



# Annual Report 2022

State Trading Organization plc

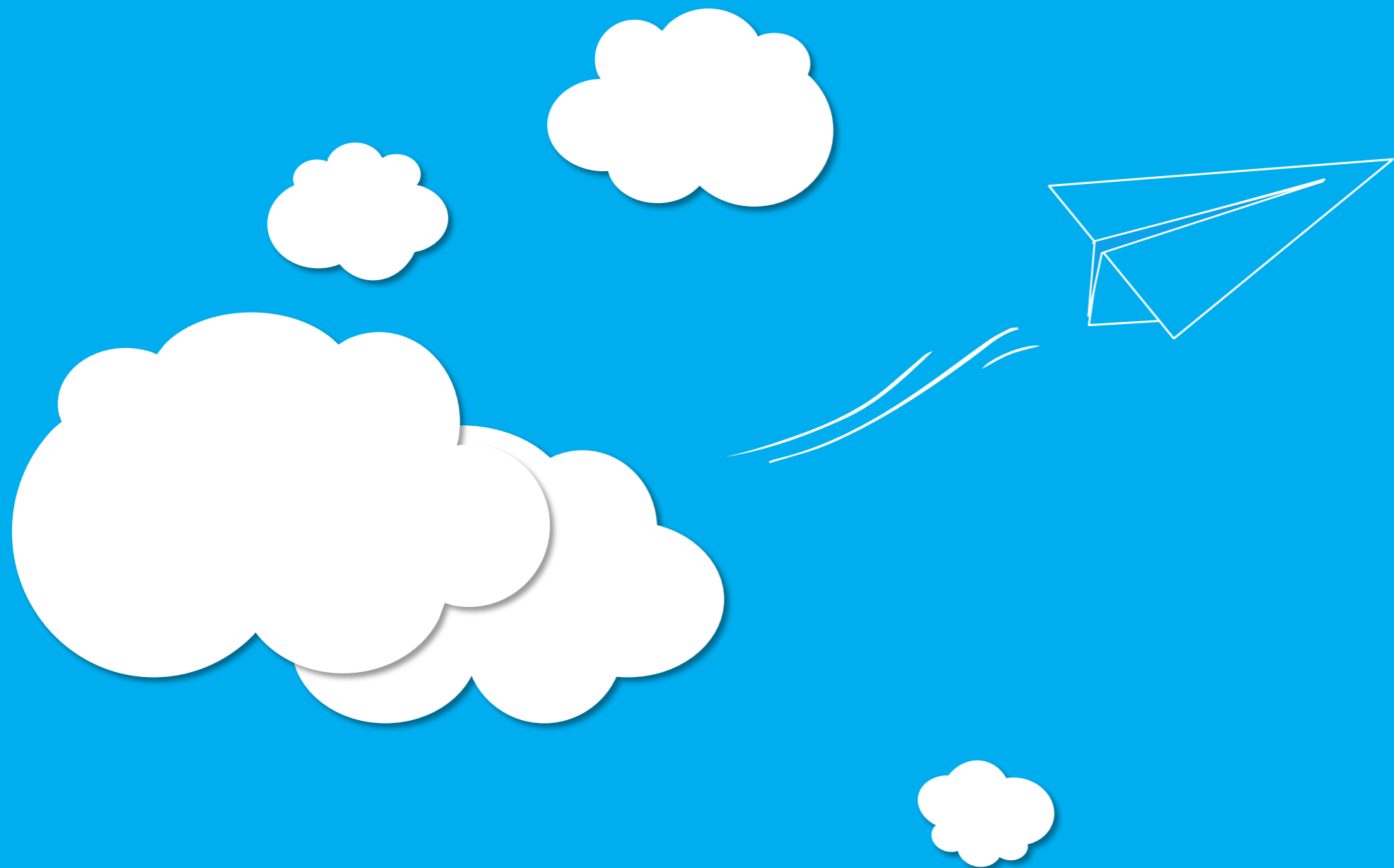


This report comprises the Annual Report of State Trading Organization plc prepared in accordance with the Companies Act of the Republic of Maldives (10/96), listing rules of Maldives Stock Exchange, Maldives Securities Act (02/2006), Securities (Continuing Disclosure and Obligations of Issuers) Regulation (R- 1050/2019) of Capital Market Development Authority and Corporate Governance Code of Capital Market Development Authority requirements. Unless otherwise stated in this Annual Report, the terms 'STO', the 'Group', 'we', 'us' and 'our' refer to State Trading Organization plc and its subsidiaries, associates and joint ventures collectively. The term 'Company' refers to STO and/or its subsidiaries. STO prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). References to a year in this report are, unless otherwise indicated, references to the Company's financial year ending 31st December 2022. In this report, financial and statistical information is, unless otherwise indicated, stated on the basis of the Company's financial year. Information has been updated to the most practical date. This Annual Report contains forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and STO plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. STO cannot guarantee future results, levels of activity, performance or achievements.



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## **Vision**

*Enriching lives.*



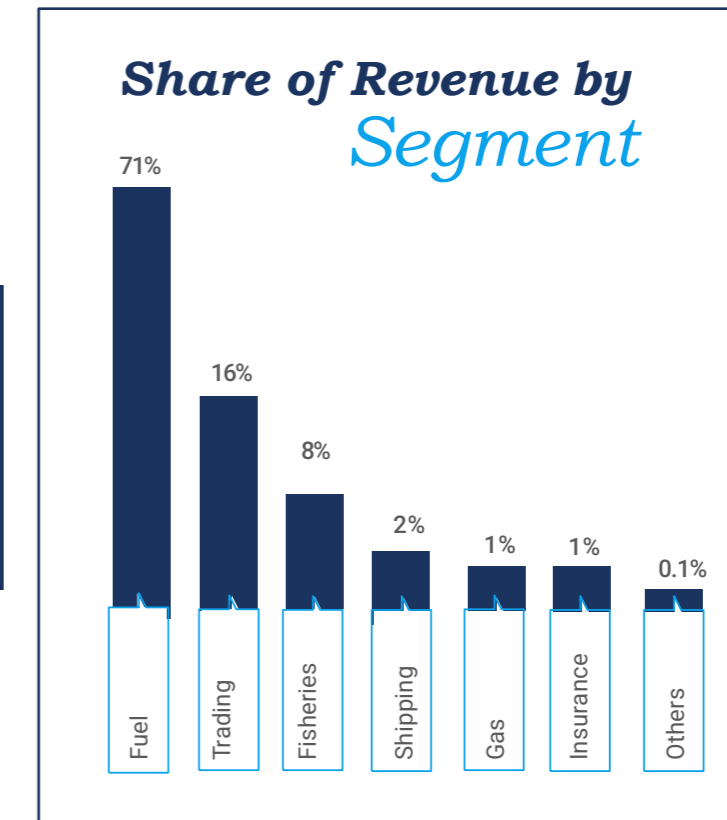
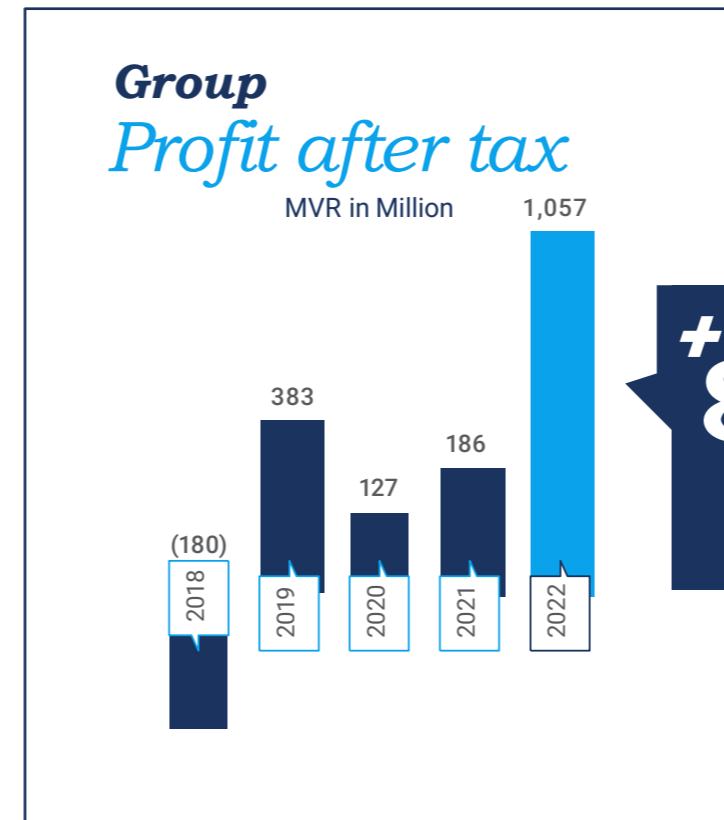
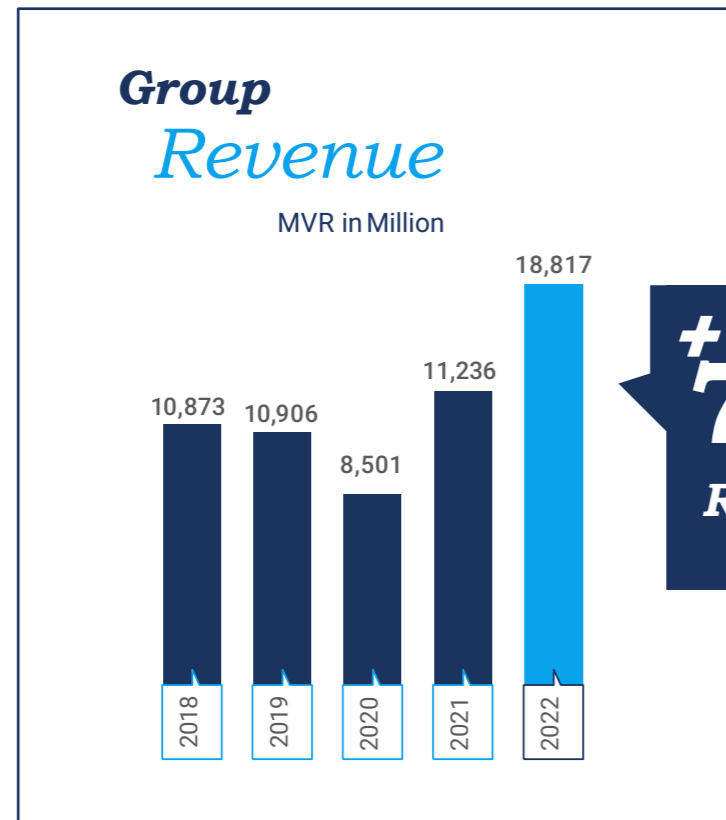
## **Mission**

Expand through sustainable business practices, achieve customer excellence and encourage community engagement.

## **Values**

Think Big,  
Determined to deliver,  
Tech driven,  
Unified to make an impact,  
Do things right

# Group Financial Highlights



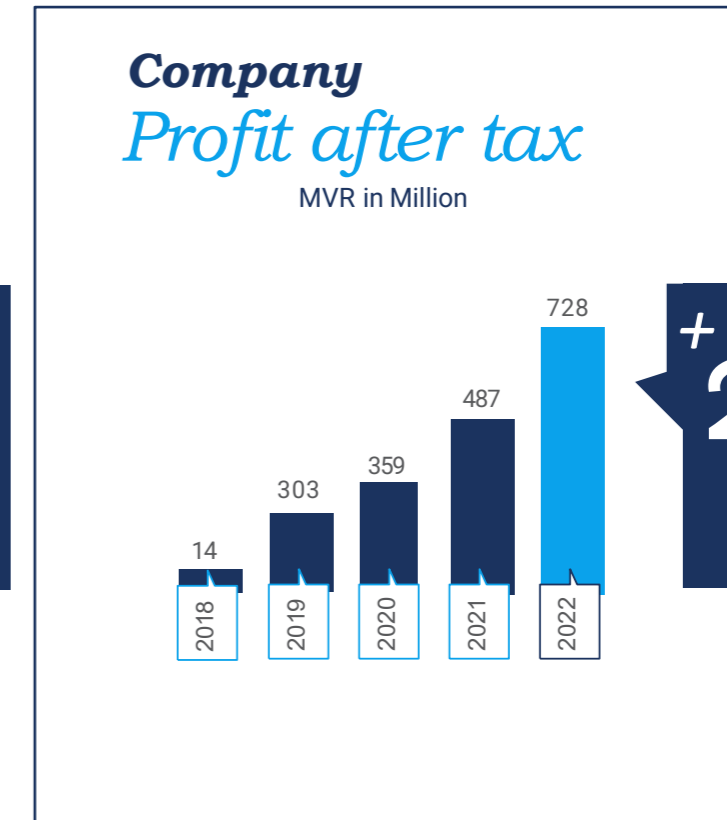
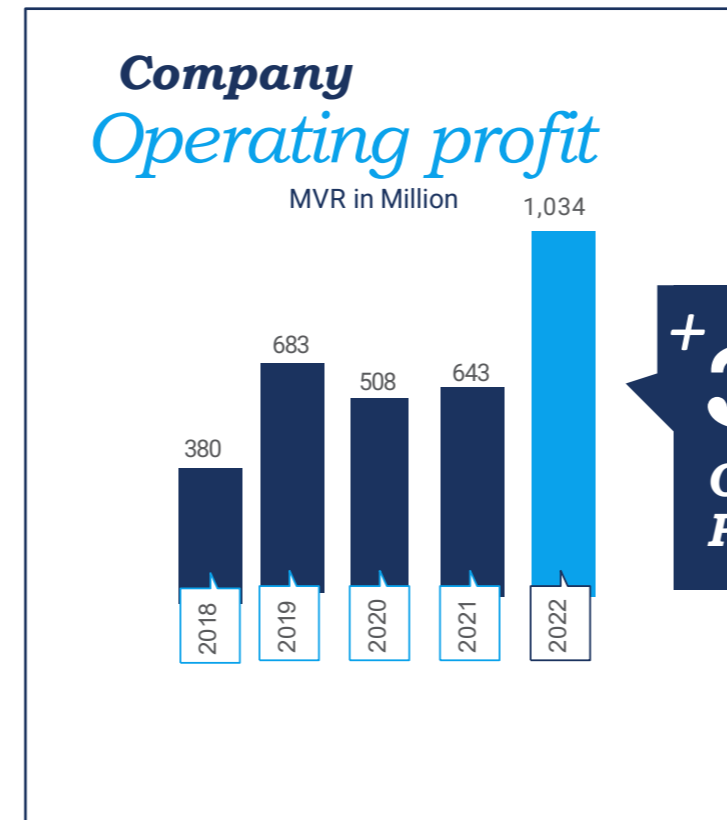
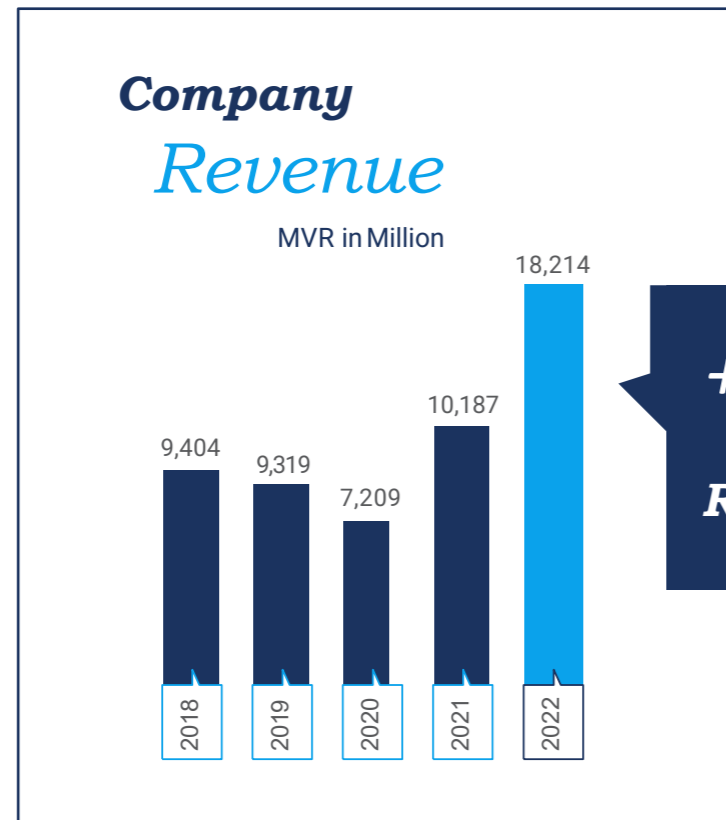
**Gross Profit**  
MVR in Million  
**2,758**  
2021: 1,917

**Operating Profit**  
MVR in Million  
**1,438**  
2021: 451

**Operating Cash Flow**  
MVR in Million  
**168**  
2021: 436

**Dividend Proposed**  
MVR per share  
**77**  
2021: 65

# Company Financial Highlights



<h3>Gross Profit</h3> <p>MVR in Million</p> <h1>2,168</h1> <p>2021: 1,540</p>	<h3>Earnings Per share</h3> <p>MVR per share</p> <h1>646</h1> <p>2021: 432</p>	<h3>Total Assets</h3> <p>MVR in Million</p> <h1>11,736</h1> <p>2021: 8,416</p>	<h3>Total Equity</h3> <p>MVR in million</p> <h1>3,582</h1> <p>2021: 2,929</p>
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## ***Our fellow shareholders, partners & employees***



In 2022, STO Group achieved yet another year of record profitability despite the complexities and challenges in the environment. Our reported sales reached MVR 18.8 billion, with a net profit after tax of MVR 1 billion. The Group's key segments experienced growth, positively impacted by the growth in fuel, which saw a significant increase in quantity. The tourism sector bouncing back after the pandemic also helped to increase demand for our products. Furthermore, the Group's sound strategies helped to improve its financial position. Our working capital grew, and our equity increased by 40% to MVR 3.5 billion. These achievements demonstrate the Group's resilience and ability to adapt to challenging circumstances. It is especially noteworthy given the turbulent global economic environment caused by the Russia-Ukraine war, following two pandemic years.

In addition to revenue growth, we have further improved our profitability through significant cost efficiency and improved margins driven by higher volumes in all business areas. Moreover, despite rising energy prices, the Group has demonstrated its ability to create value, enabling it to adjust prices for customers. Key segments reported profitable growth, except for Insurance and Gas segment. Only Gas segment recorded a loss mainly due to the prices being kept lower for households, though gas prices hiked in the international market.

We revisited our strategic direction in 2022, and we can affirm that the STO long-term strategy is aligned to enable it to adapt to a changing business environment, focusing on the growth of existing businesses while investing in the future.

***“STO Group  
achieved yet  
another year of  
record profitability  
despite the  
complexities and  
changes in the  
environment.”***

As part of our long-term commitment to increasing self-reliance and self-sustainability in food security, STO is in the final stages of establishing a flour mill in the north, with a capacity of processing 160 tons per day. In addition to our investments in food security, we continued our investments in the shipping industry to meet the growing demand for shipping services. We restarted our operations to Addu atoll with the addition of an 80 TEU container vessel to our fleet in June 2023. It is a remarkable achievement to note that the Maldives State Shipping has proved to be a profitable venture within three years of its incorporation. Our ambition is based on an extremely solid foundation built on proven resilience; the robustness of our business model through the diversity of our businesses and moving towards new ventures.

Our primary objective as the leading fuel provider in the country is to ensure the safety of our nation and minimize any associated risks with our current storage. To accomplish this goal, we have announced our plans in 2022 to introduce bunkering services and oil storage development in the northern region of the Maldives, located along the 8-degree channel. In collaboration with industry experts and the government, we are working on developing the required regulatory framework to launch the services in 2023. The primary objective of this venture is to leverage the bunkering sector to generate revenue and much-needed foreign currency for our country, while simultaneously creating new job opportunities.

We strive to continuously invest in new technologies to support our businesses, customers' and industries in their journey towards progress. We are in the final stages of opening a cashier-less, fully automated AI powered store in Hulhumale', enabling customers to access and shop anytime at their convenience. Simultaneously, increased automation of our work contributes to higher productivity while also improving quality and workplace safety. We plan to introduce drones in collaboration with the Ministry of Health to assist in the delivery of medical consumables to remote islands. This initiative will alleviate logistical challenges and enable the delivery of medical items to healthcare facilities, as well as critical patients in emergency situations. We are committed to transforming the healthcare sector by offering various support services and innovative solutions to healthcare providers.

Investments in digitalization are important to efficiently manage sourcing, supply chain, and logistics management. During the year, the company implemented SAP Ariba, which is a cloud-based procurement software. This solution will help streamline procurement processes, supplier management, and gain visibility into expenditure.

It also helps to improve procurement efficiency, reduce costs, and ensure compliance with procurement policies and regulations. In addition, we are currently in the process of upgrading our ERP system from SAP ECC to SAP S/4HANA. The new cloud-based software will enable STO to make better business decisions through instant insights, thereby enhancing business agility and facilitating digital transformation.

Additionally, it provides a streamlined user interface, enhancing the user experience and increasing productivity. Digitalization and automation are integral parts of our strategy and process. We are determined to offer competitive products of high quality, with a focus on driving sustainable consumer experience, innovation and increasing efficiency - the business model for profitable growth.

Our strength lies in our ability to respond to changes in the market and constantly expand our business activities to reach our customers while addressing the major issues that impact society as a whole.

At this point, we would like to take the opportunity to express our warm thanks to our beloved employees for their hard work. The responsiveness of our teams, who have done a remarkable job in achieving goals and targets in a challenging environment, is truly

outstanding. It is clear that, STO Group's performance in 2022 was impressive, and the Group's success is a testament to its strong leadership, sound strategies, and ability to capitalize on opportunities.

Furthermore, we would like to express our gratitude to our fellow directors, especially former Managing Director Husen Amr Mohamed Rashad, for the dedication and time given to the company's activities during 2022. It has been a year of change, challenges, and opportunities that required constant engagement and contribution of all our members.

We are confident that STO's investments drive new opportunities for the economy and sustainable livelihoods, providing elevated income for the country. The company's commitment to delivering strategic progress for all stakeholders remains steadfast, and we express our gratitude to all stakeholders, past and present, for their continued support.

**Hamid Nasheed Mohamed**  
Chairman

**Abdullah Saeed**  
CEO & MD





*Business Report  
& Financial  
Review*

**01**



## Invest in Future

Our strategy for investing in the future is based on the accessibility to our products that drive the development of our customer experience in different sectors. [Developing our people, innovation and achieving efficiency through digitalization and automation in all businesses](#) are our key drivers for operational excellence and sustainable growth.

### Major Key Targets 2022



## Our Business

“2022 was a remarkable year for the Group achieving a record revenue and highest profitability as at date”

### Trading Revenue

**3,039**

Y2021 MVR 3,067  
MVR in Million

### Fuel & Lubricant Revenue

**13,447**

Y2021 : MVR 6,394  
MVR in Million

### Gas Revenue

**223**

Y2021 : MVR 205  
MVR in Million

### Fisheries Revenue

**1,591**

Y2021 : MVR 1,244  
MVR in Million

### Insurance Revenue

**188**

Y2021 : MVR 166  
MVR in Million

### Shipping Revenue

**308**

Y2021 : MVR 145  
MVR in Million

# Trading

Our vibrant and efficient Trading segment remains committed to providing continuous supply of goods and services and contributing to the development of the nation, fueling economic growth and prosperity.

As the most diverse segment under the umbrella of STO Group, the segment provides goods and services ranging from construction materials, household appliances, supermarket products to medical services.

The Group’s commitment to improving health and well-being of the people is facilitated through its **medical services** by provisioning pharmaceuticals and hospital and consumable equipment.

Through our **construction** business, the Group designs and develops competitive solutions for the construction industry by supplying elevators, paint, ready-mix concrete, cement and other construction solutions.

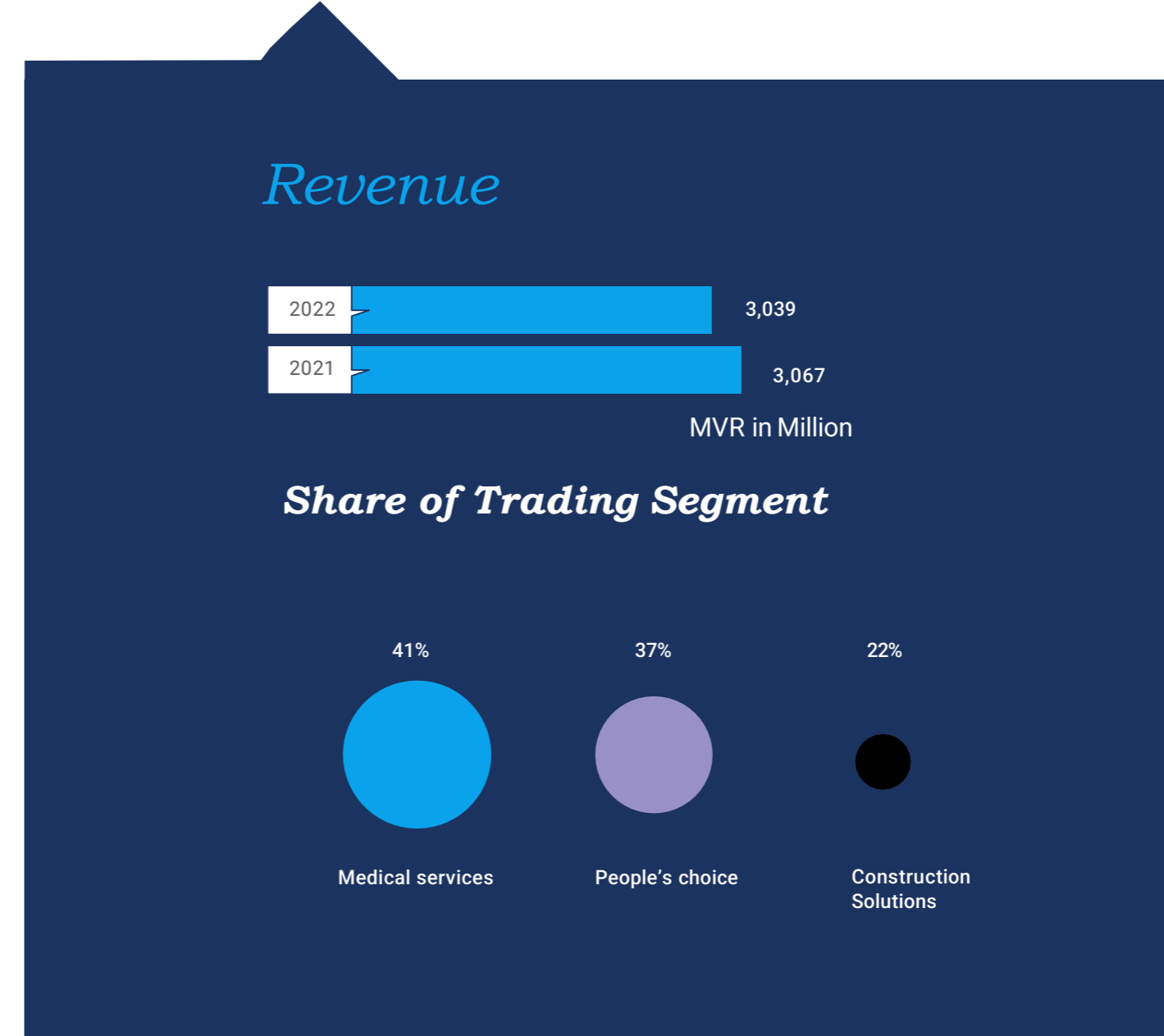
The **People’s Choice** segment facilitates a convenient mode of shopping for customers through availability of essential items, home improvement and electronic appliances, stationaries, and pharmaceuticals under one roof at **Supermarket**. The segment ensures affordability of **staple foods** by providing it at uniform prices and ensures accessibility of our products through **Regional shops** established across the country.

The Group remains committed to providing continuous supply of goods and services by focusing on creating long term value for customer and embedding a culture which is aimed at continuous improvement and sustainable development.

## Performance

Though an increase in revenue was seen in construction segment and people choice segment in 2022, the reduction in revenue from medical services resulted in a slight decline in overall Trading segment revenue by 1%.

**-1% Revenue Decline**



# Construction Solutions

## Performance

The dynamic construction industry of the country is driven by the significant infrastructure projects and real estate industry. As the leading supplier of construction materials, the Group has fully exploited the opportunities available and has played a pivotal role in transforming the nation's construction industry. The market position of the segment was well enhanced throughout the years by maintaining the reputation of providing dependable and loyal services which include importing bulk shipments for projects, ready-mix concrete, and logistical solutions in delivering materials to construction sites.

## Contributions to urban development and construction industry

The Group has always been focused on providing innovative and environment friendly products such as ready-mix concrete which not only enabled the revamp of the industry but also enabled to reduce the environmental impact by reducing exposure to hazardous dust and fumes generated from conventional methods. Likewise, the Group is in the process of launching Green concrete which will lead to the reduction of GHG..

During the year 2022, the Group engaged in supplying for landmark projects including the supply of ready-mix concrete to Thilamale' bridge, an important step in building the country's infrastructure. The Group also delivered 96 ambulances to regional hospital. The most notable strategic development in 2022, was the acquiring of a Port Facility in Thilafushi. The company can streamline its operations and reduce its reliance on third-party providers, which can potentially lead to cost savings and greater control over the supply chain.

In collaboration with our partners (Maldives Structural Products Pvt Ltd and Raysut Maldives Cement Pvt Ltd) the Group ensures quality roofing material and cement products and services are provided at affordable prices and will continue its contribution to urban development.

## Revenue



The flourishing construction industry combined with the segment's operational efficiencies and value creation, the Group achieved a revenue of MVR 665m, an increase by 31% compared to previous year.

## New sites and Product launches

- The Group launched Nippon paint matex, a premix color in 7 liters, which is an economical ready to use product which does not compromise on quality and is available in various shades.
- A new showroom specialized in Makita products and its after sale services was established.

# Medical Services

**First international medical trade was made to Seychelles.**

## Our products and services

Since 1983, with the opening of the Group’s first pharmacy, the Group has been on a mission to provide access to high quality, affordable medical products and services throughout the nation. With an unwavering dedication, the Group has paved its way to become the largest pharmacy chain in the Maldives. Today, the Group has over 190 pharmacies established throughout the country and supply hospital consumables, and re-agents to more than 193 health facilities across the country. The Group is committed to providing quality medical supplies to the medical institutions who serve and protect the health of our citizens.

