

GENERAL ANNOUNCEMENT::RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND SIAS

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Submitted By (Co./ Ind. Name)

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Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below)

Please see attached.

Attachments

[VICOM - Responses to Questions from Shareholders and SIAS.pdf](#)

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VICOM LTD
(Company Registration No. 198100320K)
(Incorporated in the Republic of Singapore)
(the “**Company**”)

**RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND
THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
IN RELATION TO THE COMPANY’S 42ND ANNUAL GENERAL MEETING**

VICOM Ltd (the “**Company**”) wishes to thank shareholders and the Securities Investors Association (Singapore) (“**SIAS**”) for submitting their questions in advance of the Company’s 42nd Annual General Meeting which will be convened and held on 26 April 2023 at 10.00 a.m. by way of electronic means and in person at the Auditorium, ComfortDelGro Headquarters, 205 Braddell Road, Singapore 579701.

Please refer to the Annex for our responses to the questions submitted by shareholders and the SIAS.

**BY ORDER OF THE BOARD
VICOM LTD**

Angeline Joyce Lee Siang Pohr / Cher Ya Li Sheryl
Company Secretaries

21 April 2023

Question from Shareholders

1. How will the transition to electric vehicles affect the Company's business? How is the Company preparing for this transition?

All vehicles, whether they are Internal Combustion Engine ("ICE") vehicles or Electric Vehicles ("EV"), have to undergo mandatory periodic inspection by the Land Transport Authority. This is because there is still a need to inspect the brakes, chassis, lighting system, etc of an EV to ensure its roadworthiness.

The Company has always been ahead of the curve on technology changes related to vehicles. As a result of this proactive stance, VICOM started inspecting the first EV in 2017 and has since inspected more than 3,200 EVs over the past several years.

Questions from SIAS

1. In his statement to shareholders, the Chairman highlighted a four-pronged strategy to grow the group's non-vehicle testing business, which are as follows:

- Extend current capabilities on testing, inspection and certification to adjacent areas
- Explore new business opportunities in new technology areas
- Constant upskilling and cross training staff
- Strengthen customer engagement

(i) Can the Board elaborate further on the key financial and operational targets for the growth in the non-vehicle testing business?

The Company does not publish financial or operational targets as they may be construed as profit forecasts.

(ii) What is the revenue from non-vehicle testing, inspection and certification?

As the non-vehicle testing business operates in a highly competitive environment, it is deemed prudent that the Company should not disclose such information.

(iii) How much capital expenditure (capex) is required to invest in this growth?

There will be some capex for equipment or facilities, such as developing the newly leased land parcel in Jalan Papan, to support future growth.

The actual capex will depend on the type of new testing capabilities that will be developed, after assessing their potential and the overall returns.

(iv) How will the group identify new technology areas? Given that these fields will be new to the group, is the group also considering acquisitions?

The Group has recruited a Chief Technology Officer to scan the environment for new technologies to fulfil un-met needs or new demands for testing in different industries. The Group also works with technology firms and Institutes of Higher Learning to carry out such scanning.

The Group will consider acquisitions where appropriate.

2. **Several achievements in the group's digitalisation roadmap were highlighted in the operations review, including a second-generation automated payment machine (with a unified point-of-sale payment reader), online forms to reduce paper usage and online priority inspection booking system (with integrated payment module).**
- (i) **Given the significant advancements in dialogue-based AI chatbots, which have demonstrated their ability to understand natural human language and perform complex tasks in 2023, can the Board provide greater details of its technology roadmap? What is the culture in the group with regard to adopting new technologies?**

The Group technology roadmap involves moving up the value chain in testing by staying ahead of the technology curve, and also adopting digitalisation and automation to enhance efficiency.

Being in the Testing, Inspection and Certification ("TIC") industry, there is a strong culture in the Group to adopt new technologies, as there are always new tests and standards developed for different industries every year.

3. **The group's vehicle testing business achieved a record high for vehicle periodic inspection to 534,840 inspections, compared to 523,639 in 2021.**

As shown in the operations review, the group has a market share of 73%. The market share was 74.0% in 2019, 75.2% in 2020, 74.7% in 2021 and 73% in 2022.

- (i) **Is the board closely monitoring and reviewing the group's performance in the vehicle inspection segment, considering that inspection services are highly regulated and that there are only two major players in Singapore?**

The Board actively monitors and reviews the Group's performance across all segments it operates in.

- (ii) **Can Management confirm whether inspection fees are regulated? If so, what efforts have been made by Management to improve efficiency, reduce costs and enhance service standards?**

Inspection fees have been deregulated since 1997.

Management is constantly looking at new technologies or initiatives to provide high quality service to motorists and at the same time, improve efficiency and lower costs. One example of VICOM's leadership in this area, is having a seamless process of allowing motorists to book an inspection and pre-pay online before arriving at inspection centres.

- (iii) **Has Management monitored service quality indicators, such as wait times, customer satisfaction levels, and center opening hours?**

There is a stringent Service Level Agreement in place with the Land Transport Authority to meet quality expectations such as waiting time and centre opening hours. In addition, Management has also put in place Customer Service Indicators for close monitoring.

