

# DRIVING SUSTAINABLE CHANGE

## CHAIRMAN'S STATEMENT

### Meeting Multiple Expectations through Sustainable Entrepreneurship

Welcome to the Dimo sustainability report!

It gives me great pleasure to present to you the Dimo sustainability report for the financial year 2007/08. This is the fourth sustainability report from DIMO and outlines our efforts at meeting the aspirations and expectations of our multiple stakeholders.

Dimo's stakeholders are many. They include shareholders, principals, employees, customers, lending institutions and every member of the larger community. As one of Sri Lanka's leading corporate citizens we know that we have obligations to all these stakeholders and in this report we examine how the Company is progressively putting in place systems and procedures to meet these multiple responsibilities. Our goal is to add value for all our stakeholder groups in different ways and to create sustainable and productive outcomes for all.

Dimo's sustainability strategy is an intrinsic part of its corporate strategy and is well reflected in our vision and guiding values. The sustainability report that follows looks at the impact the company has had on three key areas: the economic impact on the country & the stakeholders; the physical environment and society. It provides an insight into our philosophy on creating sustainable opportunities for all and responding to the diverse stakeholder expectations, express or implied.

Last year's sustainability report attracted the overall second runner up award for sustainability reporting at the annual awards ceremony of the Institute of Chartered Accountants of Sri Lanka.

I hope that this sustainability report will be of interest to our many stakeholders.



**A.R. Pandithage**

Chairman

9th May 2008



### DIMO QUALITY & ENVIRONMENT POLICY

We at Dimo are committed to:

- Continuously improve our systems & processes
- Total customer satisfaction
- Develop human resources
- Conservation of resources
- Reducing waste
- Compliance to Legal Statutory and the requirements of the Principals

“Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development. ‘Sustainability Reporting’ is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g. triple bottom line, corporate responsibility reporting, etc.)”

*[Source: Sustainability Reporting Guidelines - Global Reporting Initiative (GRI)]*

The Purpose of the Sustainability Report is to Communicate to the stakeholders the Company's philosophy and framework on sustainable wealth creation. This also helps stakeholders to assess the Company's role in sustainable development. It also provides an opportunity to review the adequacy of the existing framework and reflect upon improvements. The Contents of this report that follows will facilitates this process.

# DRIVING SUSTAINABLE CHANGE

## SUSTAINABILITY AT DIMO

Developments in knowledge, trade and technology are driving global and local change at a previously unimaginable pace. While much of this change is positive these developments have also raised new risks and challenges for populations all over the world.

As one of Sri Lanka's leading corporate entities we at Dimo have been proud to be both a driver and a beneficiary of this change. Our vision as a corporate entity has been to produce new opportunities and better lifestyles for all our stakeholders through our entrepreneurial activities.

We are also conscious that our operations, products and services are having new and different impacts on the economy, on society and on the physical environment. This has compelled us to re-think some of the traditional ways of doing business and influenced us to develop newer ways of entrepreneurship that add value in multiple ways to our many and constantly expanding group of stakeholders.

In this Sustainability Report we report on how our activities have been impacting on the economy, on the environment, and on society in general. It examines in some detail Dimo's philosophy and the role in generating a larger social wealth that percolates beyond our shareholders. While the other sections of this annual report capture Dimo's performance with regard to the more conventional aspects of corporate reporting, in this section we report in some detail on the less traditional aspects and on the less visible

aspects of Dimo's performance. By doing this we hope to enhance transparency in as complete a way as possible about all aspects of the Company's performance. Greater transparency can only promote better stakeholder dialogue, increase stakeholder confidence in our operations, and create better opportunities for all our stakeholders.

Reporting in detail on the processes within the Company for creating sustainable wealth also enables us to assess these processes more stringently and to constantly improve the processes we already have in place.

At the global level the Global Reporting Initiative (GRI) has developed a set of concepts, a discourse and a language to facilitate greater transparency in corporate reporting. We have modeled our report partly, though not exclusively, on the GRI Framework.

This is Dimo's fourth Sustainability Report and covers the period 1st April 2007 to 31st March 2008 and draws briefly from some of the previous reports. The Sustainability Report is prepared annually and is published as a part of the Annual Report. Any questions regarding the Sustainability Report may be directed to the Board of Directors and could be sent to [dimo@dimolanka.com](mailto:dimo@dimolanka.com).