With three warehouses and a capable logistics team, the Group ensures the quality of our storage facilities, in addition to the efficiency and promptness of our order handling process. Furthermore, the Group’s biomedical team offers comprehensive services from installation to application, preventive maintenance, and support service. Our experienced team of professional engineers and technicians, provide a reliable and cost-effective solution for the nation’s biomedical needs.

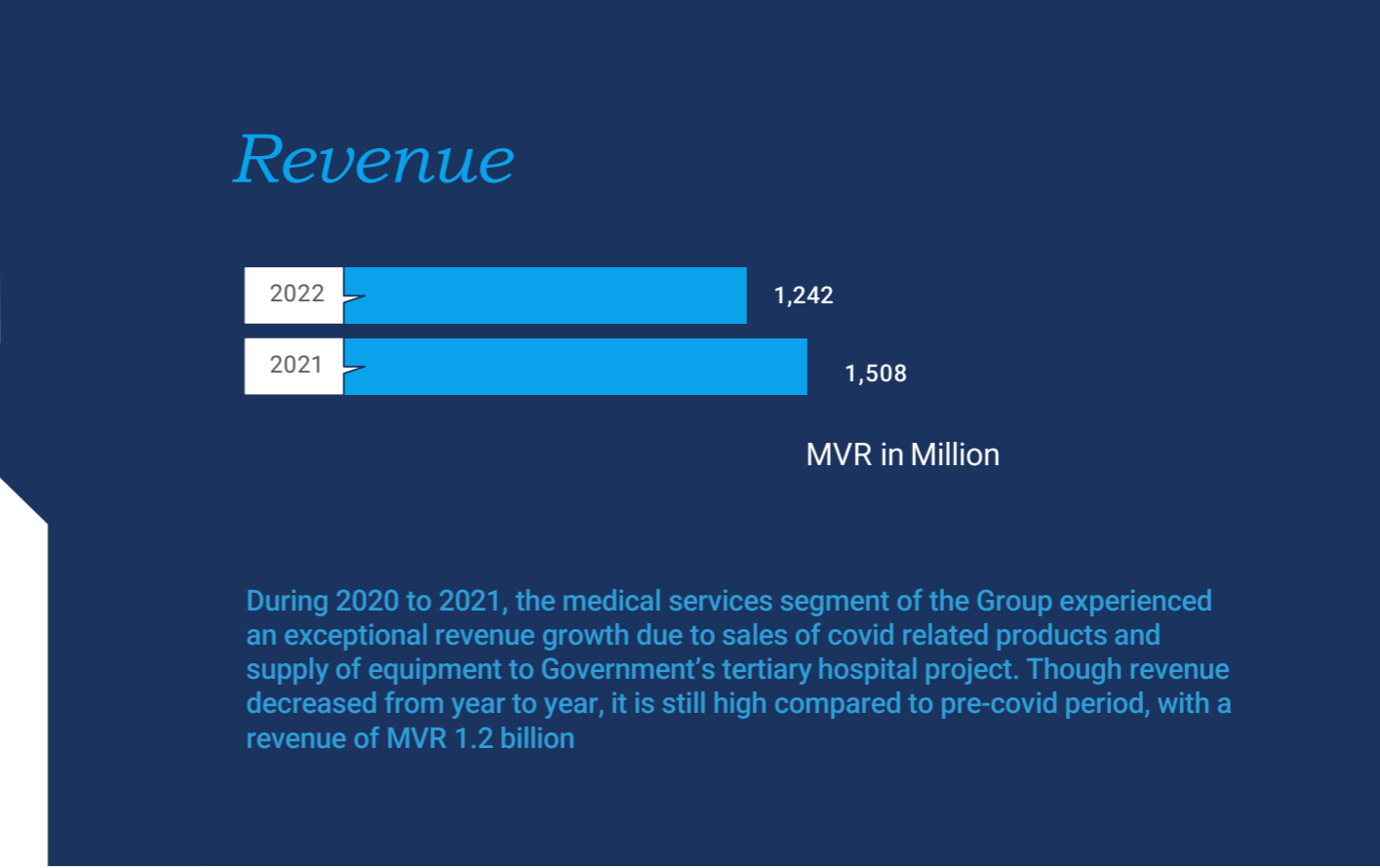
## Contributions to medical sector

In order to develop local talent in the field of radiology, the Group commenced a “Diploma in Radiography” course, in collaboration with GE and granted fully funded scholarships to the initial 25 students who enrolled to the program. A letter of undertaking was signed with Senahiya Military Hospital and Hulhumale Hospital, agreeing to carry out internship trainings for the participants of this program. Further, a letter of undertaking was signed with Tree Top Hospital to commence Internship of Diploma in Radiography; to further develop current radiography technicians as well as to secure more job opportunities for Maldivians.

The Group continued installation and commissioning of HAIER biomedical cold rooms in 9 islands across the country which is expected to be completed in the beginning of 2023. In collaboration with Matachana, we completed civil works, equipment supply, installation, and commission of a full CSSD setup in IGMH. The Group also installed and commissioned a full physiotherapy setup in Physio solutions in collaborations with ENRAF.

## Promises for better health care

The delicateness of our health care system is visibly evident, especially with the challenges due to geographical disbursement of our islands. However, the Group is focused on addressing the challenges and to work with the health care institutions and professionals, to ensure that efficient and continuous services are provided to the people living in each and every corner of the country. The Group will emphasize on transforming the country’s medical sector by investing in the health care system, developing people in the field, and providing innovative solutions.



# People's Choice

The Group's People Choice segment is focused on providing staple food, household appliances, electronics and essential food across the country.

## Food security

Maintaining national food security is a key mandate of the Group since its inception. The segment runs an important operation to ensure a reliable supply of rice, flour and sugar for the nation. Initiation of staple food agents in 2019 had proven its effectiveness during the vulnerable time of pandemic. By end of 2022, more than 241 Staple Food agents were actively supplying staple food items which guarantees the availability of essential foods to geographically scattered islands.

## Strategic developments

The Group revamped its People's Choice showroom by establishing it as the first-ever hypermarket concept convenient store in Maldives. The product portfolio was increased to include all electronics and home improvement appliances along with an in-store pharmacy to ensure all essential products are available under one roof.

Shelf/rack leasing which commenced in 2021 with one vendor was expanded to ensure development of Small and Medium Enterprises (SMEs) by empowering and providing new opportunities to expand their businesses. By the end of 2022, 63 local vendors were registered, which enabled the Group to showcase a wide variety of products including perfumes, laptops, bakery products, toys, stationeries etc. Furthermore, an easy credit payment scheme was launched for the convenience of customers, on the products offered by the leasing partners.

## Outlook

Now more than ever, our vulnerability for food shortage and essential items were visibly evident due to the pandemic. Bold decisions were taken to ensure food security of the

country, including the development of a flour mill which will ensure continuous supply of fresh wheat flour.

The Group aims for sustainable growth by providing innovative solutions to improve customer well-being and lifestyle. As a result, the Group plans to establish the first cashier-less store in Maldives.

## Revenue



MVR in Million

- After four consecutive years of declining revenue, the Group was able to achieve revenue growth for the segment as revenue increased by 8% to MVR 1,132 in 2022.

## Segment Highlights



435,516 bags of rice delivered



348,097 bags of flour delivered



167,623 bags of sugar delivered

- 159 People's Choice agents were assigned from 20 atolls
- Introduced Russell Hobbs & Remington brand small domestic appliances



# Fuel & Lubricant

As the market leader in petroleum products and jet fuel, the Group holds about 70% of the market share. Our main objective is to provide quality and reliable products and maintain our strong reputation in the domestic market through consistent supply to our customers.

## Fueling the nation

2022 was an exciting year for the Group as the segment achieved highest sales volume and profitability in its history. Bold investment decisions were made to increase its market share while reaping benefits of operations that are economically more feasible. Likewise, the decision was made to purchase a dedicated Jet A-1 barge; a first in the Maldives. The Group acquired a new barge and carried out retrofitting of aviation fuel quality control equipment. The barge is expected to be completed and commissioned by 1st quarter of 2023.

Developments were also made in the international frontier in 2022. As international bunkering has always been a target market for the Group, we obtained a bunkering license with exclusivity from the Government. Currently, the Group is working with partners to develop maritime regulatory requirements to develop bunkering which will contribute to the national maritime industry as significant international conventions would be adopted. It is expected that all arrangements for bunkering would be completed in 4<sup>th</sup> quarter of 2023, with operations commencing by the first half of 2024.

In association with GEO Chem Middle East, the Group opened the first fuel testing laboratory in Maldives with the objective to ensure quality fuel to our customers and operations.

In order to ease the distribution process and cater to the growing demand, the Group started fuel delivery service at the Hulhumale' fishermen's jetty area through a bowser. We also managed to make our Easy fill 3 – Hulhumale fuel station and pumphouse to operate 24/7. The Group also took over the operation of Ensis Fisheries fuel terminal to cater to the demand of fishing vessels. For customers convenience, we started to accept MIB card services and Ooredoo M-Faisaa digital payment from all our fuel sheds in greater Male' region.

## Milestones

- Highest sales volume in Group's history as diesel sales reached 436 million liters and petrol sales reached over 90 million liters.
- Group vessels made approximately 50,000 deliveries to customers; an increment of 60% compared to 2021.
- We recorded the largest bunker in the history of a single vessel at one-go. The vessel DLV 2000 was loaded 1.1 million Liters.

**+7<sup>b</sup>**  
**Sales Growth**  
*(in MVR)*



## Outlook

With unwavering commitment, the Group is focused on establishing international bunkering operations while maintaining fuel security and upholding the revenue growth. With the increase in demand, the Group plans to establish more distribution sites and acquire barges which will enable to provide sustainable uninterrupted fuel delivery service.



# Gas

The Group is committed to ensure continuous supply of LPG across the nation and maintain our market position as the industry leader in gas supply solutions. Being the sole supplier of medical oxygen, the Group ensures reliable supply throughout the country by adhering to standards and regulations.

## Strategic developments

2022 has been a challenging year, with high international gas prices. The Group focused on continuing gas supply without interruptions, to the islands. Hence, in 2022 the Group installed 1500 MT LPG spherical tank at Gdh.Thinadhoo along with LPG filling system. Thilafushi storage was expanded by installing an additional sphere tank, nitrogen generator and a high-capacity oxygen generator.

As the Group ensures availability of medical oxygen as per critical needs of the health sector, we installed a centralized medical oxygen pipeline at Orange Hiyaa Medical facility in Hulhumale’.

## Performance

2022 was a tumultuous year due to Russian – Ukraine war which resulted in shortage of gas supply and surge in prices. Despite the significant increase in gas prices, our selling prices remained same, and the Group focused on consistent supply of gas to our customers. As the prices reduced in the second half of the year, we were able to minimize the impact and was able to increase our revenue for the year by 9%. However, due to high purchase cost during the first half of the year, it resulted in an adverse impact on the segment’s bottom line.

## Outlook

The Group is committed to ensure continuous delivery of LPG across the nation and provide more innovative solutions. As such, the Group plans to install centralized gas system in the expanding high-rise residential structures of the greater male’ region. The Group has initiated the project of establishing an oxygen pipeline manifold system using an oxygen cylinder bank system that will be monitored 24 hours a day, seven days a week which ensures availability of medical oxygen as per the requirements of health sector.

**+9%**

**Sales Growth**

## Revenue



MVR in Million

# Insurance

Allied Insurance Company of the Maldives (Allied) is one of the largest financial institutes and the most prominent insurance brand contributing to the growth and development of the country. Allied has had tremendous growth over the past decade, both in terms of the volume and business profitability. Having gathered and recognized the experience of the local market, developing professionalism and expertise in the field, the Group is poised to play a responsible role in the development of the insurance industry of Maldives and its economy as a whole.



## Outlook

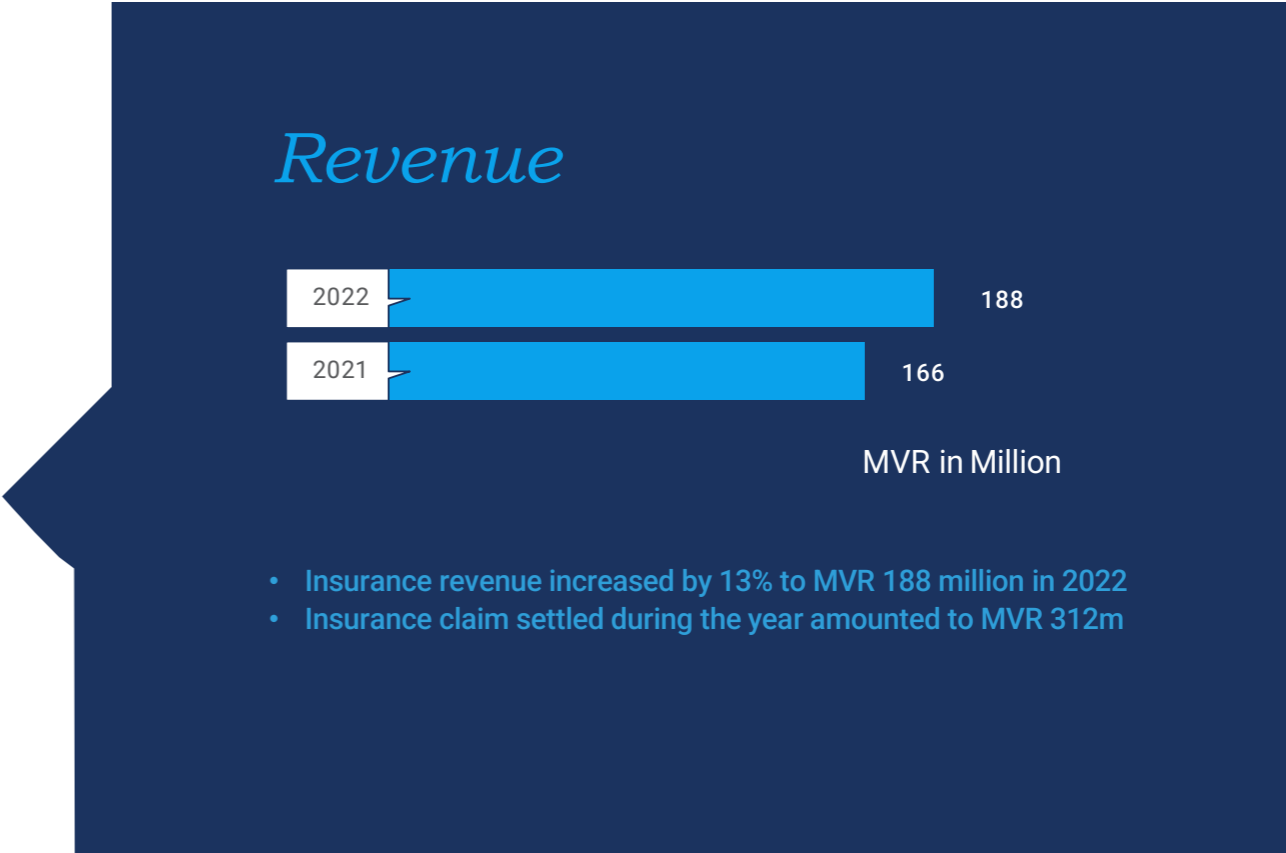
As the Group is committed to building the nation and protecting our environment through innovative products and services, the Group plans to launch new agricultural insurance product, Crop Takaful in 2023. The takaful plan will be made specially for farmers, to protect against the loss of cost of production, a first for Maldives. With these innovative developments, the Group is committed to keep Allied Insurance at the forefront of the insurance revolution bringing the benefits of the best possible spectrum of personal businesses and Islamic risk management solutions to increase the value of our stakeholders.

## Milestone achieved

By leveraging the expertise and innovative technology, the Group is striving to portray Allied as a modern, dynamized insurer and market leader in insurance. The uniquely designed 'Ahareng Hiyaa' plan developed in 2021 for the social housing flats built by the Government, proved to be quite successful bestowing the Group with "Islamic Finance Product of the Year 2021/2022" at the IFFSA Conference Awards.

## Strategic developments

Though 2022 had been another challenging year in terms of increased competition and other environmental and market factors which affected the business, the segments revenue increased, and focus remained on providing better value with the best covers in insurance to our customers. In 2022, the Group introduced Covid 19 cover for Travel thakaful which will enable to boost travel confidence, with much needed invaluable reassurance that travelers are safe guarded against the unexpected, allowing travelers to enjoy peace of mind wherever they are headed.



# Fisheries

Since its inception in 1993, the Groups fisheries company, Maldives Industrial Fisheries Company (MIFCO) has been transforming the fishing industry of the country adding commercial value to the daily catch. It was established with the sole purpose of creating economic opportunities for the local fishing community and to support the Maldivian economy.

## Performance

In 2022, the segment’s revenue increased by 28% generating a revenue of MVR 1.6 billion. Revenue increased mainly due to increase in fish collected for the year, which accounted to total 63,579 MT, the highest fish collection by the segment within the last sixteen years.

## Highlights

The segment achieved a milestone by launching a new mobile app for fisherman and seafarers – “Hoasa”. The key features include book tokens for sale of fish and submit applications for registration, license and other important certification.

MIFCO also received the award for the highest skipjack tuna export for the year 2021 on Maldives National Fisherman’s day 2022.

## Strategic Development

In 2022, the Group purchased a new mother vessel, “Jazeera Reefer”, increasing the total capacity by 2480MT. The vessel will be used for both cold storage and export and is expected to increase operational efficiency. Currently the segment has 5 mother vessels with a holding capacity of 4,255 MT and 2 mother vessels with freezing capacity. In addition, there are 10 collector vessels with RSW systems, and 7 reefer vessels were chartered from abroad to export fish in 2022.

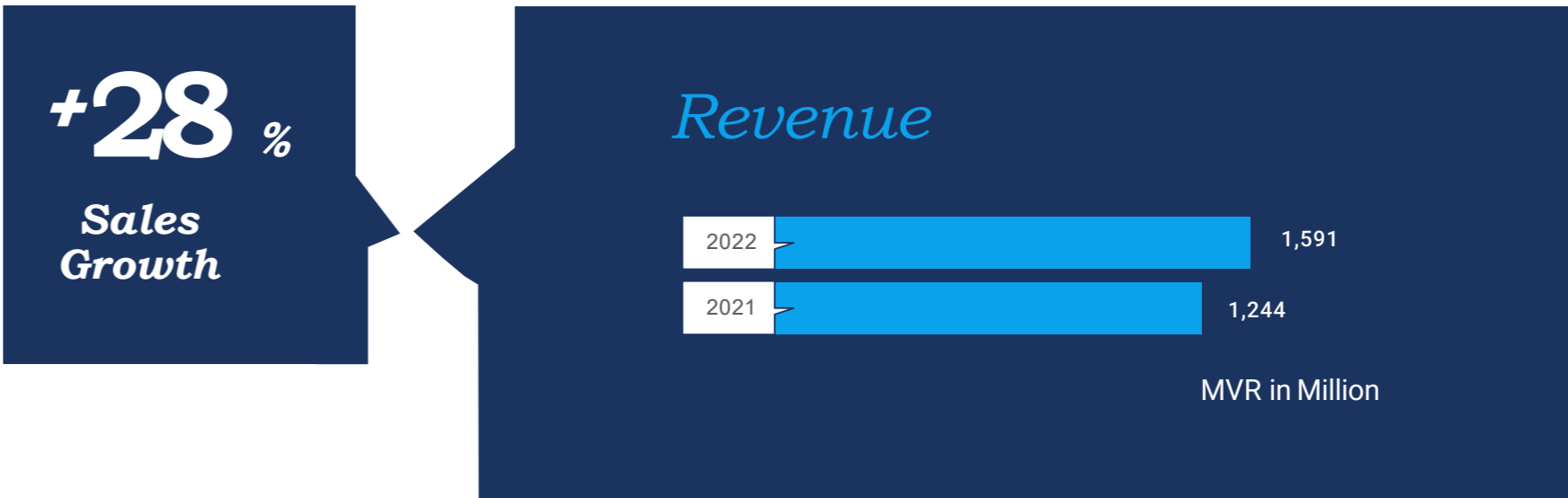
The Group strives to support the fishing industry and provide maximum return for the fisherman. In order to facilitate easier arrangement of ice availability for fisherman, the Group plans to upgrade its current 25-ton ice plant in Gdh. Gadhoo to 50-ton and develop a 100-ton ice storage. The segment engages in collaborations for the development of fishing community. In 2022, the segment signed an agreement with Dhivehi Masveringe Jamiyya to conduct driving programs for local fisherman.

## New product and store launches

In order to increase its accessibility, the Group opened a MIFCO outlet in Hiyaa, commercial area in Hulhumale phase 2 and partnered with People’s Choice segment as a leasing partner. MIFCO also launched new products during the year including, Tuna belly in olive oil, Tuna chunks in oil spicy lemon, Fasmeeru drained tuna chunks in a little oil, Tuna chunks in oil with garlic and smoked tuna in olive oil.

## Outlook

The Group is committed to improve the financial stability of the segment and contribute to development of fisheries industry of the country. The Group plans to develop 4000-ton cold storage in Felivaru in partnership with Rinac India limited, an important step in strengthening the fisheries sector.








# Shipping

**Gateway for efficient shipping solutions in Maldives**

The Maldives has a proud history of possessing the largest shipping fleet in the region and with the inception of Maldives State Shipping (MSS), the Group's aim is to reclaim the title once again. The Group is focused on developing the company to be the pride of Maldives, with the vision that the Maldivian flag will once again fly proudly on vessels as they traverse across the globe.

## Highlights

-  Obtained an average of 57% market share for cargo imports from Colombo via regular feeder vessel
-  100% of Maersk and Hapag-Lloyd cargo coming into the Maldives via Colombo was carried by MSS
-  152 Port calls for its liner service
-  Imports by MSS increased by 60% compared to 2021
-  123,785 MTS of break bulk cargo was carried between Thilafushi and the Ports in the United Arab Emirates (UAE)

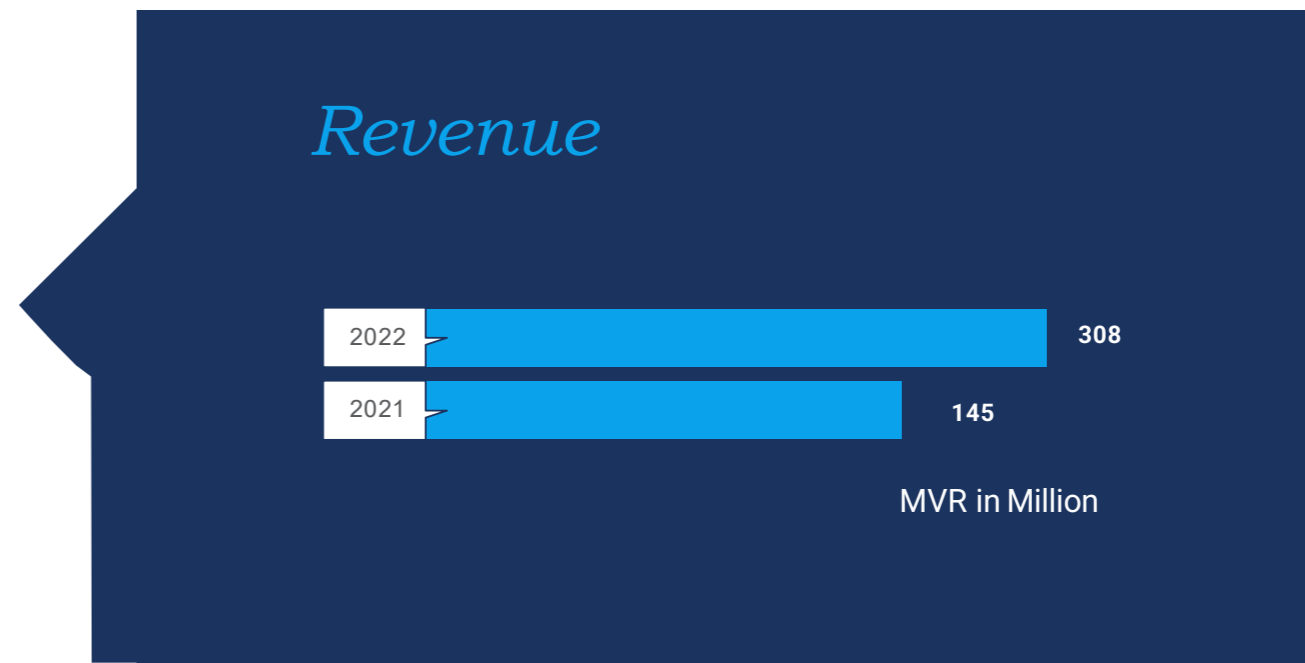
**+163<sup>m</sup>**  
Sales Growth

## Strategic developments

Our ambitious target of transforming the country's supply chain infrastructure was met with significant investments which enabled us to increase our capacity and performance. In 2022, a bulk carrier of 43,000 DWT "MSS Chrome" with a capacity of 3.8 m CUBF was added to our fleet, which is currently the largest vessel flying the Maldives flag. Additionally, a multipurpose, geared general cargo vessel "MSS Graphene" with a capacity of Laden 420 TEUS and Empty 680 TEUS was added to our fleet. Staples, perishables, cement, sand, aggregate and general goods are carried from these vessels, ensuring incessant supply of goods and services to our customers.

## Outlook

The unparalleled scale and connectivity that we have diligently cultivated, underpinned by solid operational capabilities, have enabled us to deliver compelling value to Maldivian traders and importers. The Group plans to connect the Maldives by establishing local vessel network which will connect the Northern & Southern ports of the Maldives with the Malé commercial port and planned transshipment port of the Maldives. The Group intends to evolve and provide value additions in the form of additional routes and services, network expansion and plans to own and operate its own container depot and bulk terminal with bulk gantry within the industrial island of Greater Male' area. With these developments, the Group is undoubtedly on its path to revolutionize the nation's shipping industry.



# Financial Review

The STO Group concluded the most successful year in its history with a record revenue of MVR 18.8 billion and the highest net profit after tax of MVR 1 billion for the year 2022. This remarkable financial performance can be attributed to the strong growth witnessed in the profitability of the Group's key segments, which were able to overcome the impact of the Russia-Ukraine war and global economic uncertainty that caused a significant increase in world energy prices.

Despite these challenges, the STO Group was able to capitalize on the opportunities available, particularly in the Maldivian tourism sector, which bounced back after the COVID-19 pandemic, and the favorable impact on demand for the Group's products. This enabled the Group to increase its revenue, with the fuel segment being the key contributor for revenue growth due to a significant increase in fuel quantity, followed by the shipping and fisheries company.

The significant growth in these segments, coupled with the resilient performance in other segments, resulted in the Group achieving a higher profit. This success can be attributed to the execution of sound strategies that improved the Group's financial position, including achieving growth in working capital and increasing equity by 40% to MVR 3.5 billion.

Overall, the STO Group's financial performance in 2022 is a testament to its ability to navigate challenging economic conditions and capitalize on opportunities, resulting in a successful year for the company.

## Revenue

The fuel segment led the growth in total revenue, with an increase of MVR 7 billion from MVR 6.4 billion in 2021 to MVR 13.4 billion in 2022. This growth was driven by the surge in international fuel prices, combined with an increase in demand for fuel. The fuel quantity also increased by 26% compared to the previous year.

The STO Group's fisheries segment maintained its growth momentum in 2022, achieving a revenue of MVR 1.6 billion, which represents an increase of MVR 347 million from 2021. The total fish collected for the year amounted to 63,579 MT, the highest fish collection in the last 16 years.

In 2022, the shipping segment significantly contributed to revenue growth, with an increase in revenue of MVR 163 million, reaching a revenue of MVR 308 million. The segment has been able to gain a foothold in the market by successfully penetrating it and increasing its market share.

Construction Solutions posted a revenue of MVR 665 million, representing a 31% increase in revenue, while People's Choice posted a revenue of MVR 1.1 billion, an 8% increase compared to 2021. However, a reduction in revenue from medical services resulted in a slight decline in the overall Trading segment revenue by 1%. Gas and Insurance, on the other hand, increased their revenue by 9% and 13% respectively.



# Financial Review cont.

## Gross Profit

In 2022, the STO Group earned a gross profit of MVR 2.8 billion, with key segments experiencing growth compared to the previous year. Particularly, the Fisheries segment made a significant contribution to the gross profit, with a notable increase attributed to higher average frozen tuna export prices. Similarly, the Shipping segment also experienced substantial growth, turning around from a gross loss in the previous year to a gross profit in 2022.

The Fuel segment remained the most prominent contributor to gross profit growth, driven by an increase in fuel quantity sold during the year. However, gross profit did not increase in line with revenue, as prices were maintained without being fully passed on to customers to mitigate the impact of high fuel prices.

Additionally, despite high international LPG prices, prices were kept unchanged for households, resulting in a negative contribution on the Group's gross profit.

Despite these challenges, the increase in fuel quantity combined with the growth in shipping and fisheries segments led to a gross profit increase by MVR 840 million, resulting in the highest-ever gross profit for the Group at MVR 2.8 billion.

**+ 44%**  
**GP Growth**

## Loan write off

MIFCO, the fisheries company owned by the Group, plays a vital role in developing the Maldivian economy and creating economic opportunities for local fishermen. The Group is focused on transforming the company to become profitable, increase its international presence, and offer competitive prices for local fishermen while earning optimal revenue from exports. In 2022, the restructuring of MIFCO was carried out with assistance from the Government of Maldives to identify areas for improvement, reduce costs, and restructure the balance sheet. MIFCO had obtained loans from the government for various projects over the years, which incurred substantial finance costs. As part of the MIFCO restructuring initiative, the government approved to write off loans amounting to MVR 576 million, which improved the financial position and reduce finance costs.

