

03

**SUSTAINABILITY**  
*Report*

sto  
& Sustainability



## Introduction

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.

## Sustainability Governance and structure

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 MD/CEO and the top management.

Relevant goals are established to address material areas and effectively manage associated impacts, risks, and opportunities. Policies and management systems are being established to ensure financial, environmental, and social compliance.

It is through our mission and strategy that we address ESG issues, working to fully integrate them into our business. Together with our suppliers, customers, employees, and other stakeholders, we strive to drive our sustainability ambitions.

## Reporting

This report contains information on STO's sustainability ambitions and its status. It addresses the growing interests and expectations of our stakeholders across environmental, social and governance dimensions.

This report provides information for the period from January 01, 2023, to December 31, 2023. Where necessary or important for a proper understanding of matters, we also reported on affairs before or after the end of the reporting period.

As CMDA's requirement for Sustainability reporting has now been deferred until publication of the 2024 Annual Report, along with the development of a reporting framework for the companies, we have chosen to produce this year's report on an internal structure, however, in reference to GRI 2021 Content Index principles, as much as possible. GRI is based on the principle of materiality and require organizations to communicate the management approach on topics that are material to the organization.

This report has not been subject to an external audit. Senior executives have been involved in confirming the information provided. External verifications will be sought for future reports. Note that all content has been checked and validated by relevant managers carrying responsibility.

## Stakeholder engagement

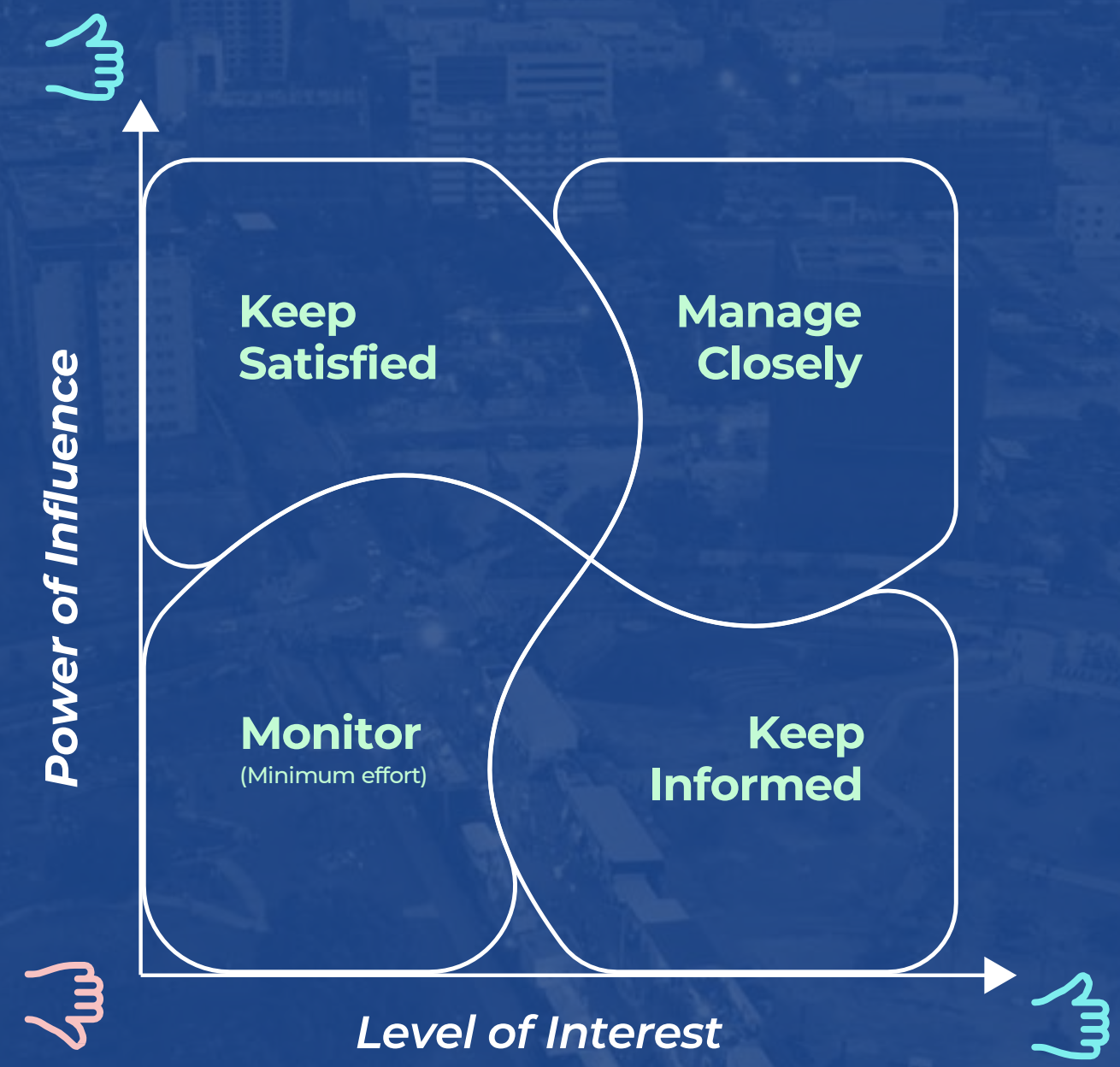
STO recognizes that there is a social contract between our Company and the society. The Company interacts with a range of stakeholders to ensure that their perspectives are considered in the development of business plans, sustainability plans and objectives, from project planning, to execution, long-term operations and customer service.

Below described are the main stakeholder engagement activities carried out by the Company during 2023.

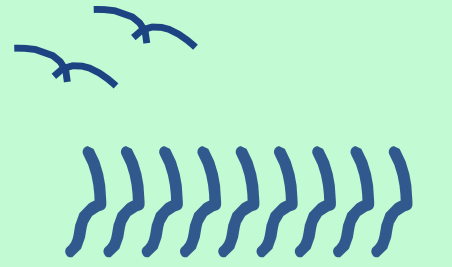
Stakeholders



- Board of Directors
- Regulatory Bodies



- Key Managers
- Shareholders / Investors
- Government
- Employees
- Customers
- Suppliers / Business Partners
- Media
- NGO
- Local community



## Communication channels

- Customer feedback
- Regular engagement between sales teams and customers
- Customer services
- Trade shows and conferences
- Promotions and loyalty programs
- Marketing materials
- Website
- Social media channels
- Reporting facilities
- Rewarding programs

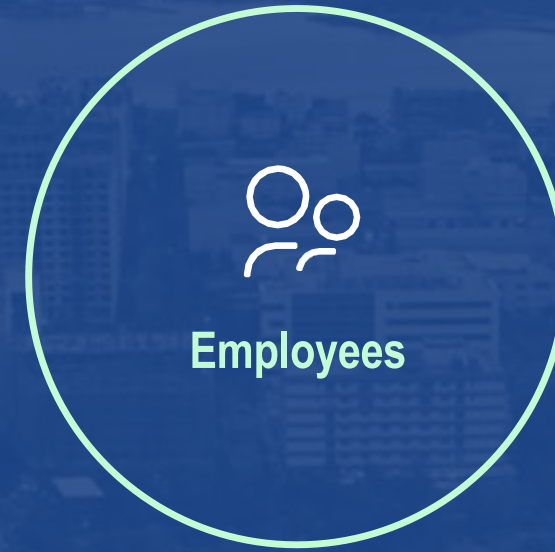


## Discussion topics

- Demand for products / services
- How quality of products / services offered through STO impact people and the environment
- How these products / services assist in local community development
- Health and safety issues concerning our premises, staff, services and products

## Details of engagement

- Customers sent complaints and queries through dedicated viber channels.
- Received customer feedback on the quality of food sold, along with requests to ensure stability of product prices during Ramadan. STO closely monitored and ensured price stability and availability by making essential products presented throughout Ramadan.
- Held 39 promotions in 2023 including opportunities given to customers, to personally experience the quality of STO products, including tasting events.
- Attended to over 2600 queries received on social media channels in 2023.
- STO PC Service Center attended 2,348 repairs, completing 100% jobs registered during the year.
- Makita Service Center attended 4112 repairs, completing 99% of the jobs registered during the year.
- Top performing customers of major segments were recognized and rewarded.



Employees

## Communication channels

- Town hall meetings
- Employee engagement surveys
- Interactions with young leaders
- Training
- Intranet
- Human resource policies and procedures
- Recognition events
- Meetings with senior leadership
- Reporting facilities
- Internal newsletter
- Recreation club

## Discussion topics

- Our vision and mission
- Corporate ethics and values
- Professional development Opportunities
- Career progression
- Strategic plan and KPI's
- Sustainability
- Remuneration
- Performance appraisal
- Industry trends, current events
- Community support / volunteering

## Details of engagement

- Employees were given the opportunity to meet with MD over a cup of tea “Tea talk with MD”, to discuss pressing issues and concerns, and at the same time provide suggestions for improvements on the Company matters. So far, over 20 staff have attended these sessions.
- HR newsletters are published and circulated through email, monthly.
- In 2023, the Recreation Club held 11 activities including volleyball, futsal and carrom tournaments, and facilitated trainings in swimming and billiard for employees interested.
- 20% employees were engaged in training and development programs, focusing on key areas past year.

## Communication channels

- Performance reviews
- On-boarding programs
- Supplier facility visits
- Training programs
- Continuous one-to-one dialogue
- Trade fairs
- Networking events



Suppliers,  
distributors,  
partners, &  
contractors

## Discussion topics

- Engagement on supply chain disruption and mitigation plans
- Safety requirements
- Sustainable sourcing
- Quality, delivery, and price
- Supplier code of conduct
- Vendor registration process
- Reward programs
- Reference letters

## Details of engagement

- Training and networking sessions were held for suppliers to onboard them onto SAP Ariba platform.
- 70 suppliers have been onboarded to SAP Ariba now.
- 37 visits were made to suppliers worldwide.
- Attended 3 trade fairs, where 29 suppliers visited the STO team.
- 2 supplier facility visits, and 1 terminal inspection visit was made in 2023.
- Supplier performance review policies are being drafted.
- A comprehensive supplier Code of Conduct and due diligence policy is being drafted.





