LMS Compliance Ltd
Sustainability Report 2023

This report was crafted based on SGX sustainability reporting requirements as a company listed on the SGX catalist board.

TABLE OF CONTENTS

Abbreviation

AAS	Atomic Absorption Spectroscopy
AC	Audit Committee
AIoT	Artificial Intelligence of Things
AMS	Amoeba management system
BCP	Business Continuity Planning
CBAM	Carbon Boarder Adjusted Mechanism
CEO	Chief Executive Officer
COA	Certificate of Analysis
CSAT	Customer Satisfaction Index
FY	Financial Year
GC	Gas Chromatography
GCMS	Gas Chromatography-Mass Spectrometry
GHG	Green House Gas
GRI	Global Reporting Initiative
ICP	Inductively Coupled Plasma
ICPMS	Inductively Coupled Plasma Mass Spectrometry
LCMSMS	Liquid Chromatography Mass Spectrometry
IEA	Internation Agency
LMS	LMS Compliance Ltd
MFRS	Malaysian Financial Reporting Standards
NC	Nomination Committee
NPS	Net Promoter Score
NZE	Net Zero Emissions
PCF	Product Carbon Footprint
PPE	Personal Protection Equipment
RC	Remuneration Committee
SASB	Sustainability Accounting Standard Board
SBI	Sustainable Building Intelligence of Things
SDC	Sustainable Development Committee
STEP	Stated Policies Scenario
SDS	Sustainability Development Scenario
SR	Sustainability Report
TBT	Technical Barrier of Trade
TCFD	Taskforce on Climate-Related Financial Disclosure
UN	United Nations
UPS	Uninterrupted Power Supply
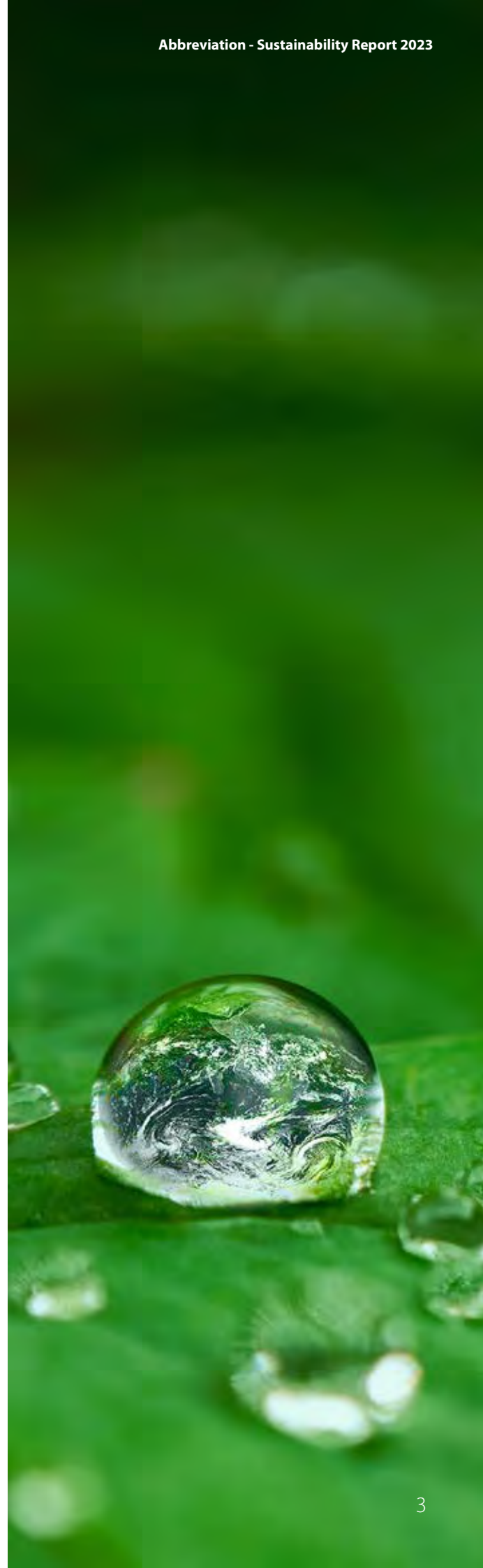
Preface

Balanced Reporting Approach

LMS COMPLIANCE LTD (the "**Company**" and together with its subsidiaries, the "**Group**" or "**LMS**") is a publicly listed entity on the Catalist Board of the Singapore Exchange. We specialise in providing Testing, Assessment, Certification and Assurance services. Our operations engage various stakeholders, such as regulators, accreditation bodies, manufacturers and consumers. Upholding a commitment to robust governance practices and transparency, we ensure that our performance reporting is comprehensive and unbiased. This commitment is conveyed through the Sustainability Report 2023 by LMS, encompassing discussions on sustainability and future outlook. This report aims to provide stakeholders with valuable insights into our strategic direction across short-, medium- and long-term perspectives.

Key Frameworks Applied and Scope of the Report

This Sustainability Report 2023 ("**SR**") has been prepared in accordance with the Global Reporting Initiative ("**GRI**") Universal Standards. It encompasses the key elements outlined in Rules 711A, 711B, and Practice Note 7F of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") for sustainability reporting. This report also adheres to local and international reporting frameworks, such as Sustainability Accounting Standards Board ("**SASB**") and Task Force on Climate-related Financial Disclosures ("**TCFD**").

The reporting period covered in this report spans from 1 January 2023, to 31 December 2023, unless specified otherwise. This report's scope extends to the sustainability performance and practices across the Group. The subsidiaries included in this report adhere to the Malaysian Financial Reporting Standards ("**MFRS**") and the Companies Act 2016 of Malaysia. This report provides information on all our subsidiaries, in which the Group holds 100% ownership interest.

Limited Assurance Statement

The data and information relied on internal data monitoring and verification by our subsidiary, MY CO2 Certification Sdn Bhd, to ensure the accuracy of data and information.

MY CO2 Certification Sdn Bhd, serving as a verification and validation entity, has been enlisted to assure the sustainability segment within this report. The scope of assurance is confined to data related to environmental and occupational health and safety, specifically focusing on the following eight (8) indicators:

- *Scope 1 Direct GHG Emissions*
- *Scope 2 Indirect GHG Emissions*
- *Scope 3 Indirect GHG Emissions (Goods receiving, Business Traveling and Commuting of Employees only)*
- *Total Renewable Energy Consumption*
- *Total Municipal Water Supplies (or from other water utilities)*
- *Total Waste Generation and Disposal*
- *Social data on Diversity, Safety and Health*
- *Governance data on board independence*

Pursuant to Catalist Rule 711B(3), the Company has subjected its sustainability process to internal review by its internal auditor.

Materiality

The content within this report is tailored to cover aspects that are deemed most significant to our business and stakeholders. To identify, prioritize and validate these material matters, we employ a comprehensive four-step materiality assessment process. This report goes further to expound on our approach and actions in response to fourteen (14) material matters that hold a substantial influence on both business operations and stakeholder value.

Our commitment to enhancing the quality of our reporting is unwavering. We recognise the value of stakeholder input in this continuous improvement journey. Your insights are invaluable, and we actively seek feedback to refine and augment our reporting practices. To engage with us, address queries, or provide feedback on this report, please feel free to contact us through the following channels:

Name : Emily Choo
Position : Investor Relations
Email : ir@lmscompliance.com
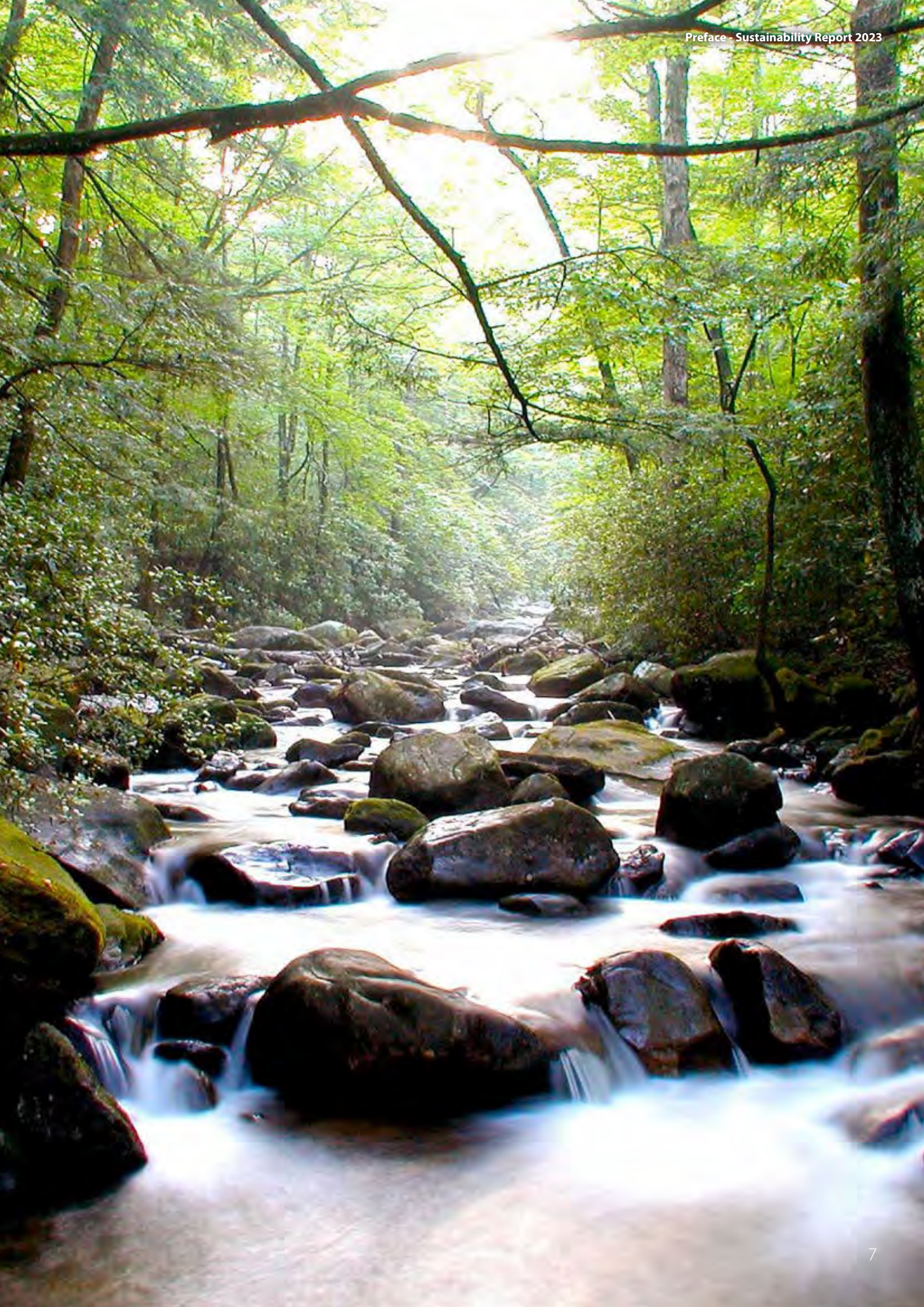
Disclaimer

This report may include forward-looking statements encompassing assumptions, risks, and uncertainties. Actual future performance, outcomes, and results might vary significantly from what these forward-looking statements express due to numerous risks, uncertainties, and assumptions. The forward-looking statements are based on the current perspective of management regarding future events, which is subject to potential changes. Various factors may lead to outcomes that substantially differ from the implications or suggestions of these forward-looking statements.

Board Responsibility Statement

The board of directors of the Company (the "**Board**" or "**Directors**") acknowledges its responsibility to safeguard the credibility of this report. The Board firmly believes that this report encapsulates all pertinent matters influencing the Group's ability to create value and faithfully represents the holistic performance of the Group. In adherence to rigorous standards, we have meticulously prepared this report following the guidelines laid out by the Sustainability Accounting Standards Board ("**SASB**"), Global Reporting Initiative ("**GRI**"), Task Force on Climate-related Financial Disclosures ("**TCFD**") and SGX Core Metric standards.

This comprehensive report received the official approval of the Board on 27 February 2024, signifying a collective endorsement of its accuracy, completeness and adherence to established reporting standards. The Board recognises this document's vital role in transparently communicating the Group's performance and its commitment to meeting high corporate governance and reporting practices standards.

Datuk Fadilah Baharin
Independent Non-Executive
Chairman

Dr Louis Ooi Shu Geok
Executive Director and
Chief Executive Officer ("**CEO"**)
The author of LMS's Sustainability Report for FY22 & FY23

The Leaders' Message on Sustainability

Dear Stakeholders,

*We are please to present the Group's Sustainability Report, outlining our performance and practices for the financial year ended 31 December 2023 ("**FY23**"). Recognising our responsibility towards the world future generations will inherit, we are committed to preserving and safeguarding it. The imminent threat of climate change and the finite nature of resources used in our business operations are fully acknowledged. As a response, we aim to go beyond being just a chemical company by integrating sustainability into the core of our enterprise, actively contributing to solutions.*

In FY23, our Group navigated a challenging macroeconomic landscape marked by slower growth, rising interest rates, and persistently high inflation. Despite these challenges, we sustained and expanded our businesses, showcasing resilience and strategic focus.

Financially, we experienced robust product demand, leading to strong revenue growth. Nevertheless, commitment to sustainability remains a cornerstone of our strategy, aiming for net-zero carbon emissions by 2050. Initiatives include the reduction of Scope 1,2 and 3 emissions, adopting green energy, and adhering to sustainability metrics like RobecoSAM's economic dimension score. Our Sustainable Development Committee oversees integrating sustainable practices into operations, focusing on environmental, social, and economic well-being. We also prioritise employee well-being, aligning with an enhanced focus on social risk assessment.

The Group is positioned to capitalise on Malaysia's steady economic growth, particularly in the services sector. We are expanding testing and assessment capabilities, extending certification reach, and advancing conformity assessment technology. Our commitment to scientific leadership and technology remains steadfast.

From left to right:
Datuk Fadilah Binti Baharin, Independent
Non-Executive Chairman and Dr Louis Ooi
Shu Geok, Executive Director and Chief
Executive Officer

Green Economy Transition:

ASEAN economies are forecasted to post relatively steady growth above 4% in 2024[1], driven by Southeast Asia's transition to the green economy. The Southeast Asia's Green Economy 2023 Report estimates spending on this transition to reach S$1.5 trillion by 2030[2]. The urgent need for this transition is highlighted by the fourth warmest year for Singapore in 2023[3]. The growth in the green technology sector directly correlates with increased demand for laboratory testing services, as compliance with environmental standards and validation of product safety become paramount. As a market leader in testing and assurance services, we take pride in contributing to Southeast Asia's transition to a green economy. Embracing new technologies, such as automation and Artificial Intelligence ("**AI**"), is part of our strategy to enhance testing accuracy and efficiency.

Increase in Demand for ESG Reporting:

The transition to a green economy is accompanied by a heightened focus on Environmental, Social, and Governance ("**ESG**") reporting. Regulatory changes, increased investor interest, and a shift towards sustainable business practices drive this trend. Singapore, for instance, mandates listed companies to publish annual sustainability reports addressing material ESG factors, including climate risks. Recognising the strategic importance of ESG reporting, we expanded our services to offer comprehensive ESG reporting via AIoT real-time and laboratory data collection. This includes implementation, measurement and reporting, meeting the growing demand for transparency and accountability. Our initiative aims for compliance and value creation, aligning businesses with sustainable and ethical practices.

Digitalisation to Increase Value Proposition:

Our strategic digital transformation integrates cutting-edge technologies to amplify the value delivered to clients. Advanced data analytics enhances decision-making and provides deeper customer insights, while AI streamlines assessment processes, increasing efficiency and agility. Constant evaluation of emerging technologies ensures continuous improvement in our value proposition.

Strategic Initiatives to Increase Market Share:

With stable growth forecasted for ASEAN economies, our expansion plans include inorganic growth through alliances, partnerships, and acquisitions. This strategy aims to rapidly increase our geographical footprint in countries like Singapore, Indonesia, and China, where demand is strong. This expansion focuses on scaling our presence and enhancing our portfolio in complementary areas to deliver added value to clients.

Future Outlook:

Our commitment to sustainability includes achieving net-zero carbon emissions by 2050, strengthening it through digital transformation and enhancing operational and environmental sustainability through resource efficiency and process optimisation. Governance structures ensure adherence to global sustainability standards, underpinning ethical business practices and accountability. Looking to 2024 and beyond, our strategic positioning and expanded capabilities enable the exploration of new markets and opportunities. The management team identifies potential growth avenues, including collaborations in China, Singapore, and Indonesia. Despite a slowing global economy, the ASEAN economies are forecasted to post steady growth above 4% in 2024, providing positive momentum for tapping new opportunities and exploring potential markets. With a focus on sustainable growth and operational excellence, we look forward to creating lasting value for stakeholders and achieving sustained success in the upcoming year.

Our primary objective is to achieve net zero carbon emissions by 2050, a substantial challenge that requires completely transforming our business practices. However, our aspirations extend beyond this pivotal milestone. We are dedicated to leading the transition towards a circular economy, promoting efficient resource utilisation and minimising waste. Through these endeavours, we strive to create positive societal and environmental impacts, establishing ourselves as a responsible and ethical partner to all our stakeholders.

By joining forces, we can collectively build a more sustainable future for everyone.

1. https://www.lionglobalinvestors.com/en/insights/2024-asean-market-outlook.html
2. https://www.bain.com/insights/southeast-asias-green-economy-2023/
3. https://www.channelnewsasia.com/singapore/met-service-nea-2023-fourth-warmest-year-record-report-40652113

A Glance at LMS

Our Philosophy

Vision

The Global Local Laboratories

Mission

Contribute to Business Excellence

Employee	System	Partner	Customer	Shareholder
Nurturing intrapreneurship towards excellence	Accelerate business excellence and beyond	Add value through resource synergy	Deliver value innovation	Maximizing returns and values with best-in-class corporate governance

Brand Tagline

The ESG Enabler

Who Are We

LMS is a distinguished provider of high-quality testing, assessment, certification, and assurance services catering to various industries. Our expertise spans food and healthcare, medical devices, industrial operations, and Greentech. With a rich legacy of more than fifteen (15) years in the testing and certification domain, our commitment to excellence is unwavering. We adhere rigorously to local and international standard methods, ensuring the accuracy and reliability of our services.

Our comprehensive suite of business segments encompasses:

Provision of Assurance Services:

Our assurance services form a crucial aspect of our portfolio, where we go beyond mere testing and certification to provide comprehensive assurance regarding the reliability, integrity, and quality of our client's operations and offerings, especially in the context of carbon emission and footprint based on ISO 14046 and ISO 14067 standards.


Provision of Testing Services:

Our core offering involves conducting thorough testing and assessments across various industries. We leverage cutting-edge methodologies and state-of-the-art equipment to ensure product and process quality, safety, and compliance in the context of chemical, microbe, nucleic acid, and mechanical.

Provision of Assessment Services:

We offer assessment services on workplace safety and health, identifying hazards, conducting risk assessments, and ensuring compliance with regulations. We evaluate safety programs, provide recommendations for improvement, and offer training programs. Continuous monitoring and reporting help maintain a safe work environment, prioritising employee well-being and regulatory compliance.
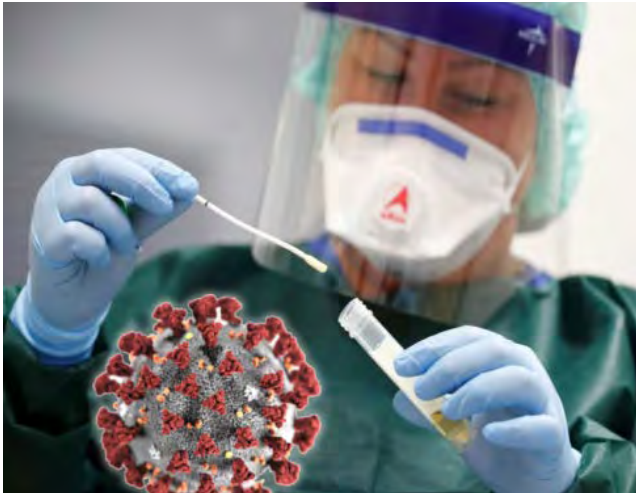
Distribution of Conformity Assessment Technology (CAT):

We are pivotal in distributing Conformity Assessment Technology (CAT) to conformity assessment bodies such as laboratories, certification bodies, inspection bodies, manufacturers, and carbon emitters. We are staying at the forefront of technological advancements, this technology facilitates efficient and accurate conformity assessments, aligning with our commitment to innovation and industry-leading practices.

Provision of Certification Services:

We specialise in providing certification services, offering a seal of approval that attests to the conformity of management systems and processes with industry and ISO standards. Our certifications serve as a mark of excellence and compliance for our clients.
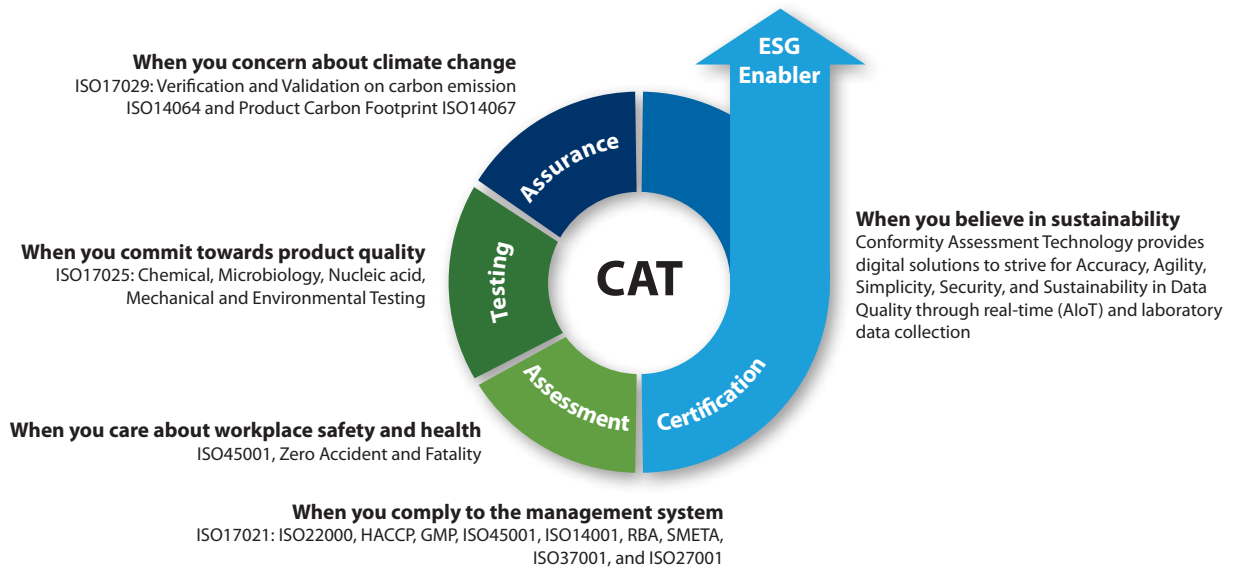

Trading of Laboratory Solutions:

We trade top-notch laboratory equipment, chemicals, and solutions. This ensures our clients get access to the latest tools and resources for their testing and research needs.