## Operating Profit

The Group recorded an operating profit of MVR 1.4 billion in 2022, compared to MVR 0.45 billion in 2021. Operational expenses rose in line with revenue, primarily due to increased staff costs resulting from the implementation of the minimum wage and streamlining of the Group's staff salaries in 2022. The sharp increase in receivables, mainly from Government-owned utility companies, led to higher receivable provisions. Furthermore, the Gas segment's operating profits were negatively impacted by the rise in international prices. Despite these challenges, the Group achieved a substantial increase in operating profit, driven by higher sales of fuel quantity and the write-off of a government loan, resulting in a total increase of MVR 1 billion in operating profit.



# Financial Review cont.

## Net finance cost

The increase in receivables from State-Owned Enterprises, including utility companies, created the biggest challenge for the Group. As a result, payments to creditors had to be extended, incurring additional financing requirement for working capital management. Additionally, higher fuel costs, combined with required investments being financed through loans, increased the finance cost for the year by 44%. However, the increase in finance cost was partly offset by the increase in finance income from investments in fixed deposits, which has started to yield income.

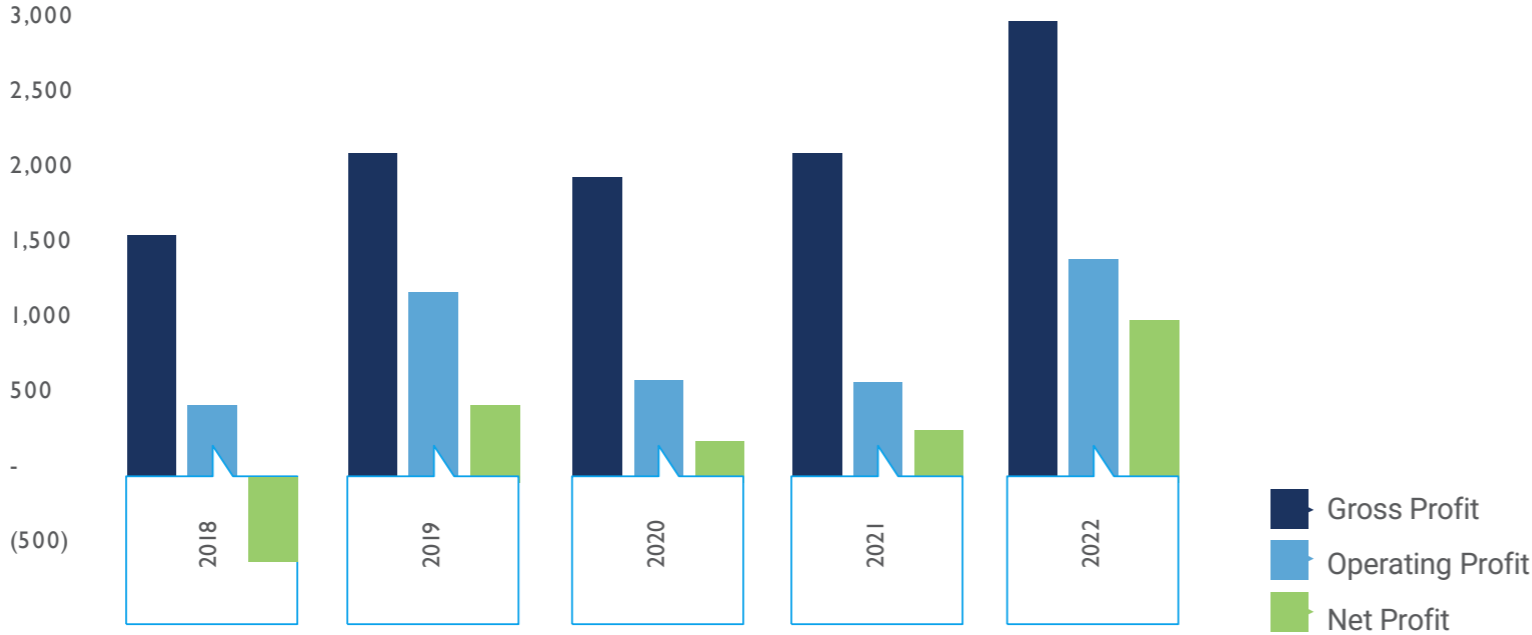
## Net Profit

The Group has achieved a significant milestone by recording a post-tax profit of MVR 1 billion, which is the highest profit ever generated by the Group. This achievement can be attributed to the Group's increased revenues and gross profit. Furthermore, the Government's loan write-off helped offset the losses incurred by the fisheries segment. The shipping segment also contributed to the Group's profitability growth by generating profits in 2022.

One notable factor contributing to the net profit was the parent company, STO, which generated a record net profit of MVR 728 million. This was the highest profit ever generated by the company.

## Group Profits

MVR in Million



**+ 871m**  
*Net Profit after Tax*

# ***Financial Review cont.***

## **Financial position**

The Group continues to invest in feasible projects that will benefit both the Group and the nation. Maintaining a sound asset base with a strengthened financial position is a priority for the Group, which led to an over 32% increase in the total assets of the Group and company during the year.

Investments in the shipping segment proved successful, as it started generating profits and is on the path to revolutionize the shipping industry. To expand the business further, the Group purchased two vessels for the segment and invested in a port facility that is expected to improve efficiency and lead to cost savings.

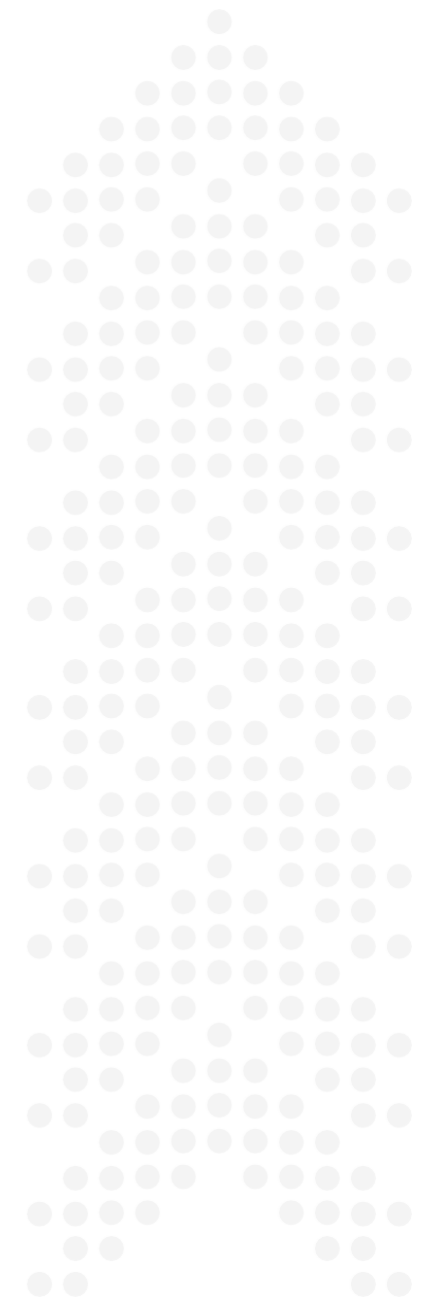
The STO Group continued to invest in treasury bills and term deposits, which are expected to yield higher returns for the Group in the future. Additionally, the Group invested in inventories to cater to the growing demand and manage the strategic reserve of essential products. The increase in fuel costs and the higher reserve of essentials resulted in a 38% increase in inventory.

Overall, the Group's strategic investments and focus on maintaining a sound asset base have led to significant growth and profitability, positioning it well for continued success in the future.

## **Liquidity**

The Group's trade and related party receivables increased by 33% compared to the previous year, mainly due to an increase in receivables from higher sales volumes, extended credits due to higher fuel prices. The Group prioritized maintaining an adequate cash reserve to meet operational requirements and debt obligations, resulting in a highly liquid cash and cash equivalent balance of over MVR 1.37 billion.

As a result of higher international fuel prices and growth in fuel volume, the Group's total liabilities increased by 29%. To fund some of the investments and trade finance, the Group utilized bank facilities since the cost of debt is lower than the cost of equity. Despite the increase in liabilities, the Group improved its working capital and is confident in prompt settlement while maintaining its commitment to lenders.





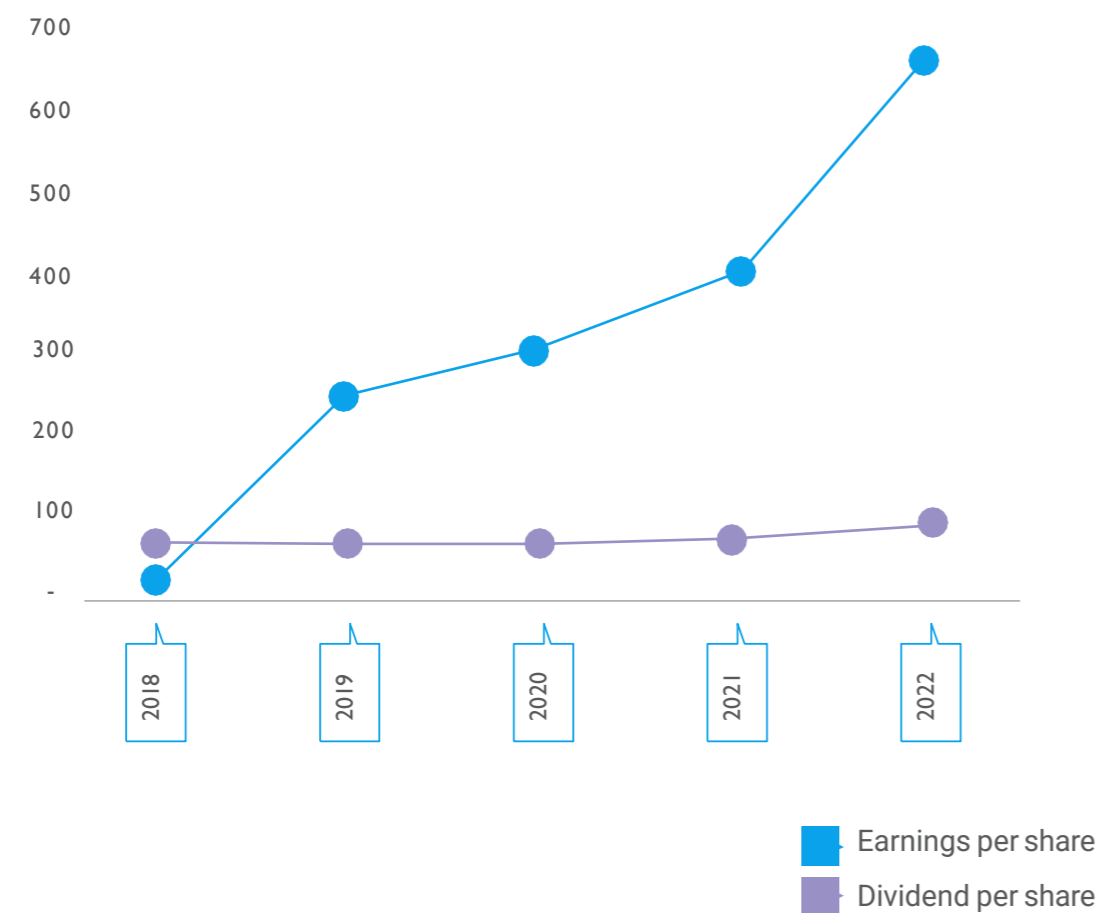
# Financial Review cont.

## Creating Shareholder Value

A dividend of MVR 77 per share for 2022 was proposed by its Board of Directors. The company has a policy to maintain constant dividend growth and makes its strategic business decision to keep the factor in mind..

## EPS and DPS - Company

MVR per share



## Key Trading Highlights

The shares held by the public have been traded as follows:

	2018	2019	2020	2021	2022
Last traded price (MVR)	400	500	455	581	1,330
Highest traded price (MVR)	500	500	700	700	1,450
Lowest traded price (MVR)	300	400	455	550	1,265
Weighted Average traded price (MVR)	305	472	480	600	1,303
Number of shares traded	12,185	893	1,057	97	491
Number of trades	24	38	14	6	24
Market Capitalization (MVR)	451	564	513	655	1,499

## Outlook

It is expected that the STO Group will continue to experience growth in revenue and profits throughout 2023. While uncertainties and changes to macro-economic factors could pose challenges for the Group, we are confident in our business's resilience and ability to overcome such obstacles with the adequate resources at our disposal. We continually evaluate our business and operational strategies to cope with unprecedented challenges, achieve new milestones, and expand beyond our current boundaries.

To achieve long-term success for the company and the nation, we plan to make bold investments that focus on efficient and maximum utilization of resources. We are also committed to strengthening our operational and infrastructural capabilities. By doing so, we can exploit opportunities and achieve our goals.



*Governance  
Report*

02

# ***Governance Report***

Our business practices are conducted in good faith, in the interest of the Group and all our stakeholders, with due observance of the principles of good Corporate Governance.

STO is a Public, limited liability Company and complies to the Companies Act of the Republic of Maldives 10/96, the Corporate Governance Principles of the Corporate Governance Code (Code) of the Capital Market Development Authority (CMDA).

Compliance with the rules and recommendations of the Securities Act (02/2006), the Listing Rules of the Maldives Stock Exchange Pvt. Ltd. (MSE) and Securities (Continuing Disclosure Obligations of Issuers) Regulations 2019 were also followed, where applicable.

During the year, STO was committed to maintain high standards in compliance with all regulations described above. Any deviations are explained through the “comply” or “explain” principle in this report.

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## Members of the Board of Directors

This information is updated until 30 April 2023.



**Hamid Nasheed Mohamed**

Chairman  
Non-Executive Director

### Appointed to the Board

16 May 2019

### Independent

Yes

### Qualifications

Major in Computer Studies, Adelaide TAFE, South Australia

### Positions held in the Board

Chairman of the Board

### Other Board memberships held

No

### Principle work experience and other information

He worked at Maldives Transport and Contracting Company for 18 years and during this time he held various positions across many departments within the organization.

Moreover, he is the Vice -Chairperson of Maldives Association of Persons with Disabilities (MAPD), a member of Disabled Peoples International Asia - Pacific (DPI/AP), a member of the foundation of Asia Pacific Development Center on Disability (APCD). He has further, immensely contributed to the development of the national policy on disability in Maldives. He is also the Vice Chairman of Maldives Paralympic Committee.



## Abdullah Saeed

Chief Executive Officer  
& Managing Director

### Appointed to the Board

04 April 2023

### Independent

No

### Qualifications

Diploma of Financial Markets from Securities Institute Australia. Master Mariner Specialized in LPG and LNG carriers from IMCO Maritime Singapore

### Positions held in the Board

Managing Director

### Other Board memberships held

Chairman of Maldives State Shipping Pvt Ltd and Maldives Industrial Fisheries Company Ltd,

### Principle work experience and other information

Prior to joining STO, he served as the Managing Director of Maldives State Shipping Company Pvt Ltd. Abdullah Saeed also held the position of Chairman of Maldives National Oil Company Pvt Ltd. He also held the position of Chairman of STO Maldives (Singapore) Pte Ltd. In addition, he also served as the cabinet secretary of the Government of Maldives from 2008 till 2012.

He is a Master Mariner and an Entrepreneur with extensive experience both in the public and private sector. His proficiency is in the shipping industry where he has served over 30 years in both domestic and international operations as a profound captain, during most of his career.

He is also one of the key founders for establishing a capital market in Maldives when he served at the Capital Market Development Authority in 2006. He advanced in debt market and instruments and was actively involved in setting up the first securities exchange in the Maldives. He completed several programs from the Securities Institute of Australia, in Financial Journalism, Financial Markets and Fundamental Securities.



## Mohamed Nizam

Chief Financial Officer  
Executive Director

### Appointed to the Board

18 March 2021

### Independent

No

### Qualifications

MBA, specialized in Financial Management from University of Ballarat, Australia, a BA (Honors) in Finance and Accounting from University of East London, UK

### Positions held in the Board

Executive Director

### Principle work experience and other information

Chairman of the Board of Directors of Allied Insurance Company of the Maldives Pvt Ltd. A Board Director at Maldives Industrial Fisheries Company Ltd, Raysut Maldives Cement and STO Maldives (Singapore) Pvt Ltd.

A former Director of Fuel Supplies Maldives Ltd, Maldives State Shipping Pvt Ltd and Maldives Stock Exchange and the Maldives Securities Depository.

### Principle work experience and other information

Nizam joined STO in the year 2010 and is currently the Chief Financial Officer. Prior to this, he has worked in key positions of the Company that include the Procurement HOD, Finance Manager, the Chief Risk Officer and as a Senior Information System Manager of the ICT department.

Nizam is a professional member of the Institute of Enterprise Risk Practitioners (IERP) and a certified Enterprise Risk Advisor (ERA). Nizam is also a certified associate consultant in SAP Finance and Controlling.



### Shimad Ibrahim

Non -Executive Director



### Gais Ismail

Non -Executive Director

#### Appointed to the Board

16 May 2019

#### Independent

Yes

#### Qualifications

A Chartered Accountant and Bachelor of Accounting (Honors) Degree from the IIU of Malaysia.

#### Positions held in the Board

Board Member

Chairman of Audit & Risk Committee

Member of Governance & Sustainability Committee

#### Other Board memberships held

Yes (Private Companies)

#### Principle work experience and other information

At present, he works as the Managing Director of SFG Corporate Services. He also worked as the Chief Financial Officer at Villa Group previously, Head of Finance at Maldives Islamic Bank and as the Chief Finance Executive at Ministry of Finance and Treasury. He has over 20 years of experience in this field.

Shimad also served as a Director in the Islamic Bank, Maldives Tourism Development Corporation plc, Thilafushi Corporation Limited and Upper South Utilities Limited. Further to this, he also served the nation as a member of the National Debt Management Committee.

#### Appointed to the Board

16 May 2019

#### Independent

Yes

#### Qualifications

Diploma in Management from the University of Leicester, UK and a Bachelor's Degree (Hons) in Management and Finance from the University of Northumbria, UK.

#### Positions held in the Board

Board Member

Chairman of Nomination & Remuneration Committee

Member of Audit & Risk Committee

Member of Governance & Sustainability Committee

#### Other Board memberships held

Yes (Private Companies)

#### Principle work experience and other information

Gais has worked as an audit junior at KPMG Maldives and as an auditor at HuvafenFushi Maldives – one of the luxurious resorts in the Country.

He has also worked at Centex Group as a Human Resources Manager and as a General Manager at Fortune Capital Management Limited.

Further to this, he has handled a project of 32 island water system as a Manager of project operation at Water Engineering FZE-Dubai.

Currently he works as a General Manager at Adept Maldives Pvt Ltd and as a Director of Acquisition and Development at GPL Holding Pvt Limited.





## Ismail Zumayl Rasheed

Non -Executive Director



## Abdulla Saeed

Non -Executive Director  
representing public  
shareholders

### Appointed to the Board

16 May 2019

### Independent

Yes

### Qualifications

Masters of International Business from Hult International Business School, Boston (USA), and a Bachelor's of Business from LaTrobe University, Melbourne (Australia).

### Positions held in the Board

Board Member

Member of Nomination and Remuneration Committee

Member of Audit & Risk Committee

### Other Board memberships held

No

### Principle work experience and other information

Finance Manager at INK Investment Maldives Pvt Ltd and a member of Football Association of Maldives (FAM) Disciplinary Committee. Served as a Trade Representative of Maldives National Chamber of Commerce and Industry (MNCCI) to Hong Kong.

### Appointed to the Board

30 May 2022

### Independent

Yes

### Qualifications

Masters of Business Administration from Open University of Malaysia and Bachelor's of Information Technology from Maldives College of Higher Education

### Positions held in the Board

Board Member

Chairman of Governance & Sustainability Committee

Member of Nomination & Remuneration Committee

### Other Board memberships held

Yes

### Principle work experience and other information

Currently works at Maldives Customs Services as a Superintendent. Throughout his tenure at Maldives Customs Services, he has gained immense experience within the organization.

Earlier he served as the Board Director of Maldives Tourism Development Corporation Plc. He also worked with National Center for Information Technology as the leading project member in evaluation of hardware and software and knowledge management of Government Offices.

# Governance Report

STO upholds corporate governance by organizing and operating in a manner that safeguards the interests of all stakeholders to achieve the Company's long-term objectives and good returns. Our business practices are conducted with integrity and in the best interest of the Group and its stakeholders.

Corporate governance at STO is based on both external and internal regulations. As a limited liability Company, STO follows external regulations such as the Companies Act of the Republic of Maldives, the Corporate Governance Code (Code) of the Capital Market Development Authority, the Securities Act of Maldives, the Listing Rules of the Maldives Stock Exchange Pvt. Ltd., and Securities (Continuing Disclosure Obligations of Issuers) Regulations 2019 and other applicable legislations. Internal regulations include the Articles of Association of the Company (AOA), the board's rules of procedures, instructions to the MD/CEO, and policy documents adopted by the Company.

Throughout the year, STO prioritized maintaining high standards of compliance with all regulations mentioned above. Any deviations are explained through the "comply" or "explain" principle outlined in this report.

## 1.1. The purpose and nature of the Company

STO is a public limited company established in 1964, the purpose of which is to ensure and invest in the security of food, fuel and medicine. Today, STO is the trade leader in Maldives, contributing to the health industry, consumer market, construction materials industry, fuel and logistics industry, insurance industry, cooking and medical gas industry, shipping industry and the manufacturing of fish and its by-products industry. Present across the Country with more than 4,000 employees and serving over 350,000 customers.

## 1.2. Board Director's Charter

This Charter provides guidelines for Directors on their responsibilities, authorities, composition, meetings, appointments, trainings, evaluation, and disclosure.

The roles and responsibilities of Board include;

- Developing the corporate vision, mission and strategies
- Developing business plans and budgets
- Identifying operational risks and its mitigation strategies
- Monitoring the financial performance and asset management
- Establishing the right technology direction
- Overseeing the general business of STO Group
- Deciding on the dividend policy
- Publishing the required reports for shareholders
- Framing an appropriate governance and sustainability outline for the Company

## 1.3. Tenure

The existing Directors are fulfilling a term between 1 to 4 years in the Board. In 2022, the sitting director representing the public shareholders Aminath Rushma was replaced with Abdulla Saeed by a shareholder's vote taken at the last Annual General Meeting.

More recently, the Managing Director and Chief Executive Officer of the Company, Husen Amr Mohamed Rashad was dismissed by the Privatization and Corporatization Board after completing his 4th year, at STO. The Board has also been informed of Abdulla Saeed's appointment to the position, effective 04 April 2023.

Currently, no Director sits in the Board for more than 6 years.

## 1.4. Diversity

The qualities for holding directorship at STO, include knowledge of its several business operations, its markets and the industries, ability to interpret financial statements and honor sustainability, adequate business background, skills, experience, expertise, personal quality, and integrity. The merit for an effective Board further includes age and gender diversity.

STO Board continuously attempts to comprise itself of a mix of all such merits, in terms of age, gender, experience and knowledge. However, during 2022, the Board comprised of all male members, making the Company non-compliant with the requirement of the Code to have at least 30% female members in the Board.

The Company, to the best of its ability, did encourage appointment of female members to the Board, by reminding shareholders to make nominations accordingly.



# Governance Report cont.

## 1.5. Board composition

In accordance with the Company's AOA, the Board comprises of 7 members, of whom 6 are appointed and 1 is elected for a term of one year. Of these 7 members, 5 are Non-Executive Members and 2 are Executive Officers of the Company, including the Managing Director.

	Date of initial appointment	Date of last appointment
Hamid Nasheed Mohamed	16-05-2019	31-05-2022
Husen Amr Mohamed Rashad*	30-11-2019	31-05-2022
Mohamed Nizam	18-03-2021	31-05-2022
Gais Ismail	16-05-2019	31-05-2022
Shimad Ibrahim	16-05-2019	31-05-2022
Ismail Zumayl Rasheed	16-05-2019	31-05-2022
Abdulla Saeed	31-05-2022	31-05-2022

\*Husen Amr Mohamed Rashad was discharged from Company on 26 March 2023 and Abdullah Saeed was appointed to the position on 04 April 2023.

## 1.6. Independence

All Directors have a duty to act with independence of mind, in the best interest of the Company. The Board believes that the Independent, Non-Executive Directors are of the appropriate caliber, and number, for their views to carry significant weight in the Board's deliberations and decisions.

The AOA further indicates that most of the Board members shall be independent of the Company. The independence of these members is determined by the criteria described in the Code, where neither a director nor his or her immediate family members during the past year, has held a key position in the Company, and the director or none of their immediate family members has had any substantial finance dealings with the Company, during the same period.

Considering these factors, all Non-Executive Members of the Board were deemed independent in the past year.

## 1.7. Process of re-election and appointment of new directors

The Nomination and Remuneration Committee has put in place a formal process for the selection of new directors to increase the transparency of the nomination and election process, in identifying and evaluating nominees for the Board.

Below is the process explained.

- Both the majority shareholder (Government) and the other shareholders (Public) are given 21 days of notice to submit their candidates/interests,
- The nominees for public share representatives are then evaluated according to the Board Candidacy Guideline. The prime purpose of this evaluation is to identify the skills, knowledge and experience of the candidates and to see how it would strengthen the existing Board,
- Nomination and Remuneration Committee also meets with the shortlisted candidates to assess and further evaluate them,
- Nomination and Remuneration Committee then makes recommendations to the Board on the most ideal candidates for directorship, who are then submitted to AGM for an election,
- The majority shareholder makes appointments to the Board through Privatization and Corporatization Board. However, the Board Candidacy Guideline and the Fit and Proper Guideline of CMDA are passed to them, requesting to consider when making their appointments,
- Directors are then elected and appointed for another term at the Annual General Meeting.

In 2022, 2 candidates from the public shareholders submitted their names for Directorship. All candidates were interviewed by the Nomination and Remuneration Committee. After considering the interview results and other information, the shareholders appointed Abdulla Saeed to STO Board, at the last Annual General Meeting.

# Governance Report cont.

## 1.8. Chairman and Managing Director

The Chairman and Managing Director's role in the Company are assumed by different individuals and their roles and responsibilities are provided in the Board Director's Charter.

Chairman, Hamid Nasheed Mohamed was appointed on 16 May 2019. Husen Amr Mohamed Rashad completed 4 years in office, on 30 November 2022 and was discharged from his duties on 26 March 2023. Abdulla Saeed succeeded to the position on 04 April 2023.

The Chairman is the leader of the Board. He;

- Ensures the effectiveness of contribution by the Board, Board Committees and individual Directors,
- Leads and drives others to achieve and maintain a high standard of Corporate Governance,
- Approves the agenda for the board meetings and ensures sufficient allocation of time and information,
- Promotes an open environment for debates and ensures that the Non-Executive Directors can speak freely and contribute effectively,
- Provides oversight, guidance, advice and leadership to the Managing Director,
- Ensures constructive dialogue between shareholders, the Board and management.

The Managing Director is the highest-ranking executive officer of the Group. He;

- Runs the day-to-day business of the Group, within the authorities delegated to him by the Board,
- Ensures implementation of policies and strategies across the Group as set by the Board,
- Provides oversight, guidance, advice and leadership to Group executive and senior management team,
- Leads the development of senior management within the Group,
- Ensures that the Chairman is kept apprised in a timely manner of issues faced by the Group and of any important events and developments,
- Leads the development of the Group's future strategy, including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

## 1.9. Board induction and continuing education

The Company has a comprehensive orientation program designed for newly appointed directors to familiarize them with business and governance policies. The orientation program arranged by the Company Secretariate gives Directors an understanding of the Group's business to enable them to assimilate into their new roles.

## 1.10. Role of the non-executive

The Board and management fully agree that an effective and robust Board, whose members engage in open and constructive debate and challenge management on its assumptions and proposals is fundamental to good corporate governance. For this to happen, the Board and particularly the Non-Executive Directors, must be kept well-informed of the Group's businesses and be knowledgeable about the industries that the Group operates in. To ensure this, Non-Executive Directors are well supported by timely information.

The Board has also adopted processes to ensure that Non-Executive Directors have sufficient time and resources to perform their functions effectively. The roles and responsibilities of Non-Executive Directors are also described in the Board Director's Charter.

## 1.11. Other directorships held

No Director has held directorship in any other Public Listed Companies over the year. However, the Executive Directors do practice membership on the Board's of STO Group Companies while some of the Non-Executive Directors are members of private companies and non-profit organizations.

# Governance Report cont.

## 1.12. Board Evaluation

Board continuously monitors and reviews the Board's performance and evaluation framework. Board has laid down a new set of evaluation criteria for the performance review of Chairman, Executive, Non-Executive, Independent Directors, the Board, its Committees and the Company Secretary in 2021. This evaluation was carried out through an online questionnaire. This process enabled Directors to review the functioning and effectiveness of the Board and as individuals.

The evaluation helped in identifying possible paths for improvement. The questionnaire included to rate on board composition, skills, strategy, performance, governance, board functioning and the effectiveness of the whole board, its various committees, and the Company Secretary. The evaluation for the year 2022 was completed in March 2023 and areas for improvement were identified and discussed.

## 1.13. Board remuneration

Details on Director remuneration is provided in the Remuneration Report of the Nomination and Remuneration Committee. Refer to page 51 for this information.

## 1.14. Board meetings

There were 14 Board Meetings held during the year. In addition to this, the Committees altogether held 12 meetings.

The Company Secretary drafts the agenda for each meeting in consultation with the Chairman and the Managing Director. The Directors are given notice as per the Articles of Association and are authorized to suggest the inclusion of additional items in the agenda, where necessary.

All Directors were present at the last Annual General Meeting and the Board is confident that the Directors made adequate time available to give sufficient attention to the Board meetings during the past year.

Name	1/22	2/22	3/22	4/22	5/22	6/22	7/22	8/22	9/22	10/22	11/22	12/22	13/22	14/22	Total
Hamid Nasheed Mohamed	1	1	1	1	1	1	1	1	1	1	1	1	1	1	14/14
Husen Amr Mohamed Rashad	1	1	-	1	1	1	1	1	1	1	1	1	1	1	13/14
Mohamed Nizam	1	1	1	1	1	1	1	1	1	1	1	1	1	1	14/14
Gais Ismail	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12/14
Shimad Ibrahim	1	1	1	1	1	1	1	1	1	1	-	-	1	1	14/14
Ismail Zumayl Rasheed	1	1	1	1	1	1	1	1	1	1	1	1	1	1	14/14
Abdulla Saeed								1	1	1	1	-	1	1	7/8
Aminath Rushma	1	1	1	1	1	1									6/6

# Governance Report cont.

## 1.15. Board proceeds and major decisions

Board has access to all Company related information. At board meetings, executive team members and managers who can provide additional insights into the items being discussed, are invited.