## Shareholders

### Communication channels

- *Published Company reports; Quarterly and Annually*
- *General meetings*
- *Website*
- *One-on-one meetings with Board and leadership, on request*
- *Reporting facilities*
- *Social media channels*
- *Shareholder relations through Company Secretariat function*

### Discussion topics

- *Financial and operational performance and outlook*
- *Strategic KPI's*
- *Strategic credit management*
- *Dividend*
- *Appointment of directors to the Board*
- *Other concerning issues of shareholders that require Board's or CEO / MD's attention*

### Details of engagement

- *Published quarterly reports, within deadlines, throughout 2023.*
- *Annual Report along with audited financials were published in May 2023.*
- *Annual General Meeting was held in May 2023, where 84.25% share representation participated in the meeting.*
- *Facilities submitting whistleblowing messages and ideas or concerns regarding operations are made available on the website.*
- *All major news concerning the Company, AGM and other shareholder related matters were informed via press releases, news media, website and occasionally through SMS, to shareholders.*



## Communication channels

- Press releases
- Interviews
- Networking events
- Visits
- Press events
- Publications
- Company website
- Social media channels
- Performance evaluation of media
- Continuous monitoring of media content

## Discussion topics

- Financial updates
- Updates on important events and milestones of the Company
- Invitation to attend important events of the Company
- Information on STO's contribution to market stabilization

## Details of engagement

- Over 50 press releases were issued in 2023, on different matters regarding the Company.
- Media was invited to all major events of the Company.
- Media performance is evaluated quarterly and graded.
- Advertising and marketing efforts are made through media channels. As such we have partnered with over 30 media for now.
- We are highly engaged on social media platforms including X, Facebook, Instagram, LinkedIn and Tiktok.



## Communication channels

- Meetings
- Networking events
- Trainings
- Regulatory and voluntary reporting

## Details of engagement

- Regular reports as required by the regulations were published or provided, within due timeframe.
- Company officers participated in trainings, networking events and meetings conducted by regulators.

## Discussion topics

- Sustainability
- Governance
- Compliance to regulatory standards
- Knowledge sharing on best practices

## Communication channels

- Board meetings
- Email correspondence
- Quarterly and annual performance reports
- Strategic planning sessions
- Townhall events with staff



## Discussion topics

- Company performance and financial health
- Strategic initiatives and business plans
- Risk management and mitigation strategies
- Corporate governance and compliance
- Sustainability and corporate social responsibility (CSR) initiatives
- Other concerns raised by staff

## Details of engagement

- 14 board meetings were held in 2023 to discuss company performance matters.
- 1 Strategic planning session was held with relevant internal stakeholders to outline a roadmap, vision and goals for next year.
- Quarterly and annual performance reports highlighting financial and operational metrics were discussed in relevant board committees and Board as a whole.
- Email updates on significant developments and compliance matters were provided regularly.
- The Board committees ensured reviewing governance documents and internal controls, during regular intervals.
- All matters reserved for the Board's approval, were timely submitted to Board and discussed.



## Communication channels

- Community forums
- Local media and newsletters
- Social media platforms
- Consultation meetings

## Discussion topics

- Impact of company operations on the local community
- Community investment and development projects
- Environmental initiatives and sustainability efforts
- Sponsorship initiatives
- Employment opportunities and local hiring practices
- Health and safety measures

## Examples of engagement

- Met with 43 local community parties to address local concerns and feedback.
- Regular updates were disseminated through local media and newsletters about Company activities.
- Social media engagements were held to inform and interact with the community.
- Community investment programs to support local infrastructure and social services were held through our CSR activities.

## Sustainability Principles

Considering the output of stakeholder engagements, the Company has derived key focus areas or principles for sustainability reporting, together with progress on commitments. These areas are believed to address the growing interests and expectations of the stakeholders across environmental, social and governance dimensions.



### CLIMATE CHANGE

*Reducing the negative impact of our operations on the environment and addressing the challenges of climate change.*



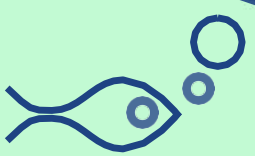
### QUALITY OF LIFE & PEOPLE DEVELOPMENT

*Promoting good quality of life through health, safety and development, and empowering our employees, customers, and other stakeholders while enriching their lives and making every day better.*



### RESPONSIBLE BUSINESS PRACTICES

*Promoting transparency, accountability, and good governance in all aspects of our operations.*



## Materiality Analysis

These material topics have been identified through an internal assessment conducted in reference to the stakeholder engagements carried out. Additionally existing and upcoming standards and reporting requirements were considered.

In 2023, we performed a materiality refresh to assess whether the sustainability focus areas, ESG material topics, metrics and goals remain relevant and appropriate. A topic was considered material if the company had an actual or potential significant impact on people or the environment connected to the topic. The topic was also material if it triggered financial effects on the Company that are likely to influence future cash flow.

Upon completion of the materiality refresh and review of 2023 stakeholder engagements, the 10 material topics identified in 2022 was reduced to 5 in 2023, to derive better targets and to improve focus on its implementation.

## Environmental

### CLIMATE CHANGE



#### Material Topics:

- Energy
- Water, waste and effluents



#### Target:

- Reduce energy and other resource consumption to support climate change.
- Reduce impact on the environment and society by our operations.

## Social

### QUALITY OF LIFE & PEOPLE DEVELOPMENT



#### Material Topics:

- Employee health & safety
- Engagement, diversity and inclusion



#### Target:

- Implement improved quality of life through health and safety, diversity, equity, and people development.
- Create sustained value for improved communities.

## Governance

### RESPONSIBLE BUSINESS PRACTICES



#### Material Topics:

- Business ethics and transparency



#### Target:

- Achieve high standards in governance, business conduct, ethics, and transparency.



- Reduce energy and other resource consumption to support climate change.
- Reduce impact on the environment and society by our products and services portfolio.

## Environment; Contribute to a low carbon society and the environment as a whole.

Our contribution to a low carbon society and environment comprises of 2 parts. That is to act responsibly by supporting the Governments sustainability goals while also embedding energy efficient practices in our operations.

As the leading provider of fuel in the Maldives, we recognize the significant role we play in upholding energy security while advancing sustainable practices to address climate change. However, the challenge lies in developing and implementing solutions quickly and on a large scale, all while minimizing emissions. This is a complex and costly endeavor that cannot be achieved in a short timeframe. As an emerging market we face additional hurdles in achieving sustainable development while meeting the demand for affordable and reliable energy.

Associated UNGC principles:



STO supports the Government's target of reducing emissions by 26%, by 2030 (compared to current levels), and the goal of reaching net zero emissions by 2030, (contingent upon international support). We understand that achieving these targets will require numerous large-scale projects across various sectors, and we are fully committed to supporting them. Therefore, with a focus on energy security and affordability, STO continues to invest in capital expenditure to ensure the storage and supply of high-quality, reliable, and low-carbon-intensity fuel, as demanded by customers.

Additionally, we aim to reduce carbon emissions within our operations. Our strategy for reducing emissions includes investing in energy-efficient digital technologies, increasing the availability of energy-efficient products in our portfolio, utilizing alternative energy sources, and integrating energy-efficient practices into our operations.



## Ambitions



## 1. Review carbon footprint of STO operations (from 2021 baseline) to derive a net zero target and alternative energy means for the company.

### Plan & Progress

To this end, a comprehensive study was conducted by Paia Consulting, Singapore, in 2021, which identified the carbon footprint of STO operations, excluding the ready-mix operation of Construction Materials. The study revealed that the company emitted 2,171 tCO<sub>2</sub>e through Scope 1 (direct emissions from fuel combustion in company-owned or controlled sources) and 3,411 tCO<sub>2</sub>e through Scope 2 (indirect emissions associated with purchased electricity, heating, or cooling). Additionally, fuel consumption records indicated that in 2022, STO consumed 6.3 million liters of fuel, resulting in approximately 7,351 tCO<sub>2</sub>e emissions under Scope 1, and in 2023, 9.4 million liters of fuel were consumed, leading to approximately 10,824 tCO<sub>2</sub>e emissions under Scope 1. (calculated by type of fuel and without the inclusion of fugitive emissions).

With the increase in fleet, changing businesses and company operations, STO has decided to reassess the carbon footprint, together with developing a long-term emission reduction plan for the Company

### Impact



Reviewing and understanding our carbon footprint allows us to set realistic and measurable net zero targets. This initiative will assist the Company to lead significant activities to reduce GHG emission from our operations, fostering an overall positive environmental impact. Furthermore, researching and identifying alternative energy sources with plans to transition or offset carbon emission, will improve energy security, and stimulate innovation in renewable technologies. These steps will also enhance our corporate reputation and attract sustainability-focused stakeholders.



Implementing changes to reduce emission or achieving net zero can be financially burdensome, requiring substantial investment in new technologies and infrastructure. There may also be operational disruptions if we choose to transition to alternative energy sources. Additionally, the accuracy of initial carbon footprint assessments can be challenged by the exclusion of certain operations or fugitive emissions, potentially leading to incomplete mitigation strategies.

### Mitigation

To address the potential negative impacts of our carbon neutrality ambition, we will implement a series of strategic mitigation steps. Financial planning is crucial; we plan to secure funding and allocate resources efficiently to manage the costs, without compromising our financial stability. We will ensure comprehensive inclusion by regularly updating our carbon footprint assessments to cover all emissions sources, guaranteeing our mitigation strategies are thorough. Engaging with stakeholders, including employees, suppliers, and customers, will be essential to secure support and collaboration in achieving our net zero targets. Additionally, we will establish a robust monitoring and reporting system to continuously track progress, make necessary adjustments, and maintain transparency with all stakeholders, ensuring that our journey remains on course and effective. The Company will also explore carrying out tree plantation programs and invest in carbon markets to offset targeted amounts of emitted carbon.

## 2. Achieve 100% compliance with IMO regulations for STO fleet.

### Plan & Progress

We have fully implemented all mandatory conventions and resolutions adopted by the IMO, including SOLAS 74, MARPOL 73/79, ISM Code, ISPS Code, MLC 2006, and BWM, to ensure the highest levels of safety and security in all our fleet operations. Additionally, we have developed the Ship Energy Efficiency Management Plan Part 3 (SEEMP Part III) to comply with the Carbon Intensity Index (CII) requirement of MARPOL, aiming to minimize air pollution from ships through measures such as speed and route optimization and operational improvements. We have also implemented the Energy Efficiency Existing Index (EEXI) calculation, a new MARPOL requirement that measures the energy efficiency of a ship based on factors like vessel size, age, propulsion system, and operational profile, further committing to minimizing air pollution and reducing our carbon footprint. To meet the IMO sulfur cap 2020, we use low sulfur fuel (LSFO) or very low sulfur oil such as MGO, limiting sulfur content in fuel upto 0.5% to reduce harmful sulfur oxide emissions. Our Vessel Safety Management system is continuously monitored and updated to maintain compliance with ISM, ISPS codes, and the MLC convention. We adhere to a green purchase policy to enhance the energy efficiency of our vessels and minimize environmental pollution, sourcing eco-friendly products and services that meet the highest environmental standards and encouraging our suppliers to adopt environmentally friendly practices.

### Impact



Achieving 100% compliance with IMO regulations ensure that our fleet operates at the highest standards of safety and environmental responsibility. This compliance will lead to significant reductions in air and water pollution, contributing positively to marine ecosystems and public health. Moreover, adhering to these regulations enhance our corporate reputation, making us a preferred partner for environmentally conscious clients and stakeholders. The implementation of SEEMP Part III and EEXI lead to operational cost savings through improved fuel efficiency and optimized vessel performance.



