

ENVIRONMENTAL STEWARDSHIP

Material Topics:

- CCS
- WEM
- WM
- AE
- BD

Stakeholders Impacted:

- E
- GR
- FI
- S
- C
- BP
- LC
- VS



Solar panel installed at DIALOG’s fabrication yard in Pengerang, Johor

The Group is committed to operating responsibly to ensure we minimise our impact to the environment, taking into consideration our role in tackling the climate change crisis, energy consumption, greenhouse gas emissions, the protection of biodiversity, water consumption, waste management and prevention of pollution.

CCS CLIMATE CHANGE

Climate affects almost every aspect of our lives, and consequently, climate change poses a significant long-term risk to the environment and everyone’s well-being.

This in turn threatens our ability to create sustainable long-term value for all our stakeholders. Extreme weather events and the increasing frequency of natural disasters pose physical risks to our people and assets, increasing the risk of operational disruptions and ultimately jeopardising business continuity.

ENVIRONMENTAL STEWARDSHIP

OUR APPROACH

Climate Change Strategy

To tackle this issue of climate change, in FY2022, we completed the development of the initial phase our Climate Change Strategy (table below), and have begun to implement the initiatives identified therein.

CLIMATE ASPIRATION: NET ZERO CARBON EMISSIONS BY 2050			
Short-Term (2023-2025)		Medium-Term (2026-2030)	
Risk Theme 1: LOW-CARBON ECONOMY TRANSITION			Risk Theme 2: CLIMATE RISKS
Focus Area 1 Decarbonisation	Focus Area 2 Sustainable and Renewables	Focus Area 3 Circular Economy	Focus Area 4 Climate Risk Management
<p>INTERNAL Reduce Scope 1 & 2 Greenhouse Gas (“GHG”) emissions by increasing energy efficiency and through the adoption of new technology</p> <p>EXTERNAL Brownfield EPCC & Plant rejuvenation opportunities to help clients improve their energy usage and reduce their emissions</p>	<p>SERVICES Expand product and solution offering to support the growth and development of clients in the Sustainable and Renewables sector</p> <p>INVESTMENTS Investment into Sustainable and Renewables projects & businesses to reduce emissions</p>	<p>INTERNAL Waste minimisation and recycling initiatives within DIALOG’s operations</p> <p>INVESTMENTS Investment into recycling ventures to promote circular economy initiatives to reduce global GHG emissions</p>	<p>Conduct detailed physical and transition risk assessment for all material assets</p> <p>Develop climate resilience and adaptation plan</p> <p>Embed climate risk assessment into asset planning, strategy development and design to actively mitigate climate related risks and increase resilience</p>

We developed our ESG Strategy Framework and outlined our broad strategies to address the top material issues that are important to our stakeholders. The framework acts as a guide in embedding ESG considerations into the Group’s business and operations to ensure sustainability.

Our holistic approach takes into consideration the risks and opportunities presented by climate change and the low-carbon economy transition. In doing so, our strategy encapsulates short and medium-term initiatives that are both internally and externally focused.

Our strategy and approach will be reviewed and refined on an ongoing basis to ensure that we continue to adapt and remain on track towards achieving our NZCE2050 aspirations.

OUR AIM

Task Force on Climate-Related Financial Disclosure (“TCFD”)

DIALOG recognises the need to accelerate our actions to address the climate crisis and improve the Group’s resilience to potential climate impacts. To better understand and manage climate-related impacts on our business and to inform stakeholders on the progress, the Group is in the process of carrying out a climate change risk assessment in line with TCFD. TCFD is a widely and globally supported climate disclosure framework that aims to help companies disclose to their investors and other stakeholders the financial impacts from climate change and the companies’ resilient strategy to these impacts. The TCFD framework centers around four pillars: governance, strategy, risk management, and metrics and targets.

DIALOG will be evaluating climate-related risks for future climate scenarios, over two time horizons (2030 and 2050) and will take into account both short-to-medium term impacts as well as long-term impacts in line with the TCFD requirements. The climate risk assessment will cover the majority of DIALOG’s assets in upstream, midstream, downstream and renewables. The findings of this assessment will help the Group understand the impact of climate change on our business, work towards managing climate-related risks and optimise the opportunities from climate change in order to ensure long-term business sustainability. The findings will also support the Group in refining the long-term strategic decision making to improve the resilience of the business and capitalise on opportunities from climate change.