Our holistic approach to serving diverse industries reflects our dedication to being a one-stop solution for testing, assessment, certification, and assurance services. By combining technical proficiency, industry knowledge, and a commitment to excellence, LMS remains a trusted partner for businesses seeking to ensure their products' and processes' quality and compliance.

When you concern about climate change
ISO17029: Verification and Validation on carbon emission
ISO14064 and Product Carbon Footprint ISO14067

When you commit towards product quality
ISO17025: Chemical, Microbiology, Nucleic acid, Mechanical and Environmental Testing

When you care about workplace safety and health
ISO45001, Zero Accident and Fatality

When you comply to the management system
ISO17021: ISO22000, HACCP, GMP, ISO45001, ISO14001, RBA, SMETA, ISO37001, and ISO27001

ESG Enabler

Assurance

Testing

CAT

Assessment

Certification

When you believe in sustainability
Conformity Assessment Technology provides digital solutions to strive for Accuracy, Agility, Simplicity, Security, and Sustainability in Data Quality through real-time (AIoT) and laboratory data collection

Our Positioning

LMS strategically positions the Group as an Environmental, Social, and Governance Enabler ("**ESG Enabler**") with a central focus on enabling our client sustainability goals and combating climate change. This deliberate positioning underscores a commitment to proactively contribute to business excellence on environmental stewardship, social responsibility, robust governance practices, and sustainability centric into four (4) enablers.

Envronment Enabler

Social Enabler

Governance Enabler

Sustainability Enabler
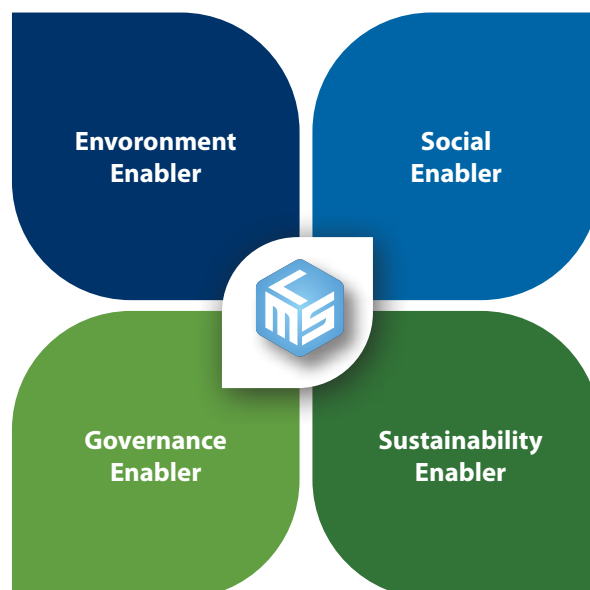
Environmental Enabler:

First, this enabler encompasses our verification and validation services for carbon emission, carbon accounting, carbon inventory, and product carbon footprint. These services, aligned with the ISO 14046 and ISO 14067 standards, extend beyond mere compliance. In this critical domain, we operate as an Environmental Enabler, providing independent assurance for environmental claims to prevent greenwashing. The quantification and calibration of environmental data can be supported by our accredited laboratories under the ISO 17025 scheme. As an Environmental Enabler, we empower businesses to navigate the intricacies of environmental stewardship, ensuring precision and transparency in carbon-related data while fostering sustainable practices.

Social Enabler:

The second enabler comprises two perspectives: product quality, and workplace safety and health. Our ISO 17025 accredited laboratories enable product quality in the domains of Chemical, Microbiology, Nucleic Acid, and Mechanical contexts. We function as a Social Enabler by championing product quality, positioning ourselves as a catalyst for excellence. Through the provision of reliable testing services, we empower businesses to improve the quality and safety of their products, contributing to societal well-being. This critical role makes us an essential enabler of responsible consumption. Likewise, we prioritise workplace safety and health beyond compliance with ISO 45001. Our commitment extends to achieving zero accident and fatality, embodying our dedication to fostering a safe and healthy work environment. By enabling robust safety practices, we empower organisations to prioritise the well-being of their employees, aligning with social responsibility and ensuring the sustainable development of human capital.

Consumers

Community

Employees

Regulators

Governance Enabler:

Governance is integral to our role as a third enabler. We facilitate robust governance practices by aiding organisations in adhering to a comprehensive array of ISO standards, including ISO 22000, HACCP, GMP, ISO 45001, ISO 14001, ISO 37001 and ISO 27001 management systems. As a Governance Enabler, we assist businesses in navigating the complexities of compliance and ethical governance, contributing to sustainable business practices, and fostering trust among stakeholders.

Sustainability Enabler:

Last but not least, our Conformity Assessment Technology is at the forefront of our complete role as an ESG Enabler could reduce and remove the carbon emission through digital adoptions. This digital solution is designed to uphold accuracy, agility, simplicity, security, and sustainability in data quality. By providing businesses with innovative digital tools, we enable them to integrate sustainability considerations into their operations seamlessly. As an ESG Enabler, our Conformity Assessment Technology supports sustainable practices, fosters data transparency and promotes efficiency in conformity assessments through real-time and laboratory data collection.

Our commitment to ESG and sustainability extends beyond mere compliance with standards. We position ourselves as an ESG Enabler by offering comprehensive solutions that empower businesses to address climate change, enhance product quality, prioritise workplace safety, adhere to robust governance and leverage cutting-edge digital tools such as Artificial Intelligence of Things ("**AIoT**") for sustainable practices. As a trusted partner, we enable organisations to navigate the evolving landscape of ESG considerations and create lasting value for all stakeholders.

Material Matters

Sustainability Strategy

We prioritize sustainability in our business management and operations to generate value for both people and the planet. Our primary commitment is to advance towards a low-carbon economy, as outlined in our Net Zero Emissions ("**NZE**") 2050 Roadmap, developed in collaboration with the United Nations ("**UN**"). The Sustainability Agenda plays a vital role in empowering us to champion sustainability throughout our Group. This comprehensive framework revolves around four essential sustainability pillars: Environmental, Social, Governance, and Digitalisation ("**ESGD**"). It encompasses several key focus areas and aligns with 15 carefully selected UN Sustainable Development Goals ("**UN SDGs**") spanning all four pillars, similar to the financial year ended 31 December 2022 ("**FY22**").

To ensure ongoing relevance and alignment with the evolving sustainability landscape, we continuously assess and update our Sustainability Agenda. This regular review enables us to meet the escalating expectations of stakeholders and enhance our ESGD ratings. In FY23, we fortified our Sustainability Agenda by embracing a more holistic sustainability approach. Notably, we incorporated the aspiration of becoming an "ESG Enabler", aiming to deeply embed sustainability within our Group and inspire other stakeholders, including vendors and clients, to embrace sustainability. We also meticulously scrutinised and consolidated our key focus areas to ensure that the Sustainability Agenda effectively addresses all critical topics relevant to us and our stakeholders.

In FY23, our sustainability strategy took a significant step forward as we actively advocated for our initiatives and the impact we enable. Through strategic communication and engagement efforts, we amplified awareness of our sustainability endeavours and underscored our role as enablers of positive change.

Environment Stewardship

Our initiative on Sustainability Agenda has been bolstered by embracing green energy and waste management, integrating them under Environmental Stewardship. This comprehensive approach allows us to effectively address critical areas within our sustainability framework, ensuring a holistic strategy. Responding to heightened stakeholder expectations, we've prioritised reducing scope 1, 2, and 3 emissions, aligning with our commitment to Net Zero Emissions by 2050. This strategic addition underscores our dedication to combating climate change and promoting a sustainable future.

We enable verification and validation for carbon emission, accounting, inventory and product carbon footprint, conforming to ISO 14046 and ISO 14067 standards. Going beyond compliance, we serve as independent assurance providers, preventing greenwashing. Accredited laboratories under the ISO 17025 scheme support the quantification and calibration of environmental data, empowering businesses to navigate environmental stewardship intricacies, ensuring precision, transparency, and fostering sustainable practices.

By implementing these initiatives and measure the impact we enable, our aim is to fortify our Sustainability Agenda, ensuring it comprehensively addresses topics crucial to our Group and stakeholders. The initial pillar centres on various key focus areas, aligned with five selected UN SDGs.

Social Responsibility

Our initiative in response to rising stakeholder expectations, we've expanded our Sustainability Agenda to include employee well-being and talent transformation as core focal points. This expansion highlights our commitment to nurturing and empowering our employees, recognising their pivotal role in advancing sustainability. We've also revamped our social risk assessment, prioritising employment rights and workplace safety. This shift reflects our dedication to upholding and respecting employment rights across all operations, acknowledging their fundamental importance in sustainability. By integrating these enhancements, we aim to meet stakeholder expectations and align our Sustainability Agenda with evolving sustainability challenges and priorities. This holistic approach empowers us to drive positive change in the client's adoption behaviour, promote vendor environmental and social well-being, align with regulators' policies, make a significant social impact, and safeguard employee rights across our Group.

We ensure product quality and workplace safety and health. With ISO 17025 accreditation, our laboratories guarantee product quality across Chemical, Microbiology, Nucleic Acid, and Mechanical domains. As a Social Enabler, we advocate for superior product standards, aiding businesses in enhancing product safety and contributing to societal well-being. We prioritise workplace safety and health, surpassing ISO 45001 compliance, and aiming for zero accident and fatality rates. This dedication underscores our commitment to cultivating a secure work environment and fostering sustainable human capital development. By promoting robust safety practices, we empower organisations to prioritise employee well-being, aligning with social responsibility and sustainable development goals.

Our second pillar encompasses a range of key focus areas, all aligned with five designated UN SDGs. Through these efforts, we endeavour to not only uphold rigorous product standards and safety protocols but also contribute to broader societal well-being and sustainable development objectives.

Governance Practices

Our initiative to various standards, including RobecoSAM's Economic Dimension Score (EDS), into our procedures to underscore LMS's commitment and alignment with established benchmarks. These incorporations affirm our dedication to conducting operations in accordance with recognized industry standards, reflecting our proactive stance on sustainability. Adhering to these standards demonstrates our commitment to best practices and underscores our proactive approach through board independent and board diversity. They provide check and balance roles of our efforts and enable transparent communication of our dedication to stakeholders in the context of anti-bribery, personal data protection, whistleblowing and etc. Moreover, aligning with these recognised standards allows us to gauge our board performance and progress compared to industry peers. It facilitates the identification of areas for improvement, the implementation of effective strategies, and the continuous enhancement of our sustainability practices.

We enable robust governance practices by assisting organisations in adhering to a comprehensive array of ISO standards, including Food Safety Management Systems (ISO 22000), Anti-bribery Management Systems (ISO 37001), and Information Management System (ISO 27001). As a Governance Enabler, we aid businesses in navigating compliance complexities and ethical governance, fostering sustainable business practices and building trust among stakeholders. By integrating these standards and ratings into the operations, LMS remains at the forefront of sustainable business practices and fulfils our obligations as a socially and environmentally responsible organisation. The third pillar encompasses several key focus areas and aligns with five selected UN SDGs listed below.

Economic of Digitalisation

Our initiative includes upholding our core business functions such as Testing, Assessment, Certification, and Assurance while accelerating digitalisation, recognising its critical importance across industries in today's rapidly evolving landscape. The launch of Electronic Worksheet has successfully raise the productivity per headcount from RM154,344 in FY22 to RM159,560 in FY23. Embracing digitalisation and infrastructure investment as key strategies unlocks numerous growth, efficiency, and innovation opportunities for our Group.

We enable and deepen the Conformity Assessment Technology, a cornerstone of our role to reduce carbon emissions through digital adoption along the value-chain. This solution upholds accuracy, agility, simplicity, security, and sustainability in data quality. By providing innovative digital tools, we integrate sustainability into operations seamlessly, supporting sustainable practices, fostering data transparency, and promoting efficiency. Our commitment to ESG extends beyond compliance. As an ESG Enabler, we offer comprehensive solutions enabling businesses to address climate change, enhance product quality, prioritize workplace safety, adhere to governance, and leverage cutting-edge digital tools for sustainable practices. As a trusted partner, we enable organisations to navigate evolving ESG considerations, creating lasting value for stakeholders.

Methodology of Materiality Assessment

The materiality assessment for FY23 consisted of four key steps in two (2) phases. Initially, the engagement phase is used to identify the material matters, which is subsequently followed by a determination phase to verify and prioritise the material matters.

STEP 1	STEP 2	STEP 3	STEP 4
We conducted a comprehensive analysis of the elements shaping our strategic direction, scrutinizing existing trends, potential risks, and promising opportunities.	By assessing feedback collected from diverse internal and external stakeholder engagement channels, we analyzed and pinpointed the primary concerns voiced by stakeholders.	We brought forward the identified material matters to both the Sustainability Development Committee (SDC) and the management team for in-depth discussion and validation.	We structured the identified topics into a matrix to prioritize the most impactful concerns that influenced both business expansion and stakeholder decision-making.
Identify	**Assess**	**Verify**	**Prioritise**

Engagement Phase	**Determination Phase**
Engage to get feedback from various internal and external stakeholder	Determine material topics for reporting. Verify and priorities the material topics

Double Materiality

In light of evolving European Union ("**EU**") regulations, notably the Corporate Sustainability Reporting Directive ("**CSRD**"), the double materiality assessment has emerged as a crucial priority for companies operating within globally. Today's organisations are confronted with a myriad of ever-evolving sustainability challenges, ranging from decarbonisation initiatives to fostering diversity in the workforce and upholding ethical business practices. The double materiality assessment serves as the mechanism for discerning and prioritising these sustainability topics. Material topics are those that either directly impact the Company's society and/or the environment (impact materiality) or represent areas where the Company influences financial performance (financial materiality).

Within the laboratory context, achieving sustained value creation necessitates a deep understanding of market dynamics, operational intricacies, and stakeholder expectations. Guided by this fundamental principle, we formulate strategies that seamlessly align with key facets of business expansion while remaining responsive to the evolving needs of our stakeholders. Through the meticulous identification and prioritisation of material matters, our Board and leadership team gain invaluable insights that inform their decision-making processes, guiding the Group towards sustainable development. This approach ensures proactive engagement with the most pertinent elements contributing to our long-term prosperity and positive stakeholder engagement.

As we navigate the dynamic laboratory landscape, we remain steadfast in our commitment to delivering value and exceeding stakeholder expectations. Concurrently, we are dedicated to driving sustainable progress within our laboratory operations, thereby reinforcing our role as responsible corporate stewards.

Identification of Material Matters

Within the laboratory context, we prioritise the conduction of routine materiality assessments to uphold the relevance and timeliness of our sustainability endeavours, particularly in alignment with our Business Continuity Planning ("**BCP**") endeavours. These assessments are systematically carried out on an annual basis.

In our latest materiality assessment conducted in FY23, we meticulously identified fourteen (14) material matters similar to FY22, with a focused emphasis on areas deemed as high-priority. The materiality matrix showcased below visually delineates the significance of these identified matters, vividly illustrating their weight and impact on our overarching sustainability strategy. Our objective is to intricately align our sustainability initiatives with the most pertinent and impactful areas, ensuring that our actions resonate effectively with the needs and expectations of our stakeholders.

Furthermore, we recognize the evolving landscape of sustainability concerns and the dynamic nature of laboratory operations. Therefore, our commitment to regular materiality assessments serves as a proactive measure to adapt and respond to emerging challenges and opportunities in a timely manner. Through this iterative process, we continually refine and recalibrate our sustainability strategy to maintain alignment with the evolving needs of our stakeholders and the broader societal and environmental context within which we operate.

Climate Change		Employee Rights	
Green Energy		Customers' Value Creation	
Financial Sustainability		Board Diversity	
Workplace Safety		Strategic Alliance & Compliance	
Innovation & Novelty		Operation Accuracy & Agility	
Talent Transformation		Digitalisation & Digital Transformation	
ESG Culture		Security & Data Protection	

Assessment of Material Matters
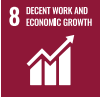
We illustrated the material matters and their implications for the respective stakeholders to provide a comprehensive understanding of each issue. Furthermore, enhancements have been made to the mapping of these material matters to include assessments of impact, response and opportunity.

Pillars	Material Matters	Double Materiality		FY23 Sustainability Performance / Initiative	Perpetual Target	Stakeholder	UN SDGs
		Inward Impact	Outward Impact				
Environment	Climate Change	Climate change can affect energy availability and prices, impacting the laboratory's energy consumption and operational costs.	Laboratories contribute to greenhouse gas emissions through energy consumption, waste generation and chemical usage.	By curtailing paper consumption, we have conserved the equivalent of 55.9 trees from being felled in FY23. It rose by 38.3 trees compared to FY22, due to the implementation of aikinz™ Electronic Worksheet.	To eliminate emission intensity by 30% in 2030 (measured in kg CO2e/conformity activity), and to further reduces the emission intensity by 60% by 2040, and eventually becoming Net Zero Carbon Emission by 2050.	Employees, Vendors, Clients, Regulators and Strategic Partners	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND
	Green Energy	Utilising green solar energy sources power within the laboratory can improve energy efficiency and reduce overall energy consumption.	Green solar energy usage in the laboratory contributes to reducing greenhouse gas emissions, thereby mitigating climate change.	FY23 shown a significant improvement of solar energy surged by 80% compared to FY22. It increased from 15,442 kWh to 27,763 kWh.	To enforce green energy to be part of the Net Zero Carbon Emission 2050 roadmap.		
	Financial Sustainability	Financial sustainability practices within the laboratory aim to attract talent to optimize operational processes and resource utilization to maximize productivity.	Financial sustainability enhances the laboratory's ability to invest on sustainability project such as solar energy, energy efficiency system and many more to support operational activities.	Refer to Annual Report for FY23.	To ensure sustainable cash flow and earnings before interest, taxes, depreciation and amortisation EBITDA for continuous growth.		

Pillars	Material Matters	Double Materiality		FY23 Sustainability Performance / Initiative	Perpetual Target	Stakeholder	UN SDGs
		Inward Impact	Outward Impact				
Social	ESG Culture	Fostering an ESG culture within the laboratory promotes employee engagement, satisfaction and well-being.	An ESG-focused laboratory earns the trust and respect of stakeholders. Could influence and create ESG awareness among the external stakeholders.	The engagement score has been increased from 8.3 to 8.4 in FY23 paving the right direction to foster an ESG culture.	To reinforce the Company's values that are committing to ESG targets.	Employees, Vendors, Clients, Regulators, and Strategic Partners	
	Employee Rights	Upholding employee rights within the laboratory fosters a culture of respect, fairness and brand ambassador.	Laboratories that prioritize employee rights enhance their reputation and credibility among stakeholders.	Zero cases of non-compliance with laws and regulatory requirements in FY23.	Zero cases of non-compliance with laws and regulatory requirements.		
	Talent Transformation	Employees feel valued and motivated to grow professionally, leading to increased job satisfaction and retention.	This attracts top talent and strengthens the laboratory's competitive position in the industry.	No data.	Sustaining the top 30 talents that could create value for stakeholders.		
	Workforce Safety	Safe working conditions promote greater focus, concentration and efficiency among laboratory staff. This, in turn, contributes to the laboratory's overall effectiveness and competitiveness in the industry.	By preventing accidents and minimising potential liabilities, laboratories can achieve cost savings and financial sustainability in the long run.	Zero cases of work-related accidents and fatalities in FY23.	Zero cases of work-related accidents and fatalities.		
	Innovation & Novelty	This stimulates intellectual engagement, job satisfaction, and a sense of fulfilment among laboratory personnel, driving motivation and productivity.	This strengthens its position in the industry and attracts collaborations, partnerships and funding opportunities.	Zero intellectual properties ("**IP**") filed in FY23.	To secure and create the IP rights.		
	Customers' Value Creation	Customer value creation within the laboratory environment can significantly impact employees by fostering a sense of purpose and achievement.	Laboratories that consistently create value for their customers can differentiate themselves from competitors by winning more contract in the market.	In FY23, the Group customer satisfaction index is 4.2 over 5, and Net Promoter Score (NPS) is positive 67.3.	To sustain a Customer Satisfaction Index above +20% based on net promoter score (NPS).		

27

Pillars	Material Matters	Double Materiality		FY23 Sustainability Performance / Initiative	Perpetual Target	Stakeholder	UN SDGs
		Inward Impact	Outward Impact				
Governance	Board Diversity	Board diversity can lead to more robust and well-rounded decision-making processes. Diverse boards often engage in more thorough discussions and debates, leading to more informed and strategic decisions that benefit the laboratory as a whole.	Board diversity can enhance the laboratory's reputation and inspire confidence among external stakeholders, including investors, customers, partners, and the community.	In FY23, the Board consist of 43% female Directors and 30% foreign (non-Malaysian) Directors.	To sustain the 30% female and foreign directors on Board.	Employees, Vendors, Clients, Regulators and Strategic Partners	1 NO POVERTY; 2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Strategic Alliance & Compliance	Strategic alliances can optimize internal resource utilisation and minimize duplication of efforts, leading to greater efficiency and cost-effectiveness in operational activities.	By forging strategic partnerships, laboratories can establish themselves as industry leaders and key players in their respective markets, driving growth and profitability.	Zero cases of non-compliance with laws and regulatory requirements in FY23.	Zero cases of non-compliance with laws and regulatory requirements.		

Pillars	Material Matters	Double Materiality		FY23 Sustainability Performance / Initiative	Perpetual Target	Stakeholder	UN SDGs
		Inward Impact	Outward Impact				
Digitalisation of Economy	Operation Accuracy & Agility	Improved workflow efficiency enables laboratories to optimize their operational capacity, maximize throughput and achieve better utilisation of equipment and personnel.	Laboratories that prioritize operation accuracy and agility can differentiate themselves in the marketplace, attract repeat business and build long-term relationships with satisfied customers.	Zero leakage involving customers' confidential business information in FY23.	Zero leakage involving customers' confidential business information.	Employees Clients Consumers Strategic Partners	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Security & Data Protection	By implementing robust security protocols, such as access controls, encryption and data masking can prevent unauthorized access, tampering, or theft of valuable intellectual property.	External stakeholders are reassured that their confidential data and intellectual property are protected from unauthorized access and data breaches, strengthening their confidence in the laboratory's integrity and professionalism.	Zero misappropriation of Certificate of Analysis in FY23.	Zero misappropriation of Certificate of Analysis.		
	Digitalisation & Digital Transformation	Digitalisation enables laboratories to harness the power of data analytics, machine learning, and artificial intelligence algorithms to derive actionable insights from vast volumes of scientific data. By analysing experimental results, identifying patterns, and predicting trends, laboratories can make informed decisions, optimize experimental protocols, and identify novel research opportunities.	Digitalisation fosters collaboration and knowledge sharing among laboratories, research institutions, and industry partners by providing seamless access to shared data, resources, and expertise. Cloud-based collaboration platforms, virtual conferencing tools, and online project management systems facilitate remote collaboration, interdisciplinary research, and cross-functional teamwork across geographic locations and organisational boundaries.	In terms of people, our initiatives in digital transformation have elevated productivity levels from RM84,000 to an impressive RM159,560 per headcount between the financial year ended 31 December 2016 ("**FY16**") and FY23.	To sustain productivity at RM150,000 per headcount.		

