

ROBUST GOVERNANCE AND ETHICAL PRACTICES

Material Topics:

- EP
- CG
- ABC
- BE
- RM

Stakeholders Impacted:

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



We uphold the highest standards of governance, business ethics, integrity and transparency as robust governance and ethical behaviour is the bedrock of every responsibly managed organisation.

CG BE CORPORATE GOVERNANCE & BUSINESS ETHICS

In a climate of increasing regulations and public scrutiny, ethical behaviour builds trust and instils confidence among our stakeholders. This in turn helps us maintain a positive reputation, foster strong business and stakeholder relationships, and enables the Group to grow sustainably.

DIALOG believes strong corporate governance and ethical behaviour are the key to protecting both business and stakeholders’ interests, enables us to address and manage risks effectively, and ultimately contribute sustainably to the Group’s financial performance and enhancement of shareholders’ value.

OUR APPROACH

DIALOG adheres to good governance as advocated by the Malaysian Code on Corporate Governance 2017 (“the Code”). The Principles and Practices of the code, where necessary and appropriate, are carried out across the Group to ensure that high standards of transparency, accountability and integrity are attained in managing the Group’s business.

ROBUST GOVERNANCE AND ETHICAL PRACTICES

DIALOG also expects all employees to conduct themselves ethically and with integrity at all times. Our commitment to maintaining this culture of integrity, transparency and compliance is specifically expressed in DIALOG's Code of Business Ethics, to which all employees must comply at all times.

It is also the Group's practice to continuously review and enhance our Corporate Governance Framework and supporting policies and procedures, to ensure that best practices are adopted and the highest levels of governance, business ethics, integrity and transparency are maintained.

OUR AIM

We aim to maintain the highest standards of corporate governance and business ethics as contributory to the sustainable progress of the Group.

HOW DO WE CREATE VALUE?

OUR PROGRESS IN FY2022

Corporate Governance & Business Ethics

Corporate Governance Framework

DIALOG continues to be committed in maintaining good corporate governance by constantly having in place an effective corporate governance framework. Please refer to our Corporate Governance Overview Statement for more details.

Board Diversity & Competency

DIALOG ensures that an appropriate mix of diversity, skills and experience in the Board of Directors ("Board") is maintained, in order for it to lead and discharge its responsibilities effectively. DIALOG also continues to support gender diversity at the Board level, where 38% (3 out of 8) of our Board members are women.

 *Board of Director Profile , page 25 to 28*

Policies & Guidelines

Our corporate governance framework is further supported by having in place the right policies, procedures and guidelines, to ensure that a corporate culture is of ethical and transparent behaviour is prevalent across the Group.

During the year we continued to enforce the following stringent policies and guidelines to ensure integrity and ethical practices are upheld:



DIALOG Code of Business Ethics - Provides policy statements on the standards of behaviour and ethical conduct expected of the Board, all employees of the Group and others performing work or services for or on behalf of the Group.



Anti-Bribery & Corruption Policy - Aims to prevent, detect and respond to bribery and corruption, and ensure compliance with Malaysia's Anti-Bribery Laws and/or other applicable anti-bribery laws.



Sexual Harassment Policy – Introduced in FY2022, this policy aims to protect our employees from any unwanted sexual advances by providing clear guidelines to report such incidents.



Fit and Proper Policy – The Group rolled out this policy in FY2022 to provide further guide in the review and assessment of candidates that are seeking re-election on the Board of DIALOG and candidates to be appointed to DIALOG or its subsidiaries.



Business Process Management ("BPM") – Introduced in FY2021, BPM aims to visualise DIALOG's business processes to allow a better understanding of how the organisation actually works and to enable more effective focus on improvements through engagement, collaboration and integration.

ABC ANTI-BRIBERY & CORRUPTION

At DIALOG, ethical behaviour is of paramount importance to us, and we take compliance with our established Code of Business Ethics and related policies seriously. The implementation of Corporate Liability involving commercial organisations under Malaysia Anti-Corruption Commission's ("MACC") Section 17A which took effect on 1 June 2020 resonates with our objective in fostering a business environment free of bribery and corruption.

Bribery and corruption are not only against our values, but the destructive consequences arising from them could negatively impact DIALOG's employee morale, reputation and financial standing.

 www.dialogasia.com/anti-bribery-and-corruption-policy

OUR APPROACH

DIALOG maintains strict controls to prevent and detect corruption and follows specific accounting rules and procedures for reporting information. This ensures that we have accurate and reasonably detailed books and financial records, including entertainment and travel expenses, regardless of whom an employee may be interacting with.

OUR AIM

DIALOG's Board and management are committed to running the Group's business operations on a foundation of integrity, transparency and honesty. We take a zero-tolerance approach to bribery and corruption and are fully committed to acting professionally, fairly and with integrity in all business dealings and relationship.

Prior to the implementation of Section 17A of the MACC Act on 1 June 2020, DIALOG had established an Anti-Bribery & Corruption ("ABC") Policy in December 2019. The policy aims to prevent, detect, and respond to bribery and corruption.