Board agenda and papers are provided well in advance of the meeting via Boardpaq. Boardpaq is an international software, that centralizes all board documents and information. This application makes it easier to provide information to the Directors, promptly and securely. Further to this, an idea generation and discussion platform is accommodated for Directors through Microsoft Teams.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes and recommendations.

In order to keep Directors abreast on Company's performance, management also shares Company performance reports with the Board. These reports include budgets, forecasts, quarterly financial reports and monthly management accounts.

In addition, the Chief Audit Executive, also provides the Audit and Risk Committee and where necessary to the Board, information on the audit reports. These reports include, annual audit plans, fraud risk assessment, findings from investigation audits and the status on the implementation of recommendations given in the audit reports.

Some of the major Board decisions taken during the year include;

- Approved to purchase a new container vessel to Maldives State Shipping Company (MSS),
- Discussed on the issues and concerns on the increasing receivables of the Company,
- Approved Know Your Client Policy,
- Approved to go ahead with Funadhoo Coastal Repair Project,
- Results of Board Evaluation 2021 was presented and discussed,
- Approved to implement SAP Ariba Project,
- Approved to go ahead with the Bunkering Project,
- Awarded STO Housing project contract to Renaatus Real Estate, India
- Awarded Flour Mill project to Ugur, Turkey
- Approved to conduct a study on refining salt in Maldives,
- Financials for 2022 was approved for publication,
- Approved to propose MVR65 per share as dividend for 2022,
- Appointed Husen Amr Mohamed Rashad as Managing Director for another term,
- Approved to go ahead with the Medical Warehouse Project,
- Approved to conduct a study on establishing an IV Fluid manufacturing Facility in Maldives,
- Reviewed Company's Travel Policy,
- Approved to start on STO Supermart 2nd Phase Project,
- Approved to participate in the Government initiated Port City Development Project, as an investor.
- Approved to establish STO Smart Store in Hulhumale; the first self-service shop in Maldives,
- Approved to carry out STO Head Office Extension Project,
- Approved to purchase a tugboat and barge for STO,
- Approved to carry out SAP S4/Hana roll-out project,
- Approved to entrust the Corporate Governance Committee of the Board with the mandate of monitoring sustainability, and change committee name to Governance and Sustainability Committee of the Board,
- Committee updates were submitted to Board, its recommendations were discussed, and decisions endorsed,
- Major Project updates were periodically submitted to Board,
- Subsidiary Companies performance were periodically reviewed,
- Strategic Plan updates were periodically reviewed.

# Governance Report cont.

## 1.16. Non-executive directors meeting

As per the Board Director's Charter and Corporate Governance Policy of STO and the Code of CMDA, the Non-Executive Directors held one meeting in the absence of Executive Members of the Board. The purpose of this meeting was to review the performance of the Executive Members, the management team and the Board as a whole, while assessing the quality, quantity and timeliness of the information passed between management and the Board.

## 1.17. Committees

The Board's work is supported through its committees – the Audit and Risk Committee, the Nomination and Remuneration Committee and the Governance and Sustainability Committee. The Chairman and members of the Committees are appointed, and their performance is reviewed by the Board, annually. The Audit and Risk Committee is required to meet four times a year while other Committees are required to meet at least twice a year.

The membership, responsibilities, and activities of each of these Committees are described further in this report through the individual committee reports. Each Committee has a set of guidelines in the form of charters, approved by the Board and signed by the members.

The Nomination and Remuneration Committee is combined for the purpose of expediency since most of the same Directors are entrusted with the functions of both Committees.

The Committee Chairperson and the Company Secretary determines the frequency and duration of meetings. Recommendations of the Committees are submitted to the entire Board for approval before management is assigned any work for implementation.

## 1.18. Conflict of interest and materially significant, related party transaction

The Company has a Board approved Conflict of Interest Policy for the Directors. As part of this process, the Directors must disclose any company, association, or other affiliation where he/she and his/her immediate family members hold a significant interest. This information is reviewed and where required, tallied with relevant authorities to confirm the information provided.

All known substantial or material third party transactions, monetary transactions or relationships between the Company and its Directors, the Management, Subsidiaries, or relatives have been disclosed in the note 45 of audited financials.

## 1.19. Good governance, policies, procedures and guidelines

Over the years, the Board has developed and reviewed the Company's Corporate Governance Principles to help fulfil its corporate responsibility towards the stakeholders. These principles ensure that the Board has the necessary authority and processes to review and evaluate the operations when required.

Furthermore, these guidelines allow the Board to make decisions that are independent of the Management.

STO first established its Governance Guideline in 2006. Thereon, the Company has reviewed and made changes to it, considering the various amendments brought to the relevant legislations and the international codes. The Company further established its first Code for the Group in 2014. This Code was last revised in 2019.

STO has in place, policies, and procedures to govern its subsidiary companies and major commercial activities, a manual for Board Directors and a Code of Ethics for Directors.

Furthermore, STO has timely reviewed the Board and its Committee Charters and Corporate Governance Guidelines. STO also, has in effect a guideline on holding Annual General Meetings and preparation of Annual Reports for its Group Companies. These policies, procedures and guidelines are believed to provide the Group with guidance and emphasize the importance of proper governance within the Companies.

The Group also has in effect a Board Candidacy Guideline and a Guideline on Administration and Control of STO Group Companies. These guidelines define the characteristics and procedure for making nominations, appointment and removal of board members to the Board's of STO Group of Companies.



# **Governance Report cont.**

## **1.20. Company Secretary**

All Directors have access to the services and advice of the Company Secretary. The Company Secretary supports the Board and its individual Directors, by providing guidance as to how to fulfil their responsibilities as directors in the best interests of the Company. The Company Secretary regularly refreshes her knowledge of developments in Corporate Governance best practice and regulation.

The Board remains satisfied with the competency and experience of the Company Secretary.

## **1.21. Management Review and Responsibility**

The Company's vision is to enrich the lives of its stakeholders; the customers, employees and shareholders, through expansion of its services while being accessible to all.

Through sustainable growth, innovative products under strong brands, operational excellence and dedicated employees, STO creates the condition to reach its vision. The objective is to develop smarter, more accessible, resource-efficient solutions that meet people's needs and improve their everyday lives.

The business operations of the Company are divided into Energy, Supermart, Home Improvement items, Staple Foods, Construction Materials and Medical Service & Pharmacy Management. These businesses are catered in Male' and in many of the Atolls, while the Company has its presence through its pharmacies in every inhabited island.

## **1.22. Group management**

The Board of Directors have entrusted the Managing Director of STO with the function of overseeing its Group of Companies. As such, many measures have been taken to establish good governance practices within the Group. The Company has in place a Governance Code, a Board Manual and a Code of Ethics approved for its Group of Companies.

As of 2022, there are 6 subsidiaries of STO; where STO holds more than 90% of shares. STO also has 1 Joint Venture Company with equal share distribution with Rainbow Investments and holds less than or equal to 25% shares in 3 other Companies. Details of STO Shares held in these Companies as required by the SCDOI Regulations 2019 is provided on page 95.

## **1.23. Internal Audit**

The Internal Audit function is responsible for independent, objective assurance, in order to systematically evaluate and propose improvements for more effective management, governance and internal control processes.

The Company has a well-established in-house audit function that is currently working to be compliant with International Professional Practices Framework (IPPF). The Internal Audit is an independent function. The Chief Audit Executive reports functionally to the Chairman of the Audit and Risk Committee and administratively to the Managing Director.

## **1.24. External Audit**

Appointment of External Auditor is reviewed annually by the Audit and Risk Committee. The Committee advises the Board on the results of this assessment which is then submitted to the Annual General Meeting for shareholders' approval. The Board of Directors welcome the impartial opinion and recommendations of the appointed Independent Auditors and strives to improve the findings pointed out in the Auditor's Report.

The shareholders elected PWC as the External Auditors for 2022. The Auditors have provided audit opinions regarding STO and the Consolidated Financial Statements of STO Group, in this report. The Audit was conducted in accordance with International Standards on Auditing. These standards ensure that the auditors comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated and separate Financial Statements are free from material misstatement.

# Governance Report cont.

## 1.25. Internal Controls

The process of Internal Control and Risk Management Framework provides reasonable assurance that the Group's goals are met in terms of efficient operations, compliance with relevant laws and regulations and reliable financial reporting. STO's control environment determines the individual and collective behavior. It is defined by policies and procedures, manuals and codes, IT generated controls and is enforced by the organizational structure with clear responsibility and authority based on collective values.

The Board of Directors have the overall responsibility for establishing an effective system of internal control. The responsibility of maintaining internal controls is delegated to the Managing Director. The Audit and Risk Committee assists the Board in overseeing the adequacy of relevant manuals, policies and important accounting principles applied.

The limits of authorities and responsibilities are given in instructions for delegation of authority, manuals, policies, procedures, and codes, including the code of conduct and, employee handbook. Together with laws and external regulations, these internal guidelines form the control environment.

All entities within STO Group are required to maintain adequate controls. Monitoring and testing of control activities is performed periodically to ensure the adequacy of these controls and to ensure that the risks are properly mitigated. The level of effectiveness of control activities is monitored by the Internal Audit and Risk Department at Group level, business areas level, functional level, and process level, which is reported to the Audit and Risk Committee and the Management. Controls that have failed are remediated, by establishing and implementing actions to correct the weaknesses.

## 1.26. Risk Management

The Company has an integrated approach to managing risks in various aspects of the business. The Risk Management Report forms part of this Annual Report on page 45.

## 1.27. Shares and shareholders

STO's shares are listed at the Maldives Stock Exchange (MSE). STO has over 4,000 active shareholders in the shareholder's register and of the total share capital, 81.6% is owned by the Government of Maldives, while the rest of the 18.4% is owned by the General Public.

None of the individual shareholders (other than the Government) hold shares of more than 5% of the Company.

## 1.28. Voting rights

The share capital of STO includes ordinary shares only. Each share entitles holders to the same proportion of assets and earnings and carries equal rights in terms of dividend.

According to the Articles of Association, each share accounts to one vote each. Voting is based on show of hands, where the vote is counted as 1 vote per member, unless 10% shareholders or their proxies present, request for a poll where voting will be counted on shares represented.

## 1.29. Communication with shareholders

The Quarterly Report, along with additional information and official news releases, are posted on the Company's website, *sto.mv*. The proceedings of the Annual General Meeting and the voting rights are also stated in the Company's website.

In addition to this, the Company has set up a communication facility for the shareholders through the website [http://sto.mv/Investor\\_Relations.aspx](http://sto.mv/Investor_Relations.aspx). All complaints or messages received through this facility are delivered directly to the Chairman and the Company Secretary. The Chairman then submits these to and recommends for actions, at the earliest Board meeting.

Furthermore, Board members hold and facilitates other meetings with the shareholders as required.

# Governance Report cont.

## 1.30. Certification of financials

The Board has reviewed and approved the financial results of the Company. In presenting these results, the Board has aimed to provide shareholders with a balanced and clear assessment of the Group's position and prospects.

As required by the Code of CMDA and SCDOI, the Managing Director, Audit Committee Chairman and Chief Financial Officer certifications on the financials are provided with this report. The Board, to the best of their knowledge, confirms that the Financial Statements for the period from 1st January to 31st December 2022 have been prepared in accordance with the applicable accounting standards and gives a true and fair view of the Group and the Company's consolidated and separate assets, liabilities, financial position and results of operations.

## 1.31. Prevention of insider trading

The Company has in place a guideline on trading in Company's Securities, to regulate, monitor and report trading by insiders. This guideline also includes practices and procedures for the disclosure of price-sensitive information and other continual disclosure. It also includes penalties for not adhering to the guideline.

## 1.32. Systems for raising concerns

Appropriate mechanisms are in place to enable employees, management or other stakeholders to raise any concerns, whether on a confidential basis or otherwise, about any non-compliance or fraud or other misdemeanor within or to the Company.

STO has implemented a Fraud Response Policy and a Whistleblower Policy. The Company has established a whistleblower facility for the employees through the Intranet and a "Raise Your Concern" facility for other stakeholders through our website.

In addition, the Company has also implemented a Disciplinary, Grievance and Gender Equality Committee and a Sexual Harassment Prevention Committee that looks into concerns and grievances raised by the staff in this regard.

In 2019 the Company has also put in place a "Raise Your Concern" facility that is directly passed to the Managing Director.

## 1.33. Annual General Meeting

The decision-making rights of shareholders are exercised at the General Meetings. The Annual General Meeting of STO is held during the first half of the year.

Extraordinary General Meetings (EGM) may be held at the discretion of the Board or, if requested by the auditors or by the shareholders who owns at least 10% of all shares in the Company.

Participation in decision-making requires the shareholder's presence either personally or through a proxy. In addition, the shareholder must be registered in the share register by a stipulated date prior to the meeting and must register for the meeting in the manner prescribed.

Decisions at the meeting are usually taken based on simple majority. The 2021 Annual General Meeting was held on 30 May 2022. A total of 782 shareholders representing a total of 84% of the share capital were represented at the Annual General Meeting.

## 1.34. Remote e-voting and ballot voting at the AGM

To allow the shareholders to vote on the resolutions proposed at the Annual General Meeting, the Company has developed and arranged for an e-voting facility. This facility has made managing the meetings easier and quicker. This facility was developed by STO ICT Department staff, and the Company has used the facility in the past 5 Annual General Meetings, successfully.



## ***Governance Report cont.***

### **1.35. Dividend**

STO targets for the dividend to correspond to at least 10% of profit for the period. However, for several years, the dividend level has been considerably higher.

In accordance with the Dividend Policy of the Company, the Board has declared MVR77 per share for shareholder's approval in the upcoming Annual General Meeting 2022.

### **1.36. Details of Non-Compliance**

No penalty has been imposed by MSE, CMDA or the Registrar of Companies, nor has there been any instance of non-compliance with any legal requirements, on matters relating to the capital market, in the year 2022.

### **1.37. Going Concern Declaration and Future Outlook**

The Board is confident that it has the right mix of members, to provide the necessary support to the management to implement the strategic and business objectives of the Company. Hence, the Board is highly optimistic on what the future holds for this Company. There is no doubt that the Board will continue to strive to pursue the long-term vision of the Company.

Hereby, we confirm that the Company can carry on its activities, implement its proposed plans, and achieve its forecast results, satisfactorily.



**Hamid Nasheed Mohamed**  
Chairman



**Abdullah Saeed**  
CEO & MD

# Audit & Risk Committee Report

*The Committee is committed to maintaining high standards of transparency and internal controls.*

## Composition

The Audit and Risk Committee (ARC) was established in accordance with the requirements of CMDA Governance Code. The Committee comprised of 4 (four) members, up until June 2022. The composition of the Committee was changed to 3 (three) members, thereon.

The Board remains comfortable that the committee members have the appropriate knowledge, skills, and experience to fulfil the duties delegated to the committee. The members of the committee each have appropriate knowledge and understanding of financial matters and have commercial expertise gained from similar industries of operations, giving the committee as a whole competence relevant to the sectors in which STO Group operates.

## Terms of Reference

The primary responsibility of the Committee is to oversee the Company's corporate financial reporting, including the relationship with the external auditors, as well as the Company's internal control and risk management framework and to assist the Board with any judgements and decision-making required in this regard. This remained the key focus of the committee during the year 2022, with its activities being consistent with prior years and in line with its terms of reference.

This report provides an overview of the committee's key activities and focus areas during the year and the framework within which it operates.

## Meetings

There were 8 meetings held during the year. The CEO, CAE, CFO and CRO made presentations to the meetings, where required. The External Auditors also attended the meetings in the presence and absence of management.

Name	Attendance
Shimad Ibrahim	8/8
Gais Ismail	7/8
Ismail Zumayl Rasheed	8/8
Aminath Rushma*	2/2

\*Aminath Rushma's last day in Board was 30 May 2022.

# ***Audit & Risk Committee Report cont.***

## **Major Activities**

### ***Financial Reporting***

- Reviewed the integrity of all financial announcements with input by CFO, CEO and CAE,
- Reviewed and discussed on any new IFRS standards coming to effect and its impact on reporting,
- Reviewed, discussed, and approved the budget for 2023, while considering its alignment with the strategic objectives for the year.
- Endorsed annual financial statements for fairness, balance, and accuracy.

### ***Risk Management and Internal Controls***

- Reviewed the effectiveness of the internal control systems and the risks associated,
- Conducted and reviewed the effectiveness of the Company's IT function, giving emphasis on its risk management and internal controls,
- Agreed that the system of internal controls operated effectively throughout the financial year and are up to the date.

### ***External Audit Matters***

- Reviewed and discussed the audit issues and recommendations identified in the Group Management Letters,
- Reviewed and monitored the implementation of Management Letter recommendations by Group Companies,
- Recommended to the Board, to put forward to the shareholders at AGM, to appoint PWC for the 2022 audit,
- Reviewed and agreed on the engagement letters,
- Reviewed and approved external audit plan, considering the scope and materiality, while agreeing to the audit fees,
- Reviewed and approved the independence, objectivity, and effectiveness of PWC.

### ***Governance***

- Reviewed Committee and Internal Audit Charter, in accordance with IPPF standard.

# ***Audit & Risk Committee Report cont.***

## ***Internal Audit***

The Committee is well satisfied with the performance of the Internal Audit function, its independence and objectivity and the adequacy and effectiveness of the internal controls established.

## ***External Audit***

The shareholders appointed PWC as the External Auditors of the Company for the year 2022. During the year, the firm has not provided any non-audit related services to the Company, hence confirming their independence.

## ***Risk Management***

The Committee is satisfied with the performance of the Risk Management function.

## **Conclusion**

The Committee is satisfied with the activities carried out during the year.



**Shimad Ibrahim**  
Committee Chairman

# Risk Report

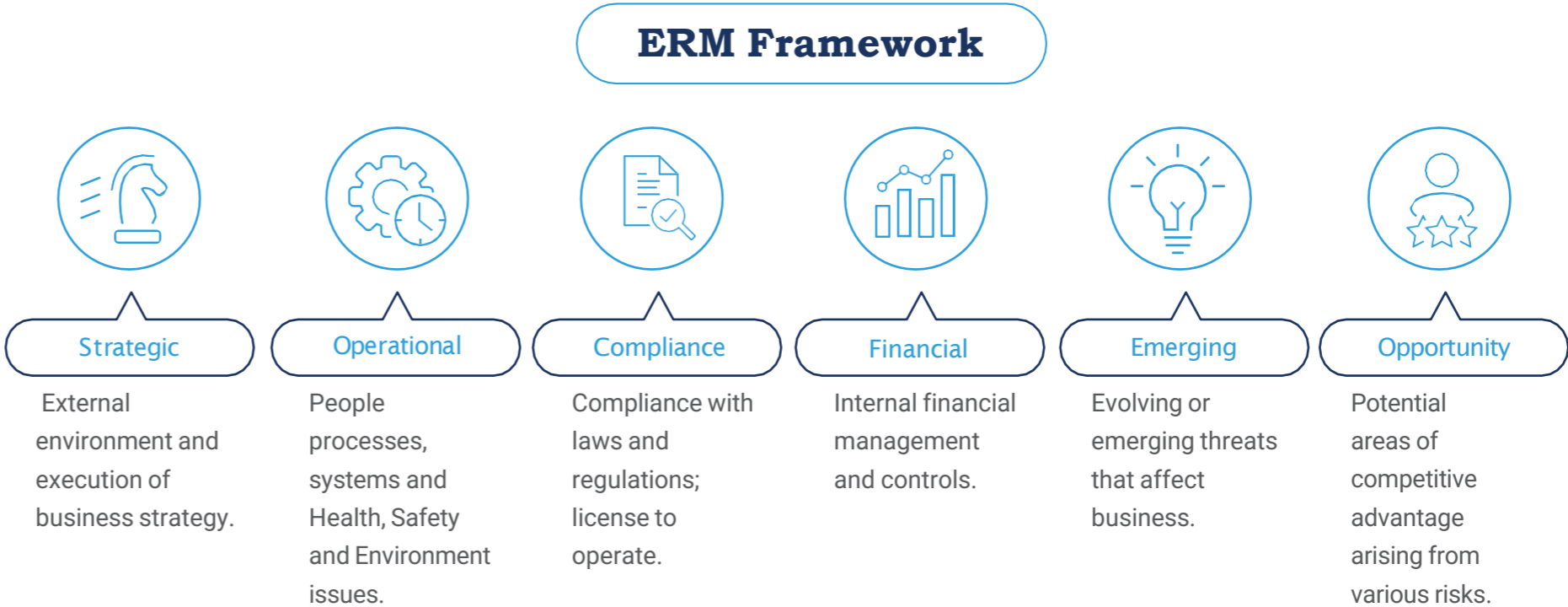
## Overview

Effective risk management and internal controls are necessary to protect the Group from exposure to unnecessary risks and ensure sustainability of the Group's business activities. Our Risk-based approach and Enterprise Risk Management (ERM) Framework enables the Group to respond to the dynamic economic environment, evolving business demands, as well as to seize new business opportunities.

The overall responsibility for risk management and internal control system of the company lies with the board of directors.

## Our Approach

Our approach in risk management is to adopt and establish a risk-enabled culture throughout the Group. Mindsets and attitudes are key to effective risk management.



# Risk Report

## Risk Management Framework

The Group have adopted a three lines of defense risk management framework to provide assurance that appropriate control and mitigation measures are in place for various risks identified.

We have adopted an enterprise risk management strategy and framework, which the Audit and Risk Committee reviews, evaluates, and, if necessary, make changes to. The Company must adhere to the risk management policy and framework, which describes and prescribes the risk management process. The framework takes reference from the Corporate Governance Codes the Company comply with, the COSO Enterprise Risk Management – Integrated Framework and ISO 22301:2019, ISO 31000:2018 Framework. The policy and framework are to be rolled out to Group companies.

The objectives of Company's Risk Management framework are to;

- Establish risk governance structures, roles, and responsibilities utilizing a combined assurance approach;
- Provide an outline of all risk management procedures;
- Define common risk management terminology;
- Clarify the roles and responsibilities of the risk management of organization;
- Provide guidance regarding the essential elements of an effective risk management initiative;
- Provide a customized and uniform method for applying risk management throughout the Group; and
- Ensure that the risk management function is integrated with business planning.

Through the Audit and Risk Committee, the Board advises management in formulating and implementing the risk management framework, policies, and guidelines.

We are determined to achieve the Group's strategic objectives through the following principles:

- Risk taken should be carefully evaluated, commensurate with rewards and be in line with the Group's core strengths and strategic objectives;
  - No risk arising from a single area of operation, investment or undertaking should be so huge as to endanger the entire Group; and
  - The Group does not condone safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, bribery, and corruption.
- The achievement of the Group's strategic aim and growth objectives depends on effective risk management. The Board assesses the Group's risk uncertainties. It also has overall responsibility for the Group's risk management framework, system of internal control, and continual evaluation of their efficacy. The Group maintains financial, legal compliance, and operational systems of internal control to fulfil its obligation to deliver accurate financial information. These controls are intended to offer a reasonable level of assurance that transactions are carried out in line with management's authority, are validly authorized and recorded, and that the assets are sufficiently safeguarded against major losses and unauthorized acquisition, use, or disposal.



# Risk Report cont.

## Risks are broadly categorized as follows:

### **Strategic Risk**

Strategic risks are significant factors that contribute to the Group's exposure to risks, such as market forces, disruptive technology, and evolving competition. Additionally, the Group faces external risks like fluctuations in the global economy, including increased interest rates, inflation, especially increase in oil prices, and volatility in global markets, and geopolitical tensions. Despite these numerous challenges, the Group has shown remarkable adaptability and resilience in its operations throughout 2022.

### **Operational Risk**

The Group is connected through shared services and platforms designed to improve operational efficiency, productivity, compliance, and control. We are adopting ISO standards and certifications in major business areas to standardize processes and align with industry best practices, where applicable. Additionally, we are focused on enhancing our digitalization and automation efforts to optimize our processes continually. We evaluate our policies, procedures, and authority limits regularly to ensure that they remain relevant.

### **Compliance Risk**

We closely monitor the laws and regulations in the countries where the Group operates to ensure regulatory compliance. Non-compliance with any law or regulation could adversely affect the Group's financial and operational performance, as well as its reputation. As such, we remain updated on changes to laws and regulations to assess potential exposures and risks quickly and effectively. We are continually enhancing our regulatory compliance policies and procedures to maintain compliance and ethical standards in our business conduct. The Group has a zero-tolerance policy for fraud, bribery, corruption, and any violation of laws and regulations.

### **Financial Risk**

Financial risk management is essential to the Group's ability to meet financial obligations and mitigate credit, liquidity, currency, and interest rate risks. Policies, processes, and financial authority limits are regularly reviewed to ensure their adequacy in mitigating risks and to incorporate changes in the operating and control environment. Our focus is on financial discipline, deploying our capital to earn the best risk-adjusted returns for our shareholders while maintaining a strong balance sheet to capitalize on new opportunities.

In 2022, global economies continued to face macroeconomic challenges and global volatility, and the Group maintained a proactive approach to liquidity management. We took effective measures to assess our exposure to currency volatility, rising inflation, and interest rates, taking mitigating actions where required.

### **Emerging Risk**

The Group monitors evolving and emerging risks. Risks identified are considered and actions are taken to mitigate the risks as necessary. Credit exposure, disruption to supply chain, cybersecurity, socio-economic and political instability, commodity shocks and growing concentration are areas of risks noted. They are monitored closely, and actions are taken, when necessary, to mitigate the risk.

### **Pre-emptive Management of Risk**

Effective risk management involves a dynamic evaluation of both risks and opportunities. We recognize that managing risks is an integral part of business operations aimed at optimizing returns. Our approach to risk management is business-centric, aligning business activities with risk considerations. We openly and transparently discuss issues to pursue optimal risk-return initiatives.

Our risk framework and processes continually evolve to remain effective and relevant. Our ability to remain vigilant to emerging risks and opportunities is dependent on our people and processes. Across the Group, we recognize that our systems and processes provide reasonable but not absolute assurance. As a result, we continuously adapt and improve to ensure that our ability to manage and respond to risks remains relevant and effective.

# Governance & Sustainability Committee Report

*The Committee is committed to adopting good governance principles and future growth strategies that are fundamental to long-term sustainable success of the Company.*

## Terms of Reference

The Committee's primary responsibility is to monitor and review the Company's overall approach to Corporate Governance issues and implement, administer, and continue to develop a system of governance within the Company. Apart from this, as the Board was of the view that, given the growing importance of the global focus on sustainability matters and stakeholder expectations of business to address its impact growth, the committee was assigned by the Board, with the responsibility of developing, overseeing, and monitoring STO's sustainable development targets, policies, practices and progress.

This report provides an overview of the committee's key activities and focus areas during the year and the framework within which it operates.

## Composition

The Governance and Sustainability Committee (GSC) was established in accordance with the requirements of CMDA Governance Code. The Committee comprised of 3 (three) members.

Aminath Rushma was replaced with Abdulla Saeed, following his appointment at the Annual General Meeting.

The Board remains comfortable that the committee members have the appropriate knowledge, skills, and experience to fulfil the duties delegated to the committee. The members of the committee each have appropriate knowledge and understanding of commercial expertise gained from similar industries of operations, giving the committee as a whole competence relevant to the sectors in which STO Group operates.

## Meetings

There were 2 meetings held during the year. The CEO, CFO, CS and other top management members made presentations to the meetings.

Name	Attendance
Abdulla Saeed	2/2
Gais Ismail	1/2
Ismail Zumayl Rasheed	2/2

## Major Activities

- Reviewed the Group Reporting template for improvements,
- Discussed on re-introducing STO Group Governance Award,
- Discussed on the possible changes to criteria of STO Group Governance Award,
- Reviewed the governance review reports of subsidiaries and implementation progress of recommendations,
- Reviewed the committee charter and made changes to include the responsibilities assigned by Board, about establishing a sustainability focused framework within the company,
- Reviewed board policies for improvement.

## Conclusion

The Committee is satisfied with the activities carried out during the year.

On behalf of the Governance and Sustainability Committee;



**Abdulla Saeed**  
Committee Chairman

# Nomination & Remuneration Committee Report

*The Committee is committed to leveraging diverse skillsets within the company for its strategic success and to aligning reward, performance with stakeholder interest.*

### Terms of Reference

The Committee’s primary responsibility is to ensure that the composition of the Board is appropriate and relevant, and that the Board is in the best position to give direction on the agreed strategies. This includes consideration of diversity and succession matters. In addition to this, the Committee also focus on the consistency and fairness of Board and organizational pay, considering the performance of the company.

This report provides an overview of the committee’s key activities and focus areas during the year and the framework within which it operates.

### Composition

The Nomination and Remuneration Committee (NRC) was established in accordance with the requirements of CMDA Governance Code. The Committee comprised of 3 (three) members.

The Board remains comfortable that the committee members have the appropriate knowledge, skills, and experience to fulfil the duties delegated to the committee. The members of the committee each have appropriate knowledge and understanding of commercial expertise gained from similar industries of operations, giving the committee as a whole competence relevant to the sectors in which STO Group operates.

### Meetings

There were 2 meetings held during the year. The CEO and other top management members made presentations to the meetings.

Name	Attendance
Gais Ismail	2/2
Ismail Zumayl Rasheed	2/2
Aminath Rushma	1/2
Abdulla Saeed	No meetings held after his appointment

### Major Activities

- Reviewed all documents necessary for the published announcements regarding nominations to Board,
- Considered, and recommended to the Board, on the re-election of directors at the AGM,
- Evaluated public and government nominees to Board, for election at AGM,
- Evaluated candidates for the appointment of an HOD to the Medical Services and Pharmacy Management segment,
- Assessed and discussed on the structure of different segments of the Company,
- Reviewed and agreed on the board evaluation process for the year 2022,
- Reviewed the adequacy of the composition of the board, in terms of number of members, qualification, diversity, and experience, where the Committee found the composition of the board, adequate for functioning.