The financial burden of implementing and maintaining compliance with IMO regulations is substantial, requiring continuous investment in new technologies, equipment, and training. There are also operational challenges and disruptions as we integrate new systems and practices. Additionally, sourcing low sulfur fuel and eco-friendly products is costly.

### Mitigation

To mitigate these challenges, we will adopt a comprehensive financial strategy to ensure adequate funding and efficient resource allocation for compliance activities. Continuous training programs will be implemented to keep our personnel up-to-date with the latest regulations and best practices. We are also engaging in strategic partnerships and bulk purchasing agreements to manage the costs of low sulfur fuel and eco-friendly products. Furthermore, continuous monitoring and performance evaluation are conducted to optimize the efficiency and cost-effectiveness of our compliance efforts, ensuring that we meet our regulatory obligations.

## 3. Ensure 99% of our electronic product portfolio consist of energy efficient products by 2028.

### Plan & Progress

Currently, 80% of our electronic product portfolio consists of energy-efficient products. STO's products have also been recognized by the Ministry of Climate Change, Environment and Energy, receiving the "Hakathari Star" for 44 of our major home electronic products over the past three years, with 6 products awarded in 2022, 20 in 2023, and 18 in 2024.

### Impact



Achieving this ambition will lead to substantial reductions in energy consumption and GHG emission, contributing positively to overall environmental sustainability. More importantly, consumers will benefit from lower energy bills and a reduced carbon footprint, enhancing customer satisfaction and loyalty. This commitment to energy efficiency will also bolster our market competitiveness, positioning STO among the leaders offering sustainable electronic products. Prestigious and credible awards like the "Hakathari Star" enhances our brand reputation, attracting eco-conscious consumers and investors.



Transitioning to a predominantly energy-efficient product portfolio can incur higher sourcing costs. There may be challenges and additional costs incurred in maintaining the pace of innovation and ensuring that all products that we offer meet stringent energy efficiency criteria. Additionally, the investment in research, as well as the certification processes, can be substantial.

### Mitigation

We have already begun forming robust partnerships with our suppliers and manufacturers to help source cost-effective, energy-efficient products. Additionally, we will establish continuous monitoring processes within our product portfolio to stay updated on innovation trends and competitive products in energy efficiency. To manage costs and ensure a smooth transition, we have adopted a phased plan aimed at achieving our 2028 target. Our goal is to reach 100% energy-efficient products by educating customers on the benefits. Furthermore, we will leverage our recognized achievements, such as the "Hakathari Star," in marketing campaigns to enhance brand value and attract investment, supporting both our financial and sustainability goals. We also plan to apply for further recognitions in the future.

## 4. Introduce at least 01 environment friendly and energy efficient product or service, into the product portfolio of STO Construction Materials, annually.

### Plan & Progress

STO Power Mix operations utilize ISO 9001:2015 certified C-70 cement and have introduced green concrete in June 2023, which emits approximately 40% less CO2 than regular concrete. We have also introduced Autoclave Aerated Blocks (AAC) made from recycled industrial waste (fly ash) and non-toxic ingredients, which use less energy and emit up to 90% less CO2 compared to clay bricks. Our product portfolio includes KONE lifts, manufactured by the first company in the elevator industry to operate CO2-neutral production facilities worldwide; these lifts are A-class energy efficient, adhering to the ISO 25745 standard, with lifetime guaranteed lift parts. Additionally, we offer highly energy-efficient Makita tools, known for their battery recycling efficiency, and low VOC Nippon paint, which emits fewer harmful chemicals into the air.

Our plan is to introduce further energy efficient products and services that compliment the operations of our construction segment.

### Impact



Introducing environment-friendly and energy-efficient products into our construction materials portfolio contributes significantly to reduce the environmental footprint of our operations. As such, the green concrete and AAC blocks lead to substantial CO2 emission reductions, contributing to better air quality and mitigating climate change. Products like KONE lifts and Makita tools not only reduce energy consumption but also set industry benchmarks for sustainability. Low VOC paints improve indoor air quality, benefiting the health of occupants. These initiatives enhance our corporate image, attract eco-conscious consumers, and foster long-term sustainability.



Research and sourcing of new environment-friendly products can incur higher costs due to advanced materials and technologies used. Market acceptance of new products can also be uncertain, and educating consumers about the benefits of these products may require additional marketing efforts and resources.

### Mitigation

Forming strategic partnerships with suppliers is believed to ensure competitive prices and timely sourcing of latest innovative products. We will invest in quality assurance processes to maintain high standards for all new products. To ensure market acceptance, we will conduct targeted marketing campaigns and provide educational resources to inform consumers about the environmental and energy efficiency benefits of our products. Additionally, we will leverage the recognitions and awards received to the brands we deal with, building credibility and trust among consumers and stakeholders, thereby facilitating the successful introduction of new products into the market.

## 5. Adopt alternate means of energy sources in the warehouses and office buildings.

### Plan & Progress

In 2022, STO spent MVR17.6 million, and in 2023, MVR17.2 million, on energy consumed through the local power station. We are currently developing plans to reduce this expenditure and identify the amount of CO2 emitted through Scope 2 for the company. A significant step in this direction is our solar panel pilot project at the STO Staple Food warehouse, which now runs on 100% clean energy.

### Impact



Transitioning to alternative energy sources such as solar power will significantly reduce our GHG emissions. This shift will not only contribute to global efforts to combat climate change but also lower operational costs in the long term. Additionally, showcasing our commitment to sustainability through visible projects like the solar-powered warehouse enhances our corporate image, attracting environmentally conscious clients, investors and other stakeholders.



The initial investment required for installing alternative energy systems can be high. There may also be technical challenges related to integrations with existing infrastructure and ensuring consistent energy supply. The pilot project requires careful monitoring and potential adjustments to optimize performance and efficiency. Furthermore, it could result in additional costs associated with the requirement of continuous training for employees to manage and maintain the new systems effectively.

### Mitigation

To mitigate these challenges, we will adopt a phased implementation approach, starting with pilot projects to gather data and optimize performance before scaling up. Securing financial incentives, grants, and partnerships with renewable energy providers and investors, to offset initial costs is also planned. We believe that the continuous monitoring and evaluation of pilot projects will provide us with insights for improving efficiency and addressing any technical issues promptly. Training programs for employees will be established to equip them with the necessary skills to manage and maintain new energy systems.

## 6. Replace 100% lights used in all office premises and warehouses to energy efficient lights and establish smart lighting systems by 2030.

### Plan & Progress

By the end of 2023, we installed LED lights in 70% of all office premises and buildings. Additionally, we use energy-efficient freezers and air conditioners at majority of our office premises.

### Impact

**+** Replacing all lights with energy-efficient LED alternatives will lead to substantial reductions in energy consumption and eventually to GHG emissions. LED lights consume significantly less energy and have a longer lifespan compared to traditional lighting, resulting in lower operational costs and reduced maintenance. The establishment of smart lighting systems will optimize energy use, leading to additional savings and environmental benefits. This initiative will also improve the overall working environment by providing better lighting quality.

**-** The primary challenge is the initial cost of purchasing and installing LED lights and smart lighting systems. Upgrading the remaining 30% of our facilities and implementing smart systems requires substantial capital investment. Additionally, there may be technical and logistical challenges associated with retrofitting older buildings and integrating new technologies with existing infrastructure.

### Mitigation

To mitigate these challenges, we have adopted a phased approach to the installation of LED lights and smart systems, spreading the cost over several years and prioritizing high-impact areas first. Comprehensive planning and feasibility studies will be conducted to ensure seamless integration of new technologies with existing infrastructure. Training programs will be provided to employees to ensure they are comfortable and proficient with the new systems. Additionally, continuous monitoring and evaluation will be conducted to track progress, optimize performance, and make necessary adjustments.

## 7. By 2027, fully relocate Funadhoo fuel terminal with improved technology, to a socially safer location.

### Plan & Progress

We have identified a location and are currently conducting a survey on reclamation. Plans are being drawn to invest in the setup of a new automated and energy-efficient terminal.

### Impact



Relocating the Funadhoo fuel terminal to a socially safer location will significantly reduce risks associated with fuel storage and handling, enhancing community safety and well-being. The new terminal, equipped with improved technology, will optimize fuel management, reduce operational costs, and enhance energy efficiency. Automated systems will ensure more accurate and efficient fuel dispensing and storage, leading to lower emissions and reduced environmental impact. This initiative will also demonstrate STO's commitment to corporate social responsibility and environmental stewardship, bolstering our reputation and stakeholder trust.



The relocation and establishment of a new terminal involve significant financial investment, including costs for land reclamation, construction, and technological upgrades. Reclamation could lead to negative impacts on the biodiversity. The project may face logistical challenges, regulatory approvals, and potential delays. Disruption during the transition period could affect fuel supply operations and incur additional costs. Additionally, there may be resistance from stakeholders accustomed to the existing terminal.

### Mitigation

To address these challenges, a comprehensive project management plan will be developed, ensuring detailed timelines, budget allocations, and risk assessments. At the same time, Company is exploring means to secure financial costs of this project through grants, loans, or partnerships and governments assistance. Engaging with regulatory authorities early in the process has facilitated timely approvals and compliance with legal requirements. A phased transition plan will be implemented to minimize disruption to fuel supply operations, ensuring continuity of service. Stakeholder engagement will be prioritized, including communication and consultation with local communities, employees, and other stakeholders to address concerns and build support for the project. Continuous monitoring and evaluation throughout the project will be conducted to ensure that any issues are promptly addressed, and the project stays on track to meet the 2027 deadline.



## 8. Achieve 0% oil spills and accidents in fuel terminal operation.

### Plan & Progress

Response and immediate mitigation plans are in place, with the necessary staff at the Funadhoo fuel terminal being trained to act responsibly in such situations. Firefighting and accident response trainings were renewed for staff in 2023. Upgrading projects for Fireline and Automatic Gauging system is being carried out. There were no reported oil spills in 2023. Additionally, the MNDF is present at the terminal to immediately attend to terrorism and other threats.

### Impact



Achieving zero oil spills and accidents will significantly reduce environmental pollution and protect marine ecosystems, contributing to overall environmental sustainability. This goal will also enhance the safety and well-being of employees and nearby communities, fostering trust and confidence among stakeholders. By preventing spills and accidents, we will avoid costly cleanup operations and potential legal liabilities. The implementation of advanced safety measures and regular training will create a culture of safety and responsibility, improving overall operational efficiency and reliability. Achieving this ambition will also strengthen our reputation as a responsible and environmentally conscious company, attracting eco-friendly investors and partners.