Prioritisation of Material Matters

The identification and resolution of significant sustainability issues across the Environmental, Social, Governance, and Digitalisation dimensions are paramount for our organisation and its stakeholders. These pivotal concerns greatly inform our understanding of industry trends and allow us to assess associated risks and opportunities. By acknowledging and prioritising these material issues, we can enhance our sustainability efforts, fostering a more comprehensive approach to our business operations that ultimately benefits both our Group and stakeholders.

In FY23, we conducted a thorough examination of our fourteen (14) material matters with a focused emphasis on five (5) areas deemed as high-priority to ensure their alignment with contemporary industry standards and guiding principles. This evaluation served as the cornerstone for defining LMS's four (4) sustainability pillars. Throughout this process, we leveraged frameworks such as SASB (Chemical and Professional), GRI, TCFD, and UN SDGs to ensure the proper alignment of our material concerns. The visualisation of these fourteen (14) material matters is depicted in the matrix provided below:
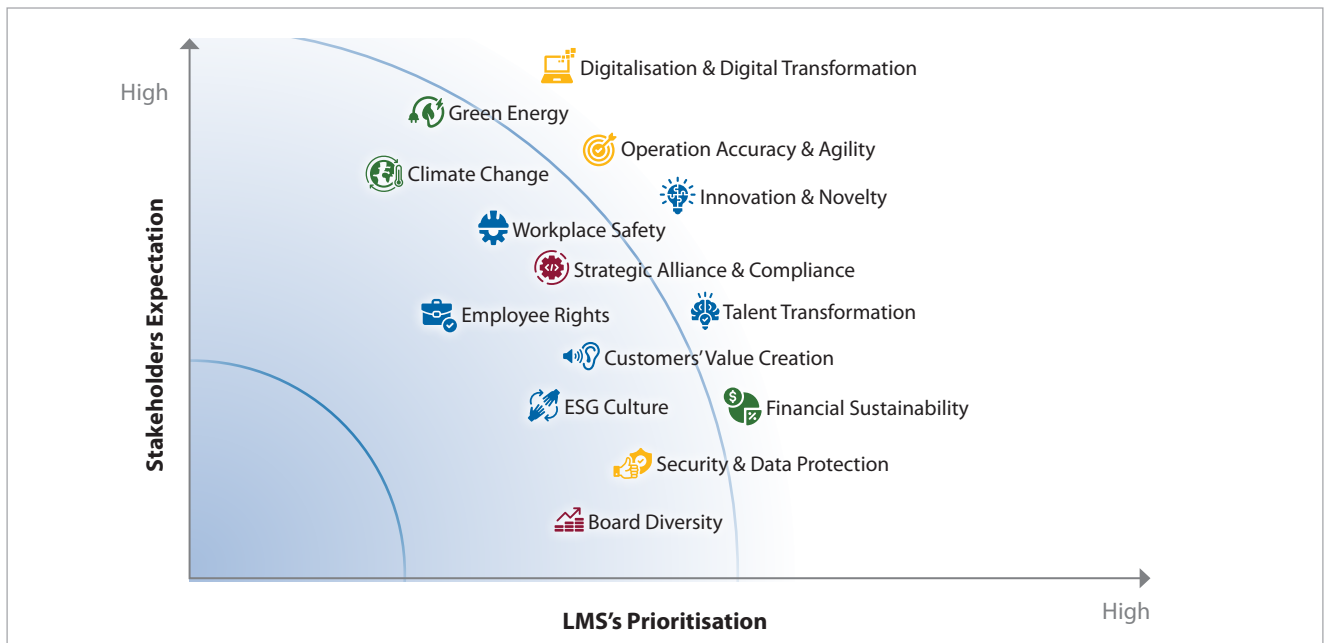
Verification: Material Matters

Following a rigorous validation process, we confirmed that the majority of our material matters are in line with key guiding principles, including SASB, GRI, TCFD, and UN SDGs. This affirmation underscores our commitment to aligning our sustainability efforts with globally recognised standards and frameworks. After careful consideration and validation, we retained fourteen (14) material matters categorised under the four (4) pillars outlined below. These matters were thoroughly evaluated and analysed to ensure their relevance and significance to our business operations and stakeholder interests.

Environment
- Financial Sustainability
- Climate Change
- Green Energy

Social
- Customers' Value Creation
- Innovation & Novelty
- Workplace Safety
- Talent Transformation
- Employee Rights
- ESG Culture

Governance
- Strategic Alliance & Compliance
- Board Diversity

Digitalisation
- Digitalisation & Digital Transformation
- Security & Data Protection
- Operation Accuracy & Agility

Subsequently, we presented the validated material matters to both the Sustainability Development Committee ("**SDC**") and the management team for review and discussion. Following robust deliberation and analysis, the material matters received formal endorsement from the Board of Directors, signifying their strategic importance and alignment with our overall sustainability objectives. Collectively, the Company prioritise the five (5) material matters as below.

Financial Sustainability	Innovation & Novelty	Talent Transformation	Operation Accuracy & Agility	Digitalisation & Digital Transformation

This comprehensive validation process underscores our dedication to transparency, accountability, and responsible business practices. It demonstrates our commitment to addressing the most pertinent sustainability issues facing our organisation and ensuring that our actions are guided by established best practices and global standards.

Remediate the Negative Impact

LMS upholds a robust framework of policies and guidelines meticulously crafted to ensure stringent adherence to pertinent laws and regulations governing its operations, products, and services. Our commitment to compliance underscores our dedication to ethical business practices and accountability across all facets of our operations. Moreover, we maintain continuous engagement with our diverse array of stakeholders to deeply comprehend their requirements and aspirations. By fostering open channels of communication, we actively solicit feedback and insights to inform our decision-making processes and enhance stakeholder satisfaction.

To further fortify our commitment to transparency and responsiveness, LMS has established a grievance mechanism accessible to our suppliers, vendors, and the local community. This mechanism serves as a vital avenue for stakeholders to voice their concerns, lodge complaints, and seek resolution for any grievances they may encounter. We approach each grievance with diligence and impartiality, striving to address issues promptly and equitably to uphold our standards of integrity and accountability. By proactively addressing concerns and promoting transparency through our grievance mechanism, LMS endeavours to cultivate trust and mutual respect among our stakeholders. We recognize the importance of nurturing strong relationships built on transparency, accountability, and responsiveness, which are foundational to our commitment to sustainable and responsible business practices.

Engagement: Stakeholders

Our extensive history in the testing, assessment, and certification sector is founded on the unwavering trust and backing of our stakeholders. Consequently, a critical component of our sustainability efforts revolves around fostering open and transparent communication with these pivotal partners, ensuring they are continuously kept informed and involved. Recognising the significance of comprehending their desires and goals, we prioritize delivering lasting value. Hence, our strategies and choices are influenced by their invaluable input and anticipations.

Who	Why	When	How	What issues
Employees	By actively engaging with our team members, we foster an environment where creativity thrives and new ideas flourish. We recognize that each member brings a unique perspective and skill set to the table, and we value the diversity of thought that they contribute.	Half-yearly	mySuite™	Utilising resources efficiently and responsibly to propel LMS's sustainability agenda forward, ensuring alignment with long-term environmental and social goals.
Vendors	We actively collaborate with raw material and solution providers to ensure seamless business operations while minimising our carbon footprint. By engaging in strategic partnerships and sustainable sourcing practices, we aim to achieve business continuity while prioritising environmental stewardship and sustainability throughout our supply chain.	Yearly	Vendor Evaluation and Assessment	Fluctuations in foreign exchange rates may influence the pricing of raw materials, potentially affecting overall production costs and financial performance.
Clients	We actively involve our clients, the downstream of our value chain, to understand their requirements across pillars like accuracy, agility, security, simplicity, and sustainability. By engaging in dialogue and feedback loops, we tailor our services to meet their specific needs, ensuring excellence and relevance in our offerings.	Yearly / Real-time	Clients' survey / satisfaction index through aikinz™	Having a deep understanding of technical barriers to trade (TBT) enables effective compliance with regulatory standards, fosters international trade relationships, and ensures the smooth flow of goods and services across borders.
Consumers	We actively involve indirect users, particularly consumers, in our process by offering impartial and independent reports accessible through QR code scanning methodology. This empowers consumers with transparent and easily accessible information about our products and services.	Real-time	aisinz™ Voluntary Real-time surveillance scheme	Manufacturer's asymmetry of information, referring to situations where producers possess more information such as quality, and carbon footprint but not sharing with consumers.
Regulators	We actively participate in shaping industry challenges by engaging with formal governing institutions and contributing to the formulation of rules, regulations, and guideline.	Ad-hoc	Formal meetings, round tables, and working committees	Compliance and traceability.
Strategic Partners	We actively involve our subsidiaries and associated companies in the region to ensure alignment with corporate values and growth targets. By fostering collaboration and sharing strategic objectives, we strengthen cohesion across our network and work collectively towards achieving common goals for sustainable growth and development.	Bi-yearly	Physical and online meetings	Integration and trust.
Community	Ensuring the local community remains unaffected by our operations is paramount. Engaging with community stakeholders, we actively listen to concerns and implement proactive strategies to promote harmony, preserve natural resources, and contribute positively to the well-being of the local population.	Yearly	Engage resident association	Security and break-in issues pose significant threats to the safety and integrity of our operations.

Employee

Ensuring open communication, promoting transparency, and promptly addressing issues are critical components of LMS's effective mechanisms for seeking advice and raising concerns. The following are common avenues for employees and stakeholders to utilize:

Open-Door Policy: LMS embraces an open-door policy, allowing employees to approach their immediate supervisors, managers, or higher-level executives to seek advice or share concerns. This fosters direct communication and facilitates quick issue resolution.

Whistleblower Policy: Governed by a whistleblower policy, confidential reporting channels enable employees to report unethical behaviour, fraud, or other wrongdoing without fearing retaliation. Third-party organisations typically manage these hotlines to ensure anonymity and protect the whistleblower's identity.

Town Hall Meetings: These forums provide opportunities for employees to directly interact with senior management, raise concerns, or ask questions. Town Hall Meetings facilitate open dialogue and clarification on various organisational matters.

Employee Surveys: Conducted regularly, employee surveys help identify potential concerns and gather feedback anonymously. Analysing survey results allows management to proactively address issues.

Online Platforms and Intranets: LMS provides online platforms or intranets where employees can access information, resources, and contact details for seeking advice or raising concerns.

Regardless of the chosen mechanism, LMS is committed to establishing a safe and supportive environment for employees and stakeholders to seek advice and raise concerns without fear of retribution. Encouraging open communication and actively addressing concerns contributes to a culture of trust and accountability, benefiting the overall well-being and success of the organisation.

Vendor

Extending beyond the laboratory, the value chain assumes a pivotal role in the business ecosystem. Encompassing all stages from raw material sourcing to product distribution, the value chain includes production, supply, and delivery phases. Collaborative partnerships with suppliers, manufacturers, distributors, and retailers become indispensable for ensuring seamless operations and maximising efficiency. These collaborative relationships facilitate the smooth flow of goods and services, foster innovation, and empower companies to respond promptly to market demands.

The annual vendor assessment process integrates evaluations not only of greenhouse gas (GHG) emissions but also of social compliance standards. Through comprehensive audits and assessments, we gauge vendors' environmental footprint, including GHG emissions, and ensure adherence to social responsibility criteria such as labour practices, human rights, and workplace safety. This rigorous evaluation fosters sustainable partnerships and promotes ethical supply chain practices.

Client

At the heart of our client engagement strategy lies a commitment to understanding and fulfilling their unique requirements across various pillars, including accuracy, agility, security, simplicity, and sustainability. By actively involving clients in dialogue and feedback loops, we gain invaluable insights into their expectations and preferences. Through platforms like the aikinz™ satisfaction index and client surveys, we measure satisfaction levels and identify areas for improvement. In FY23, the Group customer satisfaction index ("**CSAT**") is 4.2 over 5, and Net Promoter Score ("**NPS**") is positive 67.3.
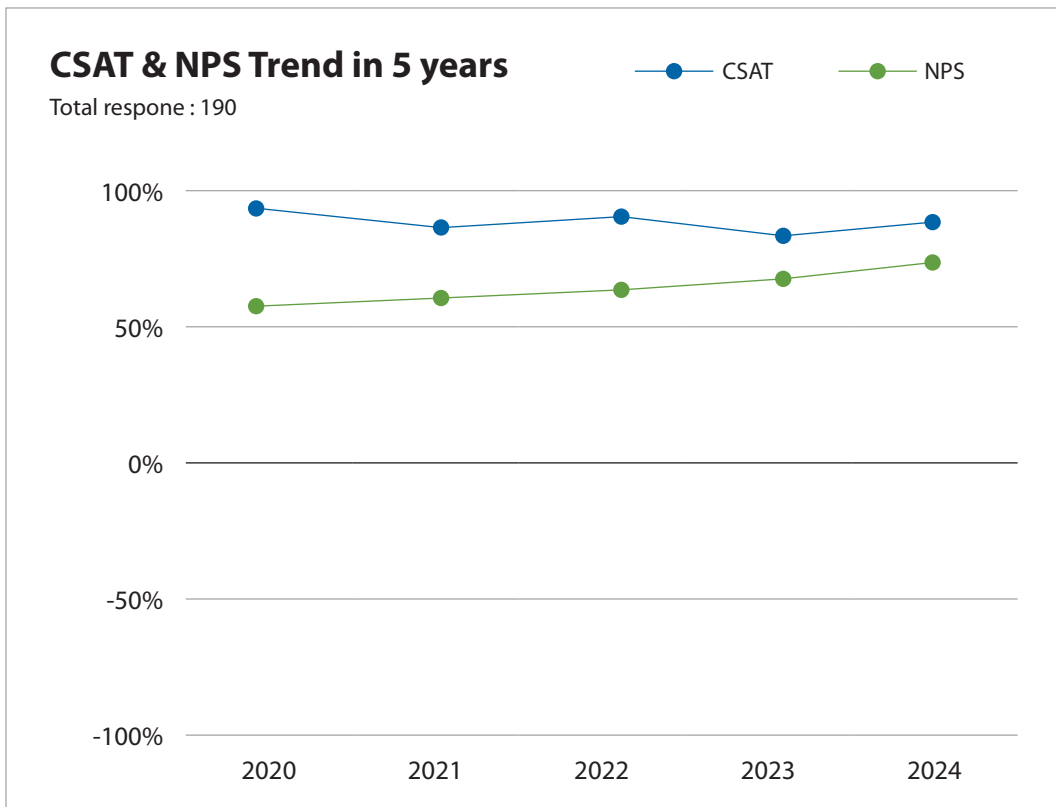
Understanding technical barriers to trade ("**TBT**") is crucial for ensuring compliance with regulatory standards and facilitating international trade relationships. By navigating TBT effectively, we can streamline the flow of goods and services across borders, promoting efficiency and reducing friction in global trade operations.

Our proactive approach to client engagement and TBT management underscores our commitment to delivering value and excellence in service delivery. By aligning our offerings with client needs and regulatory requirements, we strengthen relationships, drive innovation, and foster sustainable growth for our clients and our business alike.

Consumer

At the core of our approach lies a commitment to transparency and consumer empowerment. Through our innovative QR code scanning methodology, we provide consumers with convenient access to impartial and independent reports, enabling them to make purchasing decisions about our clients' products and services. Our proprietary platform, aisinz™ is a voluntary real-time surveillance scheme, enhances transparency and accountability by offering real-time monitoring and reporting mechanisms to safeguard consumers' rights and benefits.

Regulator

At the forefront of our engagement strategy lies a proactive approach to shaping industry challenges. Through active participation in formal governing institutions, we contribute to the formulation of rules, regulations, and guidelines that govern our industry. Our engagement takes various forms, including participation in formal meetings, round tables, and working committees dedicated to addressing critical industry issues.

Compliance and traceability are central to our commitment to industry best practices. By actively participating in discussions and decision-making processes, we ensure that our perspectives and expertise are leveraged to shape regulations that foster compliance and enhance traceability throughout the supply chain. Through these engagements, we aim to drive positive change, promote industry-wide standards, and foster collaboration among stakeholders. By playing an active role in shaping regulatory frameworks, we contribute to the creation of a more transparent, accountable, and sustainable industry landscape that benefits all stakeholders involved.

Strategic Partner

At the heart of our operational approach lies a concerted effort to engage our subsidiaries and associated companies within the region. Through regular physical and online meetings, as well as management retreats, we facilitate open dialogue and collaboration to ensure alignment with corporate values and growth targets. By fostering a culture of integration and trust, we strengthen cohesion across our network, enabling us to work collectively towards achieving common goals for sustainable growth and development.

Through these engagements, we encourage the sharing of strategic objectives and best practices, facilitating the alignment of our efforts towards overarching corporate goals. By leveraging the diverse expertise and perspectives within our network, we can adapt and respond effectively to dynamic market conditions while upholding our commitment to corporate values and sustainability principles. This collaborative approach fosters a sense of ownership and accountability among all stakeholders, driving continuous improvement and innovation across our operations.

Community

Ensuring that our operations have a minimal impact on the local community is a top priority for us. We engage in ongoing dialogue with community stakeholders to understand their concerns and address them effectively. Through active listening and collaboration, we develop proactive strategies aimed at fostering harmony, preserving natural resources, and enhancing the overall well-being of the local population.

Security and break-in issues represent serious challenges that can compromise the safety and integrity of our operations. To mitigate these risks, we employ comprehensive security measures, including physical security systems, access controls, and surveillance technology. Regular security assessments and audits help us identify vulnerabilities and strengthen our defences against potential threats.

By prioritising community engagement and implementing robust security protocols, we demonstrate our commitment to being responsible corporate citizens. Our goal is to operate in harmony with the local community while maintaining the safety, security, and integrity of our facilities and operations. Through proactive measures and collaboration, we strive to foster positive relationships and create shared value for all stakeholders involved.

Sustainability Framework

Governance Structure

At LMS, we have taken significant measures to incorporate RobecoSAM's Economic Dimension Score ("**EDS**") into assessments of our top management and governance performance. Additionally, our Board routinely engages in discussions on sustainability and TCFD-related matters concerning climate change during quarterly meetings. External training sessions on pertinent topics, including climate-related performance such as reducing greenhouse gas emissions and assessing the status of low carbon portfolios, are also part of our Board's activities. This ensures an ongoing emphasis on sustainability within our organisation.

We have made it a permanent fixture to include LMS's sustainability performance, particularly in the battle against climate change, as a regular agenda item in each half-yearly Board meeting. Transparency and accountability form the foundation of our approach to sustainability governance at LMS.

We have established a Sustainable Development Committee ("**SDC**") to lead our Sustainability and Climate Change Agenda. Before presenting it to the Board, the CEO meticulously examines and endorses this agenda. By precisely delineating roles and responsibilities, we guarantee the utmost standards of integrity and efficiency in implementing our Sustainability and Climate Change Agenda, giving it tangible form. The outlined structure below elucidates the specific roles and responsibilities of each stakeholder in all matters related to sustainability and climate change, ensuring the steadfast commitment of LMS to sustainability.

Overseeing LMS's implementation and Performance of Sustainability		
Governance Matters		
Board of Directors (BOD)		**Independent Chairman**
		Independent Nominating Committee, Audit Committee, and Remuneration Committee

↑ Half-yearly reporting

Formulate Sustainability and Climate Change Strategy, Monitor Sustainability and Climate Change Performance		
Sustainable Development Committee (SDC)		**CEO**
		C-SUITE

↑ Half-yearly reporting

Sustainability Data Measurement, Verification, Assurance, Reporting, and Improvement on Sustainability and Climate Change Performance		
Environment matters		**Social + Digital Matters**
Environmental Engineer and Chemist	**Assessor, Verifier and Validator**	**Hygiene Technologist, Human Resources ("HR") and IT Specialist**

The Board of LMS is responsible for oversighting LMS's climate change agenda and the monitoring of progress toward goals and targets related to climate issues fall under the purview of the LMS Board. In the examination and guidance of the Group's strategy, significant action plans, annual budgets, and the establishment of performance objectives, the Board deems climate-related considerations as pivotal. Moreover, when supervising substantial capital expenditures, acquisitions, and divestitures, the Board takes into account climate-related aspects. Additionally, the Board ensures the effective communication of the Group's strategies, priorities, and targets to both internal and external stakeholders.

LMS regards the integration of ESG factors as essential to fulfilling the Board's fiduciary responsibility. The Board actively supervises the management and monitoring of these ESG factors, incorporating them into the determination of the Group's strategic direction and policies. Sustainability is an integral component of the Company's broader strategy aimed at generating long-term value for all stakeholders. To tackle climate-related issues and performance, the Board convenes yearly meetings. In FY23, these sessions encompassed diverse topics such as the NZE 2050 Roadmap and sustainability key performance indicators ("**KPIs**"), which include aspects like greenhouse gas emissions and green energy. Furthermore, the Board addressed governance-related issues based on the recommendations of TCFD.

During FY23, two (2) Board Strategic Conversations were held. In these sessions, the Board deliberated on long-term strategies for LMS's identified business portfolios, informed by market outlook and external environmental analysis. Discussions also centred on the Group's sustainable development agenda, with a particular emphasis on endeavours to attain net-zero carbon emissions by 2050.

The Nominating Committee of the Company bears the responsibility for nominating and selecting the highest governance body, a pivotal element in corporate governance. This process typically entails a meticulous and transparent procedure designed to identify and appoint individuals possessing the requisite skills, expertise, and qualifications to effectively oversee the Group's strategic direction and decision-making. Adhering to corporate governance best practices, regular board evaluations are often recommended to assess the performance of individual Directors and the overall effectiveness of the Board as a cohesive entity. This evaluation aids in pinpointing areas for improvement and ensures ongoing alignment of the Board with the Group's objectives.

By adhering to a well-defined and transparent nomination and selection process, LMS can establish a diverse, skilled, and dedicated nomination and selection governance body. Such a body significantly contributes to the Group's success and sustains long-term value for all stakeholders.

Nomination and Selection Governance Body

The nomination and selection of the highest governance body represent a critical element of corporate governance. Typically, this process entails a meticulous and transparent procedure aimed at identifying and appointing individuals possessing the requisite skills, expertise, and qualifications to effectively oversee the Group's strategic direction and decision-making.

LMS has established a dedicated Nominating Committee, primarily comprised of independent Directors, entrusted with overseeing the nomination process. This committee evaluates the skills, experience, and diversity necessary on the Board, actively seeking and identifying potential candidates.