# ***Nomination & Remuneration Committee Report cont.***

## **Commitment to Diversity**

The Committee ensured, encouraged, and promoted to shareholders, on appointing a gender diversified board. We are committed to creating a culture that embraces diversity and inclusivity, while providing a working environment that is fair and non-discriminatory, from recruitment and people development to reward and talent management. We empower and develop our people, helping them to grow to their full potential while also developing and maintaining a competitive business advantage. At STO, we are also committed to women empowerment principles.

Despite the efforts during the past year, the Board of Directors consisted of 1 female member up until AGM in May 2022. The constitution changed to all male members through affirmation of shareholder votes at the AGM.

However, it is to note that the Company workforce as of now, includes of 35% female staff.

## **Conclusion**

The Committee is satisfied with the activities carried out during the year.

On behalf of the Nomination and Remuneration Committee.



**Gais Ismail**  
Committee Chairman

# ***Remuneration Report***

*We believe that our strategic objectives can only be delivered with the dedication and hard work of the board, management and other employees.*

We are happy to share the 2022 Remuneration Report of STO. With this report, we are providing insight into the remuneration outcomes for 2022 to comply with governance requirements and provide a better understanding of transparency into our board remuneration practices.

The Nomination and Remuneration Committee assists the Board, by formulating a remuneration strategy that ensures a balance in attracting, motivating, and retaining human capital through competitive remuneration practices, while creating shareholder value through a comprehensive Remuneration Policy. This Policy gives effect to the remuneration strategy, supports the business objectives, and offers a balance in the remuneration mix to align it with the company goals. The remuneration policies for the executive and non-executive members of the board, are separately stated in this Policy.

2022 has been another eventful year for STO with improved financial results driven by increased activity across the business, cost structure improvements and efficiency gains. Hence, the Board focused on ensuring that the variable remuneration confirmed pay for performance and reflected the business performance duly.

For this report, executive management refers mainly to the executive directors of the Company, Husen Amr Mohamed Rashad (CEO & MD) and Mohamed Nizam (CFO).

With the resignation of the HOD of Medical Services and Pharmacy Management, Hussain Raaidh from his post, a severance pay was paid to him and a new member, Ahmed Niushad was hired to the post. Apart from this, Husen Amr Mohamed Rashad was replaced by the majority shareholder, with Abdulla Saeed in March 2023.

# Remuneration Report cont.

## Policy on employee remuneration and other incentives

The employee remuneration principles states that;

- A systematic role of evaluation shall be developed for each employee to identify their appropriate level of remuneration and placement within the structure,
- The remuneration shall comprise of fixed and performance-based components,
- The evaluation must be performed annually, and the review must assess the degree to which the employee is satisfying the requirement of his/her role and the degree to which established performance objectives have been achieved,
- Fixed remuneration must align with that of comparable industry positions,
- Employees are entitled to performance-based incentives including bonuses and other relative allowances,
- Employees can trade in securities of the Company, in accordance with the Trading in Securities Guideline of the Company,
- The Company abides by the Regulations of the Maldives Pension Administration Office for pension provision of employees, where the employee provides 7% of his/her basic salary as pension, and the Company provides the same,
- Employees are further entitled to retirement, termination and severance payments where applicable,
- Employees are also eligible for loans provided by the Company.

## Policy on board remuneration and other incentives

The remuneration provided to the Board of Directors for serving on the Board are determined and approved by the shareholders at the Annual General Meeting, while the Executive Members of the Board are paid the same, and an additional remuneration for their executive position as officers of the Company. This information is further disclosed in the Audited Financial Statements.

The remuneration of the Executive Directors is set in accordance with the principles of employee's remuneration and incentives, inspected by the Nomination and Remuneration Committee and approved by the Board of Directors.

The remuneration of the members of the Board consists of the following elements;

- Monthly remuneration
- A fee for attendance per meeting
- A chairman allowance for the Chairman of the Board

The principles for Board Director remuneration states that;

- Non-Executive Director's shall be remunerated by way of fees paid in recognition of their membership on the Board and its sub-committees
- The Executive Directors should be paid the same fee as that received by the Non-Executive Directors for their Board membership

- Executive Directors shall also receive variable salaries in addition to the Board membership fees. This salary must be a market median of companies comparable in market segment, business complexity and international scope. The Executive's performance must also consider fulfilment of various improvement targets and attainment of certain financial objectives,
- The Company's Remuneration Policy must be formulated to attract and retain high caliber Executives and motivate them to develop and implement the Company's business strategy to optimize long-term shareholder value creation



# Remuneration Report cont.

	Executive Directors	Non-Executive Directors
Remuneration and Allowances	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Salary provided as per Board approved salary structure of the Company.</li> <li>Benchmarked against market practices in Maldives with companies that are comparable in size, business, and complexity.</li> <li>Based on the role, individual skills, and experience.</li> <li>Additionally receives board allowance and sitting fee, as provided to non-executive members of the Board.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>Paid monthly.</li> <li>No increase or decreased was granted.</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Provided as per shareholders approved allowances at the Annual General Meeting.</li> <li>Benchmarked against market practices in Maldives with companies that are comparable in size, business, and complexity.</li> <li>Mainly based on the guideline issued by the Ministry of Finance and the Privatization and Corporatization Board, on determining Board Directors remuneration.</li> <li>Entitled to board allowance and sitting fees.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>Paid monthly.</li> <li>No increase or decreased was granted.</li> </ul>
Pension Fund	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Provided as per Maldives Pension Administration Office regulations.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>Paid to Maldives Pension Administration monthly,</li> <li>7% of basic salary contributed from employee's salary,</li> <li>7% of basic salary contributed from STO.</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Non-executive directors are not eligible for this fund.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>No pension fund was provided to non-executive directors.</li> </ul>
Health Insurance	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Allied Insurance Gold package subscribed for executive directors.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>Package obtained from Allied Insurance Company of the Maldives,</li> <li>Individual director insurance cost is borne by the Company,</li> <li>Covers 1 spouse and 2 children of below 18 years of age,</li> <li>Cost depends on the age of Director and the dependent,</li> <li>Director must bear any insurance for additional dependents,</li> <li>The package now includes add-on for insurance of parents.</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Allied Insurance Gold package subscribed for non-executive directors.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>Package obtained from Allied Insurance Company of the Maldives,</li> <li>Individual director insurance cost is borne by the Company,</li> <li>Covers 1 spouse and 2 children of below 18 years of age,</li> <li>Cost depends on the age of Director and the dependent,</li> <li>Director must bear any insurance for additional dependents,</li> <li>The package now includes add-on for insurance of parents.</li> </ul>
Life Insurance	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Allied Insurance Life Insurance package subscribed for Executive Directors.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>Paying MVR180 per person, annually.</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Allied Insurance Life Insurance package subscribed for Executive Directors.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>Paying MVR180 per person, annually.</li> </ul>

# Remuneration Report cont.

	Executive Directors	Non-Executive Directors
Annual and deferred bonus	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Bonus for Executive Directors are provided as per Board approval each year,</li> <li>Bonus is given annually, upon achievement of the annual key ratios and other key performance indicators, determined and approved by the Board,</li> <li>Bonus is distributed by the Board of Directors, in a manner that reflects the Executives contribution and performance in achieving the years targets.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>Bonus of the year 2021 was paid in 2022,</li> <li>Both Executive Directors were determined by the Board of Directors to have fulfilled their tasks exceptionally well,</li> <li>There was no deferred bonus paid to any of the Executive Directors in 2022,</li> <li>Directors are not eligible for any other employee bonus or sales incentive schemes of the Company.</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Non-executive directors are not provided annual or deferred bonus.</li> <li>Non-executive directors are not eligible for any employee bonus or sales incentive schemes.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>No bonus or any kind was provided to any non-executive directors.</li> </ul>
Service Contract, Notice Period and Severance Fee Fund	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>All Directors are appointed for a term of one year (i.e., from one Annual General Meeting to another)</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>The Executive Directors were last appointed to the Board on 31 May 2022,</li> <li>Both directors have signed service contracts with the Company,</li> <li>Additionally, both directors have signed the Board Charter, which describes their roles and responsibilities to perform as members of the Board.</li> <li>There were no changes to the executive directors of the board, during 2022.</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>All Directors are appointed for a term of one year (i.e., from one Annual General Meeting to another)</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>The non-executive directors were last appointed to the Board on 31 May 2022,</li> <li>All directors have signed the Board Charter, which describes their roles and responsibilities to perform as members of the Board,</li> <li>There were no changes to the non-executive directors of the Board, during 2022.</li> </ul>
Share options and Trading in Securities	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Directors may hold shares in the Company and share trading must only be made in accordance with relevant policies of the Company.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>Neither of the members traded any shares of the company, during the term,</li> <li>Trading in Securities are implemented according with the Trading in Securities Guideline of the Company,</li> <li>All changes to the trade restriction list, was informed to relevant authorities, within due time.</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Directors may hold shares in the Company and share trading must only be made in accordance with relevant policies of the Company.</li> </ul> <p><b>Action</b></p> <ul style="list-style-type: none"> <li>Neither of the members traded any shares of the company, during the term,</li> <li>Trading in Securities are implemented according with the Trading in Securities Guideline of the Company,</li> <li>All changes to the trade restriction list, was informed to relevant authorities, within due time.</li> </ul>
Other benefits	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Both directors are entitled to other benefits applicable to the employees of the company. This includes the use of company car, launch and other vehicles / vessels, discount from STO stores and acceptance of gifts from company on certain occasions, as per the benefits list approved by the Board. .</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>All directors are entitled to other benefits applicable to the employees of the company. This includes the use of company car, launch and other vehicles / vessels, discount from STO stores and acceptance of gifts from company on certain occasions, as per the benefits list approved by the Board.</li> </ul>

# Remuneration Report cont.

## Paid remuneration to Board Members

In 2022, a sum of MVR1.1 million was paid to the Board of Directors as remuneration in the Board, while MVR3.1 million was paid to the Executive Directors as remuneration for their executive position in the Company. A total of MVR12.6 million was paid to the top management, excluding the Executive Directors, as basic salary and allowances.

## Paid remuneration to Top Management

Due to salary disparities in the employment market, the Board of Directors have chosen not to disclose the individual remuneration package of top management and executive directors.

Hussain Raid, the former General Manager of Medical Services and Pharmacy Management, was provided severance fees in accordance with Company Redundancy Policy.

## Directors' shareholding in the company

The Directors have the right to subscribe for Securities in the Company, in accordance with the Trading in Securities Guideline of the Company. However, they do not have the right to subscribe for securities in the subsidiaries.

Below table describes the number of direct and indirect shares held by directors, in the Company.

Name	Position in Board	Total Remuneration received for the position in the Board	Direct Shares held	Indirect Shares held
Hamid Nasheed Mohamed	Chairman	MVR 260,000	-	-
Husen Amr Mohamed Rashad	Former CEO & MD	MVR 127,500	-	-
Mohamed Nizam	CFO	MVR 127,500	-	-
Gais Ismail	Board Director	MVR 131,000	-	-
Ismail Zumayl Rasheed	Board Director	MVR 133,500	-	-
Shimad Ibrahim	Board Director	MVR 133,000	55	-
Abdulla Saeed	Board Director	MVR 74,823	1	-
Aminath Rushma	Former Board Director	MVR 55,677	1	-

# Remuneration Report cont.

## Director's Membership on Other Boards

According to the Subsidiaries and Major Commercial Activities Policy of the Company, the executive directors along with the senior management staff can sit on the Boards of STO Group companies.

According to the CMDA Governance Code, no director is permitted to sit in the Board of 3 or more Public Listed Companies, at the same period. As such, below table includes any additional remuneration received to directors from their representations in other Boards, in 2022.

Following Former Managing Director Husen Amr Mohamed Rashad's dismissal in March 2023, he no longer sits in the subsidiary boards.

This Remuneration Report was approved by the Board and signed on its behalf by the Chairman of Nomination and Remuneration Committee.



**Gais Ismail**  
Committee Chairman

Name	Other Directorships held	Policy on Remuneration
Husen Amr Mohamed Rashad	Chairman of MIFCO	Monthly MVR5,000 and sitting fee of MVR300 per meeting
	Chairman of Raysut Maldives Cement	Monthly MVR5,000 and sitting fee of MVR300 per meeting
	Represented STO at the Port City Development Consortium	
Mohamed Nizam	Chairman of Allied Insurance Company of the Maldives	Monthly MVR5,000 and sitting fee of MVR300 per meeting
	Board Member of MIFCO	Monthly MVR5,000 and sitting fee of MVR300 per meeting
	Board Member of MSS	Monthly MVR5,000 and sitting fee of MVR300 per meeting



*Sustainability  
Report*

**03**



## Sustainability at STO

Since its foundation, STO has been expanding its business by providing services to customers and society, based on its corporate philosophy of contributing to the realization of a more affluent and harmonious society.

Corporate success can no longer be based only on short-term profits, but through long-term, positive impacts a business can have on its society and the environment. In our drive to be a sustainable business, we believe it is important to not only acknowledge the issues that concern us all, but also to demonstrate the actions we are taking.

These actions provide great opportunities to innovate further and to play our part in ensuring that the future generations will come to thrive.

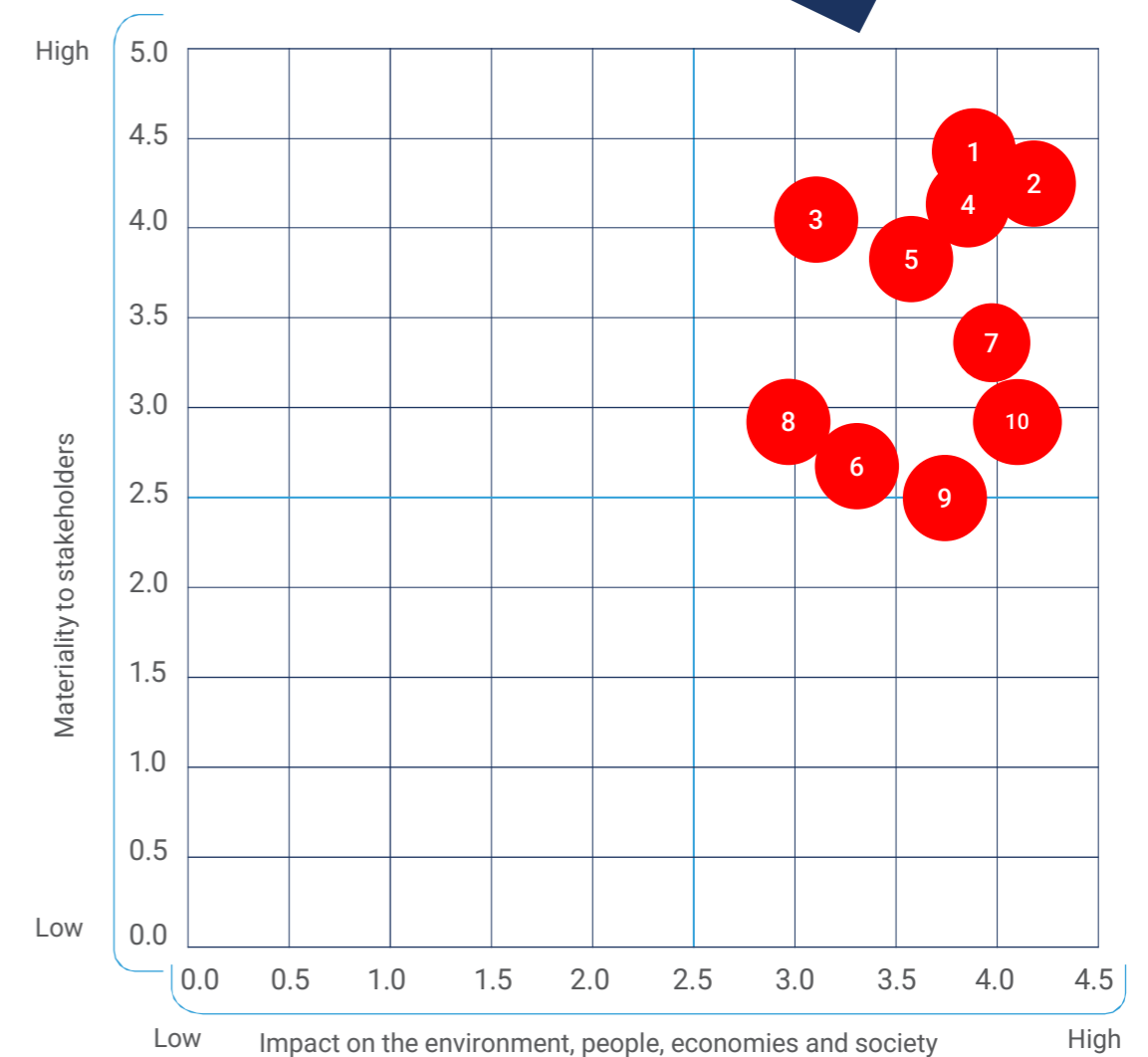
At STO, the Board of Directors have the overall responsibility for ensuring sustainability in actions through the Governance and Sustainability Committee. The implementation of these strategies is delegated to the CEO/MD and the top management.

It is through our purpose and strategy, that we address Environmental, Social and Governance (ESG) issues, working to fully integrating them into our business. Together with our suppliers, customers, employees, and other stakeholder, we strive to drive our sustainability ambitions.

This report contains information on STO's sustainability performance, position and results, and the sustainability impact by and on the Company's operations. It includes disclosures on issues relevant to the company's value chain, including climate and the environment, working conditions, equity, inclusion and diversity, health and safety and anti- corruption measures.

In a changing world facing significant social and environmental challenges and resource constraints, we aim to improve our processes, products, services and helps to build resilience as a business and through our supply chain, while being a fair and just company. Through our strategy, we support progress towards the UNDP Sustainable Development Goals.

### Material analysis result



The current materiality analysis has been made through an internal assessment conducted within the Company. However, we aim to affirm these with our stakeholders and society, by next reporting date.



# Our Purpose Pillars



STO's sustainability strategy is based on the Company's vision and business objectives, its impact on communities in terms of sustainability and the material topics considered to be important for the Company to focus on.

Current trends and the risks and opportunities identified by the Company are also taken into consideration. Based on these, STO has defined the most material sustainability topics and divided them up into four focus areas.

Hence, our sustainability focus areas are;

## 1 | Environment & Climate

The environment and climate pillar of STO's sustainability strategy is focused on reducing the negative impact of our operations on the environment and addressing the challenges of climate change. We are committed to implementing sustainable practices across all our business activities and promoting awareness and action on environmental issues within our community.



## 2 | Local community

Our aim is to create long-lasting positive impacts on the communities in which we operate. We strive to promote economic growth and employment opportunities, support local businesses, and engage in community development projects. Through our initiatives, we hope to build stronger and more resilient communities that are better equipped to thrive in the face of social, economic, and environmental challenges.



## 3 | People centric

The people-centric pillar of STO sustainability is centered on promoting the well-being, development, and empowerment of our employees, customers, and stakeholders. We believe in creating a diverse and inclusive workplace that fosters personal and professional growth. Through our various initiatives and programs, we strive to ensure the safety and well-being of our employees and customers, while providing them with opportunities for career advancement and skill development. We are committed to maintaining open channels of communication with all stakeholders and listening to their feedback and concerns.



## 4 | Responsible business























Our responsible business pillar focuses on promoting transparency, accountability, and good governance in all aspects of our operations. We strive to minimize the impact of our business activities on the environment and the communities in which we operate. We also prioritize the safety and well-being of our employees and aim to create a diverse and inclusive workplace that fosters growth and development.



## Material Topics

The current material topics have been identified through an internal assessment conducted within the Company. However, we aim to affirm these with our stakeholders and society, by next reporting date.

The diagram below indicates the list of our material topics mapped against the United Nations Global Compact Principles, the UNDP Sustainable Development Goals and our purpose pillars.

Material Topics	Environment Pillar	Community Pillar	People Pillar	Business Pillar	UNGC Principle	SDG Mapping
1. Governance, business conduct, ethics and transparency	•	•	•	•	3,4,6,10	  
2. Human Rights	•	•	•	•	1,2,3,4,5,6	     
3. Diversity, equity, inclusion and people development			•		1,6,10	  
4. Employee and customer safety, health and well-being		•	•		1,2,7	 
5. Reduced energy and other resource consumption to support climate change	•			•	7,8,9	         
6. Responsible sourcing and procurement practices	•	•		•	1,2,4,5,8,10	      
7. Product/services and its quality impact on the environment and society	•	•	•	•	1,2,7,8,9	       
8. Innovation capabilities and management	•			•	9	   
9. Local community development		•	•		1,2	     
10. Waste management and circular principles	•	•		•	1,7,8,9	       

# Material Topic 01

## Governance, business conduct, ethics & transparency

### Supports



- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4 The elimination of all forms of forced and compulsory labor.
- 6 Elimination of discrimination in respect of employment and occupation.
- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

### Governance

We have established a robust governance framework that outlines the roles and responsibilities of our Board of Directors, management team, and other key stakeholders. Our governance framework also includes policies and procedures that guide decision-making, risk management, and reporting. We regularly review our governance practices to ensure they remain relevant and effective, and we have a culture of continuous improvement. We also engage with our stakeholders on governance-related matters and welcome feedback on how we can enhance our practices.

Refer page 27 to review full report on our adherence to corporate governance.

*STO Board did not include of any female directors since May 2022*

**99%**  
Compliance to CC code

### Anti-Bribery and Anti-Corruption Policy

We understand that bribery and corruption are serious offenses that can have far-reaching consequences for our business, our stakeholders, and society. Our policy outlines the standards of behavior that we expect from all our employees, contractors, and suppliers, and we provide regular training to ensure that everyone understands their responsibilities. We also have a robust system of controls and procedures in place to identify and mitigate any bribery and corruption risks. We take all allegations of bribery and corruption seriously and investigate them thoroughly.

Our company is fully committed to compliance with the Anti-bribery and Anti-corruption Policy for STO Group. The compliance to this policy is periodically reviewed by the Legal Affairs and Risk Management Department of STO.

During 2022, any bribery or corruption complains received, have been thoroughly investigated in association with the Internal Audit Department of STO, and necessary actions have been duly taken.

*Zero complaints on anti-bribery and anti-corruption*

### Timely Disclosure

We acknowledge that transparency is crucial in establishing trust with our stakeholders, and we are wholly dedicated to furnishing precise and punctual information about our operations, performance, and impacts.

Being a public listed company, we adhere to the governance and disclosure standards set forth by the Capital Market Development Authority, Maldives. In line with these principles, we believe that we have already disclosed all significant and price-sensitive information for the year 2022 and have not received any penalties or warnings from regulators for any delays or non-compliance.

Furthermore, STO follows the IFRS Reporting Standards and confirms of providing accurate and timely disclosure of the organizations financial position and performance. As such, the financial statements disclosed in the quarterly and the annual reports of the Company bear the signatures of the CFO, Chairman of Audit Committee, and the CEO/MD.

**100%**  
Compliance to CDOI & MQRR

# Material Topic 01

## Governance, business conduct, ethics & transparency cont.

### Business Ethics

Our company is deeply committed to upholding the highest standards of ethical behavior in all our operations and interactions. Our Code of Conduct outlines the values and principles that guide our actions and decisions, and we provide regular training to ensure that our board of directors and all our employees understand their responsibilities. We have established policies and procedures to manage ethical risks and encourage employees to report any potential violations without fear of retaliation.

Our Code of Ethics consist of Staff Handbook, Employee Code of Conduct, Code of Ethics for Board Directors, Corporate Social Responsibility Policy, Environmental Ethics, Research and Development Ethics and other policies and procedures of the Company concerning responsible business conduct.

We take all allegations of unethical behavior seriously and investigate them thoroughly. During 2022, we did not receive any complaints on ethical non-compliance.

### Speak Up Facilities

Employees and external parties who witness a violation of the Code of Conduct, laws or our policies can report the violation, anonymously, through the whistleblowing tool set up on our corporate website and intranet. The complaint reports go simultaneously to the Chairman of Board Audit Committee and the Chief Audit Executive, which is then investigated by the Internal Audit Department and submitted to the Audit Committee and where necessary to the CEO/MD for relevant action.

Our Whistleblower Policy ensures protection of the whistleblowers who, in good faith, voices their concern. There were 21 messages received through speak up facilities in 2022.

**100%**

**Whistle  
blows  
attended**

**100%**

**Compliance to board  
& top management  
COI Policy**

### Conflict of Interest

Conflict of interest policies and procedures are essential for any organization to maintain integrity and avoid legal and reputational risks. These policies help us to prevent situations where an individual or a group may have a personal interest that could influence their ability to make impartial decisions.

STO has in place a Conflict of Interest and Disclosure Policy, which defines the types of relationships or circumstances that could lead to conflicts, such as financial interests, personal relationships, or outside employment. It also includes guidance on how to disclose potential conflicts, how to evaluate and manage them, and what actions need to be taken if a conflict is identified.

The Board of Directors and management disclose and update their conflict-of-interest declarations every 6 months to the Corporate Affairs Department. This information is shared with Procurement Department and any other concerning functions, where required. Conflict of interest declaration of all other staff are monitored and registered at the People Operations Department

### Impact Assessment

#### + impact

By maintaining rigorous ethical standards, we strengthen the confidence, trust, and overall well-being of all our stakeholders, including shareholders and customers. To achieve this, we have strived to establish ethical and governance guidelines that align with local regulations and industry best practices. Adhering to these principles allows us to combat the scourge of bribery and corruption, which can pose significant risks to our business. Our governance structure and processes prioritize transparency and aim to engage all stakeholders in a fair and inclusive manner.

#### - impact

We firmly believe that non-compliance with these standards would result in unethical and corrupt practices, ultimately leading to unfair advantages for a select few at the expense of many others. As such, we remain committed to upholding these principles and ensuring that our business operates in an ethical and responsible manner.



# Material Topic 02 Human Rights

The Company through our policies and practices aim to ensure that human rights are protected, respected, and fulfilled in our operations, supply chains, and relationship with our stakeholders.

## Human Resource Policy

Our commitment to human rights and fair labor conditions is confirmed in our Code of Conduct, Human Resource Policy, Operation Manuals, Procurement Policy and Know Your Client Policy, in which we support, the Employment Act of the Maldives, the Human Rights Act of the Maldives, the International Maritime Labor Conventions 2006 and the guidelines on human trafficking and labor rights of Ministry of Economic Development, Maldives. STO's Code of Conduct is supported by our core values, and it provides guidance in identifying, preventing, and mitigating risks related to human rights and fair labor conditions.

## Supplier Code of Conduct

Our suppliers are genuine partners, and we work with them towards mutual value creation. All supplier agreements are compiled and vetted by the Legal Affairs and Risk Management Department of the Company, which include provisions on upholding human rights and responsible sourcing. These agreements and further collaborations ensure our suppliers have high standards in business ethics and respect for people and environment. Furthermore, we conduct due diligence on our suppliers and other vendors in order to identify and address any potential human rights risks and impacts associated with our procurement activities.

**Our Human Rights Mantra**

*Our work on human rights and fair working terms is integrated in our regular processes and procedures in different ways. We have zero tolerance for forced labor, slave labor or child labor. We support children's rights and the right to education. We do not accept any form of harassment or bullying and believe in a diverse workforce without any form of discrimination based on gender identity, ethnicity, nationality, age, disability, marital status or social group.*

## Grievance and regular review mechanisms

We recognize that in a large organization, conflicts between employees or between employees and management can arise. To address this, our company has established mechanisms to enable employees to express their grievances and ensure that proper investigations are carried out. We have a robust HR facility in place that allows any employee to submit their concerns or ideas for improvement to the HR department.

Additionally, we have an Appeal committee made up of members of management. This committee is tasked with reviewing and investigating any complaints or grievances related to HR or their decisions. With these measures in place, we strive to create a workplace where all employees feel heard, valued, and supported.

## Supports



- 1 Businesses should support and respect the protection of internationally proclaimed human rights.
- 2 Make sure that they are not complicit in human rights abuses.
- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4 the elimination of all forms of forced and compulsory labor.
- 5 The effective abolition of child labor.
- 6 Businesses should work against corruption in all its forms, including extortion and bribery.

### Impact Assessment

**+ impact**

By implementing policies and practices that respect human rights, we can improve our reputation as a responsible corporate citizen, increase employee satisfaction and loyalty, and minimize risks to people and the environment. Additionally, such policies can improve our supply chain management and ensure compliance with legal requirements related to human rights and labor conditions. Overall, these benefits can lead us to achieve better business outcomes and create a more positive impact on society and the environment.

**- impact**

Neglecting human rights policies and practices can result in legal penalties, negative publicity, and damage to the company's reputation. It can also lead to low employee morale, high turnover rates, negative impacts on local communities and the environment, and disruptions to the supply chain, causing delays and higher costs.

# Material Topic 03

## Diversity, equity, inclusion, and people development

**Supports**

**SUSTAINABLE DEVELOPMENT GOALS**

United Nations Global Compact

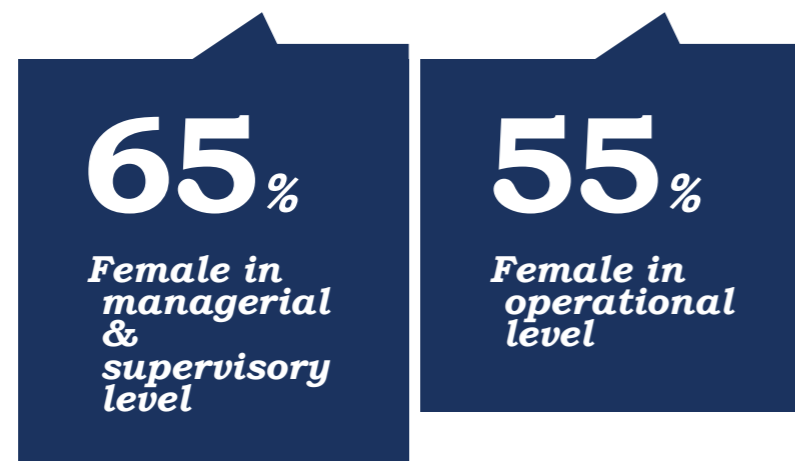
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES
- 1 Businesses should support and respect the protection of internationally proclaimed human rights.
- 6 Businesses should work against corruption in all its forms, including extortion and bribery.
- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

### Diversity and Inclusion

At STO, we recognize that diversity and inclusion are key to creating a sustainable workplace. We are proud that our job roles, hierarchies, and staff are comprised of gender diverse talent, and we strive to continue promoting diversity at all levels of the Company. Our job advertisements are not restricted by age (except where prohibited by law) or gender and we welcome everyone to join us.