Recognising the accelerated pace of climate change, the Group had in FY2021 announced its aspiration to achieve NZCE2050 and will continue to pursue opportunities in the Sustainable and Renewables business, including clean and green energy, as well as recycling ventures as the world shifts towards a low-carbon economy.

HOW WE CREATE VALUE?

OUR PROGRESS IN FY2022

In line with the Group’s aspiration to achieve NZCE2050, we have taken steps towards minimising our climate change and environmental impact across various parts of our business.

Additionally, the SDWC is currently exploring short and medium-term ESG targets setting with the guidance of our appointed ESG consultant.

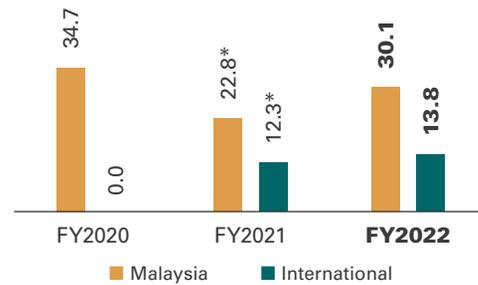
Energy Consumption

DIALOG uses energy in the operation of our terminals, projects, workshops, offices and other facilities. Energy is consumed in the form of electricity, diesel and petrol. For FY2022, DIALOG’s operations consumed approximately 43.9 million kWh of energy, or 0.019 million kWh (0.022 million kWh for FY2021) per Malaysian Ringgit million of our total operations’ revenue of which, 41.9 million kWh results in the Scope 1 and 2 GHG

emissions reported. While this is not material in the larger context of the Group’s business and operations, given the resultant impacts on global resource usage and climate change concerns, DIALOG is committed to report and optimise energy consumption.

Energy Consumption

(million kWh)



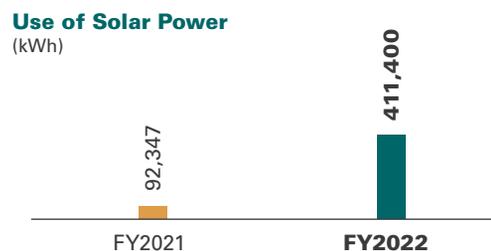
* Following the data verification process that was conducted by our appointed ESG consultant, the Group has improved its data collection methodology. The energy consumption for FY2021 has been adjusted accordingly.

DIALOG continually looks for opportunities to optimise energy used which benefits the environment and the company. The Group’s headquarters, DIALOG TOWER, is Green Building Index (“GBI”) certified with Silver rating. The building has incorporated environment-friendly features and design, including:

- Energy-efficient lighting with sensor controls, which will turn lights out when there is sufficient daylight
- Installation of solar panels on the rooftop to generate renewable energy
- Zone controlled air conditioning to be switched off in areas not in use
- Rainwater harvesting which connects the water collected to the taps in the garden
- An aquaponics system consisting of a single integrated and self-contained system that combines aquaculture (raising fish) and hydroponics (the soil-less growing of plants) was installed on the rooftop

ENVIRONMENTAL STEWARDSHIP

In line with our efforts to reduce our GHG emissions through the adoption of new technology, we continued to expand the use of solar power generation across all operations. In FY2022, we operationalised solar power generation at another two of our workshops in Pengerang and Singapore. Together with the solar power generation facility in our Nilai workshop that was operationalised in FY2021, this resulted in the replacement of 411,400 kWh of purchased electricity with green energy in FY2022.



Greenhouse Gas Emissions (“GHG”)

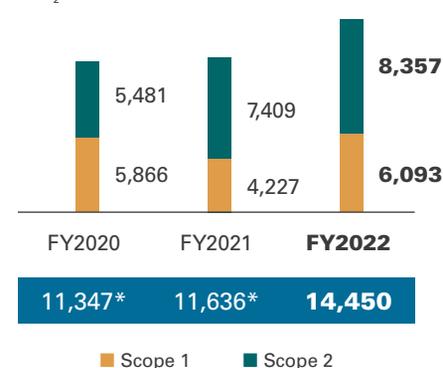
During the course of our operations, we generate GHG from the combustion of diesel fuels in our work equipment such as generator sets, welding sets and air compressors for our fabrication and construction projects. DIALOG reports GHG emissions which are calculated from DIALOG’s energy use. This encompasses Scope 1 (direct energy use and emissions from the combustion of fossil fuels) and Scope 2 emissions (indirect energy use and emissions from electricity purchased for our own use).