Maintaining a zero-incident record requires continuous investment in training, equipment upgrades, and safety systems, which is financially demanding. There is also the challenge of ensuring that all staff consistently adhere to safety protocols and respond effectively in emergency situations. Potential technical issues with the upgraded systems may arise, requiring timely maintenance and troubleshooting. Additionally, the presence of the MNDF, while beneficial for security, necessitate ongoing coordination and communication efforts.

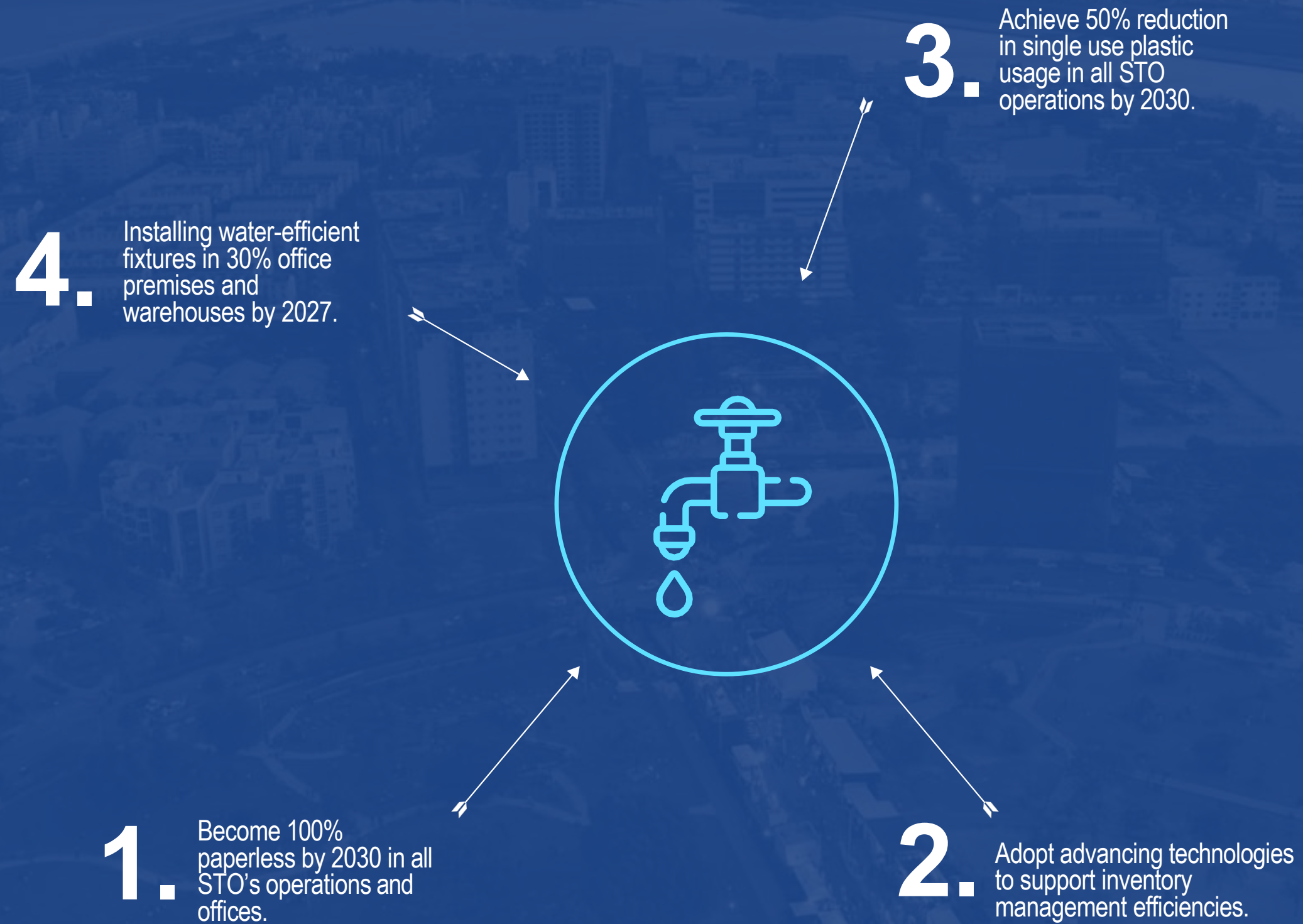
### Mitigation

To address these challenges, STO will adopt a proactive approach to safety management. Continuous investment in safety equipment and systems will be prioritized to prevent and respond to incidents. Regular training and drills for staff will be conducted to maintain a high level of preparedness and adherence to safety protocols. A robust maintenance and inspection schedule will be implemented to promptly identify and address any technical issues with safety systems. Effective communication and coordination with the MNDF will be maintained to ensure seamless integration of security measures. Additionally, enhancements will be made to crisis management policies to ensure constant monitoring and evaluation, to track safety performance, identify potential risks, and implement corrective actions promptly.

# WATER, WASTE, AND EFFLUENTS / CIRCULAR ECONOMY

## Ambitions

SUSTAINABILITY  
Report  
ENVIRONMENT  
**03**



# WATER, WASTE, AND EFFLUENTS / CIRCULAR ECONOMY

## 1.

Become 100% paperless by 2030 in all STO's operations and offices.

### Plan & Progress

We have achieved 100% paperless daily operations in 8 out of 13 departments, up from 7 departments in 2022. This progress has been facilitated by "Dhoadhiflow," our internally developed software that automates all internal approval processes, including service requests, internal purchases, and other requests, resulting in 80% automation of internal approvals. Our target is to complete 100% automation through this facility by 2026. Additionally, we are currently deliberating the digitization of invoices, bills, delivery notes, and other similar documents.

### Impact



Transitioning to a paperless operation significantly reduces our environmental footprint by decreasing paper consumption and waste. This shift will result in substantial cost savings related to paper procurement, printing, and storage. Automation through "Dhoadhiflow" enhances operational efficiency, reduces processing time, and minimizes errors associated with manual handling. Going paperless has also improved data security and accessibility, as digital records are securely stored and easily retrieved.



The transition to a paperless system requires a substantial initial investment in technology, software development, and staff training. There may be resistance from employees accustomed to traditional paper-based processes, necessitating change management efforts. Technical challenges, such as ensuring the reliability and security of digital systems, will be addressed. Additionally, digitizing legacy documents and records can be time-consuming and resource-intensive.

### Mitigation

To mitigate these challenges, STO will adopt a phased approach to implementing paperless processes, allowing time for gradual adaptation and troubleshooting. Comprehensive training programs will be developed to equip employees with the necessary skills and knowledge to navigate new digital systems confidently. Change management strategies, including regular communication and support, will be employed to address resistance and foster a culture of digital adoption. Robust cybersecurity measures and regular system maintenance will be conducted to ensure the reliability and security of digital records. Lastly, a dedicated team will oversee the digitization of legacy documents, ensuring a smooth and efficient transition to a paperless operation.

# WATER, WASTE, AND EFFLUENTS / CIRCULAR ECONOMY

## 2. Adopt advancing technologies to support inventory management efficiencies.

### Plan & Progress

The rollout of SAP ERP and S4/Hana is scheduled for mid-2024, and it is expected to streamline processes, reduce manual work, and increase overall efficiency. The introduction of "Odihanu," a program designed to monitor and request goods between institutional customers and STO Medicals, has significantly improved the procurement process for medical supplies and equipment. This program allows real-time tracking of goods in transit, streamlines the approval process, reduces the risk of stock-outs, and enhances inventory management efficiency. Additionally, the STO Smart Store, opened in 2023, is a technology-based store that eliminates the need for cashiers, allowing customers to purchase products using advanced technology. It is the first store of its kind in the Maldives.

### Impact



Implementing advanced technologies such as SAP ERP and S4/Hana will lead to significant improvements in inventory management by automating and integrating various processes, thereby reducing manual work and human error. Real-time tracking and streamlined approval processes through programs like "Odihanu" enhance the accuracy and efficiency, reducing the risk of stock-outs and ensuring timely delivery of medical supplies. The STO Smart Store's cashier-less system provides a modern and efficient shopping experience, reducing labor costs and improving customer satisfaction. Overall, these technologies will enhance operational efficiency, reduce costs, and improve the accuracy of inventory management, positioning STO as a leader in innovation and technology adoption.



The implementation of advanced technologies requires substantial financial investment in software, hardware, and training. There may be technical challenges during the rollout and integration phases, which could disrupt existing operations. Employees may face a learning curve as they adapt to new systems, requiring comprehensive training and support. Additionally, the transition to technology-based systems may involve risks related to cybersecurity and data privacy, necessitating robust security measures.

### Mitigation

To address these challenges, STO has developed a detailed implementation plan for SAP ERP and S4/Hana, including timelines, budget allocations, and risk assessments. Comprehensive training programs will be provided to employees to ensure they are equipped to use the new technologies effectively. A phased rollout approach has been adopted to minimize disruption and allow for troubleshooting and adjustments. Robust cybersecurity measures are being implemented to protect data privacy and ensure the security of digital systems. Continuous monitoring and evaluation will be conducted to track progress, identify issues, and implement corrective actions promptly.

# WATER, WASTE, AND EFFLUENTS / CIRCULAR ECONOMY

## 3. Achieve 50% reduction in single use plastic usage in all STO operations by 2030.

### Plan & Progress

Ninety percent of our staff now use glass bottles provided by the company to fill water, significantly reducing plastic waste. Additionally, we have observed an 87% reduction in plastic bag usage in our shops, reflecting our commitment to minimizing environmental impact.

### Impact



Reducing single-use plastic usage will significantly decrease plastic waste, contributing to a cleaner environment and reducing pollution in landfills and oceans. This initiative will enhance STO's reputation as an environmentally responsible organization, attracting eco-conscious customers, employees and other stakeholders. We believe, promoting reusable alternatives and better waste management practices will also foster a culture of sustainability among employees and customers, encouraging broader environmental awareness and action. Additionally, reducing reliance on single-use plastics can result in cost savings over time.



Transitioning away from single-use plastics involve initial costs for providing reusable alternatives and implementing new waste management systems. Employees and customers need time to adjust to the new practices, which could temporarily affect convenience and satisfaction. There may also be logistical challenges in ensuring a consistent supply of reusable items and managing the transition effectively across all operations.

### Mitigation

To mitigate these challenges, STO will adopt a phased approach to reducing single-use plastics, allowing for gradual adaptation and minimizing disruption. We will invest in high-quality, durable reusable alternatives to ensure employee and customer satisfaction. Comprehensive awareness campaigns will be conducted to educate staff and customers about the importance of reducing plastic waste and how they can contribute. Incentives and rewards will be introduced to encourage the adoption of sustainable practices. Additionally, we will establish partnerships with suppliers and waste management companies to ensure a steady supply of reusable items, responsible elimination of waste, and effective recycling processes. Continuous monitoring and feedback mechanisms will be implemented to track progress, address issues, and make necessary adjustments.