Additionally, as part of our inclusion initiative, we currently employ 13 staff with special needs. We believe that creating a workplace that is accessible and welcoming to people from all backgrounds and abilities is not only the right thing to do, but it also makes us a stronger and more resilient organization.

By the end of 2022, a total of 2267 staff were employed, of which 37% were female. Majority of female employees work in the operational level while 4% of them also work at the top managerial level.



### People Development

We are committed to providing our employees with opportunities for growth, learning, and career advancement. Our training and development programs are designed to equip our employees with the skills and knowledge they need to succeed in their roles, as well as to prepare them for future career opportunities. We also prioritize employee engagement through regular feedback mechanisms, communication channels, and recognition programs. We believe that engaged employees are more committed to their work, more productive, and more likely to contribute to our overall success.

During 2022, a total of MVR12 million was spent for the learning and development of employees, of which a major component was spent to train and develop the employees working in sales and information technology.

The Company introduced Udemy learning platform for employees, to facilitate an up-to-date, and internationally credible platform for employees to learn on the job. We opened scholarship programs for bachelor's degree in mechanical engineering, diploma in radiography and other technical and customer relations trainings. We also offered over 60 internships and apprenticeship programs throughout the organization.

Regular induction programs were held for newly recruited staff to onboard and welcome them, while motivational speech and knowledge sharing sessions were held for all staff of the Company. Motivational sessions were held on pressing topics such as mental well-being, standing up against domestic violence and self-acceptance.

### Staff Privileges

At STO, we value our staff and recognize their hard work and dedication towards the company's success. As part of our commitment to ensuring that our staff feel appreciated and valued, we offer a range of staff privileges and benefits. These privileges are designed to enhance the overall employee experience, and we continuously review and update them to ensure that they remain relevant and meaningful to our staff.

In 2022, we proudly introduced "STO Little Wonders" program that provided financial aid to employees in obtaining day care services for their children. We also have in place a widespread Staff Privilege Program where staff receive certain benefits like discounts and priority through partnered collaborators with STO.

STO recognized its staff in 14 different categories, including best performers, most promising staff, outstanding innovator, and educational achievement award. The Company also hosted leaders' forums for managerial level employees to gather and discuss on strategic improvement and creating synergy.



## **Material Topic 03**

### **Diversity, equity, inclusion, and people development cont.**

The Company further has in place a fully equipped gym facility and a club house for the staff to relax and enjoy different games at office. Apart from this, STO facilitated vaccine programs and celebrated staff engagement days with several activities organized.

Employees are entitled to life and health insurance and a zero-interest staff loan, as per Human Resources Policy of the Company. Additionally, staff can purchase company goods through the staff credit scheme.

We opened for 214 jobs during the year, for which 3607 applications were received, affirming that the Company is an accepted employer of choice in the Maldives. Further to this, we have employees working in every inhabited island of the Country.

#### **Adequate pay and necessary leaves**

Fair and competitive compensation is essential to attract, motivate and retain the best talent in the Company. Our remuneration policy is based on the principles of pay for performance, external competitiveness, internal consistency, and fairness. Our remuneration policy does not discriminate between gender or age. Employees are provided fair and equal bonus and incentives through a Bonus and Incentive Policy approved by the Board of Directors.

With the introduction of minimum wage by the Ministry of Economic Develop in late 2021, STO was the first Company to adopt accordingly. Further to this, with the changes to Employment Act of the Maldives, where parental leaves were introduced, we were also one of the first companies to adopt it. As such, today a birth mother will get 6-month parental leave while the male employees get up to 1-month leave, while being employed.



#### **Impact Assessment**

##### **+ impact**

We understand that diversity and inclusion policies, people development programs, staff privileges and benefits, and fair compensation with necessary leaves can greatly benefit our organization. These measures can boost employee morale, motivation, and productivity, leading to a stronger and more resilient organization. They can also enhance employee skills and knowledge, resulting in better job performance, career growth opportunities, and higher engagement, retention, and job satisfaction. Additionally, they help establish a positive work culture and attract top talent, further improving productivity and reputation.

##### **- impact**

Failure to prioritize diversity and inclusion policies can create a homogenous workplace with low employee morale, motivation, and productivity. It can also lead to legal issues and negative publicity. Neglecting people development programs can lead to unskilled employees, low productivity, high turnover, and a negative reputation. Disregarding staff privileges and benefits can result in low motivation, job satisfaction, and loyalty, leading to a negative work culture, low productivity, and high turnover. Inadequate pay and leave policies can cause difficulties in attracting and retaining top talent, lower employee morale, and damage to the company's reputation, as well as cause potential legal issues and negative publicity.

# Material Topic 04

## Employee and customer safety, health & well-being

### Supports



We are committed to providing a safe and healthy work environment for our employees, as well as ensuring the safety and well-being of our customers in our operations. To achieve this, we have implemented a range of safety measures, including regular safety trainings, hazard assessments, and safety protocols that are consistently enforced across our facilities. We also prioritize employee and customer health by offering health and wellness programs, providing access to healthcare services, and promoting healthy habits and practices. We believe that a safe and healthy workplace is not only essential for the well-being of our employees and customers but also critical to our long-term sustainability..

### Safety practices and protocol

We have in place comprehensive safety procedures and protocols to protect our employees, customers, and other stakeholders. Our safety policies are developed in compliance with industry standards and regulations, and we continuously monitor and review them to identify opportunities for improvement.

In 2022, we collaborated with Alert Maldives Pvt Ltd, to install fire extinguishing systems in all our office premises and facilities, with the aim of ensuring effective fire safety measures. Additionally, throughout the year, we organized periodic fire drills to ensure preparedness in case of a fire emergency.

We also provided our employees with regular safety trainings to ensure they understand the risks and know how to prevent accidents and incidents.

STO has in place, an Emergency, Organizational Health and Safety Committee consisting of senior management team members. We also have a Safety and Security Officer mandated to ensure and monitor safety and security controls, issues, risks, and take necessary actions within the organization. This function is performed by the Business Development and Property Management Department of the Company in association with all other departments.

### Fuel operations

STO operates the largest fuel terminal in Maldives at Funadhoo Fuel Terminal. STO's tankers discharge at Funadhoo and Maldives Airports Company's terminal at Velana International Airport. Supply to Velana International Airport, Maafaru International Airport and Gan International Airport is fully compliant to EI 1530 Standard from origin to airport depot.

Our Funadhoo terminal undergoes annual reviews on the safety standards by Ministry of Defense as well as other authorities, and the management and Board of Directors closely review it to ensure validity of all controls. We follow International Safety Guidelines for Tankers and Terminals (ISGOTT), in order to ensure safer and environmentally responsible marine operations, during discharge. We deal with low sulphur content fuel and MGO, up to 10ppm.

**Low Sulphur fuel**

Furthermore, to ensure compliance to the changing regulations, we confirm that our marine fuels are fully compliant to IMO regulations. We also continuously review our automotive fuel specifications to meet evolving emission and environmental standards. We established the first fuel testing laboratory in Maldives, in association with Geochem, Dubai, in mid-2022.

Our commitment to safety practices and protocols has resulted in a safer work environment and thus in a reduction in the incidents and injuries. Our fuel terminal and vessels are equipped with efficient measures to address any accidental hazards. Our people are well trained and geared to tackle any such situation.

We are proud to acknowledge that we've had zero accidents or incidents in our fuel operations during the past year.

**Zero incidents & accidents in fuel terminal**

# Material Topic 04

## Employee and customer safety, health & well-being cont.

### Fleet management

Fleet management is a critical component of employee and customer safety, health, and well-being. We regularly assess and maintain our vehicles and vessels to ensure they are in good working order and meet safety standards. We also provide our drivers with training on safe driving practices and implement policies to ensure compliance with traffic laws and regulations.

STO is a responsible and conscientious player in the maritime industry, committed to complying with international regulations and conventions related to pollution prevention, health and safety enhancements, and ship security improvement. We have implemented all mandatory conventions and resolutions adopted by the IMO, including SOLAS 74, MARPOL 73/79, ISM Code, ISPS Code, MLC 2006, and BWB, to ensure the highest levels of safety and security in all our operations.

In addition to these conventions, STO has recently adopted and implemented various activities on all foreign vessels. These activities include fitting approved Ballast Water Treatment Systems, which are required to comply with the parameters stipulated in Regulation D2 of the Ballast Water management Convention. This is to ensure that the ballast water discharged from the ships is free from harmful substances that could harm the marine environment.

We have also developed the Ship Energy Efficiency Management Plan Part 3 (SEEMP Part III) to comply with the Carbon Intensity Index (CII) requirement of MARPOL, which aims to minimize air pollution from ships. The SEEMP Part III contains measures that aim to reduce greenhouse gas emissions from the ships, including measures related to speed optimization, route optimization, and operational improvements.

Furthermore, we have implemented the Energy Efficiency Existing Index (EEXI) calculation, which is a new requirement of the MARPOL convention to minimize air pollution. The EEXI is a measure of the energy efficiency of a ship, and it is calculated based on various factors, including the size and age of the vessel, its propulsion system, and its operational profile. STO is committed to implementing the EEXI requirement to minimize air pollution and reduce the carbon footprint of its operations.

We use low sulfur fuel (LSFO) or very low sulfur oil such as MGO to meet IMO sulfur cap 2020, which limits any vessel using any fuel with sulfur content above 0.5%. This is to reduce the emission of sulfur oxides, which are harmful to human health and the environment.

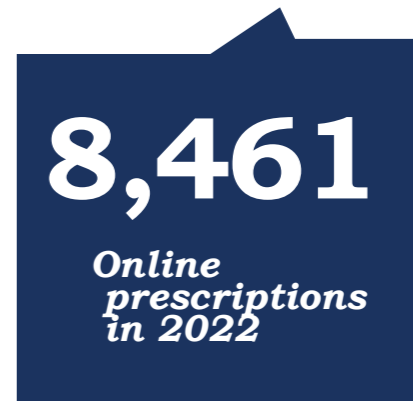
Moreover, Vessel Safety Management system is continuously monitored and updated to keep the Health, Safety, and Security system in compliance with ISM, ISPS codes, and MLC convention. The annual internal and external audits are regularly conducted, and corrective actions are implemented to rectify any observations or non-conformity issued in the audits. This ensures that our vessels are operated in a safe and secure manner, and the crew and passengers are protected from any potential risks.

Furthermore, we follow green purchase policy to enhance energy efficiency of the vessels and minimize environmental pollution. STO is committed to sourcing eco-friendly products and services that meet the highest environmental standards. This policy ensures that STO is doing its part in reducing the environmental impact of its operations, and it encourages suppliers to adopt environmentally friendly practices.

### Health and safety at stores and pharmacy chain

STO operates a hypermarket and several mini stores in different parts of the country. In order to ensure health and safety at these stores and pharmacies, we conduct regular cleaning and disinfection of our stores and warehouses. At our pharmacies, plexiglass shields are used at checkout counters, to help reduce the risk of transmission between customers and employees. Furthermore, we promote use of contactless payment methods, such as mobile payment and credit/debit cards, to reduce the need for cash handling. We also encourage social distancing and provide hand sanitizing stations at the stores.

In addition to this, we also have in place a mechanism for contactless prescription services which allows customers to order medicine online, and we also have an online store; ESTORE, that allow our customers to order supermarket and home appliances online and get it delivered to doorstep.



**8,461**  
Online prescriptions  
in 2022

# Material Topic 04

## Employee and customer safety, health & well-being cont.

### Health and safety at warehouses

STO operates a total of four primary warehouses situated in Male', in addition to a port and warehouse facility located in Thilafushi. Among the four warehouses in Male', two are designated for storing goods procured for our hypermarket operations, while the remaining two are specifically reserved for storing essential supplies such as staple foods and medical equipment. As we deal with a wide variety of international brands, each warehouse is subject to rigorous health, safety, and operational standards to ensure that we maintain high quality standards at all times.

At STO, we take the safety and security of our staff and customers very seriously, particularly in our staple food and medical warehouses. As part of our commitment to maintaining the highest levels of safety, these facilities are regularly inspected by the Maldives Food and Drug Authority. Additionally, we have implemented strict operational protocols. We have fully palletized our sugar godown and we are currently working on the palletization of rice godown. To minimize the risk of injury or damage, all goods are stacked, removed, and moved using forklifts and other equipment. Furthermore, it is to note that the forklifts used in these warehouses are electric and thus energy efficient. To further enhance the safety of our operations, our staff are required to wear appropriate safety clothing and gear at all times. Through these efforts, we are able to maintain a safe and secure environment for all those involved in our operations.

At our medical warehouse, we prioritize compliance with international standards set forth by prominent international brands we deal with. Our Quality Assurance Officer at the Medicals Department is responsible for ensuring that we maintain the necessary compliance standards. Our Medical Department in overall, is ISO certified and we maintain a high level of hygiene and practice regular disinfection at our facilities. To further improve our operations, we have invested in a larger and more modern warehouse in Hulhumale', which is currently undergoing final preparations and will be fully operational by June 2023. Equipped with improved technology and standards, this new warehouse will enhance our ability to provide exceptional service and support to our valued customers. In addition to our own internal efforts, the Maldives Food and Drug Authority conducts regular inspections at our medical warehouses to ensure that we are meeting all necessary requirements and standards.

The Construction Solutions Department at STO is responsible for managing our warehouse and port operations at Thilafushi. Given the nature of our operations, which primarily involve the handling of construction materials, we maintain some of the highest safety standards in the industry. To ensure the safety of our employees and maintain compliance with industry regulations, we have established strict safety protocols that all employees are required to follow. This includes the use of specific gear and following well-defined operating procedures. Through our dedication to safety, we have been able to minimize the risk of injury or damage and provide a safe and secure environment for our staff and customers.

We will continue to prioritize safety as an integral part of our sustainability efforts and work towards continuous improvement in our safety practices and protocols.

### Impact Assessment

#### + impact

Employee and customer safety, health, and well-being is a critical aspect of sustainability for any organization. Ensuring that employees and customers are safe, healthy, and satisfied is not only the ethical thing to do, but it also has positive impacts on the organization's bottom line. When employees feel safe and healthy, they are more productive and engaged, which can lead to increased profitability and reduced turnover. Moreover, when customers feel safe and well-cared for, they are more likely to return and recommend the organization to others, resulting in increased revenue and brand loyalty. We believe our initiatives in this regard are efficient and we will continue to work on strengthening them.

#### - impact

Failure to ensure employee safety can result in work-related injuries and illnesses, absenteeism, decreased morale, and legal liabilities. Similarly, neglecting customer safety and well-being can result in reputational damage, decreased revenue, and legal consequences. Additionally, failing to address employee and customer well-being can lead to reduced productivity, increased healthcare costs, and high turnover rates. We understand that not prioritizing employee and customer safety, health, and well-being can risk significant negative impacts that can ultimately threaten our long-term sustainability.



# Material Topic 05

## Reduced energy and other resource consumption to support climate change

### Supports



- 7 Businesses should support a precautionary approach to environmental challenges.
- 8 Undertake initiatives to promote greater environmental responsibility.
- 9 Encourage the development and diffusion of environmentally friendly technologies.

As one of the largest business established in Maldives, we recognize the impact that our operations may have on the environment, and hence are committed to reduce the impact we could make by our actions.

### Solar grids at STO Staple Warehouse

As part of our green initiative, we conducted a pilot project at STO Staple Warehouse by installing solar panels at the site in September 2022. To date we have generated 26,670 KW through this facility, and we now operate the warehouse, on 100% clean energy. Further to this, we have reduced 26,590kg of carbon emission since its installation, which is equivalent to around 1,500 trees being saved from deforestation.

Staple Food Warehouse runs on **100%** Clean Energy

### Reduction of paper usage

In our efforts to promote sustainability, we have implemented various strategies to reduce paper consumption across our organization. One of the key initiatives we undertook in 2021 was the introduction of digital signature and document handling technologies. This move has enabled us to significantly reduce our reliance on paper-based processes and other digitization initiatives have resulted in 7 of our departments to become totally paperless in 2022. The implementation of these technologies has not only helped us to minimize our environmental impact, but it has also improved our efficiency and reduced our costs.

By adopting digital signing platform, we have reduced 13,474lb of carbon emission which is equivalent to 5,740lb of wood being saved or conserving 17 trees.

**100%**  
Paperless in 7 departments

**87%**  
Reduction in plastic bag usage

### Plastic reduction efforts

Since 2018, STO has been working towards reducing plastic bag usage. Under this initiative, STO gave away 1,000 reusable bags to customers in the same year. Following that, we have also launched discount programs to encourage customers to bring in their own bags. In 2021 we stopped using plastic bags in all our 191 pharmacies and started using paper bags instead.

Furthermore, with the introduction of the Environment Protection and Preservation Act (Act No. 4/93) in Maldives, we have made efforts to reduce the use of single use plastic, both in our in-house management and business operations. As a first step, we started charging MVR2.5 per plastic bag and MVR2 per paper bag from our outlets, and further encouraged customers to bring in their own bags. This initiative was made in July 2022. Today, in April 2023 our data shows that there has been an 87% reduction on the use of plastic bags from our outlets. We have managed to move from 310,000 bags a year to just 41,000 bags. On 18th April 2023, we have declared not to take charge on paper bags, here forth. We still encourage customers to bring their own bag

Further to this, we have provided and encouraged our staff to use glass or flask bottles at office.

# **Material Topic 05**

## **Reduced energy and other resource consumption to support climate change cont.**

### **ISO certified C-70 cement**

STO is also a distributor of construction materials, including cement, which is identified as a significant contributor to carbon emissions. To address this environmental concern, we have adopted rigorous international standards and best practices in our operations. As a result of these efforts, STO Power-mix operation obtained ISO 9001:2015 certification in 2020, which ensures that our customers receive the highest quality of ready-mix concrete while also adhering to sustainable practices.

In addition, we are committed to further reducing our carbon footprint by introducing Green Concrete into our product range. Since 2022, we have been conducting extensive research and trials to adopt a formula that incorporates waste concrete, less cement, and fewer harmful materials to the environment. This innovative approach significantly reduces energy consumption and CO<sup>2</sup> emissions compared to traditional concrete production methods. Our goal is to introduce eco-friendly concrete by the end of 2023.

### **LED lights**

We have also implemented several other initiatives to reduce our carbon footprint, including the use of LED lights in our office spaces. The installation of LED lights has allowed us to significantly reduce our energy consumption while also lowering our greenhouse gas emissions.

LED lights are known to be more energy-efficient than traditional lighting systems and can last up to 25 times longer, reducing the frequency of replacements and resulting in less waste. By switching to LED lights, we have not only reduced our energy costs but have also contributed to the fight against climate change.

### **Walk to work**

At our organization, we believe that small actions can make a big impact when it comes to sustainability. That's why we have implemented a practice on every third Wednesday of each September, where all staff are encouraged to walk their way to work. By promoting this initiative, we aim to reduce our carbon footprint by decreasing the number of vehicles on the road and promoting physical activity. Walking to work not only benefits the environment but also has positive effects on health and well-being. By participating in this event, our staff not only demonstrate their commitment to sustainability but also encourages others to consider alternative modes of transportation that have a lower impact on the environment.

### **Impact Assessment**

#### **+ impact**

By implementing sustainability initiatives like using solar energy, reducing paper and plastic usage, we believe we can reduce our environmental impact, save costs, improve reputation, and comply with regulations. These initiatives promote environmental protection and efficiency, leading to long-term success and competitiveness. It also saves us from negative consequences on the environmental performance, reputation, and legal compliance.

#### **- impact**

Lack of sustainable practices risks increased costs, regulatory fines, and reputational damage due to higher carbon footprint and climate change. It can also increase expenses related to energy, waste disposal, and other resources, impacting financial performance and competitiveness. Non-compliance with environmental regulations can result in legal issues, fines, and reduced customer and employee satisfaction, further harming the organization's image and prospects.



# Material Topic 06 Responsible sourcing and procurement practices

## Supports



- 1 Businesses should support and respect the protection of internationally proclaimed human rights
- 2 Make sure that they are not complicit in human rights abuses.
- 4 Elimination of all forms of forced and compulsory labor.
- 5 Effective abolition of child labor.
- 8 Undertake initiatives to promote greater environmental responsibility.
- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

### Supplier code of conduct

At STO, we understand that responsible sourcing and procurement practices are critical components of sustainable operations. We are committed to ensuring that our suppliers meet our standards for ethical and sustainable approaches, including fair labor practices, environmental responsibility, and community engagement. To this end, we work closely with our suppliers to identify areas where we can improve our supply chain sustainability, such as reducing waste and adopting international standards.

### Transparency in procurement process

We also recognize the importance of transparency in our procurement practices. Hence, as part of our commitment to responsible sourcing, we engage in open and honest communication with our suppliers, sharing our expectations and priorities for sustainable operations. We have also introduced the SAP Ariba and Snap buying module to our procurement process, in order to bring efficiency and simplification. By working collaboratively with our suppliers, we are able to create a more sustainable supply chain that benefits our customers, our partners, and the planet.

### Long-term contracts

To minimize service disruption and stock out situations, we have initiated long-term supply agreements with our partners. In addition, we have taken steps to reduce that products that are considered harmful to health and are hazardous to the community, made available through our outlets. We also encourage our suppliers to adopt sustainable material in packaging and promote circular practices.

We aim to work closely on this topic to derive further initiatives.

### Impact Assessment

#### + impact

Implementing responsible sourcing and procurement practices at STO can lead to enhanced reputation, increased customer loyalty and sales, cost savings, improved efficiency, and a more sustainable supply chain.

#### - impact

Not implementing these practices can lead to reputational damage, decreased customer loyalty, potential legal issues, increased costs, strained relationships with suppliers, service disruptions, and harm to the environment and community.

# Material Topic 07

## Product/services and its quality impact on the environment and society

### Supports



- 1 Businesses should support and respect the protection of internationally proclaimed human rights.
- 2 Make sure that they are not complicit in human rights abuses.
- 7 Businesses should support a precautionary approach to environmental challenges.
- 8 Undertake initiatives to promote greater environmental responsibility.
- 9 Encourage the development and diffusion of environmentally friendly technologies.

As a trading company that deal with a variety of products, we recognize the need to ensure that our products and services have a positive impact on the environment and society. We take a proactive approach to sourcing our products, ensuring that they are produced in an environmentally responsible manner, meet our quality standards and are less harmful to the society.

### Support locally sourced products and local businesses

In our Supermarket and Agri center, we prioritize the availability of locally sourced produce to support our local farmers and businesses and reduce our carbon footprint. We also encourage our customers to use reusable bags and support biodegradable packaging options. We ensure that our internationally sourced brands are responsible businesses in terms of ESG and encourage our local businesses to follow the same.

We recently changed our supermarket and household appliance store to a hypermarket concept, where we empower local businesses to partner with STO in promoting their products through out facilities. As such, more than 150 local businesses are now our business partners. Additionally, we also encourage local businesses to prosper by becoming agents of STO. As such we now have over 400 agents registered with us for our staple food, construction, supermarket and household products.

### Healthy supermarket products

Our goal is to acquire and offer products that are both environmentally sustainable and promote good health.

One of the products we supply as part of this objective is Devondale. Devondale milk is committed to responsible farming practices. They work with farmers to promote sustainable land management, including reducing the use of pesticides and fertilizers and minimizing soil erosion. Devondale also prioritizes the welfare of its cows, ensuring they are treated ethically and are kept in comfortable living conditions. The Company also uses energy-efficient processes in its production facilities, reducing its energy consumption and greenhouse gas emissions. Additionally, Devondale uses recyclable packaging for its milk products, reducing the amount of waste that ends up in landfills.

Apart from this, Devondale milk is a great source of nutrition and provides a range of health benefits. Drinking Devondale milk regularly can help to prevent conditions such as osteoporosis, especially in older adults. Additionally, Devondale milk is also fortified with vitamins D and A, which are important for healthy vision, immune system function, and the absorption of calcium in the body.

Another brand that we deal with is Fragata. Fragata, has also implemented sustainable sourcing and invested in energy-efficient technologies, waste reduction programs, and ethical labor practices. The company has also established partnerships with local communities, adheres to strict quality and safety standards, and reports regularly on its ESG performance.

Fragata's olives and olive oil have potential health benefits. They contain antioxidants that protect against inflammation and oxidative stress, while olive oil's high monounsaturated fatty acid content makes it heart-healthy.

Apart from this, we also deal with other products such as Huggies diapers and choice range of products.

# **Material Topic 07**

## **Product/services and its quality impact on the environment and society cont.**

### **Energy efficient home appliances**

In our home appliances division, we prioritize energy-efficient products that help reduce energy consumption and greenhouse gas emissions.

As the distributor for Hitachi products in Maldives, we are proud to affirm that their refrigerators are energy efficient with inverter compressors and LED lighting, which help to reduce energy consumption and lower its carbon emission. These features also help to reduce energy costs for consumers.

In addition to refrigerators, Hitachi air conditioning systems are also designed with environmental considerations in mind. Hitachi uses eco-friendly refrigerants in its air conditioning units, which have a lower impact on the ozone layer and reduce greenhouse gas emissions. These products also utilize inverter technology in its air conditioning units, which help to reduce energy consumption and improve overall efficiency.

As part of our efforts, we have collaborated with the Ministry of Environment, Climate Change and Technology, by becoming the first company to enroll in their “Hakathari” program. The Hakathari program provides consumers with a simple and clear indication of the energy-saving potential of electrical appliances, at the point of purchase. This is achieved via the Hakathari label affixed on the appliances that showcase a five-star rating system.

### **Sustainability responsible KONE lift**

We are also the sole distributors for KONE lifts and escalators in Maldives. KONE is another sustainably responsible brand where lifts are designed with energy-efficient features, such as regenerative

drives, which capture the energy generated by the elevator during operation and use it to power other building systems. This reduces energy consumption and lowers carbon emission, as well as reducing the building's energy costs. KONE also uses eco-efficient materials and production processes in the manufacturing of its lifts, such as using recycled materials and reducing waste and water consumption. We have also introduced touchless elevators, that promote a safer and more hygienic way of using elevators by eliminating the need to physically touch elevator buttons.

### **Low VOC NIPPON paint**

We are the distributors of Nippon Paint which has low VOC (volatile organic compounds) content. VOCs are chemicals that can have harmful effects on both human health and the environment, and they are commonly found in paints and other coatings. By developing low-VOC products, Nippon Paint is helping to reduce the emissions of these harmful chemicals into the atmosphere. Nippon Paint is also committed to reducing waste and conserving natural resources throughout their manufacturing and distribution processes. We also offer the eco-friendly paint, including paints made with recycled materials and water-based paints that have a lower environmental impact than traditional oil-based paints.

### **Energy-efficient MAKITA**

Another brand that we are associated with is Makita. One of the primary environmental benefits of Makita power tools is their high energy efficiency. Many of their tools are designed to use less energy than their counterparts, helping to reduce greenhouse gas emissions and conserve resources. Additionally, Makita has developed a range of cordless power tools that use rechargeable lithium-ion batteries, reducing the need for disposable batteries that can end up in landfills. Makita also utilizes eco-friendly manufacturing practices and materials, such as the use of recycled plastics and the reduction of hazardous materials in its products.

### **Medically responsible pharma products and equipment**

In our medicine and medical equipment division, we prioritize the availability of high-quality products that meet international standards. We also work closely with healthcare providers to ensure that our products are delivered in a way that supports the community and minimizes our impact on the environment. Some of the top brands that we have partnered with include internationally recognized brands such as Siemens, Enraf Nonius, Fresenius Kabi, Zeiss, Philips Healthcare, Matachana, Behnk Elektronik, Perkin Elmer, Alliance, Nihonohden, Leica and Muler.

Siemens is a company that offers a range of innovative solutions in the fields of energy, healthcare, and industry. The company is committed to sustainability and has set ambitious goals to reduce its environmental impact. For example, Siemens aims to be carbon-neutral by 2030 and has implemented measures to reduce its energy consumption and greenhouse gas emissions. In terms of health benefits, Siemens' healthcare division offers a range of advanced medical equipment and technology that can help to improve patient outcomes and quality of life. These include diagnostic imaging systems, laboratory equipment, and devices for minimally invasive surgery.

Enraf Nonius is a company that specializes in developing and manufacturing medical equipment for physical therapy and rehabilitation. The company's products are designed to help patients recover from injuries and improve their mobility and overall health. Enraf Nonius' equipment is often used by physiotherapists and sports medicine professionals to treat a range of conditions, from chronic pain to sports injuries. In terms of environmental benefits, Enraf Nonius is committed to sustainable manufacturing practices and uses materials that are safe for both people and the environment.

## **Material Topic 07**

### **Product/services and its quality impact on the environment and society cont.**

Fresenius Kabi is a global healthcare company that specializes in the development and production of lifesaving medicines and medical devices. The company's products are used to treat a range of conditions, from cancer to renal failure. Fresenius Kabi is committed to sustainability and has set targets to reduce its carbon footprint and water usage. In terms of health benefits, the company's products can help to improve patient outcomes and quality of life, allowing people to live longer and healthier lives.

Zeiss is a leading manufacturer of optical and optoelectronic technology. The company's products are used in a range of applications, from microscopy to industrial metrology. Zeiss is committed to sustainability and has implemented measures to reduce its energy consumption and waste production. In terms of health benefits, Zeiss' medical division offers advanced imaging technology and devices for ophthalmology, neurosurgery, and other medical applications.

Philips Healthcare is a company that specializes in the development and production of medical devices and technology. The company's products are used to diagnose and treat a range of conditions, from sleep disorders to cardiovascular disease. Philips Healthcare is committed to sustainability and has set targets to reduce its carbon footprint and use of hazardous materials. In terms of health benefits, Philips Healthcare's products can help to improve patient outcomes and quality of life.