CO₂ emissions from DIALOG’s operations totalled 14,450 tCO₂e (FY2021 : 11,636 tCO₂e) in FY2022 which equates to 6 tCO₂e per Malaysian Ringgit million of our total operations’ revenue. The 24% increase in GHG emissions for FY2022 is mainly contributed by the operations of DIALOG Terminals Pengerang (5) Sdn. Bhd., and increased business activities from our downstream projects in Malaysia and our supply base operations in Saudi.

For FY2022, our rooftop solar installations across our three workshops realised more than 224 tCO₂e of emission avoidance.

	FY2020		FY2021		FY2022	
	Malaysia	International	Malaysia	International	Malaysia	International
Scope 1 (tCO ₂ e)	5,866*	Not disclosed	2,525*	1,702*	4,090	2,003
Scope 2 (tCO ₂ e)	5,481*	Not disclosed	5,963*	1,446*	7,011	1,346
Total (tCO₂e)	11,347*		11,636*		14,450	

GHE Emissions
(tCO₂e)



* Following the data verification process that was conducted by our appointed ESG consultant, the Group has improved its data collection and calculation methodology guided by GHG Protocol Standards and 2006 IPCC guidelines. The calculations now include nitrous oxide and methane resulting from diesel consumption. The GHG emissions for FY2020 and FY2021 have been adjusted accordingly.

Sustainable and Renewables Business

In December 2021, DIALOG made its first substantial investment into the Sustainable and Renewables space via the venture with Diyou PCR Sdn. Bhd. and incorporated DIALOG Diyou PCR Sdn. Bhd. to build, own and operate a food grade recycled polyethylene terephthalate (“recycled PET”) pellets production facility using recycled PET flakes as raw material to produce food grade recycled PET pellets for sale. This venture also marks the Group’s inaugural sustainable financing via a green project financing facility. The plant is on track to be completed and commissioned in 2023.

Subsequently, DIALOG in May 2022 incorporated DIALOG ESECO Sdn. Bhd. to provide innovative solutions for waste management and to support the implementation of recycling.

These ventures into the post-consumer plastics recycling industry further supports DIALOG’s initiatives and contribution towards making a positive impact towards the environment, as well as supports the Malaysian government’s initiatives in sustainability as stated in the circular economy road map.

Other investments the Group has pursued in the area of Sustainable and Renewables business include investing into a carbon capture technology company that is headquartered in the United States of America. More recently in 2022, the Group had invested into Hiringa Energy, a full-service green hydrogen provider that is on a mission to create a zero emission energy future for New Zealand.

AE WM WEM AIR EMISSIONS, WATER MANAGEMENT, WASTE & EFFLUENT MANAGEMENT

DIALOG uses natural capitals such as energy and water, which needs to be safeguarded for future generations. Pollution is a serious concern as it poses a danger to our health and the environment. Aside from causing serious illnesses, pollutants can contribute to global warming, and deplete finite resources.

Pollution prevention protects the environment by conserving and protecting natural resources while strengthening economic growth through more efficient production in industry and less need for households, businesses, and communities to handle waste.

OUR APPROACH

DIALOG sets and maintains standards of environmental management via the Group's Health, Safety & Environment Management System ("HSEMS"). Furthermore, DIALOG demonstrates and communicates our commitment to keep our environmental footprint to a minimum, through our HSE Policy and Renewables Council, where we have stated that we will strive to:

- Protect the environment by prevention of pollution, reduction of waste and minimisation of consumption of resources; and
- Achieve our goals and objectives through the prevention or mitigation of adverse environmental impacts.

DIALOG's HSEMS provides the procedures and work systems for the management of the Group's air emissions, water management, and waste & effluent management.

We ensure that all our operations comply with environmental regulations across all our operating locations. Additionally, the operations below are certified the ISO 14001:2015 standard for Environment Management System standard for Environment Management System.

