar content of freshly prepared beverages, contributing to informed consumer choices.

In the area of non-destructive testing (NDT) and inspection, SETSCO won multiple contracts in 2023. We clinched a two-year NDT commitment with a major oil company. This comprehensive agreement involves Ultrasonic Thickness Gauging (UTG) teams, Digital Radiography Teams, and on-call NDT services, encompassing Ultrasonic Testing (UT), Long Range Ultrasonic Testing (LRUT), Remote Video Inspection (RVI), and Positive Material Identification (PMI).

Further expanding our portfolio, PSA Corporation awarded SETSCO a three-year contract to supply NDT services for maintenance work across multiple locations under PSA management. We also secured a contract for lamp post inspections across the east and

west zones of Singapore, employing ultrasonic-guided waves to assess the air-soil interface.

In addition, SETSCO closed deals for Construction Material Testing and Structural Integrity Testing from the Housing and Development Board (HDB).

In the construction material testing sector, SETSCO secured a laboratory and on-site testing contract for 3 stations under the Jurong Region Line. SETSCO was further entrusted with the material testing contract for the Deep Tunnel Sewerage System Phase 2 project.

In the field of Geotechnical Testing, SETSCO was engaged in various projects, including testing for Road Maintenance at Highways, testing of pavement works for the Singapore F1 Grand Prix 2023, and lab and on-site testing for the Changi East project.

NEW TESTING CAPABILITIES

To remain competitive, SETSCO continued to exploit new opportunities and expand into new and adjacent testing areas.

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to various food categories, including beef, pork, chicken, seafood, milk, and eggs. SETSCO also conducts drug tests for diverse range of products such as animal feed, luncheon meat, and prawns.

SETSCO obtained accreditation for pesticide residue testing in fruits and vegetables, covering an extensive range of 170 pesticides with plans to reach the full 370 varieties listed by the Singapore Food Agency (SFA). Our expertise extends beyond fresh produce, encompassing food matrices like coffee, tea, and other dried products. This comprehensive service has attracted new business from established clients solidifying our position as a reliable partner in food safety testing.

In 2023, SETSCO bolstered its expertise by adding relaxation testing for wire strands to its portfolio. This technique evaluates the long-term behaviour of pre-stressed seven-wire strands, a crucial component in bridges and buildings. The test involves subjecting the strands to a sustained load, and meticulously measuring the gradual stress loss. Accurate relaxation data is pivotal to engineers in optimising design parameters, and ensuring the safety of pre-stressed concrete elements.

SETSCO also expanded its materials testing expertise with the new capability to measure the resilient modulus of soil and aggregate materials. By simulating dynamic traffic loading, this new testing capability provides an accurate measure of material stiffness, incorporating relevant non-linear characteristics. These resilient modulus values are crucial for pavement structural response analysis under wheel loads and are directly applicable to pavement design procedures. Leveraging this new ability, SETSCO secured a key infrastructure project for Changi East.

In 2023, SETSCO's Certification Department gained ISO 27001 accreditation from the Singapore Accreditation Council. This

accreditation empowers us to certify other companies and organisations for compliance with ISO 27001, complementing our existing Management System certification service for ISO 9001.

We also expanded our influence in the cybersecurity domain by becoming an accredited issuer of the Cyber Trust Mark. This prestigious programme, developed by the Cyber Security Agency of Singapore, recognises and rewards organisations with exemplary cybersecurity practices.