## ORGANISATIONAL PROFILE

Details of activities the Company is involved in and the performance of all businesses of Dimo can be found on pages 16 to 36 of this Annual Report.

# DRIVING SUSTAINABLE CHANGE

## COMMITMENTS, GOVERNANCE & ENGAGEMENTS

### Creating Value for all Our Stakeholders

The Company's stakeholders are many. They consist of our customers; our employees and their friends and families; our shareholders; our business partners; our financial partners; the larger society; and generations yet unborn. Dimo's approach to value generation has been to add value for all these stakeholders. While our primary responsibility is to our shareholders since they provide the capital to run the business, we believe that shareholders in turn benefit from the other diverse ways in which the Company generates value. As a modern corporate citizen we know that our responsibilities today extend to a larger number of groups than before and we therefore strive to build value for all these groups.

### The Chain of Command

The Board of Directors is responsible for promoting sustainability within the organisation. Our report on Enterprise Governance contains the complete governance structure of the organisation. The Board has delegated the organisational oversight of sustainability to the Group Management Committee (GMC). The GMC is committed to its Quality and Environment Policy and to sustainable values and actively promotes its implementation across the organisation.

The Group Management Committee identifies and manages economic, environmental and social performance

through the Quality Management System (QMS), the Environmental Management System (EMS), Task Specific Committees and the Company's Management Information System.

The QMS has the ISO 9001 certification and the EMS has the ISO 14001 certification.

### Stakeholder Dialogue

Dialogue with Dimo's multiple and diverse stakeholders is a quintessential part of our approach to sustainable entrepreneurship. Our processes and systems have been engineered so as to enable all stakeholders to added value to decision making within the Company and their input has, over the years, been invaluable to the Company.

Participation and inclusivity are the two key values that drive our process of stakeholder dialogue. Participation at Dimo has meant not just listening to the stakeholder, but accommodating those points of view to the greatest extent possible.

Inclusivity at Dimo has meant engaging with as many stakeholders as possible. Some stakeholders naturally, such as customers and shareholders, because of the stake they have in the Company, tend to influence decision making more profoundly. Yet we have endeavoured to balance customer expectations and shareholder demands with social and environmental goals and employee aspirations. One of the challenges for us at Dimo has been to strike that fine balance amongst the demands of all stakeholder interests and ensure an equitable and sustainable outcome.

# DRIVING SUSTAINABLE CHANGE

## The Stakeholder Dialogue Process in Summary

Stakeholders	Sustainability Issues & Concerns	Process of Engagement
<p>Shareholders</p> <ul style="list-style-type: none"> <li>• Owners</li> <li>• Providers of capital</li> </ul>	<ul style="list-style-type: none"> <li>• Profits &amp; Growth</li> <li>• Return on Equity</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Annual General Meeting</b> provides an opportunity to review the past year's performance &amp; engage in discussions with the management</li> <li>• <b>Quarterly and half yearly reports</b> provide a contemporary review of performance during the year.</li> </ul>
<p>Employees</p> <ul style="list-style-type: none"> <li>• The key resource for competitive advantage &amp; sustainable growth</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals future is linked to the Company's growth</li> <li>• Personal Development,</li> <li>• Health &amp; Safety,</li> <li>• Balance between professional and personal life</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Employee council meetings</b></li> <li>• <b>Employee portal</b> of the Company network accessible to every employee.</li> <li>• Company's '<b>Open Door</b>' policy encourages direct employees - management dialogue.</li> <li>• <b>Annual Employee Surveys</b> - voluntary and confidential.</li> <li>• <b>Employee Intranet</b></li> <li>• Quarterly <b>newsletter</b></li> </ul>
<p>Customers</p> <ul style="list-style-type: none"> <li>• Principal source of sustenance</li> </ul>	<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Availability</li> <li>• Standard of after care</li> <li>• Availability of after care</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Customer Relationship Management</b> process (CRM) enables keeping in touch with the customer on a daily basis. It helps to respond to queries and problems from the customer. 'Problem solving' for challenges the customer faces is also done through the CRM process.</li> <li>• A <b>Customer Satisfaction Index</b> maintained by each department provides an assessment of satisfaction levels and helps to improve problem solving capacities within the Company.</li> </ul>
<p>Business Partners</p> <ul style="list-style-type: none"> <li>• Critical part of the value chain</li> </ul>	<ul style="list-style-type: none"> <li>• Market share</li> <li>• Profitability</li> <li>• After care</li> </ul>	<ul style="list-style-type: none"> <li>• A <b>high speed 24 x 7 on line</b> link enables constant dialogue with principals. Issues discussed include product quality, marketing, customer satisfaction, 'problem solving' and employee motivation.</li> <li>• <b>On site visits</b> from principals and on site visits to principals' location facilitate engagement.</li> </ul>
<p>Community</p> <ul style="list-style-type: none"> <li>• Civil safety</li> <li>• Stakeholders in Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>• Social &amp; environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• Dialog with <b>Religious Dignitaries</b></li> <li>• <b>Written &amp; oral communications</b> initiated by stakeholders</li> <li>• Company <b>website</b></li> </ul>