# WATER, WASTE, AND EFFLUENTS / CIRCULAR ECONOMY

## 4. Installing water-efficient fixtures in 30% office premises and warehouses by 2027.

### Plan & Progress

In 2022, STO spent MVR 4.8 million on water consumption, which increased to MVR 5.6 million in 2023. Consequently, we are actively gathering data on our water consumption and exploring measures to reduce usage.

### Impact



Installing water-efficient fixtures will lead to significant reductions in water consumption, lowering operational costs and contributing to environmental sustainability. By reducing water usage, STO will help conserve this vital resource, supporting broader sustainability goals and contributing to community water conservation efforts. This initiative will enhance our reputation as an environmentally responsible company, attracting employees, customers and partners who prioritize sustainability. Improved water efficiency can also lead to cost savings, freeing up resources for other strategic initiatives. Additionally, fostering a culture of water conservation among employees can promote broader awareness and adoption of sustainable practices.



Implementing water-efficient fixtures requires initial financial investment for purchasing and installing new equipment. There may be disruptions to normal operations during the installation process, potentially affecting employee productivity. Ensuring that all employees understand and adhere to new water-saving practices will require additional training and awareness campaigns. Moreover, accurately tracking water consumption and measuring the effectiveness of the new fixtures can be challenging, particularly in diverse, conservative and large-scale operations.

### Mitigation

To address these challenges, STO will conduct a comprehensive audit to identify areas with the highest water consumption and prioritize them for the installation of water-efficient fixtures. A phased implementation plan will be developed to spread out the costs and minimize disruptions to operations. Training programs and awareness campaigns will be conducted to educate employees about the importance of water conservation and how to use the new fixtures effectively. Monitoring systems will be put in place to track water consumption and evaluate the impact of the new fixtures, ensuring continuous improvement and optimization.



- Implement improved health and safety, diversity, equity, and people development.
- Create sustained value for improved communities.

## Strategic Principle: Improve the quality of life and create empowered teams that contribute to a better society.

STO plays a pivotal role in driving national economic diversification and advancing the country's development. Our aim is to create initiatives that not only deliver value to our shareholders but also create job opportunities and contribute to the overall progress of the nation's economy and society.

Our long-term success heavily relies on the strength of our relationships with employees, customers, shareholders, suppliers, and local communities. As STO expands and evolves, we prioritize building and improving local workforce capabilities and supply chain infrastructure to support our future growth plans.

### Associated UNGC principles:



While we have various initiatives underway across the organization, our focus is on establishing platforms for collaboration and knowledge sharing among individuals. We are committed to nurturing a safe, respectful, and intellectually stimulating work environment where everyone can flourish. Additionally, we place significant emphasis on maintaining robust safety standards as a core value and essential aspect of our operations, ensuring the well-being of our people, assets, and the environment.

Below is our progress over the ambitions in this area, together with the risk assessment summary and mitigation strategies where required.

# ORGANIZATIONAL HEALTH & SAFETY

## Ambitions

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# ORGANIZATIONAL HEALTH & SAFETY

## 1. Achieve zero fatalities or life altering, recordable injuries at work.

### Plan & Progress

Unfortunately, a contractor's staff member lost his life while installing a lift for one of our customers. In contrast, we have achieved zero fatalities among employees in our operations. A key initiative that contributed to this success is the establishment of palletization in the staple food godown, which is typically a labor-intensive operation.

In 2023, we conducted 04 safety training sessions for staff and regularly reviewed operating procedures to ensure safe working practices. As a result, there were zero life-altering and recordable injuries throughout the year.

### Impact

+

Achieving zero fatalities at work will significantly enhance the safety and well-being of all employees and contractors, fostering a secure and healthy working environment. This commitment to safety will improve employee morale, reduce absenteeism, and enhance productivity. Moreover, it will strengthen STO's reputation as a responsible and caring employer, attracting top talent and fostering trust among stakeholders. By implementing robust safety measures, we can minimize the risk of accidents and associated costs, ensuring uninterrupted operations and maintaining a positive corporate image.

-

Achieving and maintaining zero fatalities require substantial investment in safety equipment, training programs, and continuous monitoring. There may be resistance to new safety protocols and changes in established practices, leading to potential disruptions during the transition period. Additionally, ensuring contractor compliance with our safety standards can be challenging, especially when contractors have their own set of procedures and safety culture.

### Mitigation

To mitigate these challenges, STO will adopt a comprehensive approach to workplace safety. We will invest in safety equipment and technology to protect employees and contractors. Regular and mandatory safety training programs will be conducted to keep all personnel informed and skilled in the latest safety practices. A robust safety culture will be fostered through continuous communication, engagement, and reinforcement of safety protocols. To address resistance to changes, we will involve employees and contractors where required, in the development and implementation of safety measures, ensuring their buy-in and cooperation.

Additionally, stringent safety standards will be enforced for contractors, with regular audits and inspections to ensure compliance. Collaboration with contractors to align safety practices and provide necessary training will be prioritized.

# ORGANIZATIONAL HEALTH & SAFETY

## 2. Ensure safe and appealing working conditions for 100% staff by 2030.

### Plan & Progress

In 2023, the modernization of workspaces was undertaken for seven departments, creating a pleasant and appealing working environment for staff, which has received very positive feedback. The Company follows preventive and scheduled maintenance procedures to ensure work sites are in safe working conditions for staff. Further plans are being developed to construct better facilities by 2030, including a new office building and a central warehouse.

### Impact

**+** Creating safe and appealing working conditions has significantly enhanced employee satisfaction, morale, and productivity. Modern, well-maintained workspaces can improve overall well-being and reduce stress, leading to higher levels of engagement and performance. Ensuring safety through preventive maintenance has reduced the risk of accidents and injuries, fostering a secure work environment. This commitment to providing a high-quality work environment will strengthen STO's reputation as an employer of choice, helping attract and retain top talent.

**-** The modernization and maintenance of workspaces, along with the construction of new facilities, require substantial financial investment. There may be temporary disruptions to daily operations during renovation and construction activities. Ensuring consistent safety and appeal across all work sites can be challenging, particularly in diverse locations with varying needs and conditions. Additionally, managing employee expectations and ensuring that upgrades meet their needs and preferences are complex.

### Mitigation

To mitigate these challenges, STO will adopt a phased approach to modernization and construction projects, minimizing disruptions by planning work during off-peak hours as much as possible and ensuring clear communication with employees about timelines and impacts. Regular feedback mechanisms will be established to gather employee input on workspace improvements, ensuring that upgrades align with their needs and preferences. Preventive and scheduled maintenance procedures will be rigorously followed to maintain high safety standards. We will also establish a dedicated team to oversee the development and implementation of new facilities, ensuring timely and efficient execution.

# ORGANIZATIONAL HEALTH & SAFETY

## 3. Emergency preparedness through programs covering safe operations, preventive maintenance, and asset integrity.

### Plan & Progress

We have established an Emergency, Health, and Safety Committee (EHSC) that regularly addresses issues related to health and safety issues and the implementation of actions for improvement. A comprehensive Health and Safety Policy has been put in place, and necessary procedures are being implemented in accordance with the policy. To further enforce these measures, we are in the process of assigning a dedicated Safety Officer who will check on and mitigate risks in this aspect, ensuring necessary actions are taken.

Additionally in 2023, we conducted four safety training courses for 83 employees and organized two fire drills on office premises to enhance preparedness and safety awareness among our staff.

### Impact



Implementing robust emergency preparedness programs enhances the overall safety and well-being of employees, reducing the risk of accidents and health issues. Regular health screenings and preventive maintenance activities help identify and mitigate potential risks early, ensuring a safer work environment. The presence of a dedicated Safety Officer ensures continuous monitoring and prompt response to safety concerns, fostering a culture of vigilance and responsibility. These initiatives will also boost employee confidence and morale, knowing that their health and safety are prioritized. Furthermore, maintaining high safety standards and asset integrity will improve operational efficiency, reduce downtime, and prevent costly incidents.

■ The implementation and maintenance of comprehensive safety and emergency preparedness programs require significant financial investment and resources. Ensuring consistent compliance with safety protocols across all departments and locations can be challenging. There may be initial resistance from employees to new safety measures and procedures. Additionally, organizing and conducting regular health screenings and preventive maintenance activities can disrupt regular operations and require careful scheduling and management.

### Mitigation

To mitigate these challenges, STO will secure the necessary financial resources and allocate them efficiently to support safety and emergency preparedness programs. Continuous training and communication will be provided to ensure all employees understand the importance of safety protocols and their roles in maintaining a safe work environment. Regular audits and inspections will be conducted to ensure compliance with safety standards. Scheduling health screenings and preventive maintenance activities during non-peak hours or staggered intervals will minimize operational disruptions. We believe engaging employees in safety initiatives and encouraging feedback will help foster a culture of safety and ownership.

# ORGANIZATIONAL HEALTH & SAFETY

## 4. Support our employees in pursuit of a work-life balance experience that enhances their wellbeing.

### Plan & Progress

Counseling is facilitated through staff insurance for all employees, providing essential mental health support. Over 50 employees work on a flexible schedule, while over 20 employees work from home, promoting a better work-life balance. In 2023, 67 employees took maternity leave, and 55 employees took paternity leave, compared to 105 maternity leaves and 64 paternity leaves in 2022. Additionally, we conducted training sessions on stress relief, anger management, and time management. Daycare enrollment opportunities with financial assistance are available, with over 30 staff currently enrolled.

Furthermore, 16 partners have joined the STO Staff Privilege Program, offering benefits such as discounts and priority services to our employees.

Additionally, three health screening programs, including cancer screening and eye care, were conducted for staff in 2023, compared to one in 2022.

### Impact



Supporting work-life balance and employee well-being will lead to higher job satisfaction, reduced stress levels, and improved mental health among employees. This approach fosters a positive workplace culture, increasing employee loyalty and reducing turnover. Flexible working schedules and remote work options can enhance productivity by allowing employees to work in environments where they are most comfortable and efficient. Access to counseling and mental health support ensures that employees have the resources they need to manage stress and personal challenges effectively.

Providing benefits such as daycare and the STO Staff Privilege Program demonstrates STO's commitment to employee well-being, enhancing our reputation as an employer of choice and attracting top talent.

Implementing and maintaining comprehensive well-being programs can be financially demanding. Managing flexible schedules and remote work arrangements present logistical challenges and require adjustments in communication and team collaboration practices. Ensuring that all employees equally benefit from these programs can be complex, particularly in diverse roles and locations. Additionally, measuring the effectiveness of well-being initiatives and making data-driven adjustments can be seen challenging.