ISO 14001:2015 standard for Environment Management System

DIALOG Group Berhad (HQ)	2019
DIALOG E & C Sdn. Bhd. (HQ)	2019
DIALOG Systems Sdn. Bhd. (HQ)	2019
Pacific Advance Composites Sdn. Bhd. (HQ)	2018
Pacific Advance Composites Sdn. Bhd. (Nilai)	2018
DIALOG Plant Services Sdn. Bhd. (HQ) (including DIALOG Catalyst Services Sdn. Bhd.)	2018
DIALOG Plant Services Sdn. Bhd. (Nilai) (including DIALOG Catalyst Services Sdn. Bhd.)	2018
DIALOG Plant Services Sdn. Bhd. (Labohan) (including DIALOG Catalyst Services Sdn. Bhd.)	2018
DIALOG Fabricators Sdn. Bhd. (HQ)	2018
DIALOG Fabricators Sdn. Bhd. (Pengerang)	2018
DIALOG Plant Services Sdn. Bhd. (Bukit Rambai)	2019
DIALOG Plant Services Sdn. Bhd. (Gebeng)	2019
DIALOG Terminals Langsat (1) Sdn. Bhd. (Tanjung Langsat)	2019
DIALOG Terminals Langsat (2) Sdn. Bhd. (Tanjung Langsat)	2019
DIALOG Terminals Langsat (3) Sdn. Bhd. (Tanjung Langsat)	2019
DIALOG Plant Services Pte Ltd (Singapore)	2020

DIALOG believes in encouraging and collaborating with our suppliers and contractors to comply and commit to adhering to our policy of protecting the environment by minimising waste and resource use and preventing environmental pollution.

ENVIRONMENTAL STEWARDSHIP

OUR AIM

To ensure the sustainability of the Group's business, we aim to minimise the impact of our operations to the environment, taking into consideration our air emissions, water management, waste and effluent management and internal recycling initiatives.

HOW WE CREATE VALUE?

OUR PROGRESS IN FY2022

Air Emissions

DIALOG operates in compliance with the Environmental Quality (Clean Air) Regulations 2014 in Malaysia, and all other applicable local laws and regulations where we operate.

For our Catalyst Services, we remain committed to operating in a dust-free environment. All catalyst handling equipment is designed with a 'closed-loop' function which prevents the emission of harmful or toxic dust from polluting the atmosphere. This commitment to protect the environment is in compliance with our Bureau Veritas ISO 14001:2015 Standard Malaysia/UKAS certifications which guide all works performed.

Over at our terminals and project sites, emissions from the thermal heater set, standby unit of the gen-set and fire water pump are monitored annually, while the ambient air at the terminal boundaries is monitored regularly. We also have in place a preventive maintenance programme that is conducted regularly to ensure that our equipment operate within their design specifications. In FY2022, our air emissions were in compliance with the standard parameters set by the local authority.

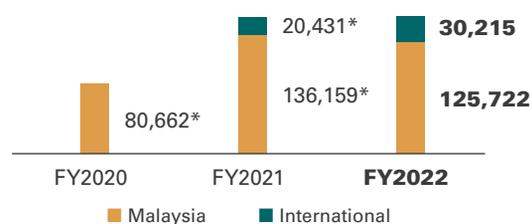
Water Management

In FY2022, our global operations consumed a total of 155,937 m³ of water (FY2021 : 156,590 m³).

In line with our efforts to manage our water consumption, in FY2022, DIALOG implemented a rainwater harvesting initiative to collect rainwater for general use for the Mogas Tank Construction project at Shell Bagan Luar, Penang.

For our operations in Saudi Arabia, water issues have been identified as an operational risk as it is a water-stressed location. To mitigate this risk, we have undertaken various initiatives to manage our water use in Saudi Arabia, such as prohibiting the cleaning of vehicles and equipment in the base. If unavoidable, we use a pail for cleaning instead of using spray water. We also conduct weekly inspections of our facilities to ensure there are no water leakages or water wastage.

Water Consumption (m³)



* Following the data verification process that was conducted by our appointed ESG consultant, the Group has improved its data collection methodology. The water consumption for FY2020 and FY2021 have been adjusted accordingly.