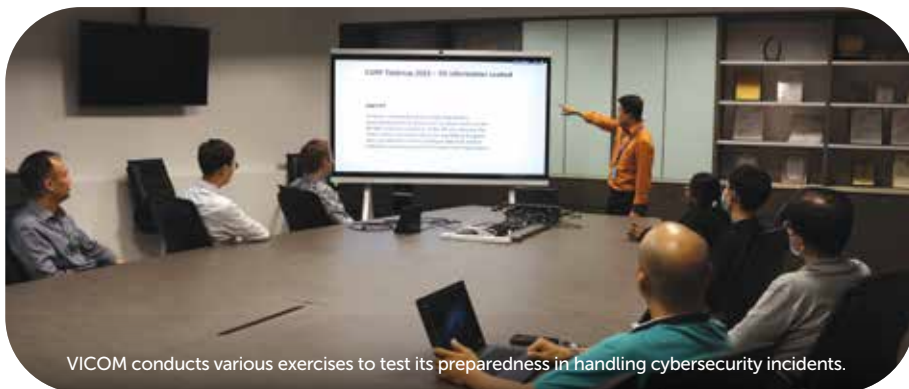
ACQUIRING NEW EXPERTISE

In July, SETSCO made its foray into cybersecurity testing with the strategic acquisition of a 70% stake in An Security, a cybersecurity specialist that provides cybersecurity evaluation and testing services. It's a deal that further strengthens our pursuit of the growing technology sector.

The takeover allows us to leverage on An Security's specialised expertise, establishing a strong foothold in the burgeoning field of cybersecurity. It aligns seamlessly with SETSCO's core identity as a traditional testing company, presenting an opportunity to offer complementary services in this domain. Since the acquisition, we have been proactively promoting An Security's services to our existing partners and clients. Simultaneously, we are dedicated to enhancing our capabilities in security evaluation, information assurance services, and consultancy for IT products.

As part of our strategic commitment to enhance the expertise of our workforce, we also continue to invest in training and retraining programmes to upskill and cross-train our staff, broadening their skill sets.

SETSCO is set to establish a new capability in fatigue testing, which provides an in-depth understanding of the fatigue performance of steel reinforcement bars and couplers in concrete structures. Evaluating the fatigue performance of products and



materials under cyclic or dynamic loading addresses vital requirements in building and infrastructure design, particularly in regions susceptible to ground tremors and stronger wind loads. It is set to benefit various industries, standard bodies, and regulators.

With the support from NTUC under the Company Training Committee Grant, SETSCO acquired a new fatigue testing machine. Staff were trained by equipment specialists in both theoretical and practical aspects, providing a distinctive opportunity for hands-on experience and knowledge in conducting fatigue testing and analysis. This enabled our staff to upskill and improve their career progression.

DEEPENING OUR KNOWLEDGE

To emphasise the importance of continuous learning and development for its employees, the Group has embarked on the online LinkedIn Learning Programme which contains thousands of courses covering a wide range of technical, business, management, and creative topics. Learning paths based on the McKinsey Future Skills framework equip employees with critical skills in the cognitive, interpersonal, self-leadership, and digital realm. Senior executives and above can already enrol in these courses.

We have also come up with different programmes around the building of engaged teams, situational leadership and foundations of relational leadership,

which specially look at skill sets for team managers. The courses are tailored for staff in supervisory positions as part of their personal development to be effective managers.

To further promote a learning culture, the Group has designated 2 hours of protected learning time, from 1530 hrs to 1730 hrs on the last Friday of every month. There will be no internal meetings scheduled during these hours and staff is strongly encouraged to use it for learning unless there are work exigencies.

IMPROVING CUSTOMER EXPERIENCE AND ENGAGEMENT

Customer experience shapes the entire perception of a business, influenced by every touchpoint, ranging from advertising, customer service, and website engagement to even the smallest detail like payment methods.

In 2023, VICOM received 10,269 compliments, 22.6% more than the 8,377 in 2022. We achieved this by monitoring and making improvements based on our customer feedback, by developing our customer service culture through training and positive reinforcements such as rewards and recognitions.

To enhance branding and improve engagement with customers, SETSCO launched its LinkedIn channel on 16 May 2023. LinkedIn provides a powerful platform to establish industry leadership, connecting with potential

clients and partners, attracting talent, and building a strong professional network. By leveraging LinkedIn's diverse features, we aim to strengthen our brand image, expand our reach, and engage with our target audience in the digital landscape, cementing our industry expertise. During the year, we published 16 posts, ranging from the launch of new capabilities, and CSR activities, to our CNA coverage for publicity.