The Nominating Committee assesses the current composition of the Board, identifying any gaps in skills or expertise. It determines the qualities required to guide the Company in the right direction and ensure long-term success. Credentials of potential candidates undergo thorough review by the Nominating Committee, considering factors such as professional background, industry experience, track record, ethical standards, and commitment to the Group's mission.

Following a comprehensive evaluation, the Nominating Committee presents its recommended candidates to the Board for approval. The Board engages in discussions and voting on each candidate to reach a consensus. Upon election, newly appointed Board members undergo a comprehensive onboarding process to familiarise themselves with the Company's operations, culture, strategy, and key stakeholders. For additional details about the Nominating Committee, please refer to Principle 4 under the Corporate Governance Report section of the Company's Annual Report for FY23.

Evaluating the effectiveness of Sustainability and Climate Change Governance is crucial, where corporate governance best practices often call for regular Board evaluations to assess each Director's performance and the Board's overall effectiveness as a collective unit. This assessment serves to identify areas for improvement and ensures ongoing alignment of the Board with the Group's goals, including sustainability and climate change. By adhering to a well-defined and transparent nomination and selection process, companies have the opportunity to establish a diverse, skilled, and dedicated highest governance body. Such a body significantly contributes to the Group's success and sustains long-term value for all stakeholders. Apart from being an effective governing body, the members of the SDC are being measured following sustainability and climate change KPIs which link to their annual rewards. Again, connecting the sustainability and climate change indicators with rewards will foster the ESG culture in LMS.

The Sustainable Development Committee ("SDC") is led by the CEO of the Company and supported by C-suite of the Company that consist of chief operation, technology, development, strategy, compliance, people, and finance officer. The SDC guides and oversees the Group's sustainable practices and initiatives. Its primary role is to ensure the integration of sustainable development principles into the Company's operations, strategies, and decision-making processes. Collaborating with management and stakeholders, the SDC aims to cultivate positive outcomes in environmental, social, economic, and climate change aspects, all while advancing the long-term interests of the Group.

The SDC takes on the responsibility of formulating comprehensive sustainable development strategies in harmony with the Group's vision and values. It establishes explicit goals and targets aimed at enhancing the Company's environmental performance, social responsibility, and governance practices. The SDC actively monitors and evaluates the Group's environmental impact, encompassing factors such as carbon emissions, resource consumption, waste generation, and water usage. It identifies areas requiring improvement and develops action plans to diminish the Company's ecological footprint. A crucial aspect of the SDC's role involves the identification and assessment of environmental, social, and governance risks. The committee formulates risk management strategies to mitigate potential adverse impacts, ensuring the Group's resilience in the face of sustainability and climate change challenges. Additionally, the SDC ensures accurate and transparent reporting of the Group's sustainability performance, disseminating this information to stakeholders through sustainability reports and disclosures aligned with pertinent reporting frameworks and standards.

Engagement with key stakeholders, including investors, customers, employees, regulators, and NGOs, constitutes a fundamental aspect of the SDC's responsibilities. It seeks to understand their concerns, expectations, and feedback on the Group's sustainable practices, incorporating stakeholder input into decision-making processes. Furthermore, the SDC actively promotes the adoption of sustainable technologies and innovations that can enhance the Group's environmental and social performance while contributing to its long-term success. The SDC ensures the Group's compliance with relevant environmental and social regulations, industry standards, and international agreements related to sustainability. Additionally, the committee establishes and monitors KPIs to track the progress of the Group's sustainability initiatives, providing a metric for evaluating the effectiveness of sustainable development efforts.

The Competent Professional Team assumes the crucial responsibility of measuring, verifying, and validating ESG data, synthesising them into comprehensive reports for assurance. Comprising environmental engineers, scientists, auditors, hygienists, validators, and verifiers, they undergo rigorous training to enhance sustainable practices across the Group continually. Their role extends to fostering an ESG culture and integrating data measurement technology periodically to advance sustainability goals. Through their expertise and dedication, they ensure that the Group's ESG initiatives are accurately documented, verified, and aligned with global sustainability standards. Moreover, they actively seek out innovative approaches and technologies to enhance data collection, analysis, and reporting processes, thereby strengthening the Group's commitment to sustainable development. As key stakeholders in the ESG framework, the Competent Professional Team plays a pivotal role in promoting transparency, accountability, and environmental stewardship throughout the organisation. Their ongoing efforts contribute significantly to the Group's mission of achieving long-term sustainability and positive social impact.

Risk Management and Sustainability Policy

We adopt a proactive stance in identifying, analysing, and managing risks that have a substantial impact on our capacity to generate value, particularly those related to sustainability. Factors encompassing Environmental, Social, Governance, and Digitalisation are pivotal in fortifying business resilience and cultivating trust among our stakeholders. Consequently, we adopt a holistic viewpoint that acknowledges the interdependence of our risks, opportunities, sustainability pillars, and the UN SDGs. Likewise, risks and opportunities associated with climate change are seamlessly integrated into our risk management framework, acknowledged as one of the principal material matters.

LMS's sustainability policy refers to the Group's guiding principles to promote and support environmentally, socially, and governing responsible practices. The objective of sustainable policies is to safeguard the enduring welfare of the Group's present and future, while mitigating adverse effects on the environment, society, and climate change.

Pillars	Material Matters	Risk	Opportunity / Response	Policy
Environment	Climate Change	**Actual Risk:** Higher energy consumption for cooling the workplace due to climate change can lead to increased operational costs and environmental impact. **Potential Risk:** Hot areas may consume less energy for the heating process, but extreme temperatures could still affect equipment performance and employee comfort, potentially impacting productivity.	**Opportunity:** Adopting green energy solutions such as solar or wind power to reduce the laboratory's carbon footprint presents an opportunity to mitigate the environmental impact of energy consumption and demonstrate commitment to sustainability. **Response:** We ensure that climate-related risks and opportunities are assessed and addressed in alignment with LMS's Climate Change Commitment and TCFD recommendations is crucial. Implementing energy-efficient measures, investing in renewable energy sources, and enhancing climate resilience strategies can help mitigate risks and capitalise on opportunities.	Green House Gas Policy
	Green Energy	**Actual Risk:** Tenaga Nasional Berhad's Green Electricity tariff increase from Aug 2023 could lead to higher operational costs for the laboratory, impacting financial sustainability. **Potential Risk:** Dependence on solar energy may lead to intermittent power supply or disruptions during adverse weather conditions, affecting laboratory operations.	**Opportunity:** Embracing cleaner and low-footprint energy sources, such as solar presents a pivotal opportunity for laboratory to mitigate environmental harm and bolster their sustainability credentials. These renewable energy options enable reduced carbon emissions and signify a commitment to eco-friendly practices, fostering long-term environmental health. **Response:** We are adopting solar energy to reduce our carbon footprint and exploring alternative green energy sources can further diversify the energy portfolio and enhance resilience to future energy price fluctuations.	Renewable Energy Policy
	Financial Sustainability	**Actual Risk:** Loss of investors' interest in non-ESG sustainable stock due to a lack of financial sustainability practices. **Potential Risk:** Investors may overlook the laboratory's financial sustainability if it does not prioritize ESG factors.	**Opportunity:** Ensure business sustainability while prioritising the well-being of the planet and people. Becoming the benchmark of non-financial disclosure. **Response:** We implement robust financial sustainability practices that integrate ESG factors into decision-making processes. including comprehensive climate change disclosure, the laboratory can enhance its reputation & attract socially responsible investors.	Budget planning policy, cash flow monitoring policy, and financial compliance policy.

Pillars	Material Matters	Risk	Opportunity / Response	Policy
Social	ESG Culture	**Actual Risk:** An adverse culture regarding ESG practices within the laboratory could act as a restraining force, hindering progress and commitment to sustainability goals. **Potential Risk:** If ESG values are not embraced and integrated into the laboratory's culture, there's a risk of missed opportunities for improvement in environmental, social, and governance performance.	**Opportunity:** A supportive culture that values ESG principles can enable the laboratory to fully integrate sustainability into its operations. By fostering an ESG culture among employees through induction and talent transformation programs. **Response:** We respond to the opportunity by actively promoting an ESG culture among employees. This can be achieved through comprehensive induction programs that educate new hires about the importance of ESG principles and talent transformation programs aimed at upskilling employees in sustainability practices.	HR Policy and Work From Home ("**WFH**") guideline
	Employee Right	**Actual Risk:** Demotivation resulting from a lack of respect for employee rights could adversely impact productivity and performance within the laboratory. **Potential Risk:** Failure to uphold employee rights may lead to increased turnover, decreased morale, and potential legal liabilities for the laboratory.	**Opportunity:** By instilling the fundamental right of employees to strive for health and wealth, the laboratory can create a positive work environment conducive to high performance and employee satisfaction. **Response:** We respond to these opportunities by conducting regular reviews of the compensation package to ensure competitiveness and fairness. Additionally, implementing job empowerment and enlargement initiatives can provide employees with opportunities to develop new skills and contribute to the laboratory's sustainability goals.	HR Policy and WFH guideline
	Talent Transformation	**Actual Risk:** Lack of empowerment and autonomy among employees may lead to siloed work practices and hinder collaboration within the laboratory. **Potential Risk:** Without proper management support and intervention, talent transformation initiatives may not be effectively implemented.	**Opportunity:** Empowering talent with independence for decision-making aligns their actions with the company's values and fosters a culture of innovation and ownership. Implementing the Amoeba Management System provides a structured approach to talent transformation. **Response:** We actively support talent empowerment initiatives and provide the necessary resources and training for employees to develop decision-making capabilities.	Amoeba Management System and Guide
	Workforce Safety	**Actual Risk:** Accidents in the laboratory can lead to injuries or even fatalities, resulting in the loss of valuable talent. Additionally, accidents can damage equipment and disrupt operations. **Potential Risk:** Failure to prioritize workforce safety may result in a negative work environment, reduced employee morale, and leading to financial losses.	**Opportunity:** Ensuring workforce safety not only fulfils a basic human need but also creates a productive and conducive workplace environment. **Response:** We regularly conduct Occupational Safety and Health assessments to identify and mitigate potential hazards in the workplace. Implementing measures to reduce exposure to toxic raw materials and providing comprehensive safety training to employees can further enhance workplace safety. Additionally, fostering a culture of safety and accountability among employees can encourage proactive hazard reporting.	Safety and Health Policy
	Innovation & Novelty	**Actual Risk:** The actual risk associated with innovation and novelty in the laboratory is the allocation of significant material resources, including financial investment, time, and manpower. **Potential Risk:** A potential risk of innovation and novelty in the laboratory is the failure to achieve desired outcomes or generate significant value from innovation efforts.	**Opportunity:** Innovation and novelty in the laboratory present opportunities to create value and gain a competitive advantage in the market. By developing new technologies, processes, or products, laboratories can differentiate themselves from competitors. **Response:** We pursue certification programs such as the SMECorp 1-innoCERT program to be certified as innovation SMEs. Additionally, laboratories can invest in research and development efforts, collaborate with industry partners and academic institutions, and foster a culture of innovation and creativity among employees to drive continuous improvement.	Innovation Policy
	Customers' Value Creation	**Actual Risk:** The actual risk associated with Customers' Value Creation in the laboratory is the challenge of consistently meeting and exceeding customer expectations. **Potential Risk:** A potential risk of Customers' Value Creation in the laboratory is the failure to adequately understand and address customer needs.	**Opportunity:** Customers' Value Creation in the laboratory presents an opportunity to create value for customers and differentiate from competitors. **Response:** We prioritize customer engagement and feedback mechanisms such as surveys, interviews, and focus groups. By actively listening to customers and understanding their needs, laboratories can tailor their products, services, and processes to deliver exceptional value and experiences that resonate with customers.	ISO 17025, ISO 17021, and ISO 17029 Quality Manual on customer relationship policy

Pillars	Material Matters	Risk	Opportunity / Response	Policy
Governance	Board Diversity	**Actual Risk:** The actual risk associated with Board Diversity in the laboratory is the potential cost involved in recruiting foreign directors. This includes expenses related to compensation, and other benefits for foreign directors. **Potential Risk:** A potential risk of Board Diversity in the laboratory is the challenge of integrating diverse perspectives and backgrounds into the decision-making process. Differences in culture, language, and business practices may lead to communication barriers and potential conflicts within the boardroom.	**Opportunity:** To enhance board effectiveness and governance practices. By including directors from diverse backgrounds, experiences, and perspectives, the board can benefit from a wider range of insights, ideas, and expertise. This can lead to more informed decision-making, better risk management, and improved strategic planning. **Response:** We implement proactive measures to recruit and integrate diverse directors. This may include conducting targeted searches for qualified candidates from different demographic groups, providing cultural competency training for board members, and fostering an inclusive boardroom culture where diverse perspectives are valued and respected.	Anti-bribery policy, Whistleblowing policy, and Conflict of Interest policy
	Strategic Alliance & Compliance	**Actual Risk:** One actual risk associated with Strategic Alliance & Compliance in the laboratory is the time-consuming and challenging process of integration. Bringing together different entities, processes, and systems can be complex and may result in delays or disruptions to operations. **Potential Risk:** A potential risk of Strategic Alliance & Compliance in the laboratory is the possibility of encountering compliance issues or regulatory challenges when aligning with partners or entering new markets. Non-compliance with industry standards or regulations could lead to legal consequences and reputational damage.	**Opportunity:** Strategic Alliance & Compliance in the laboratory present an opportunity to expand the laboratory's footprint in the region more quickly and efficiently. By forming strategic alliances with compatible partners and leveraging their resources, networks, and expertise, the laboratory can gain access to new markets, customers, and opportunities for growth. **Response:** We implement a proactive approach to due diligence, risk management, and compliance. This may include conducting thorough assessments of potential partners, ensuring alignment with regulatory requirements, and establishing clear communication channels and governance structures to facilitate collaboration and compliance oversight. Additionally, participating in tradeshows, forums, and industry events can help the laboratory expand its regional network, forge new partnerships, and stay abreast of emerging trends and opportunities in the market.	ISO 17025, ISO 17021, and ISO 17029 Quality Manual on subcontracting policy

Pillars	Material Matters	Risk	Opportunity / Response	Policy
Digitalisation of Economy	Operation Accuracy & Agility	**Actual Risk:** The potential leakage of sensitive data. This could result in financial and reputational damage and lead to the loss of clients' trust and business. **Potential Risk:** A potential risk is the possibility of operational errors or inefficiencies due to inadequate systems or processes. This could result in delays, inaccuracies, or inconsistencies in testing, assessment, or certification processes, affecting the quality.	**Opportunity:** To enhance security measures and capabilities to meet the increasingly sophisticated needs of clients. By investing in robust data security protocols, encryption technologies, and access controls, the laboratory can safeguard sensitive information, mitigate risks, and differentiate itself as a trusted and reliable service provider. **Response:** We implement a comprehensive approach to data management, security, and operational excellence. This may include maintaining secure data centers, implementing data recovery mechanisms, and leveraging cloud computing solutions to enhance agility, scalability, and resilience.	ISO 17025, ISO 17021, and ISO 17029 Quality Manual
	Security & Data Protection	**Actual Risk:** One actual risk associated is the financial cost of implementing and maintaining robust security systems and data protection measures. This includes expenses related to software licenses, hardware infrastructure, cybersecurity personnel, and ongoing maintenance and updates. **Potential Risk:** The possibility of data breaches, unauthorized access, or cyberattacks that could compromise sensitive information, including proprietary data, client records, and intellectual property. Such incidents can result in financial losses, legal liabilities, reputational damage, and loss of trust from clients and stakeholders.	**Opportunity:** To enhance overall security posture, strengthen control measures, and safeguard sensitive information against unauthorized access, data breaches, and cyber threats. By implementing robust security protocols, encryption technologies, access controls, and regular security audits, the laboratory can build trust, ensure compliance with regulatory requirements, and differentiate itself as a trusted and reliable service provider. Response: We implement a comprehensive cybersecurity strategy that includes measures such as encryption, multi-factor authentication, intrusion detection systems, and regular security training for staff. Additionally, the use of QR codes on certification of analysis documents can enhance traceability and security, providing clients with a convenient and secure method to verify the authenticity and integrity of laboratory reports. Investing in cutting-edge security technologies and proactive threat intelligence can help mitigate risks and protect sensitive data assets from evolving cyber threats.	Personal Data Protection policy, Information Security policy, and Network security policy
	Digitalisation & Digital Transformation	**Actual Risk:** One actual risk associated with Digitalisation & Digital Transformation in the laboratory is the significant investment required for implementing digital technologies and undergoing long-term development processes. This includes expenses related to acquiring hardware and software, hiring skilled personnel, training staff, and integrating digital solutions into existing workflows. **Potential Risk:** A potential risk of Digitalisation & Digital Transformation is the complexity and challenges involved in managing the transition from traditional methods to digital platforms. This may include resistance to change from employees, disruptions to operations during implementation, compatibility issues with existing systems, and potential cybersecurity threats associated with digital infrastructure.	**Opportunity**: To enhance productivity, efficiency, and agility within the laboratory. By leveraging digital technologies such as automation, data analytics, artificial intelligence, and cloud computing, the laboratory can streamline processes, improve data accuracy, accelerate turnaround times, and enhance decision-making capabilities. **Response**: We invest in expanding its technical engineering team to support the development and implementation of digital solutions. This includes hiring skilled professionals with expertise in software development, data science, cybersecurity, and digital innovation. Additionally, the laboratory can prioritize the essentialisation of digital solutions that have been developed, focusing on solutions that provide the most significant value and impact to business operations. By embracing digital transformation initiatives, the laboratory can position itself for long-term success in an increasingly digital-driven environment while staying ahead of industry trends and technological advancements.	IP policy

Note 1:

The Amoeba Management System (AMS) represents a distinctive management philosophy and a decentralised structure pioneered by Kazuo Inamori, the Japanese entrepreneur and founder of Kyocera Corporation and KDDI Corporation. This system revolves around the creation of small, autonomous units termed "amoebas" within a broader decentralised framework. LMS initiated the implementation of phase 1 of AMS in 2019, and phase 2 aims to articulate the inherent value by categorising into groups that create value, add value, provide value for money, and exhibit adverse value. This conceptualisation is substantiated by explicit behaviours and examples of activities, predicting outcomes to ensure effective talent transformation and foster business sustainability. The intrinsic value grouping will be achieved through quarterly aggregation of appraisal results, encompassing self, peer, and superior evaluations. This meticulous approach guarantees a comprehensive understanding of the AMS framework, aligning organisational goals with individual contributions for sustained success.

Membership of Association

In general, joining an association can strategically benefit corporations seeking to broaden their network, enhance their knowledge base, and bolster their influence in the industry. It opens up diverse pathways for growth, collaboration, and sustaining a competitive advantage in the business landscape. LMS has multiple compelling reasons to associate with such organisations, potentially yielding numerous benefits and advantages for the Group.

Industry Insights and Information: Associations typically provide access to industry-specific insights, market trends, research, and information essential for corporations to stay abreast of the latest developments in their sector. This knowledge plays a pivotal role in making well-informed business decisions.

Professional Development: Many associations offer training programs, workshops, and conferences designed to nurture the professional growth of corporate employees. Participation in these initiatives enhances skills and knowledge, benefiting both individual employees and the broader Group.

Advocacy and Representation: Associations often advocate for their members' interests and serve as their representatives before regulatory bodies and government agencies. Membership in an association grants companies a platform to shape policies and regulations that directly impact their industry.

Collaboration and Knowledge Sharing: Associations foster a collaborative environment where corporations can exchange experiences, share ideas, and draw insights from one another. This collaborative spirit frequently sparks innovation and facilitates effective problem-solving.

Social Responsibility and Sustainability: Several associations champion sustainable business practices and social responsibility. By aligning with such associations, corporations can uphold these values and seamlessly integrate sustainability into their operational frameworks.

Please refer to the table below for a list of our membership of associations, as well as our respective roles in the associations:

Association	Contribution	Roles
Malaysia Association of Accredited Laboratory ("**PMAM**")		Executive Committee
Agriculture Laboratory Association of Malaysia ("**AGLAM**")		Corporate Member
Malaysian Employers Federation ("**MEF**")		Corporate Member
Malaysia Semi-Conductor Association ("**MSIA**")		Sub-committee (Sustainability)
Malaysia Institute of Food Technology ("**MIFT**")		Corporate Member
Association of Malaysian Medical Industries ("**AMMI**")		Corporate Member
Small and Medium Enterprises Association ("**SAMENTA**")		Corporate Member
Penang Chinese Chamber of Commerce ("**PCCC**")		Corporate Member

Sustainability Scoreboard

Contribute to Sustainability

In FY2023, the Group amassed a substantial repository of approximately 115,428 sustainability datasets categorised under three distinct pillars: "Environment", "Social", and "Governance". It rose 7.5% from 107,401 in FY22. Likewise, Social has three (3) sub-categories as "Product", "People" and "Place". These datasets were systematically generated through our daily operations, which encompassed comprehensive testing, assessment, certification, and assurance services across a diverse array of industries.

From a "Social" standpoint, our testing division meticulously examines the quality of food to ensure it meets stringent standards for human consumption. Additionally, we conduct thorough health risk assessments for workers exposed to hazardous chemicals in their workplace environments. On the "Environmental" front, we rigorously analyse wastewater pollutants to ensure compliance with regulatory standards before their discharge from sewage systems. Moreover, our certification audits, which adhere to internationally recognized ISO 22000, ISO 14001, and ISO 45001 standards, underscore our steadfast commitment to advancing business sustainability principles.

Through our unwavering dedication to delivering top-notch testing, assessment, certification, and assurance services, we furnish our clients with invaluable sustainability datasets. These datasets serve as indispensable tools for our clients' sustainability decision-making processes, ensuring that their products align seamlessly with their sustainability objectives. The table below provides a comprehensive breakdown of how sustainability data is distributed across various conformity activities within the industries we serve.

Conformity Activities	Contribute to Sustainability Pillars	FY21	FY22	FY23
Testing	Environment	12,363	14,264	16,045
Testing	Social (Product Safety)	75,143	79,887	84,660
Assessment and Testing	Social (People Safety)	1,396	2,367	3,694
Testing	Social (Place Hygiene)	11,295	10,833	10,953
Certification and Assurance	Governance	26	50	89
Total		100,223	107,401	115,441

Sustainability Budget and Expenses

As a conscientious and forward-thinking organisation, LMS acknowledges the paramount importance of sustainable practices in today's business landscape. The Group has made substantial investments across various sustainability initiatives, underscoring its steadfast commitment to ethical conduct and sustainable operations. Among its primary focal points, LMS prioritises environmental stewardship. LMS dedicates significant resources to mitigate its environmental footprint and advance eco-conscious approaches. This encompasses the adoption of energy-efficient technologies, optimisation of waste management systems, and integration of solar energy solutions. Through these measures, LMS endeavours to curtail its environmental impact and contribute to broader endeavours aimed at combating climate change. The sustainability related investment was increased to RM94,057 in FY23.