# DRIVING SUSTAINABLE CHANGE

## Shareholders

The AGM provides the principal forum for shareholders to discuss performance, Financial Statements, returns, appointments and other relevant matters. The Annual Report is distributed well in advance so that the shareholders can review its contents and engage in a constructive dialogue at the AGM. Quarterly Financial Statements provide an opportunity for the shareholders to monitor progress during the year.

Price Sensitive and other Corporate Announcements are made at the Colombo Stock Exchange and are available at the CSE website. The Company secretary is available for regular consultations with shareholders.

## Employees

The Employee Council meets every month. This forum provides an opportunity for a frank and constructive dialogue on all aspects of the Company's operations between management and employee. The Council draws its representation from diverse sectors within the organisation and seeks to ensure that all views are given adequate representation.

Employee grievances, suggestions for improvements in business operations, communications to employees, explanation of new initiatives by the management, are among the matters discussed at these meetings. Minutes are posted on the employee portal and this enables all employees to follow proceedings of these meetings.

Dimo's employee portal is used as a regular means of communication with each and every employee. Every employee has a portal which carries his or her personal details, shared knowledge, company events

and other information. Logging on to the portal enables employees to keep abreast of events and developments within the organisation.

The 'open door' policy of the organisation enables any employee to meet the Chairman/CEO or any other team leader. The Company encourages open dialogue at all levels and the open door policy provides employees the opportunity to have a frank dialogue or provide constructive criticism without fear of consequences.

Employee Surveys are regularly undertaken by the Company to gauge employee opinion. Employees have the option of remaining anonymous or revealing their identity during the course of these surveys. A summary of the survey is prepared and the results are discussed at the regular Employees' Council Meeting and the Business Unit managers meeting where action plans are prepared. The Human Resource Department follows up on the results of surveys.

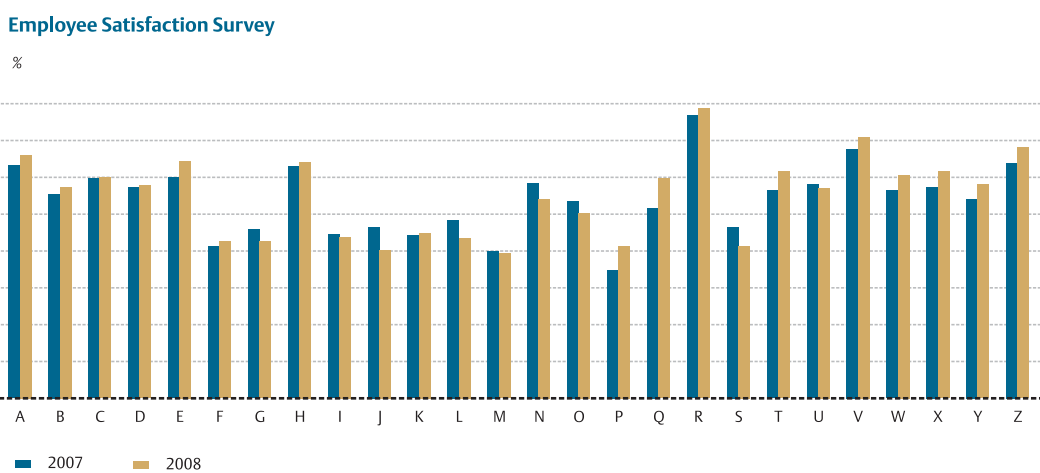
For the year under review the overall satisfaction index was 55.03% which was slightly more than the previous year's figure of 52.23%. Dimo's staff strength is 867, of which 657 or 76% participated in this year's survey. The previous year 664 (or 78%) of the 862 employees participated.