### Mitigation

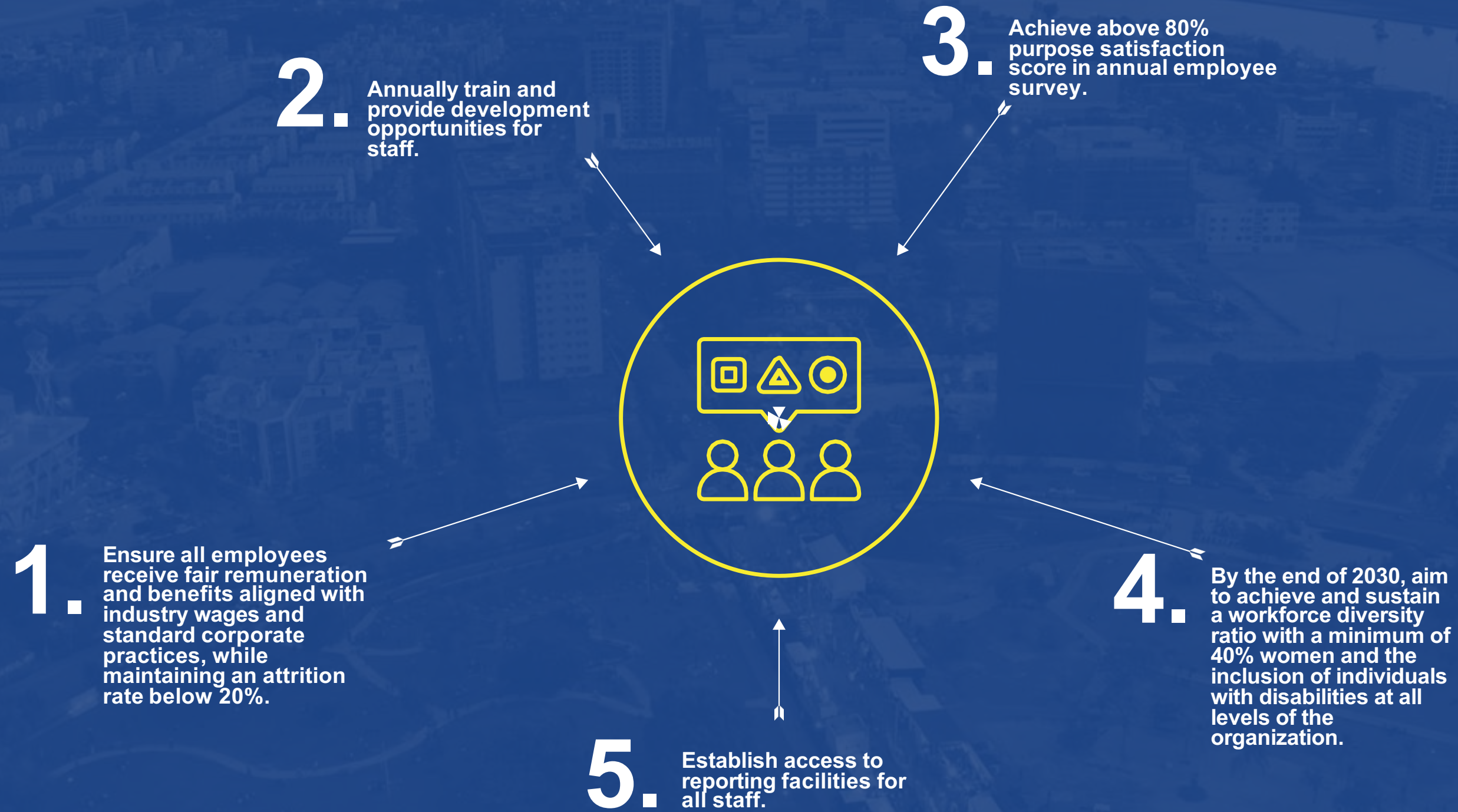
To address these challenges, STO will adopt strategic well-being programs for the Company. We will implement robust communication tools and practices to support flexible schedules and remote work, ensuring seamless team collaboration and productivity. Regular feedback mechanisms will be established to gauge employee satisfaction and identify areas for improvement in our well-being initiatives. Training managers and leaders to support and promote work-life balance will help embed these values into the organizational culture.

Additionally, we will continually assess the effectiveness of our programs through surveys and performance metrics, making necessary adjustments to meet the evolving needs of our workforce.

# EMPLOYMENT ENGAGEMENT, DIVERSITY, AND INCLUSION

## Ambitions

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# EMPLOYMENT ENGAGEMENT, DIVERSITY, AND INCLUSION

## 1. Ensure all employees receive fair remuneration and benefits aligned with industry wages and standard corporate practices, while maintaining an attrition rate below 20%.

### Plan & Progress

In 2023, STO concentrated on enhancing the overall benefits package for employees to create a supportive and rewarding work environment. This included upgrading benefits, expanding training opportunities, and offering flexible work arrangements. These efforts proved successful, as we maintained an attrition rate below 20%, specifically at 12%, the same as the previous year. These initiatives highlight our commitment to fostering a stable and engaging workplace where employees feel valued and motivated. We ensure that wages and benefits meet or exceed legal and industry minimum standards. Notably, STO was the first company to implement the Government's minimum wage regulation, showcasing our leadership in employee compensation and welfare. In 2023, we allocated MVR 2.37 million towards retirement benefits. Our workforce has an average age of 36 years, with the average retirement age being 50 years. All employees have access to company-sponsored health insurance packages, and 100% of our staff are also enrolled in company-provided life insurance.

### Impact

Ensuring all employees receive fair remuneration and benefits aligned with industry wages and standard corporate practices while maintaining an attrition rate below 20% leads to several positive impacts. Fair remuneration and benefits enhance employee satisfaction and motivation, fostering a sense of value and fairness. This approach helps attract and retain top talent, reducing recruitment and training costs and promoting a stable workforce. A positive organizational culture is cultivated, strengthening the company's reputation as an employer of choice. Compliance with legal and industry standards mitigates the risk of legal disputes and fosters trust and loyalty among employees. Additionally, satisfied employees are more engaged and productive, contributing to overall business performance, and improved morale can reduce absenteeism and increase employee engagement.

However, ensuring fair remuneration and benefits presents several challenges. Continuous financial investment is required, and budgetary constraints can arise, particularly during economic downturns or periods of financial instability. Balancing competitive wages with the company's financial health and profitability can be complex, potentially straining resources. Managing employee expectations regarding compensation and benefits adds another layer of complexity, and regularly updating compensation packages to remain competitive can be administratively burdensome. Ensuring fair compensation across diverse roles can lead to perceptions of inequity among employees, complicating the maintenance of a harmonious work environment.

### Mitigation

To mitigate the negative impacts of ensuring fair remuneration and benefits, STO has adopted a structured and systematic approach to compensation management. Regular market analysis and benchmarking is conducted to ensure wages remain competitive and fair, while proactive financial planning and budget allocation sustain fair remuneration practices without compromising financial stability. Open communication with employees about the company's compensation policies and any financial constraints help manage expectations and maintain trust. We will explore additional non-monetary benefits and rewards to complement fair wages, enhancing overall employee satisfaction and retention. Streamlining administrative processes and leveraging technology has reduced the burden of updating compensation packages. To address potential perceptions of inequity, clear criteria and transparent processes have been established for determining compensation and benefits across diverse roles, ensuring all employees feel fairly valued and rewarded. Regular reviews and adjustments will be made to maintain balance and fairness in compensation practices.

# EMPLOYMENT ENGAGEMENT, DIVERSITY, AND INCLUSION

## 2. Annually train and provide development opportunities for the staff.

### Plan & Progress

In 2023, we trained 427 staff members, an increase from 366 in 2022, and invested MVR 9 million in staff training and development, compared to MVR 12 million in the previous year. Additionally, 20 new staff members enrolled in the Udemy learning platform. We expanded our scholarship programs, opening 6 programs in 2023, up from 4 in 2022. To further support our employees' growth, we conducted 62 knowledge-sharing sessions and 10 induction programs, a significant increase from the 8 programs held in 2022.

### Impact



Providing regular training and development opportunities enhances employee skills, knowledge, and competencies, leading to increased productivity and performance. A well-trained workforce can adapt more easily to changing industry demands and technological advancements, ensuring STO remains competitive. Employee development programs also foster a culture of continuous learning and growth, boosting morale and job satisfaction. Investing in employee development helps attract and retain top talent, as individuals are more likely to stay with a company that invests in their professional growth. This commitment to training and development also enhances STO's reputation as a progressive and supportive employer.

■ Significant financial investment is required to sustain extensive training and development programs. Balancing the costs of training with other operational expenses can be challenging. Scheduling training sessions without disrupting daily operations requires careful planning and coordination. Ensuring that the training programs are relevant and effective in meeting employees' needs and organizational goals can also be complex. Additionally, there may be varying levels of engagement and participation among employees, with some individuals being more receptive to training than others.

### Mitigation

To address these challenges, STO will continue to allocate a dedicated budget for employee training and development, ensuring that financial resources are managed efficiently. We will implement a strategic training schedule that minimizes operational disruptions by offering flexible training options, such as online courses and after-hours sessions. Regular assessments and feedback from employees will be used to tailor training programs to meet their needs and align with organizational objectives. Encouraging a culture of learning through recognition and incentives for participation will help increase engagement and motivation. Partnerships with external training providers and platforms like Udemy will be leveraged to offer a diverse range of high-quality training opportunities.

# EMPLOYMENT ENGAGEMENT, DIVERSITY, AND INCLUSION

## 3.

**Achieve above 80% purpose satisfaction score in annual employee survey.**

### Plan & Progress

In 2023, STO employed 2,249 staff, a slight increase from 2,245 in 2022. We opened two internship and apprenticeship programs, compared to five in 2022. Additionally, 146 new jobs were created, attracting 1,818 applications. This is a decrease from 2022, when 214 jobs were created, and 3,607 applications were received. These figures demonstrate our ongoing commitment to job creation and workforce development, despite varying market conditions. In the 2023 survey, we achieved an 83% employee satisfaction score, reflecting significant improvement from the previous year.

### Impact



Achieving a high purpose satisfaction score ensures that employees feel connected to the company's mission, values, and goals, leading to increased motivation, engagement, and productivity. High satisfaction levels contribute to lower turnover rates and higher employee retention, as individuals are more likely to stay with a company where they feel valued and aligned with its purpose. A satisfied workforce can enhance the company's reputation, attracting top talent and fostering a positive work culture. Improved satisfaction also translates into better performance and innovation, as motivated employees are more likely to contribute their best efforts.



Maintaining high levels of purpose satisfaction requires continuous effort and investment in employee engagement initiatives. Fluctuations in job creation and application rates, as seen in 2023 compared to 2022, can impact overall workforce morale and satisfaction. Economic and market conditions may affect the company's ability to sustain or enhance job creation and development programs. Ensuring consistent communication and engagement across a growing and diverse workforce can also be challenging.