Matachana is a company that specializes in the development and production of sterilization equipment for healthcare facilities. The company's products are designed to prevent the spread of infections and diseases, improving patient safety and health outcomes. Matachana is committed to sustainability and has implemented measures to reduce its energy consumption and waste production. In terms of health benefits, Matachana's sterilization equipment can help to prevent infections and reduce the spread of diseases, improving overall public health.

Behnk Elektronik is a company that offers advanced medical equipment and technology for a range of applications. The company's products are used in fields such as neurology, ophthalmology, and surgery. Behnk Elektronik is committed to sustainability and has implemented measures to reduce its energy consumption and waste production. In terms of health benefits, Behnk Elektronik's products can help to improve patient outcomes and quality of life.

Perkin Elmer is a global healthcare company that specializes in the development and production of medical devices and technology. The company's products are used in fields such as diagnostics, research, and drug discovery. Perkin Elmer is committed to sustainability and has set targets to reduce its carbon footprint and water usage.

Overall, we understand the importance of our commitment to providing high-quality products and services that have a positive impact on the environment and society. We recognize that our business has a significant impact on the world, and we are committed to minimizing that impact while providing the best possible products and services to our customers.

#### **Impact Assessment**

##### **+ impact**

Making available, environmentally sustainable products through our showrooms, can have several positive impacts. It can help reduce the organization's carbon footprint, minimize pollution and waste, and promote the conservation of natural resources. By supporting these products, we can contribute to a healthier planet and support the well-being of future generations. Additionally, by supporting local businesses, an organization can stimulate the growth of the local economy, create employment opportunities, and foster a sense of community. This can result in stronger relationships with stakeholders and enhance the organization's reputation. Furthermore, promoting products that support good health, such as organic or locally sourced foods, can benefit the overall health and well-being of employees.

##### **- impact**

Failing to prioritize sustainable products can cause societal, environmental damage and reputational damages to the company. Neglecting local businesses can lead to job losses and a weakened community, damaging reputation and support. Ignoring health-focused product sourcing can also harm environmental and societal well-being.



# Material Topic 08

## Innovation capabilities and management

### Supports



United Nations Global Compact

9 Encourage the development and diffusion of environmentally friendly technologies.

STO has invested in various technologies and initiatives to improve its operations, reduce its environmental footprint, and provide better services to its customers.

### STO Smart Store

In 2022, one of our primary initiatives was to establish the STO Smart Store, which is a technology-based store that eliminates the need for cashiers, enabling customers to purchase products using technology. We are currently in the final testing phase, and the store is scheduled to open by late July 2023. This innovative store will be the first of its kind in Maldives.

### STO Digital Bank

STO is not only focused on enhancing its retail operations but is also working towards revolutionizing the banking industry in Maldives by establishing the first digital bank. With the world moving towards digitalization, STO recognizes the need to keep up with this trend and offer its customers a hassle-free and convenient banking experience. The digital bank will allow customers to perform transactions online, manage their accounts, and access various financial services without the need to visit a physical bank branch. This initiative aims to provide customers with a seamless banking experience, reduce operational costs, and promote sustainability by minimizing the use of paper. The work on this project is currently underway, and STO is committed to launching the digital bank in the near future, as we receive the necessary approvals.

### SAP S/4HANA Enterprise Resource Planning (ERP) System

In order to streamline our operations, we are currently in the migration process from SAP ECC to SAP S/4HANA enterprise resource planning (ERP) system. This will enable the company to automate various processes, improve data accuracy, and increase operational efficiency. STO has also adopted the SAP Ariba platform for its procurement needs, which has improved supplier collaboration and simplified the procurement process.

### LS Retail

STO has also introduced LS Retail, a comprehensive point of sale and retail management system. The LS Retail software has enabled STO to streamline its sales and inventory management processes, resulting in increased efficiency, reduced costs, and improved accuracy in financial reporting. With this system in place, STO has been able to effectively manage its inventory levels, ensure that the right products are available at the right time, and reduce the amount of waste associated with overstocking. Additionally, the system has allowed STO to better understand customer buying patterns and preferences, which has enabled the company to make informed decisions on product assortment and pricing.

### Loyalty program

In 2022, STO launched a customer loyalty program that aims to encourage repeat business and promote customer engagement. This program offers various rewards and benefits to customers who frequently shop at STO stores, such as discounts, free items, and exclusive deals. By participating in this program, customers can earn loyalty points for every purchase they make, which can be redeemed for rewards at a later time. The program is designed to create a more personalized shopping experience for customers and to foster a stronger relationship between STO and its loyal customers.

### Dhoadhiflow

STO recognizes the importance of streamlining internal processes to improve efficiency and productivity. In 2022, STO launched Dhoadhi Flow, an in-house development software that automates all internal approval processes, including service requests, internal purchases, launch requests, and others. This program has streamlined and standardized the approval processes and reduced the time and effort required for manual processes. The software has also enabled better tracking of approvals and eliminated the need for physical signatures, making it a more sustainable solution. The implementation of Dhoadhi Flow has led to significant improvements in efficiency and accuracy, allowing STO to focus more on delivering value to its customers.

## ***Material Topic 08***

### ***Innovation capabilities and management***

***cont.***

#### **Odihanu**

In addition to Dhoadhi Flow, STO has also developed Odihanu, a program designed to monitor and request goods between IGMH and STO Medicals. This program has greatly improved the efficiency of the procurement process for medical supplies and equipment, reducing the time and effort required for manual processes. The program enables real-time tracking of goods in transit, streamlines the approval process, and reduces the risk of stock-outs. By leveraging technology to improve the procurement process, STO has been able to provide better healthcare services to the people of Maldives.

These initiatives have not only improved the customer experience, but also contributed to cost savings and reduced the company's environmental impact by reducing paper usage and increasing efficiency.

#### **Impact Assessment**

##### **+ impact**

STO has experienced positive outcomes from its implemented initiatives. The STO Smart Store will provide a faster checkout experience by eliminating cashiers, and the loyalty program promotes repeat business. Automation through software systems like SAP S/4HANA ERP, SAP Ariba, and LS Retail has improved efficiency, reduced manual labor, and prevented waste. Dhoadhi Flow and Odihanu streamlined procurement and approval processes, improving accuracy and efficiency. These initiatives have also resulted in cost savings and contributed to STO's sustainability efforts by minimizing paper usage, reducing waste, and optimizing energy consumption.

##### **- impact**

In the absence of these initiatives, STO's manual processes would reduce efficiency and increase manual labor, resulting in longer wait times and decreased productivity. The absence of a loyalty program could lead to reduced repeat business, while the lack of cost-saving measures could result in higher expenses and lower profitability. Furthermore, the absence of sustainability initiatives could harm the environment and damage the company's public image.



# Material Topic 09

## Local community development

### Supports



- 1 Businesses should support and respect the protection of internationally proclaimed human rights.
- 2 Make sure that they are not complicit in human rights abuses.

As a responsible corporate citizen, STO recognizes the importance of contributing to the development of the local community. In line with this, we have undertaken several initiatives to support the communities we operate in.

**>350k**  
*People were benefited through our community initiatives*

### Youth, sports and entertainment

STO recognizes the importance of youth, sports, and entertainment in promoting a healthy and active lifestyle within the community. In line with this, we have been actively supporting various sports events and tournaments throughout the country, including football, basketball, volleyball, and futsal. Our involvement in these events ranges from providing financial support to participating in event organization and management. Our support for sports and youth development also extends beyond the sports arena, as we have established partnerships with local youth organizations to provide mentorship and leadership development programs for young people.

Our efforts in promoting sports and entertainment in the community include providing aid to the Football Association of Maldives (FAM) to organize practice matches for the National Football team. We also participated in the 95th anniversary celebrations of the first School in Maldives by providing funds to hold their anniversary activities.

Additionally, we assisted the Ministry of Youth, Sports, and Community Empowerment in hosting a music festival to mark the new year celebrations. Through our support for the Urban Events and Artists, we provided funds to hold an international music festival in Maldives called the Sundown Fest, which attracted performers and visitors from around the world.

To further promote youth development, we have supported the Dhivehi Masveringe community to carry out programs on training local fishermen to dive safely. We have also sponsored the National "Bandufilaa Challenge", organized by the Maldives Bodyboarding Association, and partnered with Maziya Football Academy, Afnan Rasheed Badminton Academy, Basketball Stars Academy, and Eagles Sport Club for the year.

We have also celebrated with the Maldives Nurses Association in marking their 75th Anniversary and became a partner of Baibala Challenge 2022. Furthermore, we sponsored the "Raas" Championship, organized by the Racing Association of Maldives, the SABA Women's Championship by Maldives Basketball Association, and the Makita National Athletics Championship, organized by the Maldives National Athletics Championship.

In addition, we provided funds to sponsor the South League, organized by the Football Association of Maldives. We also sponsored the Chaachana Music Festival by Baiskoafu and the Minivan Cup held by the Anti-Corruption Commission of Maldives.

These events brought together music lovers, sports fans and enthusiasts from all over the country to celebrate and enjoy the performances by local and international artists.

**11m**  
*Spent (in MVR)*

## **Material Topic 09**

### **Local community development cont.**

#### **Knowledge sharing forums**

Knowledge sharing and learning are essential for the growth and prosperity of individuals and communities. Our organization recognizes this and places a great emphasis on promoting and facilitating such initiatives, and we believe it can help shape the future of individuals and communities.

In line with this commitment, we have sponsored and facilitated several events and initiatives, such as the "Laamarukazee Conference of 2022", facilitated by the Aa. Ukulhas Council. This conference provided a platform for the representatives from the councils of all Atolls and islands together with relevant institutions to gather, discuss and learn from each other.

We also sponsored the 21st Assembly of the International Organization of Supreme Audit Institutions' working group on Environment Audit, which was hosted by the Auditor General's Office. This event brought together auditors from different countries to discuss best practices and emerging trends in environmental auditing. Similarly, we supported the Maldives Accountants Forum in 2022, which provided accounting professionals with a platform to discuss industry trends and challenges.

In addition, we sponsored the Top Achievers Ceremony organized by the Ministry of Education, which recognized and rewarded outstanding students who excelled in their academic pursuits. We also supported the Mufti Menks speech organized by the Ministry of Islamic Affairs, which aimed to promote spiritual and moral development among young people.

Moreover, we sponsored the 45th IFPAWPCA convention in the Maldives, organized by the Maldives National Association of Construction Industry. This convention aimed to promote innovation and best practices in the construction industry. Lastly, we sponsored the ABU media summit on climate action and disaster awareness by Public Service Media, which aimed to raise awareness about the impact of climate change and disasters on communities and to promote effective communication strategies to mitigate their effects.

Through our sponsorships and collaborations, we aim to equip young people with the necessary knowledge and skills to succeed in various fields and to make positive contributions to their communities.

#### **Infrastructure development**

Infrastructure development is a crucial aspect of overall economic growth and sustainable development in any country. STO recognizes this and is committed to contributing to the development of urban areas in the Maldives. One way we do this is by actively engaging with local communities to understand their needs and ensure that the projects implemented align with their expectations. By investing in urban development, we believe we are contributing to the well-being of the community and promoting economic growth in the Maldives.

In line with our commitment to urban development, STO has engaged in various initiatives aimed at improving the living standards of Maldivians. For example, we have aided in the development of an office building for the Chartered Accountants in the Maldives and Care Society, provided TVs to Aasandha Company to assist them in their operations, and contributed to installing lights at the Sh.Foakaidhoo football grounds. We have also donated chairs to the Maldives Police Services and provided materials required to build halfway houses in B.Dhonfanu, Hdh. Finey and few other islands.

STO has also contributed to the renovation of several mosques in various atolls in the Maldives. This includes providing air conditioners and construction materials for the renovation of Ga.Dhaandhoo, R.Innamaadhoo and Adh. Kunburudhoo mosque, among others. We have also provided paint for the maintenance work of "Kudakudhinge Hiya" and contributed materials to Maldives Police Services to set up a volleyball court for their officers.

**8m**  
**Spent**  
**(in MVR)**

# Material Topic 09

## Local community development cont.

Furthermore, STO has provided assistance to various educational institutions and hospitals in the Maldives. For instance, we contributed materials to establish the B.Atoll Education Center turf grounds, provided TVs to M.Veyvah School, Ga. Atoll Education Center, and Sh.Foakaidhoo School, among others. We have also provided ACs to AA.Rasdhoo Hospital and L.Gas Hospital and computer systems to Sh. Kanditheem Health Center and B.Kamadhoo Health Center.

We also contributed books to Th. Atoll Education Center and vinyl flooring to Maafannu Madharusa, provided materials to construct a preschool in Hdh. Kulhudhufushi and provided security camera system to Hiriya School.

We believe our contributions in this way will assist in the development of the community.

**13m**

*Spent  
(in MVR)*

**9m**

*Spent  
(in MVR)*

### Health & Well-being

At STO, we recognize the importance of promoting good health and well-being in our communities. Through our sustainability initiatives, we have supported various health programs and campaigns in partnership with government and non-governmental organizations. Our goal is to increase awareness about important health issues and improve medical services for everyone in the community. For example, we were proud to sponsor the Maldives Brain and Spine conference organized by ADK, which aimed to enhance knowledge among medical professionals in treating disorders of the cranial, spinal and peripheral nerves.

We also supported the International Joint Conference for Healthcare Professionals, the Medical Laboratory Professionals Week organized by the Gan Regional Hospital, and the Youth Foundation Movement's Public Campaign on Alzheimer's and Dementia. In addition, we assisted Red bird Investment in printing a book on cancer awareness and supported World Mental Health Day awareness programs by MNU.

Furthermore, we were honored to sponsor the Mr. Maldives competition, which promotes fitness and healthy lifestyles among young men in the country. Our commitment to health and well-being reflects our belief in the importance of sustainable development and improving the quality of life for everyone in the Maldives.

### Impact Assessment

#### + impact

STO's support of sports events and mentorship programs for young people helps to foster healthy, active, and responsible citizens. This can ultimately result in a more productive workforce and a higher overall quality of life for society. Similarly, their sponsorship and facilitation of knowledge sharing events can help to develop a skilled and knowledgeable workforce, leading to increased innovation, productivity, and competitiveness. STO's aid in infrastructure development, including the construction of office buildings and renovation of mosques, contributes to improving living standards in the Maldives. This can lead to enhanced economic growth and social stability.

#### - impact

Neglecting local community development by STO, could be detrimental to the company, the society and community. This could lead to less engagement between the company and the community. It could affect society in carrying out important community projects and holding development programs for the society.

# Material Topic 10

## Waste management and circular principles

### Supports



- United Nations Global Compact
- 1 Businesses should support and respect the protection of internationally proclaimed human rights.
  - 7 Businesses should support a precautionary approach to environmental challenges.
  - 8 Undertake initiatives to promote greater environmental responsibility.
  - 9 Encourage the development and diffusion of environmentally friendly technologies.

Waste management and circular principles are important components of sustainability, and at STO, we take these issues seriously. We have implemented a range of initiatives to reduce waste and promote the circular economy, such as recycling programs, waste reduction campaigns, and sustainable products. Our goal is to minimize the amount of waste generated, maximize the amount that is recycled or repurposed, and reduce the environmental impact of our operations.

- Some of the waste management and circular economy initiatives we have undertaken include:
- Implementing a paperless office policy and promoting digital document management,
  - Encouraging the use of reusable bags and containers through campaigns and incentives,
  - Developing and promoting sustainable product lines, such as eco-friendly cleaning products and reusable water bottles.
  - Diverting food waste and product waste as fish feed and other organic ways,
  - Responsibly separating organic and other waste and partnering with the Waste Management Corporation of the Maldives to effectively dispose waste,
  - We follow the MFDA regulations on disposal of medicine and medical equipment waste.

We strive to discover and implement improved methods for waste disposal, while also enhancing our collaboration with waste management organizations to increase the efficiency and effectiveness of the process.

### Impact Assessment

**+ impact**

Implementing waste management and circular economy initiatives can reduce operational costs, enhance STO's reputation, and attract environmentally conscious customers, leading to increased loyalty and trust from stakeholders. It can also reduce waste production and minimize negative environmental impacts while helping to comply with regulations and avoid legal consequences.

**- impact**

Neglecting waste management and circular economy initiatives can increase costs, harm STO's reputation, reduce customer loyalty, and lower sales and profits. Poor waste management can cause environmental damage, while non-compliance with regulations can result in legal action, fines, sanctions, and negative publicity, all of which can negatively affect STO's reputation and financial performance.



*Summary of  
Audited  
Financial  
Statements*



**04**

**STATE TRADING ORGANIZATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Note	Group		Company	
		2022 MVR	2021 MVR	2022 MVR	2021 MVR
Revenue	7	18,816,861,027	11,235,541,139	18,213,792,994	10,187,009,461
Cost of sales	10	(16,059,059,687)	(9,318,095,792)	(16,045,467,939)	(8,646,963,654)
<b>Gross profit</b>		<b>2,757,801,340</b>	<b>1,917,445,347</b>	<b>2,168,325,055</b>	<b>1,540,045,807</b>
Other income	8	669,566,950	82,818,975	92,113,861	85,553,844
Administrative expenses	10	(1,085,136,821)	(892,391,248)	(421,640,637)	(378,050,595)
Selling and marketing expenses	10	(730,605,543)	(603,923,873)	(677,461,993)	(575,346,015)
Impairment loss on trade, other and related party receivables	22, 23 & 24	(141,703,523)	(22,704,191)	(107,495,513)	(24,528,192)
Other operating expenses	10	(31,971,925)	(30,367,754)	(19,410,354)	(4,705,129)
<b>Operating profit</b>		<b>1,437,950,479</b>	<b>450,877,256</b>	<b>1,034,430,419</b>	<b>642,969,719</b>
Finance income		38,710,005	26,902,223	47,725,519	60,421,022
Finance costs		(289,604,329)	(200,755,980)	(217,647,288)	(126,472,794)
Net finance costs	9	(250,894,324)	(173,853,757)	(169,921,769)	(66,051,772)
Share of profit of equity accounted investees - net of tax	17	12,002,211	11,061,930	-	-
<b>Profit before tax</b>		<b>1,199,058,366</b>	<b>288,085,429</b>	<b>864,508,650</b>	<b>576,917,947</b>
Income tax expense	11	(142,196,546)	(102,421,680)	(136,389,673)	(90,090,596)
<b>Profit after tax</b>		<b>1,056,861,820</b>	<b>185,663,749</b>	<b>728,118,977</b>	<b>486,827,351</b>

	Note	Group		Company	
		2022 MVR	2021 MVR	2022 MVR	2021 MVR
Other comprehensive income					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurement of defined benefit liability	31	(4,994,391)	(10,882,941)	(1,632,514)	(9,597,542)
Tax related to remeasurement of defined benefit liability		792,415	1,665,715	244,877	1,439,631
Equity investment at FVOCI - net change in fair value	18	38,125,000	(8,250,000)	-	-
Tax related to equity investments at FVOCI - net change in fair value	11.3	(5,718,750)	1,237,500	-	-
<b>Total other comprehensive (loss)/income - net of tax</b>		<b>28,204,274</b>	<b>(16,229,725)</b>	<b>(1,387,637)</b>	<b>(8,157,911)</b>
<b>Total comprehensive income for the year</b>		<b>1,085,066,094</b>	<b>169,434,024</b>	<b>726,731,340</b>	<b>478,669,441</b>
<b>Profit attributable to:</b>					
Owners of the Company		1,058,119,611	185,725,534	728,118,977	486,827,351
Non - controlling interests	28	(1,257,790)	(61,785)	-	-
		1,056,861,820	185,663,749	728,118,977	486,827,351
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		1,086,333,002	169,476,156	726,731,340	478,669,441
Non - controlling interests		(1,266,908)	(42,132)	-	-
		1,085,066,094	169,434,024	726,731,340	478,669,441
<b>Basic and diluted earnings per share</b>	12	939	165	646	432

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**STATE TRADING ORGANIZATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION  
AS AT 31ST DECEMBER 2022**

	Group		Company		
Note	2022 MVR	2021 MVR	2022 MVR	2021 MVR	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	2,588,166,217	2,224,799,114	1,377,312,044	1,326,348,897
Investment property	14	377,421,089	364,321,624	377,421,089	364,321,624
Intangible assets	15	23,104,082	21,477,248	2,861,448	986,880
Right-of-use assets	19	592,057,705	483,883,816	213,869,335	147,140,712
Lease receivable	20	-	-	241,333,312	-
Investment in subsidiaries	16	-	-	284,899,650	284,900,650
Equity accounted investees	17	39,559,582	35,557,370	15,267,267	15,267,267
Equity securities at FVOCI	18	86,886,800	48,761,800	2,240,800	2,240,800
Amounts due from related parties	23	48,187,500	240,937,500	48,187,500	240,937,500
Other financial investments	25	1,157,402,888	285,663,091	1,021,575,000	109,275,000
Deferred tax assets	11.3	154,376,918	133,519,144	110,574,576	94,197,449
<b>Total non-current assets</b>		<b>5,067,162,781</b>	<b>3,838,920,707</b>	<b>3,695,542,021</b>	<b>2,585,616,779</b>
<b>Current asset</b>					
Inventories	21	2,144,045,324	1,555,693,560	1,689,305,356	1,128,610,913
Lease receivable	20	-	-	31,324,195	-
Trade and other receivables	22	1,205,025,840	807,385,853	397,291,728	368,664,478
Amounts due from related parties	23	3,285,841,420	2,359,247,453	4,716,337,918	3,381,839,446
Reinsurance contracts	24	573,596,531	626,303,546	-	-
Other financial investments	25	383,574,681	246,106,517	90,000,000	-
Cash and cash equivalents	26	1,365,734,766	1,216,722,825	1,115,752,726	951,646,085
<b>Total current assets</b>		<b>8,957,818,562</b>	<b>6,811,459,754</b>	<b>8,040,011,923</b>	<b>5,830,760,922</b>
<b>Total assets</b>		<b>14,024,981,343</b>	<b>10,650,380,461</b>	<b>11,735,553,944</b>	<b>8,416,377,701</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	27	56,345,500	56,345,500	56,345,500	56,345,500
Share premium	27	27,814,500	27,814,500	27,814,500	27,814,500
Claim equalization reserve	27	71,861,025	66,566,984	-	-
Currency translation reserve	27	334,411	334,411	-	-
General reserve	27	1,066,894,923	921,271,128	1,057,613,113	911,989,318
Fair value reserve	27	30,059,602	(2,346,648)	(7,234,148)	(7,234,148)
Retained earnings		2,259,247,813	1,429,488,047	2,447,517,525	1,939,659,131
<b>Equity attributable to owners of the Company</b>		<b>3,512,557,774</b>	<b>2,499,473,922</b>	<b>3,582,056,490</b>	<b>2,928,574,301</b>
Non-controlling interests	28	22,961,361	24,228,269	-	-
<b>Total equity</b>		<b>3,535,519,135</b>	<b>2,523,702,191</b>	<b>3,582,056,490</b>	<b>2,928,574,301</b>

	Group		Company		
Note	2022 MVR	2021 MVR	2022 MVR	2021 MVR	
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	29.2	1,206,556,244	525,254,461	1,113,573,697	368,582,041
Deferred income	33	56,534,885	35,938,536	43,944,944	45,875,798
Deferred tax liability	11.4	1,174,268	1,102,967	-	-
Lease liabilities	30	497,588,067	398,071,220	185,578,349	147,013,852
Defined benefit obligation	31	143,702,723	128,975,526	55,724,125	50,354,123
<b>Total non-current liabilities</b>		<b>1,905,556,187</b>	<b>1,089,342,710</b>	<b>1,398,821,115</b>	<b>611,825,814</b>
<b>Current liabilities</b>					
Loans and borrowings	29.3	3,329,283,271	2,472,362,241	3,345,147,780	1,925,131,947
Trade and other payables	32	3,487,392,132	2,942,743,473	2,869,647,982	2,491,589,167
Lease liabilities	30	124,752,165	88,494,528	50,406,442	18,631,561
Deferred income	33	7,903,783	8,913,713	1,930,854	1,930,854
Insurance contracts	34	633,405,635	724,822,415	-	-
Current tax liabilities	35	105,886,360	54,934,394	105,304,041	54,942,475
Amounts due to related parties	36	165,282,559	145,166,036	299,417,957	246,244,988
Bank overdrafts	26	730,000,116	599,898,760	82,821,283	137,506,594
<b>Total current liabilities</b>		<b>8,583,906,021</b>	<b>7,037,335,560</b>	<b>6,754,676,339</b>	<b>4,875,977,586</b>
<b>Total liabilities</b>		<b>10,489,462,208</b>	<b>8,126,678,270</b>	<b>8,153,497,454</b>	<b>5,487,803,400</b>
<b>Total equity and liabilities</b>		<b>14,024,981,343</b>	<b>10,650,380,461</b>	<b>11,735,553,944</b>	<b>8,416,377,701</b>

These consolidated and separate financial statements were approved by the Board of Directors and signed on its behalf by:



Mohamed Nizam  
CFO



Abdullah Saeed  
CEO & MD



Shimad Ibrahim  
Audit & Risk Committee  
Chairman



Hamid Nasheed Mohamed  
Board Chairman



Abdulla Saeed  
Director representing  
public shareholders

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**STATE TRADING ORGANIZATION PLC**  
**(INCORPORATED IN THE REPUBLIC OF MALDIVES)**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST DECEMBER 2022**

**GROUP**

**Attributable to owners of the company**

	Share capital	Share premium	Claim equalization reserve	Currency translation reserve	General reserve	Fair value reserve	Retained earnings	Total	Non-controlling Interest	Total
<b>Balance as at 1st January 2021</b>	56,345,500	27,814,500	59,471,109	334,411	823,905,658	4,665,852	1,425,075,336	2,397,612,366	25,370,201	2,422,982,567
Profit for the year	-	-	-	-	-	-	185,725,534	185,725,534	(61,785)	185,663,749
Net change in fair value of Equity Investments at FVOCI - net of tax	-	-	-	-	-	(7,012,500)	-	(7,012,500)	-	(7,012,500)
Remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	(9,236,878)	(9,236,878)	19,653	(9,217,225)
<b>Total comprehensive income for the year</b>						(7,012,500)	176,488,656	169,476,156	(42,132)	169,434,024
Transfer to / (from) during the year										
- general reserve	-	-	-	-	97,365,470	-	(97,365,470)	-	-	-
- claim equalization reserve	-	-	7,095,875	-	-	-	(7,095,875)	-	-	-
<b>Transactions with owners of the Company</b>										
Redeemable preference shares	-	-	-	-	-	-	-	-	200	200
Dividends (Note 27.4)	-	-	-	-	-	-	(67,614,600)	(67,614,600)	(1,100,000)	(68,714,600)
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	-	(67,614,600)	(67,614,600)	(1,099,800)	(68,714,400)
<b>As at 31st December 2021</b>	56,345,500	27,814,500	66,566,984	334,411	921,271,128	(2,346,648)	1,429,488,047	2,499,473,922	24,228,269	2,523,702,191
<b>Balance at 1st January 2022</b>	56,345,500	27,814,500	66,566,984	334,411	921,271,128	(2,346,648)	1,429,488,047	2,499,473,922	24,228,269	2,523,702,191
Profit for the year	-	-	-	-	-	-	1,058,119,611	1,058,119,611	(1,257,790)	1,056,861,820
Net change in fair value of equity investments at FVOCI - net of tax	-	-	-	-	-	32,406,250	-	32,406,250	-	32,406,250
Remeasurement of defined benefit liability - net of tax	-	-	-	-	-	-	(4,192,858)	(4,192,858)	(9,118)	(4,201,976)
<b>Total comprehensive income for the year</b>						32,406,250	1,053,926,752	1,086,333,002	(1,266,908)	1,085,066,094
Transfer to / (from) during the year										
- general reserve	-	-	-	-	145,623,795	-	(145,623,795)	-	-	-
- claim equalization reserve	-	-	5,294,041	-	-	-	(5,294,041)	-	-	-
<b>Transactions with owners of the Company</b>										
Dividends (Note 27.4)	-	-	-	-	-	-	(73,249,150)	(73,249,150)	-	(73,249,150)
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	-	(73,249,150)	(73,249,150)	-	(73,249,150)
<b>As at 31st December 2022</b>	56,345,500	27,814,500	71,861,025	334,411	1,066,894,923	30,059,602	2,259,247,813	3,512,557,774	22,961,361	3,535,519,135

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**STATE TRADING ORGANIZATION PLC  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

**COMPANY**

	Share capital	Share premium	General reserve	Fair value reserve	Retained earnings	Total
	MVR	MVR	MVR	MVR	MVR	MVR
Balance at 1st January 2021	56,345,500	27,814,500	814,623,848	(7,234,148)	1,625,969,760	2,517,519,460
Profit for the year	-	-	-	-	486,827,351	486,827,351
Other comprehensive income, net of tax	-	-	-	-	(8,157,911)	(8,157,911)
<b>Total comprehensive income for the year</b>	-	-	-	-	478,669,441	478,669,441
Transfer to / (from) during the year						
- general reserve	-	-	97,365,470	-	(97,365,470)	-
<b>Transactions with owners of the Company</b>						
- Dividends (Note 27.4)	-	-	-	-	(67,614,600)	(67,614,600)
<b>Total transaction with owners of the Company</b>	-	-	-	-	(67,614,600)	(67,614,600)
As at 31st December 2021	56,345,500	27,814,500	911,989,318	(7,234,148)	1,939,659,130	2,928,574,300
Balance at 1st January 2022	56,345,500	27,814,500	911,989,318	(7,234,148)	1,939,659,130	2,928,574,300
Profit for the year	-	-	-	-	728,118,977	728,118,977
Other comprehensive income, net of tax	-	-	-	-	(1,387,637)	(1,387,637)
<b>Total comprehensive income for the year</b>	-	-	-	-	726,731,340	726,731,340
Transfer to / (from) during the year						
- general reserve	-	-	145,623,795	-	(145,623,795)	-
<b>Transactions with owners of the Company</b>						
- Dividends (Note 27.4)	-	-	-	-	(73,249,150)	(73,249,150)
<b>Total transaction with owners of the Company</b>	-	-	-	-	(73,249,150)	(73,249,150)
As at 31st December 2022	56,345,500	27,814,500	1,057,613,113	(7,234,148)	2,447,517,525	3,582,056,490