At the commencement of every financial year the Chairman/CEO shares his vision and plans with all employees. This is usually done at the annual strategy presentation, which all employees have to compulsorily attend. Also at this presentation, each business unit manager shares his business unit budget for the forthcoming year with all employees. The previous year's performance is also analysed and employee

*Our Monthly newsletters to keep our employees informed*



# DRIVING SUSTAINABLE CHANGE



A - Nature of Work/Responsibility  
 B - Designation  
 C - Freedom to Perform Duties  
 D - Availability of Challenging Assignments  
 E - Job Security  
 F - Salary  
 G - Incentives  
 H - Other Perks

I - Recognition & Appreciation  
 J - Retirement Benefits  
 K - Appraisal System  
 L - Opportunity for Training  
 M - Prospects for Promotion  
 N - Superior's Guidance  
 O - Financial Assist: for Education  
 P - Canteen Facility  
 Q - Sanitation

R - Medical Facilities  
 S - Recreation Facilities  
 T - Working Environment  
 U - Superior Relations  
 V - Peer Relations  
 W - Customer Satisfaction  
 X - Focus on Quality  
 Y - Continuous Improvement  
 Z - Focus on Environment

feedback is requested on the past year's performance. This gathering ends with a lunch for all attendees.

The quarterly newsletter provides an additional way for the Company to communicate with employees and shares information on news and events within the organisation and other relevant material.

Every business unit meets at least once a month where performance is reviewed, grievances discussed and future plans assessed.

### Principals

Principals visit the Company on a regular basis for review meetings where performance, market trends, competition issues, targets, training, resource utilisation, and other processes are discussed. Representatives of the Company also make regular visits to the principals in their home countries for a similar performance review. Both types of visits

develop relationships between Dimo and our principals and explore how we could further strengthen the existing win-win situations for both.

Reports from principals are shared with the management on a regular basis. The business unit managers also provide regular feedback to principals in order to keep them abreast of all activities by Dimo. The Company has been provided access to the intranet of some principals to enable regular and easy communication with them as they are located in different parts of the world.

### Customers

Maintaining strong and productive relationships with customers is an important aspect of Dimo's operations. Our products and services are driven strongly by customer needs and a healthy and efficient process of engagement with customers is vital if the Company is to grow in synergy with its customers.

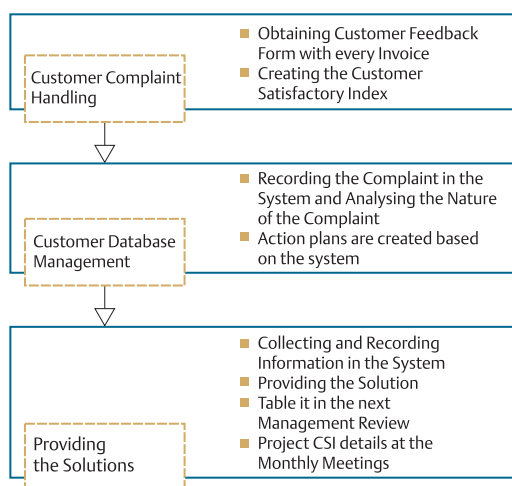
# DRIVING SUSTAINABLE CHANGE

Dimo's Customer Relationship Management process (CRM) is the main instrument through which the Company engages with its customers. Through CRM, Dimo maintains a constant interaction with our customers and solicits opinions and new ideas and responds to queries and problems. Problem solving in respect of particular challenges the customer may have to face is also done through the CRM process.

Our CRM process ensures that we respond instantly to customer problems. Once the problem is referred by the customer to Dimo, the Company will acknowledge the complaint on the day of referral. We then strive to provide a solution within a targeted date. In the process, the CRM department will analyse the issue from both perspectives - that of the customer and the Company - and co-ordinate the entire process until we provide a satisfactory solution to the customer.