- (iv) **Separately, can Management help shareholders gain a deeper understanding of the opportunities in the inspection of electric vehicles (including hybrid vehicles) and personal mobility devices?**

There are fire risks related to batteries in Electric Vehicles (“EVs”) and Personal Mobility Devices (“PMDs”). As such, there are opportunities for additional tests. VICOM has worked with the authorities for such testing of PMDs and is exploring ways to test EV batteries.

4. **In Note 26 (Segment information), the Company states that “[a]ll vehicle inspection and non-vehicle testing services are managed and reported together as one segment in order to improve productivity and efficiency as these services have similar economic characteristics and processes. Hence there are no other reportable segments to be presented”.**

However, the Chairman’s view of the two businesses clearly show that this may not be the case. He state (page 4):

Demand for vehicle testing is expected to remain stable in 2023; while, barring unforeseen circumstances, demand for non-vehicle testing is expected to increase with the full resumption of activities in the national economy. However, the Group’s profit margins will continue to be under pressure due to inflationary pressures and greater competition, especially in the non-vehicle testing business.

- (i) **Can the Audit and Risk Committee (ARC) clarify whether the two businesses possess “similar characteristics and processes”?**

Both the vehicle and non-vehicle testing services are classified under the Testing, Inspection and Certification (“TIC”) industry and as such, they do have similar economic characteristics and processes.

- (ii) **In addition, given the focus on non-vehicle testing and the fact that Setsco Services has its own chief executive officer, how does the ARC justify treating the two businesses as one segment?**
- (iii) **Would the ARC consider examining how the group can provide appropriate segment reporting in the financial statements and the annual report, enabling shareholders to assess the group's operational and financial performance in the different businesses, particularly in light of the new emphasis on growing the non-vehicle inspection business?**

In response to Q4(ii) and (iii), the ARC has considered that it may not be in the best interest of the Group to disclose segmental information, including the financial numbers, for the non-vehicle testing business, given the competitive nature of the business environment.

5. **At the Annual General Meeting scheduled to be held on 26 April 2023, the Company is seeking shareholders’ approval of the payment of directors’ fees of \$723,943 for the financial year ended 31 December 2022. (FY2021: \$508,502).**

In the explanatory notes, it was disclosed that the fees were aligned to that of mid-cap companies in Singapore based on the Singapore Institute of Directors Board of Directors Survey 2022.

The fee structure for directors is shown on pages 39 & 40 of the annual report (reproduced below):

The Directors' fee structure for FY2022 is set out below:

BOARD		BASIC FEE (PER ANNUM)
CHAIRMAN		S\$64,000
DEPUTY CHAIRMAN		S\$48,000
LEAD INDEPENDENT DIRECTOR		S\$38,400
MEMBER		S\$32,000

BOARD COMMITTEE	ADDITIONAL FEES (PER ANNUM) AS	
	CHAIRMAN	MEMBER
AUDIT AND RISK COMMITTEE	S\$21,333	S\$14,933
NOMINATING AND REMUNERATION COMMITTEE	S\$12,800	S\$8,960
SUSTAINABILITY COMMITTEE	S\$10,667	S\$7,468
TECHNOLOGY COMMITTEE	S\$10,667	S\$7,468

(Adapted from company annual report)

- (i) **Can the Board, especially the Nominating and Remuneration committee (NRC) help shareholders better understand the benchmarking process against other mid-cap companies? Specifically, what adjustments did the NRC make with regard to size, industry, level of competitiveness etc, and how thorough was the review?**

The Group is in the Testing, Inspection and Certification ("TIC") industry. The Company's market capitalisation is around S\$0.7 billion and is considered a mid-cap company. As there are no other SGX-listed companies in the TIC industry, the Company is unable to benchmark its directors' fees against SGX-listed companies in the same industry. The NRC takes guidance from reports / surveys such as the Singapore Board of Directors Survey and the Singapore Directorship Report, which provide data on the remuneration of Directors of listed companies. The directors' fees for the Company's Non-Executive Directors ("NEDs") for the financial year ended 31 December 2022 ("FY2022") are around the median based on these reports / surveys.

The NRC and the Board take a strict view on remunerating NEDs according to the level of contributions, taking into account the time and effort expended by the NEDs, as well as their responsibilities, while bearing in mind that the Company operates within a regulated industry where its corporate practices are always closely scrutinised.

- (ii) **Considering that the NRC members also receive director fees, what safeguards have been put in place to manage this potential conflict of interest?**

The Company's Constitution prohibits directors from voting on matters in which they are interested parties. To avoid arbitrary considerations and ensure general parity among the NEDs, the Company has a framework established for determining the directors' fees each year; this comprises basic fees, attendance fees and additional fees for serving on Board Committees (please see pages 39 to 40, paragraph 7.2 of the Annual Report for FY2022). Each Director will abstain from voting in respect of the portion of the directors' fees payable to him/her. Further, while directors' fees are proposed by the NRC after benchmarking with available market data, such fees ultimately have to be approved by the shareholders of the Company at Annual General Meetings.