### Mitigation

To address these challenges, STO will implement a strategic plan focused on continuous improvement in employee engagement and satisfaction. Regular and transparent communication about the Company's mission, goals, and values will be emphasized to strengthen alignment and purpose. Employee feedback from surveys will be actively used to identify areas for improvement and implement targeted initiatives. Investing in professional development, training programs, and career growth opportunities will be created to maintain high satisfaction levels. We will further enhance our recognition and reward programs which is believed to contribute to a sense of purpose and achievement among employees. Furthermore, we will adapt recruitment and job creation strategies to align with market conditions to ensure sustainable workforce growth and satisfaction.



# EMPLOYMENT ENGAGEMENT, DIVERSITY, AND INCLUSION

## 4.

By the end of 2030, aim to achieve and sustain a workforce diversity ratio with a minimum of 40% women and the inclusion of individuals with disabilities at all organizational levels.

### Plan & Progress

In 2023, we sustained a 37% employment rate for women, matching the previous year's figure. Our workforce demographic comprises 50% of employees aged between 30 and 40, with 24% under 30 and 26% over 40. To promote collaboration and inclusivity, we organized networking events across all age groups through the leaders' forums initiated by HR.

Women represented 41% of managerial positions, 38% of supervisory roles, and 29% of top management positions in 2023. Additionally, the number of special needs staff members increased to 15 from 13 in 2022, reflecting our ongoing commitment to inclusivity and diversity.

We celebrated several awareness days, including World Autism Day, World Down Syndrome Day, International Day of Sign Language, Women's Day, World Mental Health Day, and National Day for Violence against Women, underscoring our dedication to inclusivity, mental health, and gender equality.

### Impact



Achieving and maintaining a diverse workforce enhances the range of perspectives and experiences within the organization, leading to more innovative solutions and better decision-making. A diverse workforce also improves the company's reputation, making it more attractive to top talent and aligning with the values of increasingly socially conscious consumers and investors. Enhanced gender and minority representation at all levels fosters a more inclusive and equitable workplace, improving employee morale, engagement, and retention. Celebrating diversity and inclusivity through awareness events strengthens the organizational culture and promotes a sense of belonging among all employees.



Ensuring and maintaining diversity requires continuous effort and resource allocation, including targeted recruitment strategies, training programs, and awareness campaigns. There may be resistance to change or challenges in shifting existing workplace dynamics to embrace greater diversity. Balancing diversity goals with finding candidates who meet the necessary skills and experience requirements can be complex. Additionally, managing diverse teams requires ongoing education and support to ensure effective communication and collaboration across different backgrounds and perspectives.

### Mitigation

To mitigate these challenges, STO will implement targeted recruitment strategies to attract qualified candidates from diverse backgrounds. We will invest in ongoing training and development programs to build an inclusive culture and address any biases or resistance to change. Establishing mentorship and support networks for underrepresented groups will help retain diverse talent and support their career progression. Regularly reviewing and adjusting our diversity and inclusion strategies will ensure they remain effective and aligned with organizational goals. We will also leverage data and analytics to monitor progress and identify areas for improvement. Continuous engagement with employees through feedback mechanisms will help us understand their needs and experiences, ensuring that our diversity initiatives are effective and inclusive.

# EMPLOYMENT ENGAGEMENT, DIVERSITY, AND INCLUSION

## 5. Establish access to reporting facilities for all staff.

### Plan & Progress

We have established whistleblowing facilities on both the intranet and internet, allowing employees and other stakeholders to submit concerns confidentially. Additionally, Reach MD and Reach HR facilities are available on the intranet, accessible to 90% of our staff. To further support our commitment to a safe and ethical workplace, we have formed committees to handle employee grievances and established processes to report unethical, sexual, or unprofessional actions within the company. This facility is accessible to 100% of our staff, ensuring everyone has a voice and a secure platform to raise their concerns.

### Impact



Establishing accessible reporting facilities fosters a culture of transparency and accountability, ensuring that employees feel safe and supported in raising concerns. This initiative promotes ethical behavior and helps identify and address issues promptly, preventing potential misconduct from escalating. Having a secure and confidential reporting system in place enhances trust in the organization, as employees know their concerns will be taken seriously and handled appropriately. This also contributes to a positive work environment, reducing the risk of harassment, discrimination, and other unethical behaviors. By demonstrating a commitment to ethical practices and employee well-being, STO strengthens its reputation as a responsible and trustworthy employer.

- Implementing and maintaining comprehensive reporting facilities requires continuous investment in technology and resources. Ensuring that all employees are aware of and comfortable using these facilities can be challenging, especially in a large organization like STO. There may be potential misuse of the reporting system, where unfounded or malicious reports are submitted, which can strain resources and affect morale.

Additionally, managing the volume of reports and ensuring timely and fair investigation of all concerns can be resource-intensive and complex

### Mitigation

To mitigate these challenges, STO will invest in ongoing training and awareness programs to ensure all employees understand how to use the reporting facilities and feel confident in doing so. Clear guidelines and protocols will be established to handle reports efficiently and fairly, minimizing the risk of misuse. A dedicated team will be responsible for managing the reporting system, ensuring timely and thorough investigations. Regular reviews and audits of the reporting process will help identify areas for improvement and maintain the system's integrity. Communication and support will be provided to employees throughout the process, reinforcing the company's commitment to a safe and ethical workplace.



Achieve high standards in governance, business conduct, ethics, and transparency.

## Strategic Principle: Responsible business through corporate governance, ethics and transparency.

STO recognizes the importance of robust governance in managing its diverse business portfolio, with a steadfast commitment to integrating sustainability into daily decision-making processes. We prioritize transparent engagement with stakeholders throughout our value chain to foster fairness and inclusivity in our operations.

Our policies, standards, and management systems serve as guiding frameworks, enabling us to address both risks and opportunities while assessing our performance against established commitments. The Board of Directors assumes a critical oversight role, providing strategic leadership, evaluating opportunities and risks, and ensuring the effectiveness of our governance, risk management, compliance, and sustainability efforts.

Associated UNGC principles:



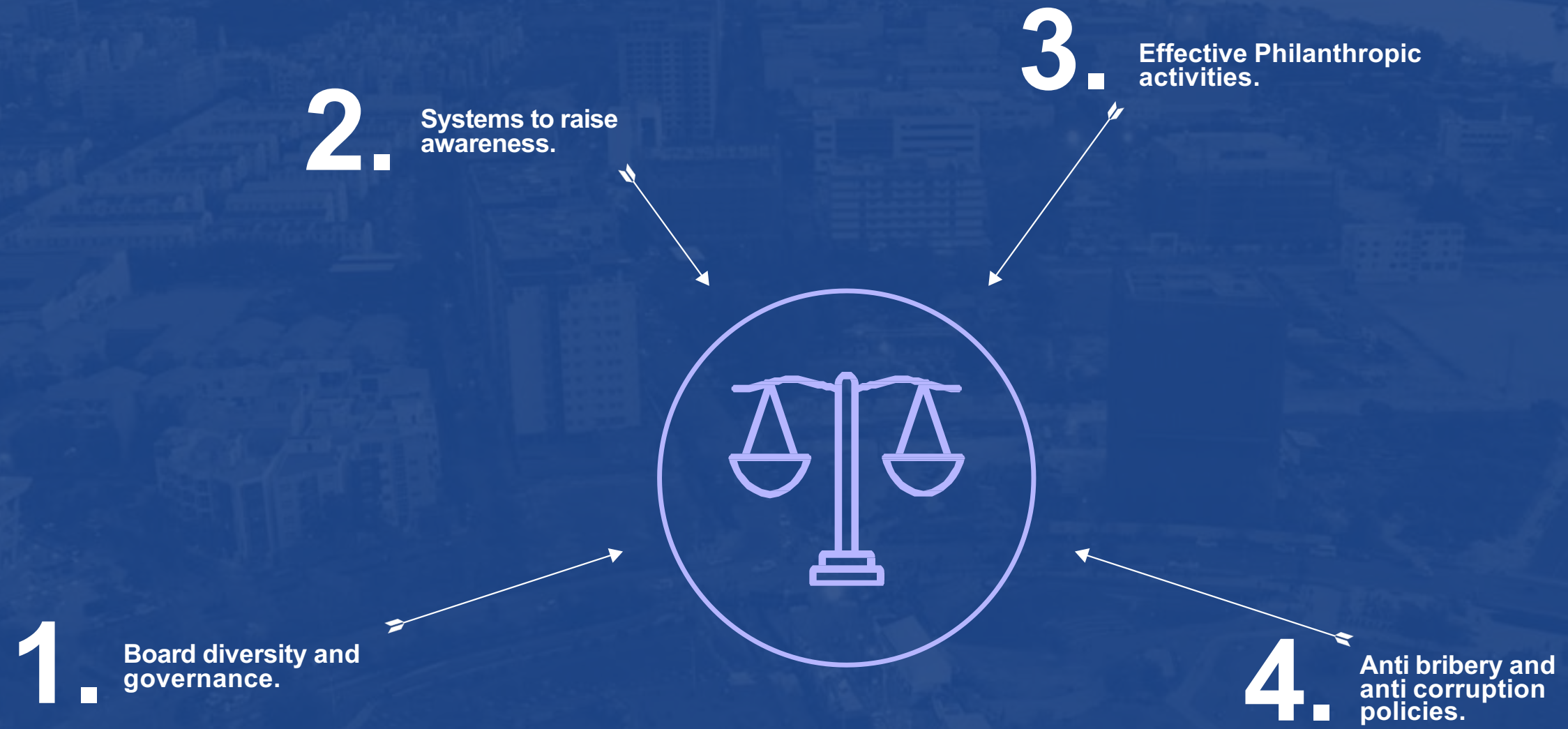
Internally, dedicated teams in audit, legal, risk, and compliance monitor the implementation of our compliance program. The Audit and Risk Committee plays a pivotal role in advising and making decisions on compliance policies, training initiatives, and investigating allegations of misconduct, fraud, and corruption. Meanwhile, the Board Governance and Sustainability Committee regularly reviews policies, processes, and procedures to uphold our ethical and integrity standards.

Below is our progress over the ambitions in this area, together with the risk assessment summary and mitigation strategies where required.

# BUSINESS ETHICS AND TRANSPARENCY

## Ambitions

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# BUSINESS ETHICS AND TRANSPARENCY

## 1. Board diversity and governance.

### Plan & Progress

In 2023, we achieved significant progress in board diversity and governance. Women now make up 14.2% of the Board, a notable increase from 0% in 2022. We maintained an average age diversity of 45 years and an average tenure of 3.5 years, with no director exceeding a term of 6 years. Board meeting attendance was impressive, with an average of 98%, up from 96% in 2022. Additionally, 100% of our non-executive directors were deemed independent in 2023. We also maintained a high evaluation score of 83%, an improvement from 80% in the previous year.