Safety stands as another critical priority for LMS. Understanding the fundamental significance of a safe and hygienic workplace, the Company has equipped its employees with adequate Personal Protective Equipment (PPE) and implemented stringent control measures. Rigorous safety protocols are enforced across all operations, ensuring that staff are well-prepared to address potential hazards effectively. Moreover, the Company continuously evaluates and enhances safety measures to uphold the highest standards of protection.

LMS comprehends the multifaceted benefits of sustainable initiatives, recognising their positive impacts on both the environment and the well-being of employees. Moreover, such initiatives fortify the Company's long-term viability and resilience. By actively managing materiality risks and seizing opportunities, LMS elevates its reputation, appeals to socially conscious investors, and cultivates robust partnerships with customers and collaborators who share a commitment to sustainability and ethical standards.

Beyond mere regulatory compliance, LMS's investment in sustainable practices epitomises a genuine dedication to fostering positive societal and environmental changes. By embracing sustainability, prioritising safety, and nurturing a culture of social responsibility, the Company sets a commendable example for the wider business community. Through these concerted efforts, LMS actively contributes to a more sustainable and equitable future for all. Notably, both sustainability budget surged from RM242,129 in FY22 to RM611,500 in FY23.

Capex and Expenses on Sustainability Activities	FY21	FY22	FY23
Expenditure (RM)			
Personal Protective Equipment	20,430	13,316	2,157
Safety Related Training	18,316	6,067	11,101
Environmental Protection-Related Training	64	2,627	3,090
Other Human Capital Training	26,265	17,648	94,931
Sponsorship and CSR	16,250	7,642	39,614
Governance	85,595	114,118	366,551
CAPEX (RM)			
Solar Panel Installation	-	76,560	-
Engineering Control	43,685	4,150	94,057
Total	210,605	242,129	611,500

Environment Data and Analysis

Environmental data and analysis for laboratories, conducted in accordance with the ISO 14064 standards, encompass a rigorous process aimed at quantifying and managing greenhouse gas ("**GHG**") emissions and other environmental impacts associated with the Group operations. The ISO 14064 serves as a globally recognized framework for measuring and managing GHG emissions for the quantification and reporting of these emissions. The Group collects comprehensive data on various aspects of their operations, including energy consumption, water usage, gas usage, waste generation, and upstream activities. This data is meticulously analysed to identify sources of GHG emissions and quantify the amount of emissions associated with each source. Utilising established methodologies outlined in the ISO 14064, the Group converts raw data into CO_2-equivalent emissions, considering factors such as emission factors and global warming potentials. Based on the analysis, the Group develops strategies to reduce emissions and minimize environmental impacts, such as implementing energy efficiency measures, optimising processes, and adopting renewable energy sources. Continuous monitoring and reporting ensure transparency and accountability in environmental management practices, while ongoing improvement efforts aim to achieve environmental goals and contribute to sustainable practices in line with global objectives.

Emission

Greenhouse gas emissions play a pivotal role in assessing and mitigating environmental impacts. The Greenhouse Gas emission is categorised into three scopes under ISO 14064 standard. This classification helps companies identify areas where they exert direct control over emissions (scope 1), influence emissions via energy procurement and consumption (scope 2), and collaborate with stakeholders to address emissions throughout the value chain (scope 3). This holistic understanding empowers companies to make informed decisions and implement targeted actions to reduce their environmental footprint and contribute to global initiatives combating climate change.

Scope 1

This classification pertains to emissions directly originating from sources owned or managed by the Group. These emissions stem from activities conducted directly by the Group, such as the combustion of fossil fuels for heating, the operation of company-owned combustion generator, or the utilisation of on-site sampling processes that emit greenhouse gases. Scope 1 emissions fall under the Group's direct operational oversight.

In our case, the operation of analytical instruments, such as Gas Chromatography ("**GC**"), Gas Chromatography-Mass Spectrometry ("**GCMS**"), Atomic Absorption Spectroscopy ("**AAS**"), Inductively Coupled Plasma ("**ICP**"), Inductively Coupled Plasma Mass Spectrometry ("**ICPMS**"), and Liquid Chromatography-Mass Spectrometry-Mass Spectrometry ("**LCMSMS**"), necessitates the use of specialty gases like hydrogen, oxygen, and nitrogen. These emissions originate directly from sources owned or controlled by the Group, such as the combustion of fossil fuels to power generator sets emitting greenhouse gases. The intensity of scope 1 emission has been increased by 93% compared to FY22, this is due to the purchase of diesel for field sampling projects.

While modifying gas usage is impractical and may pose safety concerns, our short-term strategy for managing scope 1 emissions involves consolidating the runtime of analytical instruments to minimize emissions during conditioning processes. In the long term, we aim to invest in instruments with reduced carbon footprints as technology advances. Our emission reduction target is set at 5% by 2030. However, to assess performance trends against these targets, our Group requires more data and analysis from GC, GCMS, AAS, ICP, ICPMS, and LCMSMS.

Scope 1 emissions (kg CO_2e)	FY21	FY22	FY23
Acetylene gas	93	120	93
Hydrogen gas	229	210	210
Oxygen gas	57	28	33
Zero air	240	258	387
Natural gas	0.16	0.13	0.16
Petrol for generator set	1,122	10,633	22,678
Total Scope 1 emissions	1,741	11,249	23,401
Scope 1 emission intensity / conformity activity	0.017	0.105	0.203

Restatement: *The total Scope 1 emissions for FY21 and FY22 have been restated to exclude Argon and Nitrogen gases. These gases were omitted as they were not used for combustion during laboratory operations.*

Scope 2

In contrast to scope 1 emissions, which pertain to direct emissions under the Company's control or ownership, scope 2 greenhouse gas (GHG) emissions encompass the indirect emissions associated with the procurement of energy sources. These emissions primarily arise from the generation of electricity and water obtained by the Group from external sources. While these emissions are not directly produced by the Company, as they originate from natural resources, they are intricately linked to its energy consumption and are therefore considered within its responsibility scope.

It is imperative for the Group to include these scope 2 emissions in its assessment to thoroughly understand the indirect environmental impact resulting from the utilisation of purchased energy sources. By doing so, the Company gains insight into the entirety of its carbon footprint, encompassing both its direct operations and the energy sources it depends on. Understanding scope 2 emissions empowers the Group to make informed decisions regarding energy procurement and consumption patterns, enabling the identification of opportunities to reduce greenhouse gas emissions and foster sustainability throughout its energy supply chain.

Addressing scope 2 emissions is pivotal to the Group's commitment to environmental stewardship and climate action. By taking responsibility for the indirect emissions associated with its energy usage, the Company can contribute to broader initiatives aimed at mitigating the impact of climate change and transitioning to a more sustainable and environmentally conscious future. Integrating scope 2 emissions into the Company's environmental considerations underscores its commitment to transparency, accountability, and proactive management of its environmental footprint. Compared to FY22, the intensity of scope 2 emission has increased by 3.7% due to overtime to meet clients' demand.

Scope 2 emissions (kg CO$_2$e)	FY21	FY22	FY23
Electricity	416,216	415,646	471,484
Solar energy	-	12,044	21,655
Total Scope 2 emissions	416,216	403,602	449,828
Scope 2 emission intensity / conformity activity	4.153	3.758	3.897

Restatement: *The water consumption and source are discussed under the section entitled "Water Usage and Sources" of this SR.*

Scope 3

Scope 3 emissions constitute the broadest category of greenhouse gas emissions, encompassing all indirect emissions across the Group's value chain. These emissions extend beyond the Group's direct operational activities and stem from external factors that indirectly influence its carbon footprint. Managing scope 3 emissions presents unique challenges due to their diverse and extensive nature.

Within the scope 3 category, emissions originate from various sources and activities beyond the Group's direct control. These include employee business travel, transportation of goods and services to and from suppliers and customers, and upstream and downstream processes in the supply chain. Additionally, daily employee commuting contributes to scope 3 emissions. However, our scope 3 emissions exclude the entire lifecycle of products or services offered by the Group, from raw material extraction to end-of-life disposal.

Scope 3 emissions are inherently complex to track and manage compared to scope 1 and scope 2 emissions. They are influenced by numerous external entities, necessitating data collection from multiple sources for thorough assessment. Despite the challenges, addressing scope 3 emissions is crucial for gaining a comprehensive understanding of the Group's environmental impact and carbon footprint.

Effective management of scope 3 emissions requires collaboration and engagement with stakeholders across the value chain. Companies can implement strategies such as supply chain optimisation, promoting sustainable transportation options, encouraging telecommuting, and advocating for circular economy practices to minimize waste generation.

Taking responsibility for scope 3 emissions underscores the Group's commitment to sustainability and demonstrates proactive efforts to mitigate its indirect environmental impact. By identifying and managing these emissions, the Group contributes significantly to global climate initiatives and fosters positive change within its industries. Recognising the importance of scope 3 emissions is essential for fostering a more sustainable and environmentally responsible future.

Scope 3 emissions (kg CO$_2$e)	FY21				FY22				FY23
	Total	CO$_2$	NH$_4$	N$_2$O	Total	CO$_2$	NH$_4$	N$_2$O	Total
Goods receiving	10,806	12,023.40	0.33	0.31	12,024.04	93,066.80	2.59	2.39	93,071.78
Business travelling by air	39	2,786.10	0.06	0.09	2,786.25	5,453.94	0.07	0.17	5,454.18
Business travelling by land	179	1,581.20	0.04	0.04	1,581.28	1,989.20	0.05	0.04	1,989.29
Sample collection and client visitation	37,619	51,316.01	14.27	2.98	51,333.25	53,992.51	16.30	3.31	54,012.12
Field sampling	22,207	26,725.72	0.68	0.60	26,727.00	27,928.83	0.72	0.63	27,930.18
Employees Commuting	No Data	No Data	No Data	No Data	No Data	160,469.34	16.65	5.32	160,491.31
Total Scope 3 emissions	**70,851**	**94,432.42**	**15.39**	**4.01**	**94,451.82**	**342,900.62**	**36.38**	**11.86**	**342,948.86**
Scope 3 emission intensity / conformity activity	0.707				0.879				2.971

GHG Intensity and Reduction

GHG emissions intensity, often referred to as carbon intensity, measures the amount of greenhouse gas emissions produced per unit of output or activity. This metric serves as a crucial tool for assessing the environmental impact of operations. Through the calculation of GHG emissions intensity, LMS gains insights into opportunities to curtail its carbon footprint and progress toward more sustainable practices.

LMS is actively employing effective strategies to diminish GHG emissions intensity, with a primary focus on enhancing energy efficiency. This initiative involves meticulous optimisation of energy consumption, embracing energy-saving technologies like LED lighting, and transitioning to renewable energy sources such as solar power. In FY22, the Group invested 18.58 kWp solar energy in Penang. These efforts not only contribute to the reduction of carbon emissions associated with electricity usage but also signify a commitment to cleaner and sustainable practices.

In the current landscape, where climate change poses significant challenges, the reduction of emissions intensity emerges as a necessity to mitigate the impacts of global warming. LMS recognises the urgency and is positioned to transition toward a more sustainable and low-carbon future. This transition involves the implementation of energy-efficient practices, the adoption of clean technologies, responsible waste management, and the establishment of ambitious emission reduction targets. The collaborative engagement of stakeholders, including businesses, policymakers, and individuals, remains imperative in the collective effort to combat climate change and forge a resilient and environmentally responsible world. The net emission of the Group has raised by 60%, this is due to FY23 the Group includes employees commuting, notably, the employees commuting forms half of the scope 3 emission in FY23.

Emission intensity (kg CO$_2$e)	FY21	FY22	FY23
Total gross emission (Scope 1, 2, and 3)	488,807	521,347	837,833
Reduction (Solar Energy)	0	12,044	21,655
Total net emission (Scope 1, 2, and 3)	488,807	509,303	816,178
kg CO2 e/conformity activity	4.877	4.742	7.070

Restatement: *The total emission for FY21, FY22 and FY23 have been restated due to the restatement on the scope 1, 2 and 3 emissions.*

Water Usage and Sources

Laboratory water usage denotes the volume of water employed in scientific laboratories for a myriad of research, analysis, and experimental endeavours. Laboratories necessitate water of superior quality for diverse applications, including sample preparation, equipment sanitation, reagent dilution, and analytical methodologies. The sources of laboratory water vary depending on the particular requirements of experiments and analyses underway. Common sources encompass tap water, distilled water, and ultra-pure water.

Initially, tap water serves as the principal source for general laboratory requisites, such as glassware cleansing and rudimentary laboratory procedures. Nonetheless, tap water may not consistently meet the stringent purity criteria essential for sensitive experiments and analytical techniques. Secondly, distilled water is frequently utilized to generate laboratory-grade water, devoid of most impurities, yet it may not suffice for highly sensitive analytical applications. Thirdly, ultra-pure water is indispensable for extremely sensitive experiments and advanced analytical techniques like High-Performance Liquid Chromatography (HPLC) or Mass Spectrometry (MS). Ultra-pure water is attained through a combination of purification methods, including Reverse Osmosis (RO), deionisation, and sophisticated filtration techniques.

The selection of the appropriate water source hinges upon the specific requisites of experiments and the desired degree of water purity. Laboratories must ascertain that the water meets stipulated quality standards to yield precise and dependable research outcomes. Regular monitoring, upkeep, and validation of water purification systems are imperative to ensure the uniformity and dependability of laboratory findings. Water consumption intensity was stable through the monitoring period.

Water Usage and Sources (m^3)	FY21	FY22	FY23
Government water	6,991	6,535	7,817
Rain harvesting water	0	0	0
Recycle water	0	0	0
Total	6,991	6,535	7,817
Water consumption intensity (per conformity assessment)	0.070	0.061	0.068

Water as a Shared Resource

Water is vital for life and various industries, including laboratory testing. The Group emphasises responsible water management, acknowledging water as a shared resource. Laboratories invest in purification systems to maintain water quality, which is crucial for accurate results. However, high water consumption poses challenges, necessitating conservation efforts. Sustainable water management practices, like recycling and maintenance could mitigate the environmental impact. The Group invested a pilot water reservoir system with capacity of 600 gallon to reuse the water from water distillation process. The water reservoir system could save more than 15% water purchase from the government.

Management of Water Discharge-Related Impact

The Group manages water discharge from laboratory processes responsibly, emphasising reuse and compliance with regulations. Strategies such as coagulation and filtration help remove contaminants. Effectively managing water discharge impacts safeguards water resources, ecosystems, and public health. Collective efforts are essential for sustainable water management, requiring collaboration between governments, industries, communities, and individuals to ensure clean and healthy waterways for future generations.

Hazardous Waste

In today's world, addressing waste-related impacts has become increasingly critical due to the rising levels of waste generation, posing significant environmental and health concerns. The Group prioritises waste management by emphasising responsible handling, treatment, and disposal practices to mitigate adverse effects on ecosystems, human health, and the environment. At the Group, the most effective strategy for managing waste-related impacts involves addressing waste generation at its source. This includes conducting awareness campaigns, educational programs, and advocating for sustainable consumption habits. Implementing source separation of waste into recyclables and organic materials, such as acids and alkaline, enhances waste handling efficiency. Additionally, our laboratory actively promotes reuse initiatives to minimize waste sent to landfills or incinerators, fostering a more sustainable waste management approach and alleviating environmental pressures.

Waste Generation (kg)	FY21	FY22	FY23
Generation	12	542	387
On-site reused	0	0	0
Send for recycling	12	542	387

Electricity Usage and Sources

Electricity plays a pivotal role in laboratories, powering essential scientific experiments, research endeavours, and data analysis. It fuels a myriad of applications, including operating various laboratory equipment like centrifuges, microscopes, spectrophotometers, and analytical balances. Moreover, it sustains temperature-controlled environments through incubators, ovens, freezers, and refrigerators for sample storage and experimentation. Furthermore, electricity facilitates the operation of aikinz™ LIMS software, crucial for processing and interpreting experimental data.

Efficient electricity usage in laboratories is paramount for minimising operational costs and mitigating environmental impacts associated with energy consumption. Laboratories can achieve this by investing in energy-efficient equipment, implementing energy-saving protocols, and exploring renewable energy alternatives. By embracing sustainable electricity practices and considering renewable energy sources, laboratories can contribute significantly to broader energy conservation and environmental sustainability initiatives. Moreover, responsible electricity usage aligns laboratories with global objectives aimed at fostering a cleaner and more sustainable energy landscape. FY23 shown a significant improvement of solar energy surged by 80% compared to FY22.

Electric Usage and Sources (kWh)	FY21	FY22	FY23
Government electricity	533,610	532,880	604,466
Solar panel	0	15,442	27,763
Net total	533,610	517,438	576,703
Electricity consumption intensity (per conformity assessment)	5.32	4.82	5.00

Social
Scoreboard

Social Data and Analysis on Employees

Understanding social factors that influence the Group's financial performance is critical. These factors encompass our ability to address evolving social trends, effectively manage our talent pool, and foster employee engagement. We strongly believe that prioritising talent transformation initiatives not only enhances profitability but also underscores our commitment to corporate responsibility. Notably, our workforce remained stable throughout FY22 and FY23 with an increase of 10 headcounts, with a positive trend observed in female leadership representation. Our dedication to promoting work-life balance has resulted in consistent working hours but overall higher overtime practices in FY23.

Moreover, we are pleased to report strong employee engagement scores, with an increase of 0.05 points in FY23 compared to FY22. These consistent trends underscore the positive impact of our efforts to cultivate a supportive and engaging work environment. We acknowledge that various social factors can impact the Group's financial performance, encompassing both short-term and long-term challenges. Beside that the productivity has increased by RM5,200 in FY23, it aligned with the increase of training hours per employees from 8.5 to 11.8 hours in FY23. However, the overtimes have increased very significantly in FY23.

By carefully evaluating these social factors, we can make informed investment decisions that align with our sustainability goals and responsible corporate practices. Integrating environmental, social, and governance considerations into our investment strategies allows us to contribute to a more sustainable and ethically responsible investment landscape, benefiting both our stakeholders and the broader community.

	Social Data	FY22	FY23
Diversity	Number of employees	121	131
	Number of employees with disabilities	-	-
	Percentage of employees with tertiary education (%)	88	90
	Number of foreign employees	-	-
	Number of female managers	11	12
	Percentage of female managers (%)	55	50
	Percentage of top 30 female employees (%)*	54	54
	Percentage of female C-suite members (%)	25	25
Safety and Health	Total workdays	244	244
	Total working hours	2,033	2,033
	Total overtime hours	748	2,625
	Total lateness hours	498	561
	Total medical leave taken (days)	449	457
	Average paid leave taken (days)	10	10
	Total Recordable Incident Rate (TRIR)	1	-
	Number of fatality	-	-
Performance	Total training hours	1,031.5	1,544
	Annual training cost (RM)	26,342	109,122
	Number of appraisals (time)	4	4
	Number of performance bonuses issued	4	4
	Productivity (RM)	154,344	159,560
	Average amoeba achievement (%)	70	66
	No. of amoeba criteria (quarter)	114	120
Engagement	Employee engagement score	8.1	8.3
	Relationship with manager score	8.3	8.4
	Wellness and Happiness score	7.5	7.4
	Ambassadorship score	7.9	7.9
	Total average score	7.95	8.00
	Number of Management Review (time)	2	2

*   *Top 30 is the classification of employees that create values in the respective financial year such as activities that associated with profit maximisation, talent development, international or regional market development, product development, technology development, dormant client conversion, fundamental financial development and other novel development that has a direct impact on maximising shareholders' wealth and material in the mid to long term.*

Diversity Data		FY22			FY23		
Gender		Female	Male		Female	Male	
Current employee	%	55.4	44.6		58.0	42.0	
New hires	%	43.9	56.1		54.5	45.5	
New hires	no.	18	23		18	15	
Separation	no.	21	8		9	16	
Employee at the start period	no.	71	41		67	54	
Employee at the end period	no.	67	54		76	55	
Turnover	%	30.4	16.8		12.6	29.4	
Age-based Diversity		**< 30**	**30 – 50**	**>= 50**	**< 30**	**30 – 50**	**>= 50**
Current employee	%	47.9	49.6	2.5	42.7	54.2	3.1
New hires	%	83	17	-	76	24	-
New hires	no.	34	7	-	25	8	-
Separation	no.	18	11	-	18	7	-
Employee at the start period	no.	49	60	3	58	60	3
Employee at the end period	no.	58	60	3	56	71	4
Turnover	%	33.6	18.3	-	31.6	10.7	-
Employment		**FY22**			**FY23**		
Separation	no.	29			25		
Turnover	%	24.9			19.8		
Total employee	no.	121			131		
Development & Training		**Female**	**Male**		**Female**	**Male**	
Training hours	Hrs	714	318		990	554	
Average training hrs / employee	Hrs/no.	10.6	5.9		13.0	10.1	
Average training hrs / employee	Hrs/no.	8.5			11.8		

Discussion of Social Data on Employees

In light of the surging of COVID-19 cases during the second half of FY23, our foremost priority remains the health and safety of our employees. To mitigate the risk of transmission, we will continue to enforce our work-from-home policy for our support staff. This approach has proven effective in maintaining business operations while safeguarding the well-being of our workforce and their families.

Our focus on talent development persists through the Amoeba Management System, which remains central to our efforts. Through this program, we are grooming the top 30 talents within our organisation for key leadership roles in our upcoming global expansion endeavours. By imparting essential skills, knowledge, and leadership capabilities, we are confident in their ability to spearhead success in new markets and sustain our company's growth trajectory.

Regarding dividends, while the Company does not adhere to a fixed dividend policy, the form, frequency, and the amount of dividends are contingent upon various factors, including earnings, financial condition, and development plans. Nevertheless, the Directors intend to recommend distributing dividends amounting to a minimum of 20% of the Group's profit attributable to owners for FY22, FY23 and FY24. This commitment ensures shareholders receive a fair return on their investment and underscores our commitment to maintaining transparent financial practices. For FY22, the Company declared a final tax-exempt (one-tier) cash dividend of S$0.0015 per ordinary share. For FY23, the Company declared a final tax-exempt (one-tier) cash dividend of S$0.0035 per ordinary share and a special tax-exempt (one-tier) cash dividend of S$0.0097 per ordinary share.