DEVELOPMENT OF NEW JALAN PAPAN SITE

The plan to develop the new Jalan Papan site is progressing well. When developed in 1Q 2026, this new site spanning 12,400 square metres of floor space over 5 storeys, will support the growth of both our vehicle and non-vehicle testing business. The building will also include vehicle workshops, parking space for heavy vehicles, and charging facilities for electric vehicles, thus adding a new revenue stream to our business.

SUSTAINABILITY

The Group continues to demonstrate its commitment to sustainability, as expressed in our inaugural standalone Taskforce for Climate-related Financial Disclosure (TCFD) report in 2023, ahead of the mandated timeline imposed by the Singapore Exchange (SGX).

In addition, we implemented several green initiatives which are highlighted below. For more information on all our ESG initiatives, please refer to <https://www.vicom.com.sg/Financials/Sustainability-Report>.

GREEN INITIATIVES

The Group installed solar panels at its 6 sites in 2023. The panels generated over 456,338 kWh of electricity during the year, equivalent to the yearly consumption of 103 four-room flats.

SETSCO also installed a heat recovery unit for its chiller plant resulting in savings of 229,410 kWh per month on average — compared to the pre-installation month — which is equivalent to the monthly energy consumption of 637 four-room flats.

OPERATIONS REVIEW

We further installed a water recycling unit for the chiller plant that led to savings of 711,000 litres — a 22% reduction in water consumption — on average every month, which amounts to over 3 Olympic-sized swimming pools a year.

SETSCO also kicked off its fleet electrification effort by converting 2 of its vehicles to Electric Vehicles (EVs). It aims to achieve 100% conversion of all its vehicles to EVs by 2040.

SAFETY

The VICOM Group improved its Lost Time Injury Rate (LTIR) from 2.4 in 2022 to 0.92 incidents per one million man-hours in 2023. This feat was achieved thanks to the strong commitment from the top management and also the strong support from staff at every level of the company.

In addition, SETSCO has successfully been re-certified to ISO 45001 for Occupational Health and Safety Management System and achieved zero safety incidents during the year. It also received the ExxonMobil Zero Recordable Injury for 8 Continuous Years and the Petrochemical Corporation of Singapore (PCS) Pte Ltd Safety Excellence award.

Moving forward and building on its achievements, VICOM plans to expand its current practice of holding toolbox meetings, monthly workplace safety inspections, WSH meetings, and regular management safety walkabouts, to highlight near-miss incidents in order to further raise safety awareness amongst staff.

RECOGNITIONS

- a) VICOM won the Friends of Community Care (FOCC) Award 2023 by the Agency for Integrated Care on 13 June 2023.
- b) VICOM won two Singapore Corporate Awards – Gold Award for “Best Risk Management Award 2023” and Silver Award for “Best Annual Report Award 2023” for companies with \$300 million to less than \$1 billion in market capitalisation on 7 September 2023.
- c) VICOM bagged the Securities Investors Association (SIAS) Investors’ Choice Awards 2023 – “Winner for Shareholder Communications Excellence Award (Mid Cap)” on 8 November 2023.
- d) VICOM has been ranked among the top 20 of 474 listed companies in Singapore in the annual Singapore Governance and Transparency Index 2023. We attained an improved score of 104, which surpasses the average score of 74.8 among the listed companies.
- e) SETSCO obtained the ISO 14001 – Environmental Management System certification in demonstration of its commitment in incorporating sustainability in its business strategy and processes.
- f) SETSCO received the ExxonMobil Zero Recordable Injury for 8 Continuous Years and Petrochemical Corporation of Singapore (PCS) Pte Ltd Safety Excellence award.



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