The CRM department maintains a Customer Satisfaction Index for the business units of Dimo, This department forwards weekly reports to the Heads of the business units. These reports contain an analysis of customer responses and enable the Company to keep improving its problem solving capacity

### CRM Framework



### Total Number of Complaints Recorded at CRM

	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	Total
2006/07	13	32	25	28	37	49	54	57	32	48	29	54	458
<b>2007/08</b>	<b>24</b>	<b>32</b>	<b>24</b>	<b>41</b>	<b>43</b>	<b>25</b>	<b>24</b>	<b>13</b>	<b>14</b>	<b>24</b>	<b>24</b>	<b>17</b>	<b>305</b>

### Analysis of time taken to provide solutions during year 2007/08

#### Solutions Provided

Days	less	6	more	2007/08 Total	2006/07 Total
April	17	0	6	23	13
May	15	1	21	37	32
June	17	1	9	27	25
July	11	14	14	39	28
August	23	0	15	38	37
September	10	6	16	32	49
October	12	6	12	30	54
November	05	3	5	13	57
December	06	5	-	11	32
January	10	5	4	19	48
February	12	5	8	25	29
March	11	0	6	17	54
	<b>149</b>	<b>46</b>	<b>116</b>	<b>311*</b>	<b>458</b>

#### Pending at Year End

Sales Issues	Registration Issues	Product Issues	Parts Issues	Service Issues	Total Issues	2006/07
4	-	10	8	1	23	2
1	1	2	7	7	18	7
2	-	3	3	7	15	3
1	-	4	6	3	14	16
2	2	5	9	1	19	22
2	-	2	5	3	12	34
-	-	2	3	1	6	25
2	-	-	2	2	6	23
1	-	3	3	2	9	19
1	-	3	9	1	14	29
1	-	3	8	1	13	20
-	-	6	7	-	13	22
<b>17</b>	<b>3</b>	<b>43</b>	<b>70</b>	<b>29</b>	<b>162</b>	<b>222</b>

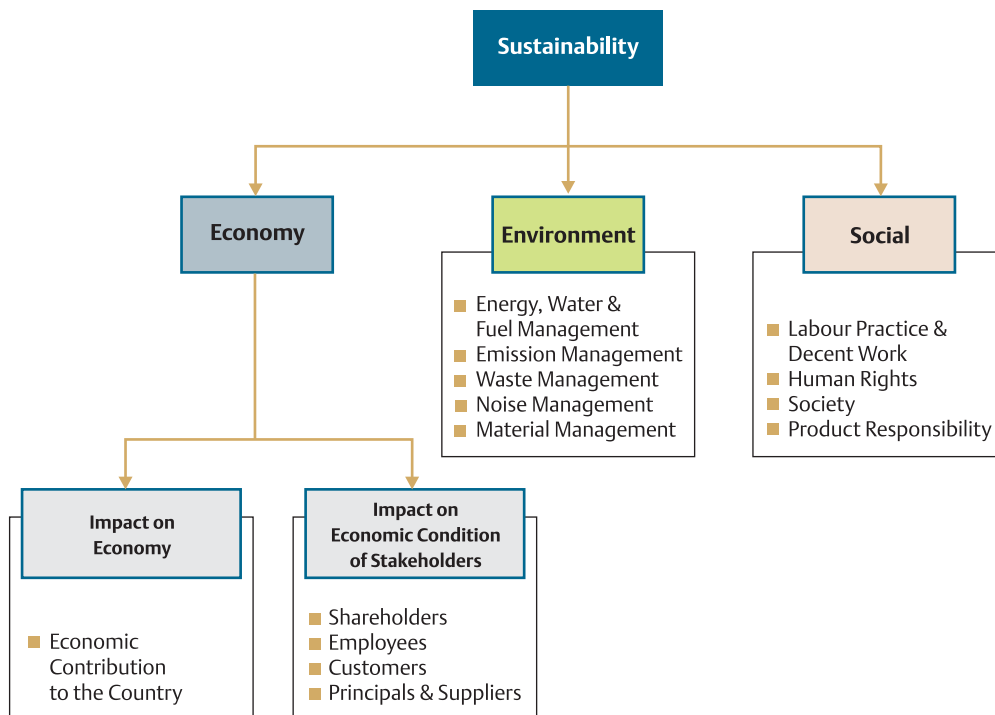
\* Total complaints included 6 complaints brought forward from the previous year. All complaints were provided with a satisfactory solution eventually.