Through these initiatives and policies, we aim to foster an inclusive, flexible and supportive work environment that empowers our employees to thrive both personally and professionally. We are confident that these measures will propel the Group's success and underscore our dedication to sustainable practices and responsible corporate citizenship.
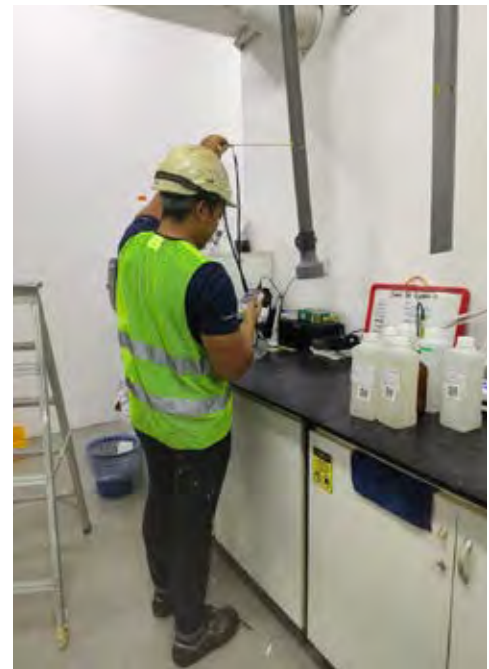
Discussion of Employee Safety and Health Risk

In FY23, our Group has zero recordable incident, and similar to last year, we also have zero fatalities. Likewise, we treat zero occurrence as the utmost success. Nonetheless, we placed the health and safety of our employees at the forefront of our priorities. In response, we undertook comprehensive assessments and monitor initiatives to ensure a secure working environment. Chemical Health Risk Assessments were meticulously conducted to identify potential hazards associated with chemical exposure. This proactive approach enabled us to address any potential long-term health risks and implement appropriate control measures. Additionally, we thoroughly evaluated the efficiency of local exhaust ventilation systems in reducing airborne contaminants and safeguarding employee health.

The monitoring of chemical exposure played a pivotal role in tracking employees' exposure levels and ensuring compliance with safety standards. By closely monitoring exposure levels, we could take swift action to mitigate risks and protect our workforce from harm. We are pleased to report that all recommendations stemming from the risk assessments and monitoring processes were diligently implemented and resolved. This proactive stance underscores our unwavering commitment to employee well-being and safety.

During the Chemical Exposure Monitoring process, we meticulously assessed the levels of exposure to five hazardous chemicals commonly used in our operations. Encouragingly, none of these chemicals exceeded permissible limits, indicating the effectiveness of our control measures in maintaining a safe working environment. Furthermore, it is noteworthy that none of the aforementioned chemicals were classified under the Use and Standard of Exposure Chemicals Hazardous to Health Regulations Schedule 2. This reaffirms our dedication to utilising safe and compliant chemicals in our operations, thereby mitigating potential health risks to our employees.

By adhering to rigorous safety protocols, conducting regular assessments, and implementing necessary measures, we strive to cultivate a workplace where our employees can thrive without compromising their health and well-being. Our commitment to maintaining a safe environment remains steadfast, and we will persist in prioritising the safety of our workforce above all else.

Discussion of Safety and Health Risks on Services

Safety and health risks within the conformity assessment services industry encompass a range of potential dangers and hazards that may arise during the provision of various services. Unlike physical products, services often entail human interactions and activities, which can introduce unique challenges related to safety and health. Effectively addressing these risks is paramount to safeguarding the well-being of service providers, customers, and the broader public. The Group prioritise workplace safety as a cornerstone of our operations. We have implemented robust safety measures to mitigate potential risks and ensure the protection of our employees, customers, and visitors.

Before entering the shop floor or any other restricted areas, all visitors receive thorough briefings regarding potential hazards and safety protocols. This practice enhances awareness and ensures that everyone remains vigilant and well-informed about the safety procedures they are required to follow. Individuals working in the laboratory are provided with the necessary Personal Protective Equipment, including gloves, lab coats, goggles, and masks, essential for safeguarding against potential exposure to hazardous substances and ensuring their well-being. Workplace safety measures prevent accidents, injuries, and occupational health issues, fostering a vigilant and proactive safety culture where everyone takes responsibility for their safety and the safety of others.

In our dedication to the safety and health of our customers and the public, we ensure that all our products and services comply with relevant health and safety regulations. We diligently assess and monitor the potential impacts of our products and services on user well-being, taking proactive measures to address any identified concerns. As a result of our commitment to safety practices and compliance, there have been no recorded incidents of non-compliance concerning the health and safety impacts of our products and services. This track record reflects our ongoing efforts to uphold the highest safety standards across all facets of our operations.

In conclusion, safety and health risks within the services industry necessitate comprehensive management strategies. The group remain dedicated to prioritising work prioritising implementing necessary safety measures, and adhering to regulatory requirements to ensure the well-being of our workforce, customers, and the public. By fostering a culture of safety and vigilance, we strive to create a secure and healthy environment for everyone involved in our service delivery process.

Discussion of Vendor Impact on the Supply Chain

The organisation's approach to engaging vendors as stakeholders revolves around fostering sustainable partnerships and advancing ethical supply chain practices through various initiatives. Implementing an annual vendor assessment process is integral to ensuring accountability and sustainability across the supply chain. In FY23, a total of 65 vendor assessments were conducted, comprising comprehensive audits and evaluations aimed at assessing vendors' environmental impact, including greenhouse gas emissions, and ensuring compliance with social responsibility standards such as labour practices, human rights, and workplace safety.

The Group's initiative to evaluate vendors' environmental footprint, including GHG emissions, underscores its commitment to environmental sustainability and reducing carbon footprint. By encouraging vendors to adopt practices that minimize their environmental impact, the Group aims to promote eco-friendly practices throughout the supply chain. Similarly, assessing vendors' adherence to social responsibility criteria prioritizes fair labour practices and safe working conditions, thus safeguarding the well-being of employees. Based on a survey conducted by the Group in FY23, it was noted that majority of the vendors prioritize social responsibility and governance over environmental and climate change considerations. This suggests that many vendors may lack full awareness or certainty regarding GHG emissions and climate change issues.

By integrating evaluations of GHG emissions and social compliance standards into the vendor assessment process, the organisation fosters transparency, accountability, and ethical business practices throughout the supply chain, ultimately promoting sustainable partnerships. In summary, these actions reflect the organisation's commitment to accountability, sustainability, and ethical business practices, contributing to a more responsible and environmentally conscious business ecosystem.

Vendor	FY22	FY23
Number of evaluations	38	65
Sustainability Readiness Score	0	47.1
Environmental Stewardship Score	0	25.7
Combat Climate Change Score	0	11.7
Social Responsibility Score	0	53.0
Governance Score	0	58.6

Discussion of Client Impact on the Supply Chain

The Group's efforts to address clients as stakeholders are centred on fostering sustainable partnerships and promoting ethical supply chain practices. Central to this approach is a commitment to understanding and fulfilling clients' unique requirements across pillars such as accuracy, agility, security, simplicity, and sustainability. By actively engaging clients in dialogue and feedback loops, invaluable insights into their expectations and preferences are gained. Utilising platforms like the aikinz™ satisfaction index and client surveys, satisfaction levels are measured and areas for improvement identified, with a noteworthy FY23 customer satisfaction index decreased 0.4 compared to FY22 and a Net Promoter Score is positive 67.3 relatively stable compared to FY22.

Client	FY22	FY23
Customer Satisfaction Index	4.6	4.2
Net Promoter Score	67.2	67.3

Discussion of Regulator Impact on the Supply Chain

The Group's actions aimed at regulators as stakeholders are rooted in the promotion of ethical supply chain practices and the advancement of industry standards. At the forefront of their engagement strategy is a proactive approach to shaping industry challenges through active participation in formal governing institutions. This involvement extends to contributing to the formulation of rules, regulations, and guidelines governing the industry, conducted through participation in formal meetings, round tables, and working committees dedicated to addressing critical industry issues. Central to their commitment to industry best practices is compliance and traceability. By actively engaging in discussions and decision-making processes, the Group ensures that its perspectives and expertise are utilized to shape regulations that foster compliance and enhance traceability throughout the supply chain. Through these engagements, the Group aims to drive positive change, promote industry-wide standards, and foster collaboration among stakeholders. By playing an active role in shaping regulatory frameworks, the Group contributes to the creation of a more transparent, accountable, and sustainable industry landscape that benefits all stakeholders involved.

Regulator	FY22	FY23
Engagement (Meeting/town hall)	7	11
Representation as committee	2	5

Governance Scoreboard

Governance Data and Analysis

We firmly believe that the pillars of 'Environment' and 'Social' cannot thrive without the effective governance represented by the 'G' in ESG. While environmental and social factors have garnered significant attention recently, the importance of governance ('G') remains paramount for corporate success. Our Board Committees, which consist of the Audit, the Nominating, and the Remuneration Committees, are chaired by Independent Non-Executive Directors. This ensures a balanced distribution of power and authority, enhances accountability, and strengthens the Board's capacity for impartial decision-making. Our board independence ratio stands at 57.1%, with gender diversity at 42.9%, and ethnic diversity reported at 57.1%, in accordance with the Herfindahl-Hirschman Index.

The independence of our Board serves as a cornerstone of our governance framework. By appointing Independent Non-Executive Directors to chair our Board and Board Committees, we uphold principles of transparency, objectivity, and prudent decision-making. This structure ensures that our Board operates without undue influence and is equipped to make impartial and well-informed decisions. Moreover, we maintain a clear separation of roles between our Executive Directors and chairpersons or members of Board Committees, fostering accountability and mitigating potential conflicts of interest.

Our board independence ratio of 57.1% underscores the substantial representation of independent members, enriching board deliberations with diverse expertise and viewpoints. We are equally committed to promoting gender diversity, with 42.9% of our board comprising female members, recognising the value of inclusivity in driving innovation and comprehensive decision-making. Furthermore, our dedication to ethnic diversity is evident, with 57.1% representation, fostering a deeper understanding of diverse markets and enhancing our organisational culture.

The Group emphasize that achieving a thriving environmental and social framework hinges on robust governance, as encapsulated by the 'G' in ESG. Our commitment to board independence and diverse representation underscores our adherence to sound corporate governance practices, essential for sustainable success and responsible business conduct. Moving forward, we remain steadfast in prioritising and upholding these principles as we navigate towards a sustainable and inclusive future.

	Governance	FY22	FY23
Board Independence	Total directors	7	7
	Total independent non-executive directors	4	4
	Total non-independent non-executive directors	1	1
	Total Malaysian directors (4 Chinese and 1 Malay)	5	5
	Total foreign directors	2	2
	Board independence	57.1%	57.1%
	Independent chairman[1]	1	1
	Independent chairman of audit committee[1]	1	1
	Independent chairman of nomination committee[1]	1	1
	Independent chairman of remuneration committee[1]	1	1
	Duality[1]	0	0
Board Diversity	Board diversity (ethnicity)	57.1%	57.1%
	Board meeting (time)	1	2
	Board tenure (years)	16	16
	Board experience (years)	18.3	18.3
	Percentage of directors with doctorate education	42.9%	42.9%
	Percentage of women directors	42.9%	42.9%
Board Performance	Review business risk and stress testing[2]	1	1
	Review the supply-chain management[2]	0	1
	Review tax strategy[2]	0	1
	Review materiality score on value creation activity[2]	0	1
	Review public influence investment[2]	0	1
	Review impact measurement and valuation[2]	0	1
Other	Number of audits by regulators	9	19
	Number of audits by other stakeholders	12	10
	Training on corporate governance[3]	0	1

Note 1: Independent directors chair all committees and are led by the independent chairman. Hence, no duality is found in our board, especially the executive directors.
Note 2: Corporate governance training includes but is not limited to policies on business conduct, antibribery, PDPA and information security.
Note 3: This is cited from RobecoSAM's Economic Dimension Score (EDS).
https://www.spglobal.com/en/research-insights/articles/exploring-the-g-in-esg-governance-in-greater-detail-part-i 2021 refer to myco2

Discussion on Corporate Governance

Ensuring robust corporate governance is paramount to unlocking environmental and social benefits. Going forward, our organisation prioritizes strong corporate governance by adopting RobecoSAM's Economic Dimension Score as a metric for assessing board effectiveness. Through this initiative, we seek to bolster firm performance, distribute prosperity among stakeholders and safeguard the environment.

Our evaluation of governance effectiveness spans seven critical areas:

Codes of business conduct: We rigorously assess the Group's adherence to a comprehensive code addressing business ethics, bribery, and corruption prevention. Upholding stringent ethical standards ensures that our business practices align with sustainable and responsible principles.

Risk and crisis management: We meticulously evaluate the Group's risk management practices to ascertain their efficacy in identifying and mitigating long-term risks. A robust risk management framework is indispensable for safeguarding our stakeholders and business operations.

Supply chain management: We prioritize the Group's strategies for managing risks and opportunities within its supply chain. Fostering responsible and sustainable supply chain practices is essential to upholding our ESG commitments.

Tax strategy: We scrutinize the Group's tax policies to address taxation issues and risks transparently. Responsible tax practices are vital for maintaining stakeholder trust and contributing positively to our operating communities.

Materiality: Our assessment centres on the Group's ability to identify and report on long-term value creation that aligns with sustainable business practices. We prioritize material factors to ensure our decisions support our ESG objectives.

Policy influence: We assess the Group's spending on public policy, legislation, and regulations, emphasising transparency in these contributions. Responsible policy influence is key to fostering positive societal and environmental outcomes.

Impact measurement and valuation: We thoroughly evaluate the Group's social programs and investments to gauge their potential for meaningful societal impacts. Understanding the true impact of our initiatives informs data-driven decisions for greater sustainability outcomes.

By concentrating on these seven areas, we are confident in our ability to enhance our corporate governance practices and fully harness the potential of sustainability. Embracing strong governance principles signifies our commitment to stakeholders and reflects our dedication to sustainable and responsible business practices. We aspire to positively influence society, the environment, and our business ecosystem through continual improvement in these aspects.

Discussion on Data Protection

The Group implemented a comprehensive policy to safeguard personal data and ensure confidentiality for all stakeholders, including employees, clients, vendors, and trainees. Our main objective is to securely store, manage, and utilize personal data, and we have taken the following measures to achieve this goal:

Induction Program for Employees and Trainees: As part of our onboarding process, all new employees and trainees undergo an induction program where they are introduced to our Personal Data Protection ("**PDP**") and Confidentiality Policy. They are required to sign the policy, indicating their understanding of its importance and their commitment to following its guidelines. This ensures that every member of our workforce comprehends the significance of personal data protection from the start of their engagement with our organisation.

Client Acknowledgment at LIMS Login: The Group prioritize the protection of our clients' data. Therefore, when clients log in to our Laboratory Information Management System ("**LIMS**") for the first time, they must acknowledge our PDP policy before accessing their accounts. This ensures that our clients actively participate in our data protection efforts and are informed about the measures we have in place to safeguard their information.

Vendor Assessment and PDP Policy Compliance: Our dedication to data protection extends to our relationships with vendors. During the annual vendor assessment process, all vendors are required to review and sign our PDP policy. This underscores our expectation that our business partners maintain the same level of care and commitment to securing personal data when handling information on our behalf.

By following these steps, we establish a robust and unified approach to personal data protection across all stakeholders. Acknowledging and adhering to our PDP policy reinforces our organisation's commitment to upholding the highest standards of data security and confidentiality. Our commitment to safeguarding personal data goes beyond regulatory requirements; it reflects our fundamental values and our commitment to fostering trust with our stakeholders. We continuously monitor and update our PDP policy to ensure its relevance and effectiveness in light of evolving best practices and legal requirements. This demonstrates our dedication to an ongoing process of improvement and adaptation to provide the utmost protection of personal data and maintain the trust placed in us by our stakeholders.

Digitalisation Scoreboard

Discussion on the Economics of Digitalisation

Aligned with our corporate ethos, the integration of digital transformation stands as a pivotal driver propelling our business trajectory forward. Embracing digitalisation has yielded significant dividends for our Group, impacting three fundamental dimensions: planet, people and prosperity. Furthermore, it has afforded us a sustainable competitive edge, positioning us ahead of our competitors in the market. The strides made in FY23 alone underscore the transformative potential inherent in our digital endeavours.

From an environmental perspective, our commitment to digitalising manual processes has resulted in substantial positive implications for the planet. By curtailing paper consumption, we have conserved the equivalent of 55.9 trees from being felled in FY23. It rose by 38.3 trees compared to FY22, due to the implementation of aikinz™ Electronic Worksheet, where our scientist no longer required to write on a paper, it also reduces data transfer error. This reduction in paper usage not only preserves natural resources but also contributes to decreased carbon emissions and a diminished ecological footprint.

In terms of people, our initiatives in digital transformation have elevated productivity levels from RM84,000 to an impressive RM159,560 per headcount between FY16 and FY23. Streamlining and automating processes have liberated valuable time for our employees, enabling them to devote their efforts to more strategic and value-driven tasks. This heightened efficiency has fostered a more engaged and motivated workforce, nurturing a positive work culture and augmenting overall job satisfaction.

Another critical facet is the eradication of misappropriation, accomplished at a remarkable rate of 100%. Through digitalisation, we have implemented robust systems and controls designed to detect and prevent any unauthorized access or misuse of resources. This fortifies our organization against financial losses and bolsters the trust and confidence of our stakeholders, encompassing customers, investors and partners.

Our digital transformation has emerged as a catalyst for prosperity. Automated processes, data-centric decision-making and enhanced operational efficiency have significantly contributed to cost savings and amplified revenue streams. This has bolstered financial performance and laid the groundwork for sustainable growth and profitability. Moreover, our strides in digitalisation have conferred upon us a sustainable competitive advantage in the market. By embracing the forefront of technological innovations, we are better equipped to navigate shifting market dynamics and evolving customer demands. This agility and innovation-centric approach have positioned us as frontrunners in our industry, distinguishing us from competitors.

Discussion on the Product Carbon Footprint

Our Group voyage through digital transformation seamlessly aligns with our corporate ethos and values. The dividends we have garnered in terms of environmental sustainability, heightened productivity, and competitive edge have been extraordinary. As we continue to harness digital technologies and drive innovation, we remain steadfast in our commitment to catalysing positive change, generating value for our stakeholders, and securing a prosperous and sustainable future for our Group and the communities we serve.

PRISMATIC®
ESG Made Quantifiable

Sustainable Building IoT *link* for

In FY23, our group initiated the adoption of Sustainable Building Intelligence of Things ("**SBI**") to segmentize the carbon emissions. The Group has successfully completed data measurements of all major analytical instruments' carbon footprint. In FY24, the Group will proceed to measure the carbon footprint of auxiliary analytical devices. Consequently, the Group roll out the pilot project to report the Product Carbon Footprint ("**PCF**") of each conducted test and report the footprint as $kgCO_2e$ in the footer of Certificate of Analysis ("**COA**").

This report is strictly not for circulation, advertising or legal proceeding purpose and cannot be reproduced except in full without written approval of the laboratory. **Test report issued by MY CO2 (PG) Sdn. Bhd.** Symbol * denote test not accredited. Symbol + denote test externally provided and accredited at SAMM564. Symbol ++ denote test externally provided and accredited at SAMM752. Symbol # denote test externally provided and accredited. The replacement report is indicated with Tr suffix to the original lab ref. no..Symbol 'r' denote the designated revision number. The latest revision number shall deem to be the final replacement report. Electronic signature is compliance to 21 CFR Part 11.

$0.193kgCO_2e/COA$

Pillars	Digital Transformation	Impact	FY22	FY23
Environment	Issuance of the electronic Certificate of Analysis ("**COA**"), Invoices, Quotations and Worksheet https://mightymercado.github.io/Tree-Usage-Calculator/	Reduce printing and postage	17.6 trees[2]	55.9 trees
Social	Digitalise laboratory workflow and processes (aikinz-LIMS) and ISO document management system (Aizenz-DMS)	Increase productivity	RM154,344	RM159,560
Social	Digitalise the Amoeba Management System	Increase talent transformation (%)	70	66
Social	Digitalise the Corporate Communication System (mySuite)	Foster communication	7.95	8.00
Governance	High security QR code on COA	Reduce misappropriation	0 case reported	0 case reported
Governance	21 CFR Part 11 e-Signature[1]	Increase traceability	0 failure	0 failure

Note 1: Referred to the US-FDA requirement of Electronic Records; Electronic Signatures - Scope and Application

Note 2: The restatement was due to a change in the method of calculation in FY23.

TCFD Report

Lately, there has been an increasing call from investors, customers, and regulators for consistent and comparable disclosures concerning climate-related issues. The formation of the TCFD (Task Force on Climate-related Financial Disclosures) addresses this demand by crafting guidelines that advocate for the provision of insightful, forward-looking information alongside financial reports. These guidelines advocate for a standardised reporting framework, empowering stakeholders to assess companies more effectively through facilitated comparisons.

Furthermore, the TCFD Recommendations aid companies in recognising and assessing various elements such as transition risks, physical risks, and climate-related opportunities. They serve as a valuable tool in pinpointing and evaluating potential risks and opportunities linked to climate considerations.

The TCFD Recommendations are structured into four (4) primary pillars, each representing a fundamental aspect of a business: governance, strategy, risk management, and metrics and targets.

Governance	**Strategy** (Risk & Opportunity)	**Risk Management**	**Metrics and Targets**
Disclose LM's governance around climate-related risks and opportunities	Disclose the potential impacts of climate-related risks and opportunities on the LMS's businessess, strategy, and financial planning where such information is material	Disclose how LMS identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Governance

This aspect centres on the Group's integration of climate-related matters into our governance framework. It encompasses details regarding Board oversight, management responsibilities, and the integration of climate risks and opportunities into the overall strategy of the Group. For further details, please refer to Page 40 and 41 of this report, on the section entitled "Governance Structure" and "Nomination and Selection Governing Body".

Risk Management

The Group discloses the procedures used to identify, evaluate, and address climate-related risks and opportunities. As outlined in this report, climate-related risks and opportunities are identified on page 31 through an engagement phase of the *Materiality Assessment*. The assessment is detailed on page 30 of this report, under the section entitled *Prioritisation of Material Matters*. Furthermore, the *Risk Management* is discussed on page 31 of this report, under the section entitled *Remediate the Negative Impact* and *Engagement: Stakeholders*. Additionally, the integration of these risks into the overall *Risk Management* framework is elaborated on pages 44 to 47 of this report under Risk Management. In this report, short-term is defined as one (1) year, medium-term as two (2) to four (4) years, and long term as five (5) years and beyond.

Scenario Analysis

In order to gain deeper insights into climate-related risks and opportunities within our Group, we have adopted scenario analysis as a tool to navigate potential future trajectories concerning transition and physical parameters. Scenarios delineate various developmental paths that may lead to specific outcomes, aiming not to provide a complete depiction of the future but rather to focus on key factors driving future results and highlight central elements of potential futures. We acknowledge the inherent uncertainty and reliance on certain assumptions inherent in each scenario. Nevertheless, these scenarios serve as valuable references, offering signals and indicators regarding plausible trends in parameters relevant to our businesses. This scenario analysis will be conducted and updated annually based on the latest available data and information, thereby reflecting potential changes that could impact our businesses.