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**STATE TRADING ORGANIZATION PLC**  
**(INCORPORATED IN THE REPUBLIC OF MALDIVES)**  
**CONSOLIDATED AND SEPARATE STATEMENT OF CASHFLOW**  
**FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Note	Group		Company	
		2022 MVR	2021 MVR	2022 MVR	2021 MVR
<b>Cash flows from operating activities</b>					
Profit before tax		1,199,058,366	288,085,429	864,508,650	576,917,947
<b>Adjustments for:</b>					
Depreciation on property, plant and equipment	13	219,163,940	181,393,332	103,589,346	101,077,638
Depreciation on investment properties	14	7,164,959	6,151,725	7,164,959	6,151,725
Amortization on right-of-use assets	19	60,456,101	41,831,309	40,975,751	25,804,093
Interest on lease liabilities	9	43,458,002	39,190,896	18,465,318	15,984,170
Amortization of intangible assets	15	4,146,925	9,249,858	307,328	246,720
Gain on derecognition of right of use assets		(4,254,073)	(5,016)	(4,058,830)	(5,016)
Capital work-in progress disposed	13	71,780,078	179,686	71,225,433	-
Gain on disposal of property, plant and equipment	8	(9,771,779)	(243,615)	(19,473,834)	(243,615)
Impairment of capital work-in progress	10	(2,806,078)	12,737,508	(2,806,078)	12,737,508
Provision for impairment of trade, other and related party receivable	10	141,703,523	22,704,191	107,495,513	24,528,192
Provision of impairment for slow moving inventories	21.1	65,946,846	47,622,011	61,189,746	46,318,368
Provision for defined benefit obligation	31	13,643,889	11,685,367	5,424,325	4,541,865
Receivable written off	10	3,671,626	3,055,755	997,476	381,605
Share of profit of equity - accounted investees, net of tax	18	(12,002,211)	(11,061,930)	-	-
Interest expense	9	244,986,948	161,772,391	198,026,429	110,488,623
Interest income	9	(17,129,408)	(10,064,849)	(18,844,833)	(3,958,554)
Dividend income	9	(5,611,713)	(5,265,500)	(28,000,867)	(54,900,767)
<b>Operating profit before working capital changes</b>		<b>2,023,605,940</b>	<b>799,018,549</b>	<b>1,406,185,834</b>	<b>866,070,503</b>
<b>Working capital changes</b>					
Change in inventories		(654,298,610)	(288,911,241)	(621,884,189)	(239,397,387)
Change in trade and other receivables		(572,206,200)	(185,170,853)	(125,384,691)	(148,632,510)
Change in amount due from related parties		(733,843,967)	(566,815,552)	(1,192,456,638)	(789,311,614)
Changes in reinsurance contracts		52,707,015	(250,737,828)	-	-
Changes in deferred revenue		19,586,419	(2,458,807)	(1,930,854)	(1,930,854)
Change in amount due to related parties		20,116,523	9,887,165	53,172,970	32,173,972
Change in trade and other payables		484,339,992	1,039,156,335	317,750,147	901,713,472
Changes in insurance contracts		(91,416,780)	162,139,459	-	-
<b>Cash generated from operating activities</b>		<b>548,590,333</b>	<b>716,107,227</b>	<b>(164,547,421)</b>	<b>620,685,583</b>
Interest paid		(259,253,884)	(165,226,745)	(197,519,993)	(114,960,207)
Gratuity paid		(3,911,081)	(4,162,655)	(1,686,837)	(1,105,876)
Income tax paid	35	(116,957,388)	(111,172,655)	(102,160,357)	(89,223,692)
<b>Net cash generated from operating activities</b>		<b>168,467,981</b>	<b>435,545,172</b>	<b>(465,914,607)</b>	<b>415,395,808</b>

	Note	Group		Company	
		2022 MVR	2021 MVR	2022 MVR	2021 MVR
<b>Cash flows from investing activities</b>					
Purchase and construction of property, plant and equipment	13	(708,391,342)	(333,816,728)	(515,232,208)	(34,923,684)
Purchase of intangible assets	15	(3,591,863)	(8,067,900)	-	-
Proceeds from sales of property, plant and equipment		44,211,758	576,884	289,287,869	277,732
Investment in subsidiaries	17	-	-	1,000	(127,793,225)
Investment in associates		-	(771,000)	-	-
Investments in finance leases	20	-	-	(272,657,507)	-
Purchase of other financial instruments	25	(1,617,806,886)	(398,396,022)	(1,452,300,000)	(109,275,000)
Proceeds from sales of other financial instruments	25	608,598,924	148,056,065	450,000,000	-
Interest received		17,129,408	10,064,849	18,844,833	3,519,598
Dividend received		13,611,713	15,265,500	48,001,733	73,900,667
<b>Net cash used in investing activities</b>		<b>(1,646,238,288)</b>	<b>(567,088,353)</b>	<b>(1,434,054,280)</b>	<b>(194,293,912)</b>
<b>Cash flows from financing activities</b>					
Loans and borrowings obtained	29	1,353,427,554	176,447,117	1,353,427,554	25,782,237
Repayments of borrowings	29	(837,522,895)	(313,768,803)	(787,205,978)	(324,468,408)
Borrowings from Government waived-off	29	(576,467,762)	-	-	-
Loans and borrowings obtained for working capital	29	6,126,509,931	4,617,534,087	6,126,509,931	4,617,534,087
Principal lease payments	30	(28,601,433)	(14,206,850)	(33,306,165)	(21,787,746)
Repayments of working capital loans and borrowings	29	(4,527,724,019)	(3,714,786,860)	(4,527,724,019)	(3,714,786,860)
Proceeds from shares issues	28	-	200	-	-
Dividend paid		(12,940,483)	(13,776,963)	(12,940,483)	(12,676,963)
<b>Net cash generated from / (used in) financing activities</b>		<b>1,496,680,892</b>	<b>737,441,928</b>	<b>2,118,760,839</b>	<b>569,596,347</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>18,910,585</b>	<b>605,898,747</b>	<b>218,791,952</b>	<b>790,698,243</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>616,824,065</b>	<b>10,925,318</b>	<b>814,139,491</b>	<b>23,441,248</b>
<b>Cash and cash equivalents at end of the year</b>	26	<b>635,734,650</b>	<b>616,824,065</b>	<b>1,032,931,443</b>	<b>814,139,491</b>

Figures in brackets indicate deductions.

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# 5 Year Group Financial Review

MVR, Millions	2018	2019	2020	2021	2022
<b>Earnings</b>					
Revenue	10,873	10,906	8,501	11,236	18,817
Gross Profit	1,509	1,969	1,784	1,917	2,758
Operating Profit	247	842	401	451	1,438
Profit before tax	(130)	476	223	288	1,199
Profit for the year	(180)	383	127	186	1,057
<b>Share Data</b>					
Price per share, at year end, MVR	400	500	455	456	1,330
Earnings per share, MVR (Company)	13	269	319	432	646
Dividend per share, MVR*	58	58	60	65	77
Net assets per share, MVR	1,806	2,083	2,150	2,239	3,137
No. of shares	1,126,910	1,126,910	1,126,910	1,126,910	1,126,910
<b>Key Ratios</b>					
Return on equity, %	-7.9%	17.5%	5.3%	7.5%	34.9%
Return on capital employed (ROCE)	3.6%	12.2%	5.6%	5.3%	12.3%
Equity/asset ratio, %	26.4%	29.7%	28.6%	23.7%	25.2%
Net debt/equity ratio	2.32	1.93	1.94	2.36	2.31
Interest coverage ratio	1.23	3.52	1.91	2.25	4.99
Dividend yield, at year end, %	14.5%	11.6%	13.2%	14.3%	5.8%
<b>Financial Position and Cash Flow</b>					
Total assets	7,697	7,899	8,482	10,650	14,025
Equity	2,035	2,347	2,423	2,524	3,536
Non-current liabilities	623	915	783	1,089	1,906
Trade and other receivables	2,840	2,580	2,717	3,408	4,539
Inventories	1,084	1,200	1,314	1,556	2,144
Trade and other payables	2,512	1,502	1,984	3,088	3,653
Net Operating cash flow	(218)	96	588	436	168

\*Proposed dividend for 2022

To download full set of Audited Financial Statements with notes, please click this link <https://r.sto.mv/jglMum>

*Executive Team*

05



**Profiles of our  
dynamic leadership  
team.**

This information is updated until 30 April 2023.



**Abdullah Saeed**

CEO & MD

Abdullah Saeed was appointed as the Chief Executive Officer and Managing Director of STO on 4th April 2023.

Prior to joining STO, he served as the Managing Director of Maldives State Shipping Company Pvt Ltd - a Shipping and Logistics Company operated under the umbrella of STO Group of Companies - from its inception in 2020, up until his appointment to STO CEO & MD position.

Abdullah Saeed also held the position of the Chairman of Maldives National Oil Company Ltd, a wholly owned subsidiary of STO, engaged in the downstream activities of the petroleum industry especially in international oil trading. He also held the position of Chairman of STO Maldives (Singapore) Pte Ltd from 2010 – 2012, where he was actively involved in coordination with overseas investors keen on partnering with STO for joint ventures in the Maldives. In addition, he also served as the cabinet secretary of the Government of Maldives from 2008 - 2012.

Saeed is a Master Mariner and an Entrepreneur with extensive experience both in the public and private sector.

His proficiency is in the shipping industry where he has served over 30 years in both domestic and international operations as a profound captain, during most of his career.

He is also one of the key founders for establishing a capital market in Maldives when he served at the Capital Market Development Authority in 2006. He advanced in debt market and instruments and was actively involved in setting up the first securities exchange in the Maldives.

He completed several programs from the Securities Institute of Australia, in Financial Journalism, Financial Markets and Fundamental Securities. Additionally, he had completed programs on debt markets and instruments, instrument valuation and credit ratings.



**Husen Amr Mohamed Rashad**

Former CEO & MD

Husen Amr Mohamed Rashad took on the roles of Chief Executive Officer and Managing Director, on 30th November 2018. He served at STO until Abdullah Saeed succeeded to the position on 4th April 2023.

He holds a Master of Business Administration from International Islamic University, Malaysia and has a Bachelor of Science in Computer Science from University of Sunderland, through Binary College Malaysia.

Amr has previously held the position of Chief Executive Officer of MTCC, from September 2010 till February 2012. He has also served as Deputy Under-Secretary heading the Economic Development Unit at the President's Office and was a member of the Privatization Committee formed by the President's Decree in 2009.

During his tenure he served as the Chairman of Maldives Industrial Fisheries Company Ltd, Maldives National Oil Company Ltd and Raysut Cement Maldives Pvt Ltd.

Amr has also played an active role in the political sphere as a National Council member of the Maldivian Democratic Party. He has been instrumental in formulating manifestos of the party and current government as Chairperson of the Policy Committee, member of the Economic Committee.

Furthermore, he has been a successful entrepreneur engaged in the private sector for several years.



**Mohamed Nizam**

Chief Financial Officer  
Executive Director

Mohamed Nizam joined STO in the year 2010 and is currently the Chief Financial Officer of the Company. Prior to this, he has worked in key positions of the Company including Procurement HOD's position, Senior Finance Manager's position, the Chief Risk Officer and Senior Information System Manager of the ICT department.

He is presently the Chairman of the Board Directors of Allied Insurance Company of the Maldives Pvt Ltd and a Board Director at Maldives Industrial Fisheries Company Ltd.

Nizam was also a former Director of Maldives State Shipping Company Pvt Ltd, Fuel Supplies Maldives Pvt Ltd and represented STO in the Board of the Maldives Stock Exchange and the Maldives Securities Depository.

Nizam holds a Master's in Business Administration, specialized in Financial Management from University of Ballarat, Australia and a Bachelor of Arts (Honors) Degree in Finance and Accounting from University of East London, UK. He is a professional member of the Institute of Enterprise Risk Practitioners and a certified Enterprise Risk Advisor (ERA). Nizam is also a certified associate consultant in SAP Finance and Controlling.



**Hawwa Nafia**  
Chief Audit Executive

Hawwa Nafia joined STO in the year 2014 as an Accountant and was appointed as the Chief Audit Executive in 2021.

Nafia has over 10 years of experience in the field of Accounting and Auditing. Prior to joining STO she has worked as a Junior Assistant Auditor in Auditor General's Office (S.Hithadhoo Branch), Internal Auditor in Capital Market Development Authority and as an Investigation Officer in Anti-Corruption Commission.

She has also served as a Board Director of Allied Insurance Company of the Maldives Pvt Ltd.

Nafia is a member of the Association of Chartered Certified Accountants (ACCA-UK) and holds a Bachelor of Science with first class honors in Applied Accounting awarded by Oxford Brookes University.

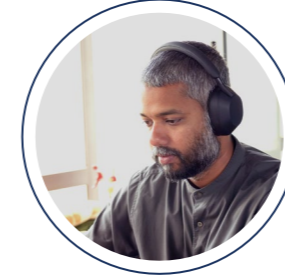


**Ahmed Shifan**  
General Manager  
Peoples' Choice and Food Security

After serving in the National Security Service (current Maldives National Defense Force) for almost 5 years, Shifan joined STO in 2003 as an Assistant Manager. Today, he is the General Manager of STO People's Choice and Food Security. His mandate is to oversee People's Choice, Regional Sales, Service Centre and Staple Foods. Previously, he has also served STO, as the Head of Medicals, Information Technology, Human Resources, Administrations, Store Operations, Home Improvement, Electronics, and Supermart.

He served as a member of the Board of Advisors for the SAP Asia Pacific Japan Regional Services Board. He also represented STO in the Board of Directors of Fuel Supplies Maldives Pvt Ltd as a member, Maldives Gas Pvt Ltd as its Chairman, STO Hotel and Resorts as the Managing Director and as a Board Director of Maldives Structural Products Pvt Ltd.

Shifan holds a Master of Business Administration with Honors from Auckland University of Technology (AUT), New Zealand and a Bachelor of Science with Joint Honors (First Class) in Business Information Systems and Business Studies from Middlesex University, UK. He is also a Fellow of the Global Academy of Finance and Management® (GAFM)®.



**Ismail Mifrah**  
Chief Information Officer  
Information Technology

Ismail Mifrah joined STO in 2006 as a Technical Support Engineer. He later worked his way up to a Senior Information Systems Manager's position, where he was responsible for creating organizational level ICT policies and best practices, while also being in charge of developing procedures for business continuity & development. Mifrah resigned in October 2017 but later rejoined in May 2019 as the Chief Information Officer.

Mifrah serves as the Chairman of STO Maldives (Singapore) Pvt Ltd and Chairman of STO Hotels and Resorts. He served as the Chairman of Maldives Gas Pvt Ltd, a Board Director for Maldives Industrial Fisheries Company Limited, and as a Board Director of Fuel Supplies Maldives Pvt Ltd.

Mifrah holds a Master's in Technology Management from Asia Pacific Institute for Information Technology (APIIT), Malaysia and a Bachelor of Science in Information Technology from Edith Cowan University, Australia. He is also a Microsoft Certified Professional and SAP MM Associate Consultant.



**Mohamed Samah**  
Chief Legal Officer  
Legal Affairs and Risk Management

Mohamed Samah started his career at STO in 2014 as a Lawyer. He is currently the Chief Legal Officer of the Company and oversees the responsibility of the overall functionality of Legal Affairs and Risk Management. Throughout his tenure he has been involved in the legal representation of the Company on multiple judicial courts and the provision of legal support in a wide array of commercial activities engaged by the Company.

Samah serves as Board Director at Allied Insurance Company of the Maldives Pvt Ltd. He also serves in the Board of STO Maldives (Singapore) Pte Ltd.

Samah is licensed to practice before the courts of the Maldives including the Supreme Court of the Republic of Maldives. He graduated in Law from the Maldives National University. He also holds a Master of Business Administration from University of Bedfordshire, UK. His professional engagement also extends to the Association of Corporate Counsel (ACC), where he has attained in-house Counsel Certification and membership having met their requirements. He is also a member of the Institute of Enterprise Risk Practitioners (IERP) and a certified Enterprise Risk Advisor (ERA).



**Abdul Wahid Moosa**

General Manager  
Procurement

Abdul Wahid Moosa joined STO after completing his Bachelor’s Degree in Business (specialized in Management and Marketing), from Edith Cowan University, Australia.

He started off at STO Transport Department, working on managing company’s fleet. His interests have always been to work in shipping, particularly in the field of technical & operational management of foreign-going ships. He attained experience in the field from Thome Ship Management, Singapore. He is the Company Security Officer and has been qualified to conduct industry related ship audits and inspections under ISM, ISPS and ISO 9001-2015.

Today, he serves as the Head of Procurement and has previously served as the Head of Fuel, Logistics and Construction Department.

Wahid previously served as Chairman of the Board of Maldives State Shipping Company Pvt Ltd. He continues to serve on the Board of Directors of the Company in his current position as a Board Director. He is also the Chairman of Fuel Supplies Maldives Pvt Ltd and previously served as a Board Director of Raysut Maldives Cement Ltd.



**Mariyam Nuzla**

General Manager  
Peoples Operations

Mariyam Nuzla is the Head of Department for People Operations. She started her career in 1999 as a Sales Officer. She is currently serving as a Board Director of Allied Insurance Company of the Maldives Pvt Ltd and Maldives Industrial Fisheries Company Ltd.

She has previously worked as the Head of Corporate and Legal Affairs, the Head of Department of Procurement (General), Head of Administration Department and as the Personal Assistant to the Managing Director. She had previously served as a Board Member at Maldivian Gas Pvt Ltd, also.

Nuzla's educational qualification includes a Master’s in Business Administration from Cardiff Metropolitan University, UK and a Bachelor of Business (Marketing and Management) from Edith Cowan University, Australia.



**Mariyam Paruveen Abdul Faththah**

General Manager  
Administration

Mariyam Paruveen Abdul Faththah is the Head of Department for Administration. She joined STO in the year 1998 after working in the Ministry of Construction and Public Works. During her service at STO, she had worked at various levels, starting from Officer level to Managerial, and to Head of Department (HOD).

She had worked as the HOD of STO Supermart, PR and Media, Managing Directors Bureau, and Marketing Communications. She is currently serving as a Board Director of Fuel Supplies Maldives Pvt Ltd.

Paruveen holds a Master’s in Business Administration from the University of Wales Trinity Saint David and a BA (Hons) in Business Administration from the University of Hertfordshire, UK.



**Aishath Shaffana Rasheed**

General Manager / Company Secretary  
Corporate Affairs

Aishath Shaffana Rasheed joined STO in 2004. She serves as the Company Secretary of the Company since 2007. Shaffana is also the Head of Department for Corporate Affairs, that oversees the managing director’s bureau, public relations, corporate communications, media relations, corporate social responsibility and strategy monitoring and compliance in the Company.

She has previously worked at STO Supermart and Marketing Department.

She holds a Master of Law and a Master of Business Administration, from the Cardiff Metropolitan University, UK and a Bachelor of Business (Marketing and Management) from the Edith Cowan University of Australia. Shaffana is a member of the Corporate Governance Institute of Ireland where she has completed a Diploma in Corporate Governance from the institute. Additionally, she is currently pursuing a diploma in ESG from the same institute.



**Mohamed Eman**

General Manager  
Energy and Construction Solutions

Mohamed Eman joined STO in 2005 and is currently in charge of Energy and Construction Solutions Department. Eman previously held other positions including Senior Manager of Construction Materials Department, Manager of Logistics Department, Enterprise Information System Department & Fuel Department.

He serves as the Chairman of Maldives Gas Pvt Ltd and represents STO in the Board of Raysut Maldives Cement Ltd and had previously served in the Board of Maldives Structural Products Pvt Ltd.

He holds a BA in Economics from JSS College of Arts Commerce & Science, India. Moreover, he is certified as an Associate Consultant in SAP Materials Management.



**Ali Nabeeh**

General Manager  
Logistics

Ali Nabeeh joined STO in 2005. He has been working at STO Transport Department, since he joined the Company. Today he is the Head of Logistics Department, where he oversees Marine Transport, Distribution Services, and Engineering Services.

Nabeeh is a Board Director of Maldives Gas Pvt Ltd and had previously served in the Board of Fuel Supplies Maldives Pvt Ltd.

He holds a Degree in Bachelor of Arts with first class honors in Logistics Management. Nabeeh has also obtained various trainings in the field of international trade and maritime.



**Mohamed Ihsan Waheed**

General Manager  
Business Research & Property Management

Mohamed Ihsan Waheed is the Head of Department of Business Research and Property Management. He oversees research & infrastructure projects and property management.

Prior to joining STO in the year 2008, he worked in IT Administration at Male' Aerated Water Company. He has over 13 years of experience in STO and has worked previously as an officer in Asset Management Department, Contracting Officer in Procurement Department, Delivery Manager in Logistics Department and Senior Manager at Projects Section in Human Resources & Administration Department.

Ihsan represents STO in the Board of Maldives Structural Products Pvt Ltd as its Chairman and he is a Board Director of STO Hotels and Resorts.

He holds a Master's Business Administration from Anglia Ruskin University, UK and a Bachelors Degree in Logistics Management from USCI University, Malaysia.



**Ahmed Niushad**

General Manager  
Medical Services and Pharmacy Management

Ahmed Niushad joined STO in the year 2012 as a Project Manager and currently works as the Head of Department of Medical Services and Pharmacy Management. He is a Certified Project Management Professional (PMP®) with more than 10 years of experience.

He is the Managing Director of STO Hotel and Resorts Pvt Ltd, and he also serves as a Board Director of Fuel Supplies Maldives Pvt Ltd.

Niushad holds a Master's in Business Administration from Anglia Ruskin University, UK and a Bachelors Degree of Arts in Architecture from Maldives National University.



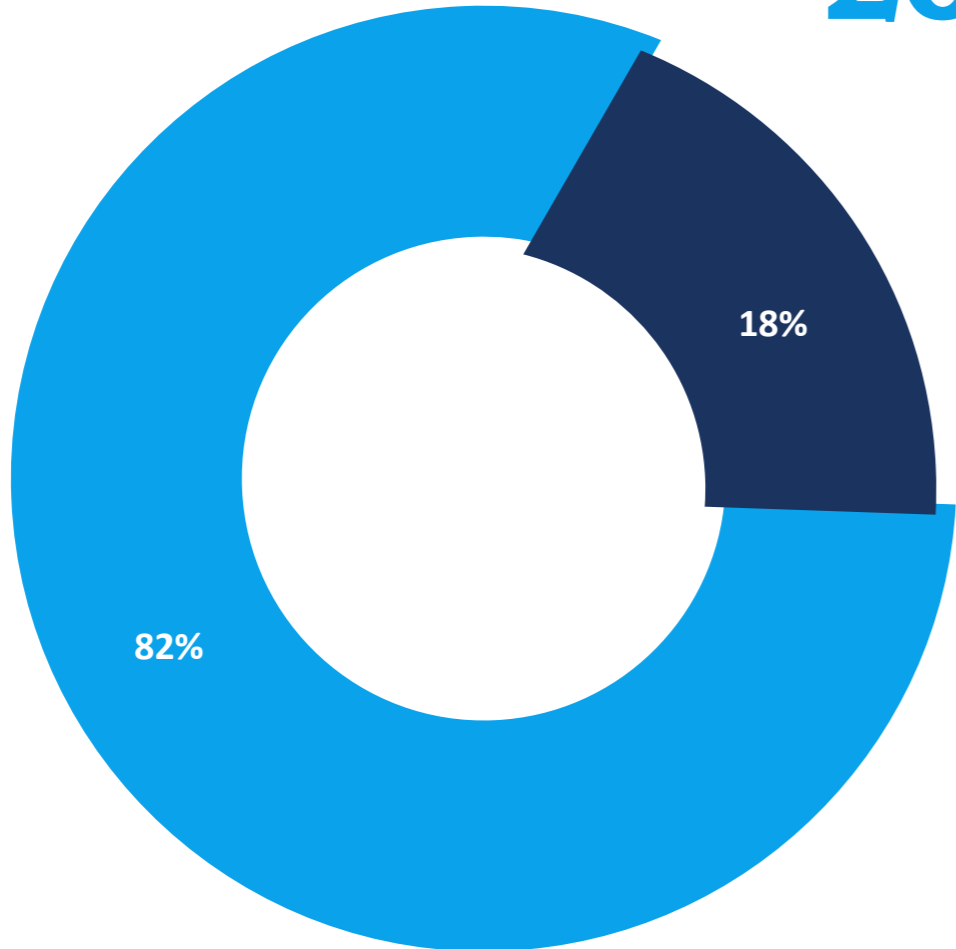
*General  
Information*

**06**





# Shareholding Structure



*Public*  
**207,041 shares**

@ MVR50.00 each, amounts to MVR 10,352,050

*Government*  
**919,869 shares**

@ MVR50.00 each, amounts to MVR 45,993,450

Authorized Capital	Paid up Capital	Premium
100,000,000	56,345,000	27,814,500



## Group of Companies as at 31.12.2022

Allied Insurance Company of the Maldives Pvt Ltd	Maldives Industrial Fisheries Company Ltd	STO Maldives (Singapore) Pte. Ltd.	Maldivian Gas Pvt. Ltd.	Maldives Structural Products Pvt. Ltd.	Fuel Supplies Maldives Pvt. Ltd.	Raysut Maldives Cement Pvt. Ltd.	STO Hotels & Resorts Pvt. Ltd	Maldives State Shipping Company Pvt. Ltd.
Incorporated date: 01st November 1984	Incorporated date: 01st November 1993	Incorporated date: 30th November 1997	Incorporated date: 03rd October 1999	Incorporated date: 23rd October 2000	Incorporated date: 18th December 2000	Incorporated date: 18th December 2000*	Incorporated date: 7th February 2012	Incorporated date: 04th February 2020
Area of business: Insurance	Area of business: Fish canning and its by-product manufacturer	Area of business: Trading	Area of business: Gas distribution	Area of business: Roofing materials manufacturer	Area of business: Fuel distribution	Area of business: Cement manufacturer	Area of business: Tourism sector	Area of business: Shipping
Incorporated in: Maldives	Incorporated in: Maldives	Incorporated in: Singapore	Incorporated in: Maldives	Incorporated in: Maldives	Incorporated in: Maldives	Incorporated in: Maldives	Incorporated in: Maldives	Incorporated in: Maldives
Operated in: Maldives	Operated in: Maldives	Operated in: Singapore	Operated in: Maldives	Operated in: Maldives	Operated in: Maldives	Operated in: Maldives	Operated in: Maldives	Operated in: Maldives
Shareholders: STO 99.99% & MGPL 0.01%	Shareholders: STO 99.99% & Allied 0.01%	Shareholders: STO 100%	Shareholders: STO 90% & Champa Oil and Gas 10%	Shareholders: STO 50% & Rainbow Investment 50%	Shareholders: STO 99.99% & Allied 0.01%	Shareholders: STO 25% & Raysut (Oman) 75%	Shareholders: STO 99.99% & FSM 0.01%	Shareholders: STO 99.99% & FSM 0.01%
Registered Address: Allied Building, 3rd floor, Chaandhane Magu, Malé 20156 Maldives T: +960 3341001 E: <a href="mailto:1600@allied.mv">1600@allied.mv</a> Website: <a href="http://allied.mv">allied.mv</a>	Registered Address: MIFCO Head Office Building Hilaalee Magu, Malé 389 Maldives T: +960 3323932 E: <a href="mailto:info@mifco.mv">info@mifco.mv</a> Website: <a href="http://mifco.mv">mifco.mv</a>	Registered Address: #39-10 International Plaza, 10 Anson Road 079903, Singapore T: (65) 6324 4668 E: <a href="mailto:stosing@stomaldives.com.sg">stosing@stomaldives.com.sg</a>	Registered Address: #02-21 STO Trade Centre, 2nd Floor, Orchid Magu, Male' 20188 Maldives T: +960 3335614 E: <a href="mailto:info@maldivegas.com">info@maldivegas.com</a> Website: <a href="http://maldivegas.com">maldivegas.com</a>	Registered Address: G. Marline Spike Building, 2/10 Alikilegefaanu Magu, Malé 20117 Maldives T: +960 3337720 E: <a href="mailto:msroof@dhivehinet.t.mv">msroof@dhivehinet.t.mv</a> Website: <a href="http://msp.com.mv">msp.com.mv</a>	Registered Address: FSM Building, Block A, 4th Floor, Boduthakurufaanu Magu, Malé 20026, Maldives T: +(960) 3336655 E: <a href="mailto:Info@fsm.mv">Info@fsm.mv</a> Website: <a href="http://fsm.mv">fsm.mv</a>	Registered Address: Faamudheyryge, 2nd Floor, 2A Male' 20209 Maldives T: +960 3315314 E: <a href="mailto:info@raysutmaldives.com">info@raysutmaldives.com</a>	Registered Address: STO Head office building, 6th Floor, Kan'baa Aisa Rani Hingun, Male' 20345, Maldives T: +960 3344209 E: <a href="mailto:hotels@sto.mv">hotels@sto.mv</a>	Registered Address: State Trading Organization plc, Boduthakurufaanu Magu, Maafannu, Republic of Maldives T: +960 3029200 E: <a href="mailto:info@statshipping.mv">info@statshipping.mv</a> Website: <a href="http://statshipping.mv">statshipping.mv</a>

\* Lafarge Maldives Cement Pvt Ltd was renamed to Raysut Maldives Cement Pvt Ltd on 12th August 2020.



Thank you to all our employees, customers, shareholders, suppliers and other stakeholders. We are proud to be working with you to support and build a more sustainable Community.

## Name of Company

State Trading Organization plc

## Legal form

A Public Listed Company with limited liability. Initially incorporated as a Government Company - Athireemaafannu Trading Account (ATA) on 20<sup>th</sup> December 1964. Renamed as State Trading Organization on 9th June 1979. Changed to a public listed company on 14th August 2001.

## Stock exchange listing


Ordinary shares of the Company are listed at the Maldives Stock Exchange Company Pvt Ltd.

## Registered address

State Trading Organization plc. Kan'baa Aisa  
Rani Hingun, Maafannu, Malé 20345

Republic of Maldives

Call Centre: 1422

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 | sto.mv



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