Waste & Effluent Management

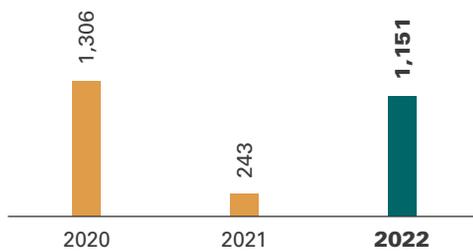
With regards to the water (effluent) discharge at our Langsat Terminal, it is our initiative and commitment to ensure that the water (effluent) is sampled monthly at the points of discharge to the public drain and into the ocean. All of the sampling results comply with the standard parameters set by the local authority.

Hazardous waste generation and characterisation are key factors that affect environmental sustainability. Thus, proper hazardous waste disposal through a qualified and certified waste contractor is a must in every DIALOG operation. This is performed in strict compliance with local environmental authorities.

We commit to practise the 3R (Reduce, Reuse, Recycle) approach to manage wastes generated by our operations. All hazardous wastes are managed by our own Certified Scheduled Waste Competent Person, registered and recognised by the Department of Environment ("DOE").

In the period under review, the hazardous waste was generated from the routine tank cleaning activities at our terminal operations. The increase in the total amount of hazardous waste compared to the previous year was mainly due to the resumption of activities as a result of the gradual lifting of COVID-19 restrictions.

Hazardous Waste Disposed (MT)



Internal Recycling Initiatives

We use Life Cycle Analysis (“LCA”) to assess the environmental impacts in our Fibreglass Reinforced Plastic (“FRP”) division where we manufacture composite pipes and systems. The LCA resulted in the recycling and reuse of acetone for the cleaning process, which consequently reduced the quantity of acetone waste generated.

In addition to that, our employees continue to practice simple daily routines such as separating and recycling waste, and minimising printing by using both sides of paper as well as using recycled paper.

BD BIODIVERSITY

Biodiversity is essential for healthy ecosystems, to which human well-being is intimately linked. We acknowledge that our business activities have an impact upon biodiversity, primarily arising from construction sites for new terminals or other oil & gas facilities.

OUR APPROACH

Detailed Environmental Impact Assessments (“DEIA”) are carried out and is mandatory for DIALOG’s new projects or expansion of existing projects. The scope of the DEIAs include impact assessments on biodiversity, water pollution, air quality, noise pollution and waste management. These are then used to derive site specific Environmental Management Plans (“EMP”) and ongoing Environment Monitoring Management Plans for the duration of the project. In order to ensure compliance with EMPs, we also engage with the registered DOE Consultant to conduct yearly environmental audits based on the DEIAs and EMPs.

As an added monitoring measure, state-of-the-art monitoring devices are also being used to enable live monitoring of environmental statistics such as Total Suspended Solids and turbidity.

DIALOG remains committed to reducing our impact on biodiversity through close engagement with local governments and regulators as well as working with local or international organisations and NGOs.

OUR AIM

Fundamental towards our long-term business survival, we aim to reduce any impact to the ecosystem and contribute positively towards preserving and restoring biodiversity.

HOW WE CREATE VALUE?

OUR PROGRESS IN FY2022

Biodiversity Impact on Operations

For FY2022, two project sites in Johor were operating under their respective DEIAs and EMPs.

Over at our Pengerang Terminal Operations, the Environmental Impact Assessments conducted had confirmed that the terminal operations does not have significant environmental impacts on the flora and fauna, and the secondary mangrove forest located approximately 1.2 km from our terminal.

ENVIRONMENTAL STEWARDSHIP

Biodiversity Impact on Local Communities

Since FY2021, DIALOG has been supporting turtle release programmes. In FY2022, our turtle release programme in Kertih, Terengganu resulted in 270 baby Green and Agar turtles being released back to the sea.

Beach clean-up is also a regular DIALOG staff volunteer activity that takes place throughout the year. Beach cleaning preserves the coastal and ocean ecosystem by reducing the risk of marine life being harmed by plastic and other trash polluting the sea. For FY2022, DIALOG staff conducted several beach

cleaning activities during the year, along coastlines near DIALOG's operations. DIALOG also conducted river cleaning at Sungai Kayu Ara, Selangor in FY2022 where approximately 390 kg of plastic waste and tyres were collected and cleared.

Another new initiative that the Group embarked on in FY2022 was a seagrass conservation and monitoring programme, in partnership with Reef Check Malaysia, MyKasih Foundation and University Malaya. For more information on the programme, kindly refer to page 96.



River cleaning at Sungai Kayu Ara, Selangor