There are four (4) major scenarios for climate change, first, the Stated Policies Scenario ("**STEPS**") and the Sustainable Development Scenario ("**SDS**") are two distinct pathways used by the International Energy Agency ("**IEA**") to illustrate potential future energy trajectories and their consequences. Followed by Announced Pledges Scenario ("**APS**") which assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions ("**NDCs**") and longer-term net zero targets, will be met in full and on time. Whereas Net-Zero Emissions Scenario ("**NZE**") which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO_2 emissions by 2050. It doesn't rely on emissions reductions from outside the energy sector to achieve its goals depicted in the figure below.
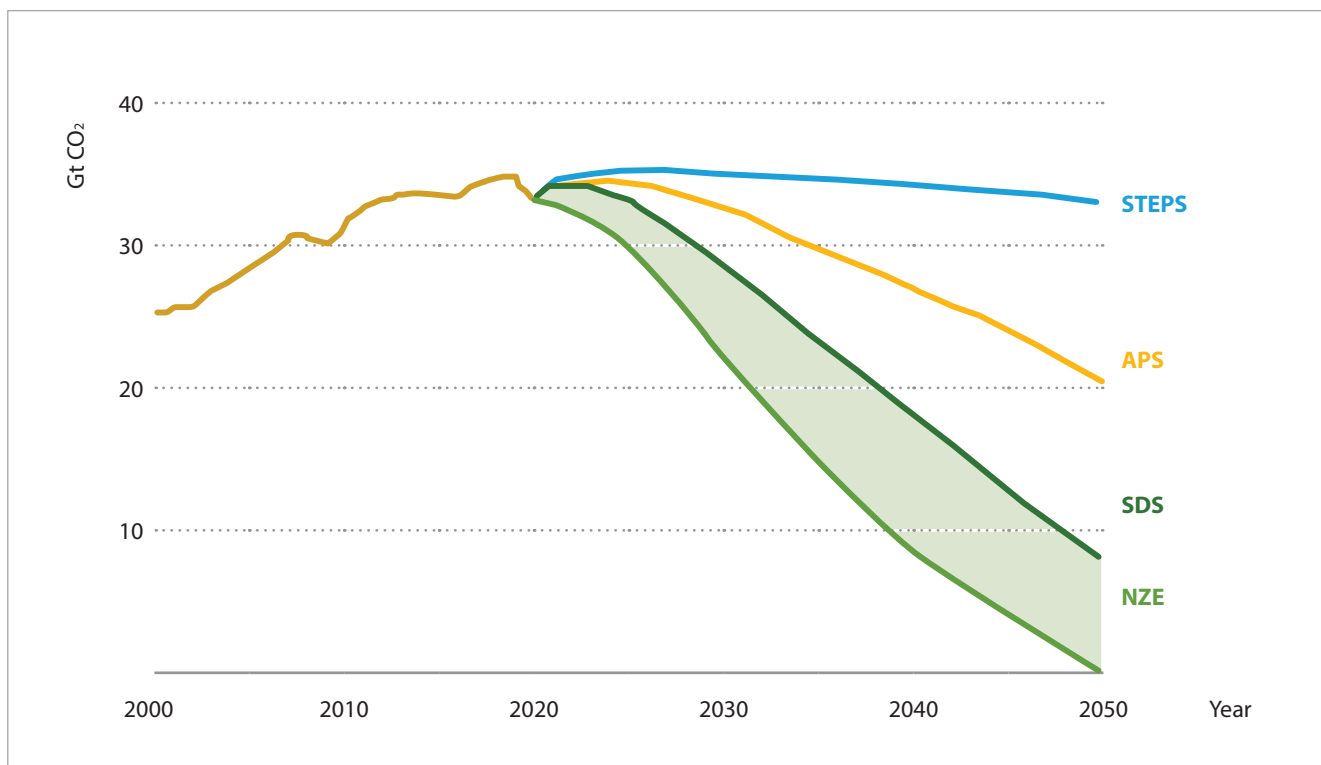
The STEPS reflects current policies, commitments, and announced intentions of governments worldwide regarding energy and climate change. It serves as a baseline projection, depicting where existing policies and trends may lead in terms of energy production, consumption, and environmental impacts. Conversely, the SDS aims to achieve key objectives outlined in international agreements, such as the Paris Agreement, including limiting global temperature rise to well below 2°C (degrees Celsius) above pre-industrial levels and striving to keep it within 1.5°C. Through these scenarios, policymakers, businesses, and stakeholders can evaluate the potential consequences of different policy choices and actions, guiding efforts toward a more sustainable and resilient energy future.

SDS represents a more proactive and ambitious approach to combat climate change, with stringent targets, additional measures, and a focus on renewable energy and emissions reduction. On the other hand, the STEPS represents a more conservative projection based on the existing policies and measures that have been declared up to the analysis time, without additional efforts to address the urgency of climate change depicted in the figure below.

Hence, the Group analysis of climate-related transition risks is anchored in the Stated Policies Scenarios and the Sustainable Development Scenario. These defined scenarios furnish robust frameworks for evaluating and addressing the challenges and opportunities posed by climate change.

Strategy (Risk and Opportunity)

This aspect mandates the Group to unveil the potential impact of climate-related risks and opportunities on both our existing and forthcoming business strategies. It offers a glimpse into the Group's capacity to withstand climate scenarios, encompassing scenarios targeting a maximum increase of 2°C or even lower, as well as striving for carbon neutrality by 2050, thereby gauging our preparedness for potential climate-induced transformations.

Climate Change Risk Management

Acknowledging the substantial influence of climate change, LMS has embraced a comprehensive strategy to address climate-related risks and their intersections with our broader business strategy. We proactively evaluate both physical and transition risks through qualitative and quantitative climate-related scenario analysis, adhering to the outlined approach below.

The diagram delineates the procedures for identifying, assessing, and mitigating climate-related risks. It encapsulates details on how these risks are assimilated into our overarching risk management framework. Key risks are identified and prioritise based on the criteria outlined in page 25 (Identification of Material Matters), employing the methodology exemplified in page 24 (Methodology of Materiality Assessment).

Climate-Related Risks

Building upon the echoes from FY22, the group encounters analogous climate-related risks that possess the potential to influence its operations, jeopardize safety measures, and compromise the integrity of experiments in FY23. Several pertinent climate-related risks linked with the group include:

Extreme weather events: Laboratories dealing with chemicals may be vulnerable to severe weather occurrences such as storms or floods. These incidents have the capacity to interrupt laboratory functions, cause infrastructure damage, and present safety hazards to personnel and the nearby environment.	**Risk type:** **Time horizon:** **Assessment** **Likelihood/Impact:** **Materiality:** **TCFD Disclosure:**	Acute Short term High/High Yes Yes

Our assessment of scenario < 2°C **STEP** 2020　　2030　　2040　　2050 **SDS** 2020　　2030　　2040　　2050	**Financial impact:** RM400,000

We anticipate that increasing occurrences of extreme weather events could lead to flooding, thereby disrupting operations. The impact of this disruption can be categorized into three (3) phases. Initially, during the flood, operations are interrupted. Subsequently, after the flood recedes, there may be expenses incurred for cleaning and sanitising to restore operational conditions. Lastly, there may be asset losses, including vehicles, office equipment, computers, and electrical fittings, amounting to an estimated RM200,000 per disruption. The presented figure represents a potential EBITDA loss, calculated based on the NZE scenario projected for 2050, which anticipates two (2) floods occurring within a span of 27 years.

Our Strategy towards Scenario NZCE 2050	**Mitigation cost:**	RM300,000

In FY23, the Group has upgraded the shop floor and office spaces in Selangor plant to emphasis on minimising potential risks of flood. First, involves relocating scientific equipment to the upper floor, which could significantly mitigate potential damage. Second, the Group utilize metal and cement-made materials that capable of withstanding flood waters, particularly to safeguard office equipment and other assets. To support these initiatives, a capital expenditure of RM300,000 has been earmarked. While this investment may impact the books over the next decade, proactive measures, including capital allowances, aim to cushion any financial repercussions. Ultimately, these efforts aim to safeguard EBITDA over the next 27 years, providing a robust financial buffer against potential disruptions.

	Water availability: Chemical laboratories frequently depend on water for diverse processes and cooling systems. Alterations in precipitation patterns and water availability resulting from climate change may present difficulties in ensuring an adequate water supply for laboratory operations.	**Risk type:** **Time horizon:** **Assessment** **Likelihood/Impact:** **Materiality:** **TCFD Disclosure:**	Acute Short term High/High Yes Yes

Our assessment of scenario < 2°C **STEP** **SDS** 	**Financial impact:** RM336,000

The Group anticipate that water scarcity will interfere with operations such as distillation, chemical mixing, and glassware washing, particularly during water rationing periods when dam water levels are low. The scarcity of water may halt operations, impacting client deadlines. The loss of manpower during water rationing can amount to RM6,000 per occurrence per day. The provided figure represents a potential EBITDA loss and productivity decline, computed based on the NZE scenario by 2050, with an estimated two failures yearly over 27 years.

Our Strategy towards Scenario NZCE 2050	**Mitigation cost:** RM120,000

In FY23, the Group implemented a water reuse and storage system at the Selangor plant to reduce downtime. An allocation of RM120,000 was designated for this system, providing one day's worth of usage capacity. This investment ensures the preservation of EBITDA over the next 27 years, despite the impact of capital expenditure on the books for the following five years. Given the recent water rationing in Penang, the Group plans to swiftly implement a similar solution at its Penang facility.

Photo credit to Business Time and Free Malaysia Today

	Temperature fluctuations: Laboratory experiments and chemical reactions frequently necessitate precise temperature regulation. Variations in ambient temperature resulting from climate fluctuations, such as extreme heat or cold spells, can disrupt stable conditions, posing challenges to maintaining accuracy and reproducibility in experiments.	**Risk type:** **Time horizon:** **Assessment** **Likelihood/Impact:** **Materiality:** **TCFD Disclosure:**	Chronic Long term 27 yrs High/Low Not No

Our assessment of scenario < 2°C **STEP** **SDS** 	**Financial impact:** RM229,500

We anticipate that the increasing ambient temperature will lead to warmer conditions inside the building. Consequently, we will need to expend more energy to cool down the temperature of the shop floor, particularly when the building's insulation is inefficient. On average, for every degree the thermostat is adjusted over an eight-hour period, there is an approximate 1.5% variance in the overall electricity bill. This implies that reducing the thermostat by 1 degree for 8 hours during prolonged warm weather will result in a 1.5% increase in the electricity bill. In a worst-case scenario, we anticipate adjusting the thermostat by 2 degrees for 8 hours, resulting in a 3% rise in the annual electricity bill, totalling RM8,500 annually. The provided figure represents a potential EBITDA loss calculated based on the NZE scenario by 2050 in 27 years.

Our Strategy towards Scenario NZCE 2050	**Mitigation cost:** RM200,000

The Group is poised to enhance its reliance on renewable energy sources by expanding the utilisation of green energy, including the installation of solar panels and the implementation of efficient energy management practices to alleviate the impact. An allocation of RM170,000 has been earmarked for the Solar Panel project, while RM30,000 has been designated for the efficiency energy management program. Over the next 27 years, EBITDA is expected to see improvement to mitigate the financial impact, notwithstanding the anticipated effect on the balance sheet over the next five (5) years.

	Waste management challenges: Climate-related hazards have the potential to affect waste disposal procedures, particularly in instances where extreme weather occurrences like floods may result in heightened generation of hazardous waste or impede waste collection and treatment protocols.	**Opportunity type:** **Time horizon:** **Assessment** **Likelihood/Impact:** **Materiality:** **TCFD Disclosure:**	Technology Short-term High/Low Not No

Our assessment of scenario < 2ºC **STEP** 2020 2030 2040 2050 **SDS** 2020 2030 2040 2050	**Financial impact:** RM8,000

We anticipate challenges in waste collection during severe weather conditions. For example, flooding may disrupt waste collection services, impede treatment processes, and result in increased waste accumulation, amounting to an estimated RM2,000 per disruption. The figure provided represents a potential EBITDA loss, projected based on the NZE scenario by 2050, with an expectation of two (2) floods occurring within a 27-year period.

Our Strategy towards Scenario NZCE 2050	**Mitigation cost:** RM300,000*

The Group is planning to revamp both the shop floor and office space to better prepare for potential extreme weather events, particularly floods. Segregating scientific equipment to the upper floor is part of our strategy to mitigate potential damage. Additionally, we aim to utilize new building materials that can withstand water during floods, reducing the risk of asset loss, especially for office equipment. We have allocated RM300,000 for this initiative, covering the cost of new materials and the redesign of the shop floor. While this capital expenditure will impact our books for the next ten (10) years, we anticipate protecting our EBITDA over the next 28 years to mitigate financial impacts. This expenditure may also be cushioned by capital allowances.
sunk cost for mitigating extreme weather events declare risk under flood

	Power outages: Extreme weather occurrences, such as severe storms, have the potential to result in power failures, posing a significant concern, especially within a chemical laboratory environment. Uninterrupted power is essential for the proper functioning of critical equipment such as fume hoods, refrigerators, and safety systems.	**Risk type:** **Time horizon:** **Assessment** **Likelihood/Impact:** **Materiality:** **TCFD Disclosure:**	Acute Short term Low/Low Not No

Our assessment of scenario < 2ºC **STEP** 2020 2030 2040 2050 **SDS** 2020 2030 2040 2050	**Financial impact:** RM300,000

The Group anticipate that power outages will disrupt operations, particularly concerning improper shutdowns when power is restored. Improper shutdowns may lead to electronic component failures due to excessive current. Moreover, during power outages, operations cannot proceed, potentially resulting in missed client deadlines. The loss of man-days is insignificant compared to the costs associated with replacing electronic components due to improper shutdowns during outages, which could amount to RM100,000 per detector/motherboard. The figure presented represents a potential EBITDA loss, calculated based on the NZE scenario by 2050, where three (3) failures occur within 27 years[1].

Our Strategy towards Scenario NZCE 2050	**Mitigation cost:** RM80,000

The Group is looking forward to installing an Uninterrupted Power Supplier (UPS) for those sophisticated equipment that could minimise the loss of assets, especially part replacement. A capital expenditure of RM80,000 has been allocated for the installation of UPS. The EBITDA will be contacted in the next 28 years[1] to prevent the financial impact, despite the capital expenditure impact on the book for the next five (5) years.

*Denote 1 s*ignifies that the values stated as financial and mitigation cost are based on constant prices as of 2021. Here is a summary of how climate-related risks interact with the Group's financial planning across three (3) aspects:

EBITDA

Our Group's EBITDA is particularly vulnerable to a wide spectrum of climate-related risks, which can profoundly impact our financial performance and overall profitability. With the world grappling with escalating challenges stemming from climate change and its associated ramifications, businesses across diverse sectors must acknowledge the interconnectedness of their operations and financial prospects with the evolving climate.

Cash Flow

The management of cash flow holds paramount importance in facilitating necessary capital expenditures and ensuring the timely execution of mitigation plans. A robust and consistent cash flow is indispensable for several critical reasons, each contributing to the successful implementation of planned initiatives. Primarily, substantial financial resources are required for capital expenditures, often entailing investments in infrastructure, equipment, technology, and other long-term assets. These initial outlays are pivotal for effectively carrying out mitigation plans and establishing the groundwork for sustainable and resilient practices. A healthy cash flow empowers the Group to allocate funds expeditiously, ensuring the availability of requisite resources to initiate projects and seize opportunities promptly. Furthermore, cash flow furnishes financial agility to address unforeseen challenges and contingencies that may arise during the execution of mitigation plans. Given the inherent risks and uncertainties associated with climate-related factors, maintaining ample cash reserves enables the Group to adapt and respond swiftly to evolving circumstances, safeguarding the continuity and momentum of initiatives.

Capital Expenditure

Undoubtedly, capital expenditure constitutes a vital and unavoidable aspect of implementing a comprehensive mitigation plan. Substantial investments in infrastructure, technology, and equipment become imperative when embarking on initiatives to mitigate climate change and reduce environmental impacts. One significant facet of capital expenditure is its impact on the balance sheet. Assets acquired through these investments are recorded as tangible assets on the balance sheet, contributing to the Group's overall net worth. However, it is crucial to acknowledge that these assets undergo depreciation over time. Depreciation denotes the gradual reduction in the value of tangible assets as they age or become obsolete. As assets depreciate, their book value on the balance sheet diminishes, reflecting their declining worth over time. Typically, depreciation is accounted for annually through depreciation expenses on the income statement.

Climate-Related Opportunities

The Group must develop thorough risk management strategies to address climate-related risks effectively, including establishing contingency plans for power outages and severe weather events, and investing in climate-resilient infrastructure. Regular monitoring of environmental conditions and staying abreast of local climate forecasts can improve the Group's adaptability and enhance safety and operational continuity. Additionally, fostering sustainable practices not only mitigates the impacts of climate change but also creates opportunities for growth and positive environmental impact within the Group and beyond.

	Regulatory and compliance changes: Changes in climate-related regulations and policies could impact the protocols and procedures governing the handling and management of specific substances and emissions within chemical laboratories. **Emerging Regulations:** World Bank requires carbon prices to be in the range of the following: • USD 40-80 per tonne by 2020; • USD 50 and USD 100 per tonne by 2030; • USD 140-80 per tonne by 2040. Malaysia could implement a carbon tax to regulate the carbon emission aligned with the NZCE 2050 plan.	**Opportunity type:** **Time horizon:** **Assessment** **Likelihood/Impact:** **Materiality:** **TCFD Disclosure:**	Policy & Legal Medium-term High/High Yes Yes

Our assessment of scenario < 2°C **STEP** 2020 2030 2040 2050 **SDS** 2020 2030 2040 2050	**Financial impact:**	RM32,130,000

We anticipate that the government might introduce a carbon pricing policy to regulate the NZE 2050 plan. In addition to the Emissions Trading Scheme ("**ETS**") launched in December 2022, there is a possibility that the government will expedite the implementation of a carbon tax to align with the EU Carbon Border Adjustment Mechanism ("**CBAM**"). We anticipate that approximately seven (7) percent of sectors will feel the impact of CBAM in its inaugural year. As part of the supply chain for multinational corporations ("**MNCs**"), we anticipate that compliance with sustainability standards will become increasingly important, as failure to comply may result in the loss of contracts with MNCs. The potential revenue loss due to non-compliance with sustainability reporting standards is estimated at RM1,190,000, or seven percent of annual revenue, over a span of 27 years[2].

Our Strategy towards Scenario NZCE 2050	**Value:**	RM37,800.000

The Group looks forward to the government developing a domestic carbon pricing mechanism to encourage companies to reduce their emissions. This would help to align policies with the EU's carbon reduction goals and make businesses more competitive. Hence, independent assurance services become lucrative to moderate carbon trading with an estimated RM37,800,000 (7% of active clients require assurance services) business opportunities in 27 years[2].

	Market Demand: The shift towards lower carbon footprint products and services is driven by climate-influenced consumer behaviour. Products and services lacking a declared carbon footprint may necessitate a re-evaluation to meet evolving demands and preferences.	**Opportunity type:** **Time horizon:** **Assessment** **Likelihood/Impact:** **Materiality:** **TCFD Disclosure:**	Market Forces Medium-term High/High Yes Yes

Our assessment of scenario < 2°C **STEP** 2020 2030 2040 2050 **SDS** 2020 2030 2040 2050	**Financial impact:**	RM68,850,000

We anticipate that products and services disclosing their carbon footprint may become a primary adoption criterion due to the shift in climate-driven behaviour. This requirement extends to testing, certification, and assessment services, which may need to disclose their own carbon footprint during service delivery. Failure to provide this information may result in a potential loss of 15% of annual revenue for 27 years[2].

Our Strategy towards Scenario NZCE 2050	**Value:**	RM114,750.000

The Group anticipates enhancing the footprint of our testing, certification, and assessment services, potentially yielding an additional revenue of 25% annually for 27 years[2].

Denote 2 indicates that the revenue is based on constant prices as of 2021. Below is a summary of climate-related opportunities impacting our Group's Financial Planning across three (3) aspects:

Revenue
Capitalising on opportunities can significantly impact and accelerate the Group's revenue growth, strengthening financial performance and overall success. When recognized and pursued effectively, these opportunities act as catalysts for expansion and prosperity within the Group.

Investment
The "invest to grow" strategy represents a forward-thinking and proactive approach aimed at fostering sustainable and long-term expansion. This strategy involves investing across diverse business domains to stimulate growth, capitalise on opportunities, and improve overall performance. By prioritising investments to drive development and profitability, the Group positions itself for success in a constantly evolving market landscape.

Metrics and Targets

The Group has adopted a comprehensive methodology to develop our climate-related metrics, helping us evaluate and oversee key factors shaping our collective strategy for addressing climate-related challenges. These metrics are crafted to integrate our Group's framework, strategic planning, and risk management, enabling us to monitor progress and make informed decisions as we progress. In the future, these metrics will be outlined in our Annual Report, providing stakeholders with a comprehensive understanding of how we track climate-related performance indicators aligned with our publicly declared objectives. The metrics outlined in the following table are vital to our operations and will undergo annual evaluation.

Metrics	FY21	FY22	FY23
Emission			
Scope 1 emissions (kg CO_2e)	1,741	11,249	23,401
Scope 2 emissions (kg CO_2e)	416,216	403,602	449,828
Scope 3 emissions (kg CO_2e)	70,850	94,452	342,949
Total emissions (kg CO_2e)	488,807	509,303	816,178
Emission intensity / Conformity activity	4.88	4.74	7.07
Energy Transition			
Renewable energy installed capacity (kWh)	-	29,041	28,838
Renewable energy generation (kWh)	-	15,442	27,763
Quantity of carbon credits retired for offset purposes	-	-	-
Internal carbon price ("ICP") used (tonne)[1]	-	SGD60 - RM209.05	

Note 1: Cited from https://www.channelnewsasia.com/singapore/carbon-tax-net-zero-target-emissions-singapore-green-plan-2506496, where as of December 31, 2023, 1 Singapore Dollar (SGD) is equal to 3.4841 Malaysian Ringgit.

Restatement: *The total emission for FY21, FY22 and FY23 have been restated due to the restatement on the scope 1, 2 and 3 emissions.*

In its dedication to environmental sustainability, the Group has committed to aligning with our climate goals, striving to achieve net-zero carbon emissions by 2050. As part of our strategic roadmap, we have established ambitious objectives for 2030, which involve reducing emission intensity by 30% (measured in kilograms of CO2 equivalent per conformity activity). Building upon this milestone, our targets for 2040 aim to further decrease emission intensity by 60%. Ultimately, our overarching aspiration is to reach net-zero carbon emissions by 2050, demonstrating our steadfast commitment to combating climate change and nurturing a more environmentally friendly and sustainable future.

Sustainability Standards and Assurance

Limited Assurance by MY CO2 Certification

Verification Assurance no.: AA1000AS240002   Rev:0

LMS Compliance Ltd ESG Sustainability Report 2023 Assurance Statement

Introduction

MY CO2 Certification committed to conducting first party audit activities with the highest level of professionalism, integrity, and objectivity. Our primary objective is to assist the organization in achieving its goals by systematically evaluating and improving the effectiveness of risk management, control, and governance processes.

We will maintain an independent and impartial mindset, free from any undue influence that could compromise the objectivity of the assessments.

The sole purpose of this Assurance Statement (hereinafter referred to as the Statement) is to confirm the validity of the matters within the LMS's ESG Sustainability Report. This Statement is the responsibility of MY CO2 and represents our independent opinion.   The intended users of this statement are the readers of the LMS annual report.   Beyond certifying the facts outlined in this Statement, MY CO2 bears no responsibility or legal liability for any use for different purposes or by any individuals who have perused this Statement.