HOW WE CREATE VALUE?

OUR PROGRESS IN FY2022

To reinforce the importance of following DIALOG's policies and procedures, and their role in preventing bribery and corruption, in July 2021, DIALOG launched an e-learning and assessment module on anti-bribery and corruption to more than 2,000 employees. We continually update, improve and enhance our ABC programme to ensure appropriate and necessary resources (economic and talent-based) are available and used to identify and respond to current and future corruption risks.

ABC programmes and initiatives are tracked using MACC's T.R.U.S.T guiding principles. ABC plans and progress updates are deliberated at the Risk Management Committee. Our achievements in this area are depicted below:

Principles	Programmes / Initiatives
Top Level Commitment	<ul style="list-style-type: none"> • ABC Policy rolled out • Strong tone from the top (e.g. message from the Executive Chairman)
Risk Assessment	<ul style="list-style-type: none"> • Corruption risk register in place • Group Risk Management/Group Legal established as "Go to Persons" • Inclusion of ABC risk in individual risk registers
Undertake Control Measures	<ul style="list-style-type: none"> • Business Ethics Questionnaire ("BEQ") process rolled out for due diligence purposes • Signed acceptance on ABC compliance from third parties • Code of Business Ethics for third parties • Limits of Authority updated for ABC elements • Separate submission of claims pertaining to donation, entertainment and gifts • General Terms and Conditions updated to include ABC clauses • Register of Gifts and Entertainment in place • Whistleblowing channel in place through a Whistleblowing Policy • Replacement of petty cash floats with corporate credit cards
Systematic Review, Monitoring & Enforcement	<ul style="list-style-type: none"> • ABC audits done, targeting locations with poor CPI scores (e.g. Thailand) • Regular audits also look at ABC controls • Gaps identified from ABC audits closed with urgency • Conducting ABC audits is a prevalent feature of the Internal Audit plan
Training & Communication	<ul style="list-style-type: none"> • Employee declarations on policy compliance • Awareness sessions • ABC topic included in employee orientation • ABC E-learning module

ROBUST GOVERNANCE AND ETHICAL PRACTICES

RM RISK MANAGEMENT

Our vision of becoming the leading integrated technical service provider to the energy sector both locally and internationally is contingent on our effectiveness in managing the uncertainties which could materially impact our critical success factors in terms of creating value to our shareholders.

OUR APPROACH

At DIALOG, we have established in all our lines of business, an effective risk management process to identify, evaluate, monitor and manage the uncertainties which could either be threats or opportunities within the environment where DIALOG operates.

Risk Management is a prevalent feature of DIALOG's ways of working. Risk Management processes are governed by the Risk Management policy and framework. The Group Risk Management works closely with business lines to ensure that there is an on-going process of identifying, evaluating and managing significant business risk exposure.

The risks are rated based on a matrix of 'likelihood' and 'impact' where both financial and non-financial consequences are duly considered. Subsequently, risk owners are accountable in implementing the risk mitigation measures with the objective of obtaining a residual risk within the risk appetite.

OUR AIM

We aim to maintain a culture of risk awareness and prudent risk management throughout DIALOG, to ensure that uncertainties continue to be managed effectively and the interests of all stakeholders are safeguarded.

HOW DO WE CREATE VALUE?

OUR PROGRESS IN FY2022

Risk Management activities operate within the risk appetite defined by the Risk Management Committee ("RMC") and the Board in order to effectively and efficiently allocate resources to mitigate identified risks. Moreover, segregating identified risks into categories (Very Low, Low, Medium, High and Very High) has enabled the Company to design cost-effective risk mitigation measures.

There are 39 risk registers covering DIALOG's core business areas, technical and corporate functions. A further 13 project risk registers are in place specifically for projects. 815 risks were captured in total across all entities. Each risk has appropriately identified mitigating controls that are tested for operating effectiveness.

The following key activities pertaining to risk management were undertaken during FY2022:

- Reviewed the adequacy of insurance coverage for the entire Group (projects, workshops, offices and terminals).
- Frequent RMC meetings with detailed risk presentations by the Group Risk Management Department as well as business units. Risks and their mitigation plans were discussed, deliberated and challenged in detail during these meetings.
- Ad-hoc special RMC meetings to deliberate on risks and mitigations for proposed acquisitions and new business ventures.
- Intensified focus on COVID-19 preventive measures and initiatives. As a result, the Group managed to keep disruptions at a minimal and maintain uninterrupted operations. We remain committed to achieving a zero LTI target on an ongoing basis for all our operations.
- Continued to enforce mandatory Anti-Bribery and Corruption training via the e-learning module rolled out across the Group.
- Continued to monitor and enhance the management of cybersecurity risks.