Furthermore, we held a total of 5 sessions on the company's Code of Ethics and Compliance, with participation from over 550 staff members. Engaging with stakeholders through various channels and earning their trust through transparent communication is a priority for STO. We regularly publish periodic reports on our website, including quarterly and annual reports, to keep stakeholders informed. Additionally, we ensure prompt disclosure of events deemed influential to the company share price, maintaining transparency and trust.

### Impact



Enhancing board diversity brings a range of perspectives and experiences, leading to more balanced decision-making and innovative solutions. The inclusion of women on the board promotes gender equality and sets a positive example for the rest of the organization. Maintaining a diverse age range and tenure among directors ensures a mix of fresh ideas and seasoned experience, fostering effective governance. High attendance and independent non-executive directors contribute to robust oversight and accountability. Conducting Code of Ethics and Compliance sessions strengthens the ethical foundation of the company, promoting a culture of integrity. Transparent communication and regular stakeholder engagement build trust and credibility, enhancing STO's reputation and investor confidence.

Achieving and maintaining board diversity and strong governance requires ongoing effort and commitment. Recruiting and retaining diverse board members is challenging in Maldives where the community is small. Ensuring consistent engagement and participation in training sessions and compliance activities can be resource-intensive. Balancing transparency with the need to protect sensitive information requires careful management.

### Mitigation

To address these challenges, STO will continue to prioritize diversity in board recruitment by implementing targeted strategies to attract qualified candidates from diverse backgrounds and by enhancing the candidacy guidelines of the Company. We will offer ongoing training and development opportunities to board members to ensure they are well-equipped to fulfill their roles effectively. Regular reviews of our governance practices will help identify areas for improvement and ensure compliance with best practices. Clear communication strategies will be maintained to balance transparency with confidentiality, ensuring stakeholders are well-informed while protecting sensitive information.

# BUSINESS ETHICS AND TRANSPARENCY

## 2. Systems to raise awareness.

### Plan & Progress

In 2023, we received 14 allegations and inquiries, with 2 investigations closed. Among these, 64% were substantiated, primarily involving harassment, conflicts of interest, and asset protection. We also addressed 153 concerns, investigated and acted upon. Additionally, 22 cases, including 2 of sexual harassment, were reported, and all were thoroughly investigated and closed. Corrective measures have been implemented to prevent recurrence of these issues. Importantly, no concerns or queries were left unaddressed, reflecting our commitment to maintaining a safe and ethical workplace.

### Impact



Implementing effective systems to raise awareness and address concerns ensures a safer and more ethical workplace. Thorough investigation and resolution of issues build trust among employees, fostering a culture of transparency and accountability. By addressing harassment and conflicts of interest, we create a more inclusive and respectful environment, which can improve morale, reduce turnover, and enhance overall productivity. Corrective measures to prevent recurrence of issues demonstrate our commitment to continuous improvement and proactive risk management. Transparent handling of concerns and inquiries strengthens our reputation as a responsible and ethical employer, attracting talent and boosting stakeholder confidence.

Ensuring confidentiality and protecting the privacy of all parties involved can be challenging, particularly in sensitive cases such as harassment. There may be resistance or fear of retaliation among employees when reporting concerns, which can hinder the effectiveness of the system. Additionally, the high volume of cases to address and investigate can strain existing resources and impact the efficiency of the process.

### Mitigation

To address these challenges, STO will continue to allocate adequate resources and training for personnel handling allegations and inquiries to ensure efficient and thorough investigations. We will implement robust confidentiality protocols to protect the privacy of all parties involved and build trust in the reporting system. Encouraging a culture of open communication and non-retaliation policies will help reduce fear and encourage more employees to come forward with their concerns. Regularly reviewing and improving our awareness systems and processes will help manage the volume of cases effectively and maintain a high standard of responsiveness. Additionally, continuous training and education on ethical behavior, harassment prevention, and conflict of interest will be provided to all employees to reduce the occurrence of such issues.

# BUSINESS ETHICS AND TRANSPARENCY

## 3. Effective Philanthropic activities.

### Plan & Progress

In 2023, STO spent MVR 17.3 million on philanthropic and CSR activities. We provided 55 TVs under the classroom digitalization program for schools across the country and contributed over MVR 899,000 for materials to build and upgrade school facilities nationwide. Additionally, we held collaborative events with relevant stakeholders, contributing MVR 790,000 to conduct awareness programs on various health issues and programs. Furthermore, MVR 2.5 million was allocated to councils, hospitals, health centers, NGOs, and other organizations for the renovation and construction of community infrastructures such as children's parks, cemeteries, mosques, and recreation facilities.

### Impact



Our philanthropic initiatives have a far-reaching positive impact on the community. By supporting the classroom digitalization program, we enhance educational opportunities and access to technology for students, contributing to improved learning outcomes. Investing in the construction and upgrade of school facilities creates better learning environments, fostering academic success. Health awareness programs improve community health by educating people about preventive measures and healthy practices. Supporting the renovation and construction of community infrastructures such as parks, cemeteries, mosques, and recreation facilities enhances the quality of life and well-being of community members. These initiatives strengthen STO's reputation as a socially responsible company, building goodwill and trust among stakeholders and the community.



Allocating substantial funds to philanthropic and CSR activities can impact the company's financial resources and profitability. Ensuring that the funds are used effectively and reach the intended beneficiaries requires diligent planning and oversight. Balancing philanthropic efforts with other business priorities can be challenging, particularly during periods of economic uncertainty. There is also a risk that some initiatives may not achieve the desired impact or be sustainable in the long term.

### Mitigation

To address these challenges, STO will implement a strategic approach to philanthropic and CSR activities. This includes establishing clear criteria and objectives for funding decisions to ensure that resources are allocated to impactful and sustainable projects. Regular monitoring and evaluation of funded initiatives will be conducted to assess their effectiveness and make necessary adjustments. Collaborating with reputable and experienced partners, such as NGOs and community organizations, will enhance the reach and impact of our activities. Transparent reporting on philanthropic activities and outcomes will ensure accountability and build trust with stakeholders. Additionally, integrating CSR initiatives with business strategies can help align philanthropic efforts with the company's long-term goals and sustainability.

# BUSINESS ETHICS AND TRANSPARENCY

## 4. Anti-bribery and anti-corruption policies.

### Plan & Progress

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 2023, 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.

### Impact



Strict adherence to anti-bribery and anti-corruption practices significantly enhances the company's reputation as a transparent and ethical organization, building trust among stakeholders, including customers, investors, and regulatory bodies. Compliance with anti-bribery laws reduces the risk of legal penalties and sanctions, which can have severe financial and reputational consequences. These measures promote a culture of integrity and accountability within the organization, leading to more ethical business practices and decision-making. Companies with strong anti-corruption policies are more likely to attract socially responsible investors who prioritize ethical business practices. Additionally, a transparent and fair work environment fosters higher employee morale and loyalty, as employees feel more secure and valued in an organization that prioritizes ethical behavior.



Implementing and maintaining comprehensive anti-bribery and anti-corruption measures requires significant resources, including financial investment and personnel time. Thorough investigations of corruption allegations can disrupt normal business operations and may lead to temporary setbacks in productivity. Employees or stakeholders implicated in corruption cases may react negatively, leading to conflicts, resistance, or even legal disputes. Navigating complex anti-corruption laws and regulations can be challenging, requiring continuous updates and training to ensure compliance. Publicizing anti-corruption measures may inadvertently highlight past issues, which could harm the company's reputation if not managed properly.

### Mitigation

To mitigate these challenges, STO will allocate resources efficiently, ensuring sufficient financial and human support for the implementation and maintenance of anti-bribery and anti-corruption measures. Investigations will be planned to minimize operational disruptions, possibly scheduling them during non-peak times and using dedicated personnel to handle them. Clear communication about the importance of anti-corruption measures will be provided to all employees and stakeholders, emphasizing the long-term benefits of ethical practices and ensuring transparency in the investigation process to mitigate backlash. Continuous training and updates on anti-corruption laws and compliance requirements will be provided to all employees, ensuring they are well-informed and capable of adhering to the policies. A robust reputation management strategy will be implemented to highlight the company's commitment to ethical practices while addressing past issues transparently and proactively, maintaining and enhancing public trust. Additionally, advanced compliance software and tools will be utilized to streamline the implementation and monitoring of anti-bribery and anti-corruption measures, reducing the manual burden on personnel.



# FORWARD LOOKING STATEMENT

## SUSTAINABILITY Report 03

As we look towards the future, STO remains committed to advancing our sustainability agenda, strengthening our governance frameworks, and fostering positive social impact. Our strategic initiatives outlined in this report underscore our dedication to integrating environmental, social, and governance (ESG) principles into every aspect of our operations. We recognize the challenges and opportunities that lie ahead and are focused on driving continuous improvement to meet the evolving expectations of our stakeholders.

### Environmental Stewardship

In the coming years, STO will intensify efforts to reduce our carbon footprint and enhance energy efficiency. We will continue to innovate our product portfolio, ensuring that a significant majority of our offerings are energy-efficient and environmentally friendly. By adopting advanced technologies and sustainable practices, we aim to minimize our environmental impact and contribute to global climate goals.

### Social Responsibility

Our focus on improving the quality of life for our employees, customers, and communities will remain a top priority. We are dedicated to fostering a safe, inclusive, and empowering workplace, with enhanced health and safety measures, comprehensive training programs, and a strong emphasis on diversity and inclusion. As we strive to maintain high employee satisfaction and retention rates, we will continue to invest in professional development opportunities and recognize the contributions of our talented workforce.

### Governance Excellence

Strong governance and ethical business practices are fundamental to our success. We will uphold the highest standards of transparency, accountability, and integrity in all our operations. Our Board of Directors will play a crucial role in guiding our sustainability efforts, ensuring robust oversight, and driving strategic decision-making. By enhancing our governance frameworks and engaging with stakeholders through transparent communication, we aim to build and maintain trust across our value chain.

### Strategic Growth and Innovation

Looking ahead, STO is poised to leverage digital transformation and innovative solutions to enhance operational efficiency and customer experiences. Our investments in automation, artificial intelligence, and data analytics will drive business growth and resilience. We are committed to building a sustainable supply chain, fostering strong partnerships with suppliers, and promoting sustainability standards throughout our network.

### Commitment to Communities

Our philanthropic initiatives will continue to support the development of local communities, focusing on education, healthcare, and infrastructure projects. We are dedicated to creating long-term value and positive social impact, ensuring that our contributions lead to meaningful and sustainable outcomes.

### Conclusion

As we navigate the complexities of a rapidly changing world, STO remains steadfast in our commitment to sustainability, governance, and social responsibility. We are confident that our forward-looking strategies and unwavering dedication will drive us towards a more prosperous and harmonious future for all our stakeholders. Through collaboration, innovation, and a shared vision for a sustainable future, we will continue to lead by example and create lasting value for generations to come.

Additionally, we will enhance our sustainability reporting by adopting international best practices.