This statement relies on the conclusions drawn from verifying the information furnished by MY CO2 through LMS. Consequently, the scope of the verification is determined by and limited to the details provided in this information. MY CO2 should assume that the information provided is comprehensive and precise.

The Company's management is responsible for the preparation and presentation of the sustainability report in accordance with the **AA1000 Assurance Standard** and the Company's chosen reporting framework. This includes selecting appropriate performance indicators, collecting, and consolidating data, and disclosing the information accurately.

Any inquiries or concerns pertaining to the contents or related matters mentioned in this statement will be addressed by LMS.

Assurance Scope

Our assurance engagement encompassed the examination of the sustainability report's content, including the Company's environmental, social, and governance (ESG) performance indicators and disclosures for the year ended December 31, 2023.   The assurance is limited to environmental, occupational health and safety data, as listed in the following nine indicators:

- *Scope 1 Direct GHG Emissions*
- *Scope 2 Indirect GHG Emissions*
- *Scope 3 Indirect GHG Emissions (Goods receiving, Business travelling and commuting only)*

pg. 1

Verification Assurance no.: AA1000AS240002   Rev:0

- *Total Renewable Energy Consumption*
- *Total Municipal Water Supplies (or from other water utilities)*
- *Total Waste Generation and Disposal*
- *Social data on Diversity, Safety and Health*
- Governance data on board independence

We assessed the accuracy, completeness, and reliability of the information presented in the report.

The assurance engagement was conducted in accordance with the AA1000 Assurance Standard, **Type 1 (AA1000AS, Type 1).**

Assurance methodology

Our procedures included, but were not limited to:

Evaluating the design and implementation of the Company's ESG data collection and reporting processes.

Testing a sample of performance indicators and data to assess their accuracy and reliability.

Reviewing the Company's sustainability reporting practices against recognized sustainability frameworks.

Review the critical developments related to organizations.

Review the scope and maturity of systems related to financial and non-financial reports.

Review the supporting evidence declared in the report, and;

Review the process management described in the report and its associated AA1000 Assurance Standards (v3) on the principles of inclusivity, materiality, and responsiveness and impact.

Conclusion

The comprehensive assessment outcomes for inclusivity, materiality, responsiveness, and impact regarding the AA1000 Accountability Principles **(AA1000AP 2018)** and the core disclosures outlined in the "Global Reporting Initiative (GRI Standard)" are as outlined below:

Inclusivity

Engaging stakeholders in the formulation and attainment of a responsible and strategic approach to sustainability.

Verification Assurance no.: AA1000AS240002   Rev:0

LMS team engages with its stakeholder through a variety of channels,such as internal and external communication mechanisms in conjunction with stakeholder engagements. These activities might include surveys, consultations, partnership initiatives, or addressing concerns raised by stakeholders.

This report covers topics of concern in stakeholders associated with LMS, fairly reports,and discloses economic, social, and environmental information.

It is our opinions that LMS is committed to being accountable to those whom the organisation has an impact on and who have an impact on it. Include data on workforce diversity, leadership representation, and initiatives to promote a diverse and inclusive workplace.

However, further strengthening following items can be included in the future reports:

Provide information on training programs that promote awareness and understanding of diversity and inclusion within the organization.

In summary, the organization anticipates a future where it will continually enhance its operations, expand disclosure initiatives, and achieve these objectives by gaining a deeper understanding of itself and its impact. This is often a key component of organizational development and sustainability efforts.

Materiality

Determining the relevance and significance of issues that are material to sustainability performance.

LMS identify, assess, verify and prioritise their material matters via a four-step materiality assessment. The report also addresses their response to 14 material matters that impact business and stakeholder value. The materiality matrix illustrates the significance of these identified matters, visually representing their importance and impact on their sustainability strategy.

It is our opinion that LMS has a good materiality determination process. The company's efforts towards double materiality, which involves addressing concerns related to both internal and external impacts, are commendable.

However, further strengthening following items can be included in the future reports:

Compare performance against industry benchmarks and standards to provide context for materiality determination. Explain any deviations from industry norms and the rationale behind such variations.

All aspects are fully documented, applied consistently and continue to be integrated on an ongoing basis.

Verification Assurance no.: AA1000AS240002   Rev:0

Responsiveness

An organization response to stakeholder issues that affect its sustainability performance.

LMS responds to requests and opinions from stakeholders through cloud-based intranet or extranet such as mysuite, client's satisfaction index via aikinz. Besides, the implementation methods include vendor evaluation, assessment, formal meetings, round tables, working committees, physical, online meeting and engage resident association communication mechanisms for numerous internal and external stakeholders. LMS also responds to external stakeholders through the sustainability pages of its websites and through its annual report. Sustainability policies and statements are published on the LMS websites, lmscompliance.com. Revise the organizational policies or practices directly in response to stakeholder feedback, for instance, by incorporating an ESG questionnaire into the vendor evaluation form.

It is our opinion that LMS has demonstrated that it responds to stakeholders and is accountable to them.

Impact

LMS has developed and implemented a process of monitoring, measuring and taking responsibility for how its actions affect the wider ecosystem, in order to echo all the inclusiveness, substantive significance and responsiveness of its own management system and capabilities in this report issues and provide the necessary capacity and resources. However, further strengthening following items can be included in the future reports:

Incorporate a lifecycle analysis approach to understand and communicate the full range of impacts associated with the organization's services, or operations.

Reliability of performance Information

The systems and processes used to support the GHG and water performance data have been evaluated. It has been possible to obtain a moderate level of assurance in respect of the GHG, waste, water withdrawal and water discharge data reported in the annual report. There is no evidence that the statement shown above is not materially correct and is not a fair representation of the data and information.

Verification Assurance no.: AA1000AS240002   Rev:0

GRI Guidelines/SASB/SGX core ESG metrics

LMS provides declaration of compliance with the GRI Guidelines, SASB, and SGX core ESG metrics. Based on the results of the review, we confirmed that the relevant ESG Sustainability indicators referred to GRI Guidelines, SASB and SGX core ESG metrics in the report have been completely disclosed, partially disclosed, or omitted.

In our professional opinions, this declaration covers the social responsibilities of *LMS* and sustainable development issues concerned by stakeholders.

Assurance Level

According to the AA1000 Assurance Standard (v3), we verify this statement as a ***medium*** level of assurance,as in the scope and method described in this statement.

Limitations

While we have performed our assurance engagement with due professional care, it is important to note that assurance engagements, by their nature, have limitations. These limitations include the reliance on information provided by the company and the inherent limitations of any assurance process.

Verification Assurance no.: AA1000AS240002   Rev:0

Assurance Statement

We, the undersigned, hereby confirm that the assurance process has been completed in accordance with **AA1000AS (V3)** and that the findings and conclusions of this report are accurate to the best of our knowledge.

Chong Moi Me

Date: 15 FEB 2024

Report Distribution

This assurance report will be distributed to the relevant stakeholders, including LMS and any other parties as required.

Should you have any questions or require further information regarding this assurance report, please contact at certification@myco2.com.my

GRI Index

The Global Reporting Initiative (GRI) functions as a comprehensive standard for sustainability reporting, providing guidance on report content and indicators, and is acknowledged worldwide as the most extensively used standard for such reporting. This report has been meticulously crafted in accordance with the latest GRI Universal Standards 2021 and makes references to our 2023 Sustainability Report and GRI Content Index.

GRI STANDARD		DISCLOSURE	PAGE NUMBER
GRI 2: General Disclosures 2021	**2-1**	Organisational details	6
	2-2	Entities included in the organisation's sustainability reporting	6
	2-3	Reporting period, frequency and contact point	6
	2-4	Restatements of information	55
	2-5	External assurance	Nil
	2-6	Activities, value chain and other business relationships	33
	2-7	Employees	33
	2-8	Workers who are not employees	33
	2-9	Governance structure and composition	40
	2-10	Nomination and selection of the highest governance body	41
	2-11	Chair of the highest governance body	40
	2-12	Role of the highest governance body in overseeing the management of impacts	40
	2-13	Delegation of responsibility for managing impacts	40
	2-14	Role of the highest governance body in sustainability reporting	40
	2-15	Conflicts of interest	Principle 1 of the Corporate Governance Report in the Company's AR for FY23
	2-16	Communication of critical concerns	32
	2-17	Collective knowledge of the highest governance body	40
	2-18	Evaluation of the performance of the highest governance body	41
	2-19	Remuneration policies	Principle 6, 7 and 8 of the Corporate Governance Report in the Company's AR for FY23.
	2-20	Process to determine remuneration	
	2-21	Annual total compensation ratio	
	2-22	Statement on sustainable development strategy	22
	2-23	Policy commitments	8
	2-24	Embedding policy commitments	8
	2-25	Processes to remediate negative impacts	31
	2-26	Mechanisms for seeking advice and raising concerns	31
	2-28	Membership associations	48
	2-29	Approach to stakeholder engagement	32
	2-30	Collective bargaining agreements	Not Applicable

GRI STANDARD		DISCLOSURE	PAGE NUMBER
GRI 3: Material Topics 2021	**3-1**	Process to determine material topics	24
	3-2	List of material topics	25
	3-3	Management of material topics	44 - 46
GRI 202: Market Presence 2016	**201-1**	Ratios of standard entry level wage by gender compared to local minimum wage	Minimum salary RM1,500
GRI 203: Indirect Economic Impacts 2016	**203-1**	Infrastructure investments and services supported	23
	203-2	Significant indirect economic impacts	23
GRI 204: Procurement Practices 2016	**204-1**	Proportion of spending on local suppliers	>90%
GRI 205: Anti-corruption 2016	**205-2**	Communication and training about anti-corruption policies and procedures	
GRI 302: Energy 2016	**302-1**	Energy consumption within the organisation	58
	302-4	Reduction of energy consumption	58
GRI 303: Water and Effluents 2018	**303-1**	Interactions with water as a shared resource	57
	303-2	Management of water discharge-related impacts	58
	303-3	Water withdrawal	Not applicable
	303-4	Water discharge	58
	303-5	Water consumption	58
GRI 304: Biodiversity 2016	**304-1**	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable
	304-2	Significant impacts of activities, products and services on biodiversity	Not applicable
	304-3	Habitats protected or restored.	Not applicable
GRI 305: Emissions 2016	**305-1**	Direct (Scope 1) GHG emissions	54
	305-2	Energy indirect (Scope 2) GHG emissions	54 - 55
	305-3	Other indirect (Scope 3) GHG emissions	55 - 56
	305-4	GHG emissions intensity	56
	305-5	Reduction of GHG emissions	56
GRI 305: Emissions 2016	**306-1**	Waste generation and significant waste-related impacts	58
	306-2	Management of significant waste-related impacts	58
	306-3	Waste generated	58
	306-5	Waste directed to a disposal	58
GRI 308: Supplier Environmental Assessment 2016	**308-1**	New suppliers that were screened using environmental criteria	65
	308-2	Negative environmental impacts in the supply chain and actions taken	65
GRI 401: Employment 2016	**401-1**	New employee hires and employee turnover	62
		Benefits provided to full-time employees that are not provided to temporary or part-time employees	64

GRI STANDARD		DISCLOSURE	PAGE NUMBER
GRI 403: Occupational Health and Safety 2018	**403-1**	Occupational health and safety management system	64 - 65
	403-2	Hazard identification, risk assessment, and incident investigation	64 - 65
	403-4	Worker participation, consultation, and communication on occupational health and safety	64 - 65
	403-5	Worker training on occupational health and safety	64 - 65
	403-9	Work-related injuries	64 - 65
	403-10	Recordable work-related ill health cases	64 - 65
GRI 404: Training and Education 2016	**404-1**	Average hours of training per year per employee	62
	404-2	Programs for upgrading employee skills and transition assistance programs	31
GRI 405-1 Diversity of governance bodies and employees	**405-1**	Diversity of governance bodies and employees	63
GRI 406: Non-discrimination 2016	**406-1**	Incidents of discrimination and corrective actions taken	Not Applicable
GRI 407: Freedom of Association and Collective Bargaining 2016	**407-1**	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not Applicable
GRI 408: Child Labor 2016	**408-1**	Operations and suppliers at significant risk for incidents of child labour	
GRI 409: Forced or Compulsory Labor 2016	**409-1**	Operations and suppliers at significant risk for incidents of forced or compulsory labour	
GRI 411: Rights of Indigenous Peoples 2016	**411-1**	Incidents of violations involving rights of indigenous peoples	Not Applicable
GRI 413: Local Communities 2016	**413-1**	Operations with local community engagement, impact assessments, and development programs	36
	413-2	Operations with significant actual and potential negative impacts on local communities	36
GRI 414: Supplier Social Assessment 2016	**414-1**	New suppliers that were screened using social criteria	
	414-2	Negative social impacts in the supply chain and actions taken	
GRI 416: Customer Health and Safety 2016	**416-1**	Assessment of the health and safety impacts of product and service categories	65
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	65

SASB Index

We cited the Sustainability Accounting Standards Board (SASB) guideline for the Professional & Commercial Services industry, closely aligning with the business of LMS Compliance Ltd. Beside this, we also voluntary include Resources Transformation, specifically the chemical industry, in our ESG reporting. Hence, we highlight below the sections of the report and other public disclosures that include information in the spirit of SASB's objectives. We will continue to assess how our disclosures on these topics should evolve. Unless otherwise stated, this document covers all LMS Compliance Ltd. and its subsidiaries. All data covers the period from 1 January to 31 December 2023, and in Ringgit Malaysia (RM). This is an index of disclosed information based on SASB's disclosure framework. The table below refers to the Professional & Commercial Services industry criteria, partly for the Chemicals industry stipulated in the Resource Transformation sector. To the best knowledge of the Group, the combination of two standards recognises a small number of chemicals used for analysis processes rather than chemical manufacturing.

	ACCOUNTING MATRIC	CATAGORY	UNIT OF MEASURE	CODE	RESPONSES / PAGE NUMBER
Professional Integrity	Description of approach to ensuring professional integrity.	Discussion and Analysis	NA	SV0102-01	Page 71
Professional Integrity	Total amount of monetary losses as a result of legal proceedings associated with professional integrity.	Quantitative	Reporting Currency	SV0102-02	The Group has not suffered any losses due to legal proceedings associated with professional integrity during the reporting period.
Data Security	Description of approach to identifying and addressing data security risks.	Discussion and Analysis	NA	SV0102-03	Page 71
Data Security	Description of policies and practices relating to collection, usage and retention of customer information.	Discussion and Analysis	NA	SV0102-04	Page 71
Data Security	(1) Number of data security breaches and, (2) percentage involving customers' confidential business information ("**CBI**") or personally identifiable information ("**PII**"), (3) number of customers affected	Quantitative	Number, Percentage (%)	SV0102-05	• The Group did not encounter any data security breaches during the reporting period. • 0% on CBI and 0% on PII • 0 number of customers affected
Workforce Diversity & Engagement	Percentage of gender and racial/ ethnic Group representation for (1) executive management and (2) all other employees.	Quantitative	Percentage (%)	SV0102-06	(see table below)
Workforce Diversity & Engagement	(1) Voluntary and (2) involuntary turnover rate for employees.	Quantitative	Rate	SV0102-07	Voluntary turnover rate = 19.8% Involuntary turnover rate = 0%

	Top 30	Others
Gender diversity		
Male	46%	42%
Female	54%	58%
Ethnicity		
Malaysian	100%	100%
Foreigner	0%	0%

	ACCOUNTING MATRIC	CATAGORY	UNIT OF MEASURE	CODE	RESPONSES / PAGE NUMBER
Workforce Diversity & Engagement	Employee engagement as a percentage	Quantitative	Percentage (%)	SV0102-018	Eligible employees on appraisal = 100% Eligible employees on myVoice survey = 64% We define employee engagement as the Percentage of eligible employees who respond to myVoice survey and participate in the quarterly appraisal.
Greenhouse Gas Emissions	Gross global Scope 1 emissions, Percentage covered under emissions-limiting regulations	Quantitative	Metric tons (t) CO_2-e, Percentage (%)	RT-CH-110a.1	Pages 53 - 54
Greenhouse Gas Emissions	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets and an analysis of performance against those targets	Discussion and Analysis	N/A	RT-CH-110a.2	Pages 53 - 54
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy	Quantitative	Gigajoules (GJ), Percentage (%)	RT-CH-130a.1	Page 58 ND Page 58 Page 58
Hazardous Waste Management	Amount of hazardous waste generated; Percentage recycled	Quantitative	Metric tons (t), Percentage (%)	RT-CH-150a.1	Page 58
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Quantitative	Rate	RT-CH-320a.1	Page 62
Workforce Health & Safety	Description of efforts to assess, monitor and reduce exposure of employees and contract workers to long-term (chronic) health risks	Discussion and Analysis	N/A	RT-CH-320a.2	Page 64
	ACTIVITY METRIC	CATAGORY		CODE	RESPONSES
	Number of employees by: (1) full-time and part-time, (2) temporary, and (3) contract.	Quantitative	Number	SV0102-A	(1) full-time and part-time = 100% and 0% (2) temporary = 0% (3) contract = 2.5%
	Employee hours worked; percentage billable	Quantitative	Hours, Percentage (%)	SV0102-B	N/A

SGX 27 Core ESG Metrics

PILLAR	TOPIC	METRIC	UNIT	FRAMEWORK ALIGNMENT	PAGE NUMBER
Environment	Greenhouse Gas Emissions ("GHG")	Absolute emissions by: (a) Total; (b) Scope 1, Scope 2; and (c) Scope 3, if appropriate	tCO2e	GRI 305-1, GRI 305-2, GRI 305- 3, TCFD, SASB 110, WEF core metrics	54 54 - 55 55 - 56
		Emission intensities by: (a) Total; (b) Scope 1, Scope 2; and (c) Scope 3, if appropriate	tCO2e / organisation specific metrics	GRI 305-4, TCFD, SASB 110	54 54 - 55 55 - 56
	Energy Consumption	Total energy consumption	MWhs or GJ	GRI 302-1, TCFD, SASB 130	58
		Energy consumption intensity	MWhs or GJ/ organisation specific metrics	GRI 302-3, TCFD	58
	Water Consumption	Total water consumption	ML or m^3	GRI 303-5, SASB 140, TCFD, WEF core metrics	57
		Water consumption intensity	ML or m^3/organisation specific metrics	TCFD, SASB IF-RE-140a.1	57
	Waste Generation	Total waste generated	kg	GRI 306-3, SASB 150, TCFD, WEF expanded metrics	58
Social	Gender Diversity	Current employees by gender	Percentage (%)	GRI 405-1, SASB 330, WEF core metrics	62
		New hires and turnover by gender	Percentage (%)	GRI 401-1, WEF core metrics	63
	Age-Based Diversity	Current employees by age Groups	Percentage (%)	GRI 405-1, WEF core metrics	63
		New hires and turnover by age Groups	Percentage (%)	GRI 401-1, WEF core metrics	63
	Employment	Total turnover	Number and Percentage (%)	GRI 401-1, SASB 310, WEF core metrics	63
		Total number of employees	Number	GRI 2-7	63
	Development & Training	Average training hours per employee	Hours/No. of employees	GRI 404-1, WEF core metrics	62
		Average training hours per employee by gender metrics	Hours/No. of employees	GRI 404-1, WEF core metrics	62
	Occupational Health & Safety	Fatalities (Singapore), SASB 320	Number of cases	GRI 403-9, WEF core metrics, MOM (Singapore), SASB 320	64 - 65
		High-consequence injuries	Number of cases	GRI 403-9, WEF core metrics, MOM (Singapore)	64 - 65
		Recordable injuries	Number of cases	GRI 403-9, WEF core metrics, MOM (Singapore), SASB 320	64 - 65
		Recordable work-related ill health cases	Number of cases	GRI 403-10, WEF expanded metrics, MOM (Singapore)	64 - 65

PILLAR	TOPIC	METRIC	UNIT	FRAMEWORK ALIGNMENT	PAGE NUMBER
Governance	Board Composition	Board independence	Percentage (%)	GRI 2-9, WEF core metrics	70
		Women on the Board	Percentage (%)	GRI 2-9, GRI 405- 1, WEF core metrics	70
	Management Diversity	Women in the management team	Percentage (%)	GRI 2-9, GRI 405- 1, WEF core metrics, SASB 330	62
	Ethical Behaviour	Anti-corruption disclosures	Discussion and number of standards	GRI 205-1, GRI 205-2 and GRI 205-3	
		Anti-corruption training for employees	Number and Percentage (%)	GRI 205-2, WEF core metrics	>90%
	Certifications	List of relevant certifications	List	Commonly reported metric by SGX issuers	ISO 17025 ISO 17021 ISO 17029
	Alignment with Frameworks	Alignment with frameworks and disclosure practices	GRI/ TCFD/ SASB/ SDGs/ others	SGX-ST Listing Rules (Mainboard) 711A and 711B, Practice Note 7.6; SGX-ST Listing Rules (Catalist) 711A and 711B, Practice Note 7F	GRI/ TCFD/ SASB
	Assurance	Assurance of sustainability report	Internal/External/None	GRI 2-5, SGX-ST Listing Rules (Mainboard) 711A and 711B, Practice Note 7.6; SGX-ST Listing Rules (Catalist) 711A and 711B, Practice Note 7F	Internal (First Party)

The sustainability report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.

This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report including the correctness of any of the statements or opinions made or reports contained in this sustainability report.

The contact person for the Sponsor is Mr. Alex Tan, Chief Executive Officer, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03, Robinson 77, Singapore 068896, telephone (65) 6636 4201.

LMS COMPLIANCE LTD. (SGX:LMS)
202225544C

138 Robinson Road, #26-03 Oxley Tower, Singapore 068906.

www.lmscompliance.com

A Group Member of LMS COMPLIANCE LTD. (SGX : LMS)

MY CO2 GROUP SDN. BHD.
202201032134 (1477831-M)

MY CO2 SDN. BHD.
200601024684 (744438-M)

EMPIRIC SCIENCE SDN. BHD.
201301043397 (1073219-T)

MY CO2 (PG) SDN. BHD.
201701042071 (1256244-P)

16, Lengkok Kikik 1,
Taman Inderawasih,
13600 Perai, Penang, Malaysia.
+604-380 8282

MY CO2 CERTIFICATION SDN. BHD.
201601026813 (1197752-X)

MY CO2 (KL) SDN. BHD.
201501029820 (1155142-M)

40, Jalan Sepadu B25/B,
40400 Shah Alam, Selangor, Malaysia.
+603-5122 3366

MY CO2 (JB) SDN. BHD.
201501029979 (1155302-A)

15, Jalan Molek 1/8, Taman Molek,
81100 Johor Bahru, Johor, Malaysia.
+607-355 8811

LMS COMPLIANCE INTERNATIONAL PTE. LTD.
201930639N

SG CO2 PTE. LTD.
202410767R

138 Robinson Road, #26-03 Oxley Tower,
Singapore 068906.

enquiry@myco2.com.my
www.myco2.com.my