EP ECONOMIC PERFORMANCE

Robust governance and ethical practices ultimately enables the Group to grow and achieve goals sustainably. Consequently, economic performance is material and important to DIALOG because it ensures the sustainability of the Group and our operations, which have considerable impact on our stakeholders as we are a provider of local employment and economic value creation. This is linked to, and reflected in, the group's Financial Key Performance Indicators ("KPIs") which are discussed in the Management Discussion and Analysis section of the Annual Report.

 *Financial KPIs, Management Discussion and Analysis, page 48*

OUR APPROACH

As an integrated technical services provider to the energy sector, DIALOG's business model is well structured to address the volatility risk posed by oil prices and currency movements to the sustainability of the Group. The Group has proactively adopted various strategies in our business, including:

- Diversification across the upstream, midstream and downstream businesses of the energy sector;
- Expanding into Sustainable and Renewables business, including clean and green energy as well as investments into recycling ventures as part of the circular economy;
- Growing long-term recurring income across all businesses;
- Active recruitment, development and retention of talent;
- Cultivating strong relationships with stakeholders including customers, suppliers, partners, bankers, shareholders, regulators and government authorities; and
- Development of proprietary technology for use in our businesses.

OUR AIM

As a corporate citizen that provides employment and creates economic value, our aim is to ensure the long-term viability of our business in a responsible and sustainable manner.

Given the unprecedented circumstances presented by COVID-19, the Group continues to prioritise, aside from the protection of the health and safety of our employees, the preservation of the Group's cash flow. To this end, the Group enhanced credit risk management and controls, reviewed capital and operational expenditures, implemented cost management measures, and actively engaged and collaborated with our partners and customers to manage cash flow.

The strategy above, implemented on the back of a solid foundation built on robust governance and ethical behaviour, have resulted in DIALOG's steady growth since being listed on the stock exchange in 1996.

Our prudent financial management approach, coupled with the long-term business strategies mentioned above, ensured the continued preservation of the Group's financial strength and stability.

The strength, consistency and resilience of the Group's economic performance is a testament to our unwavering commitment to run our business responsibly and efficiently, capture opportunities and mitigate risk through a robust risk management strategy.

HOW DO WE CREATE VALUE?

OUR PROGRESS IN FY2022

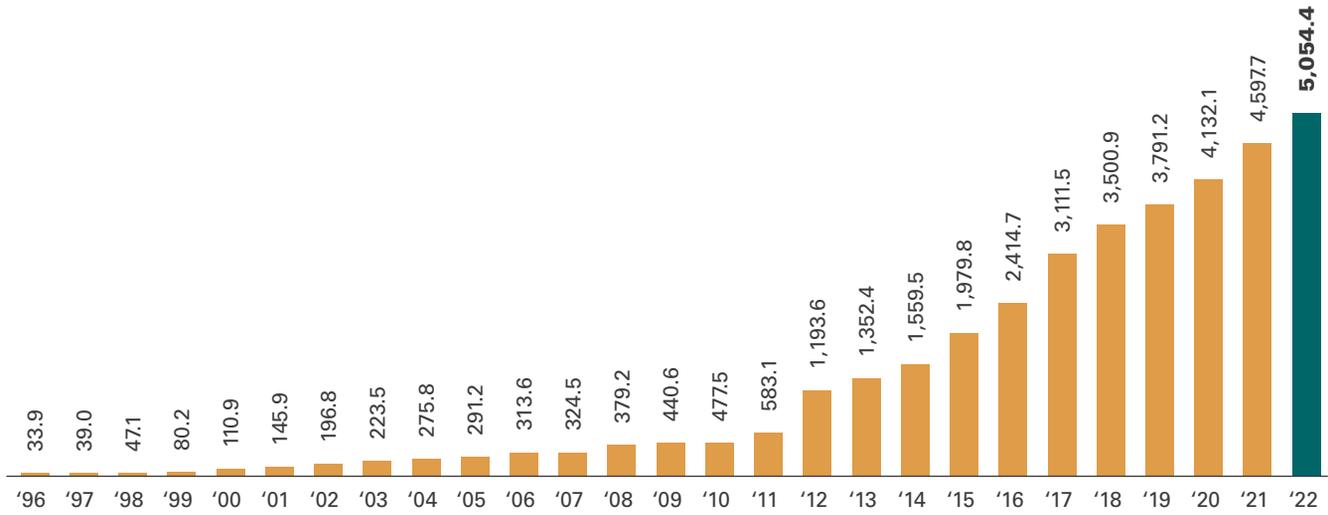
For FY2022, the Group's net operating profit after tax was lower by 6.8% at RM505.9 million from RM543.1 million in the previous financial year, while revenue increased by 44.0% to RM2.32 billion. Overall, shareholders' equity increased by 9.9% to RM5.05 billion from RM4.60 billion a year ago. A detailed analysis of our key operational risks and mitigating controls is disclosed in the Management Discussion and Analysis section of this Annual Report.

 *Management Discussion and Analysis, pages 40 to 62*

ROBUST GOVERNANCE AND ETHICAL PRACTICES

Growth in Shareholders' Equity

(RM 'million)



Profit After Tax

(RM 'million)