# DRIVING SUSTAINABLE CHANGE

Thus far this report has considered the factors which drive sustainable change within the Company. We will now begin to focus on the ways in which Dimo has created and put into practice sustainable economic, environmental, and social systems.

The diagram below gives an overview of the different areas covered.

## Sustainability Performance Framework



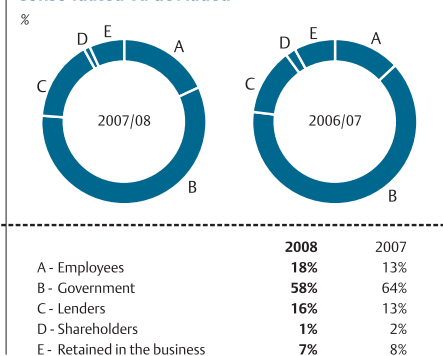
## ECONOMIC PERFORMANCE

## CREATING SUSTAINABLE ECONOMIC SYSTEMS

## Statement of Value Added

Value Created								
	Consolidated 2007/08 Rs. '000		Consolidated 2006/07 Rs. '000		Company 2007/08 Rs. '000		Company 2006/07 Rs. '000	
Gross turnover		12,687,289		12,989,916		12,169,146		12,449,644
Other income		37,900		28,380		35,804		29,221
Less: Cost of material and services bought in		(9,444,389)		(9,557,576)		(9,080,891)		(9,164,286)
		3,280,800		3,460,720		3,124,059		3,314,579
Value Shared with								
	Consolidated 2007/08 Rs. '000		Consolidated 2006/07 Rs. '000		Company 2007/08 Rs. '000		Company 2006/07 Rs. '000	
	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000
Employees	18	573,208	13	432,159	16	512,136	13	385,090
Government	58	1,906,343	64	2,206,250	60	1,882,218	65	2,163,764
Lenders	16	517,823	13	450,926	15	463,926	12	418,698
Shareholders	1	48,400	2	72,600	2	48,400	2	72,600
Retained in the business	7	235,026	8	298,785	7	217,379	8	274,427
Depreciation set aside	2	84,383	2	63,308	2	77,160	2	58,699
Profit retained	5	150,643	6	235,477	5	140,219	8	215,728
	100	3,280,800	100	3,460,720	100	3,124,059	100	3,314,579

## Consolidated Value Added



## Management Approach

Through its activities Dimo seeks to enhance the economic conditions of all its stakeholders and of society in general. While a good bottom line is a company priority, Dimo also seeks to contribute to a large 'social bottom line' where the fruits of entrepreneurship percolate to all social segments and to all geographical areas.

Job creation, educating the young and empowering disadvantaged communities is all part of the Company's process of value generation. Value generation within the organisation embraces both monetary and non-monetary aspects. In this section we examine the Company's economic impact on investors, suppliers, customers, employees and the country/Government.

## Economic Performance

The 'Statement of Value Added' and the 'Statement of Economic Value' added are main tools that the Company uses to monitor its economic performance. This is supported by the use of other indices and information.

The Statement of Value Added shows the value added to the economy by the Company and the value distribution across stakeholders. Total value created for the financial year was Rs. 3.28 bn (as against Rs. 3.46 bn the previous year) which was distributed among Government, Employees, Lenders and Shareholders in the manner set out in the Statement of Value Added. Rs. 573 mn or 18% of the value created was shared with employees in comparison with the Rs. 432 mn or 13% the previous year.

# ECONOMIC PERFORMANCE

## CREATING SUSTAINABLE ECONOMIC SYSTEMS

The statement of economic value added measures the economic profit earned by the Company. Economic profit means the excess/(shortfall) of adjusted earnings over the economic charge on the capital consumed. The Company experienced a negative EVA during the year because of a reduction in its profitability. The EVA for the year under review was negative at Rs. 122 mn (2006/07 - Rs. 120 mn).

### Shareholders

Earnings per Share dropped to Rs. 16.95 per share (2006/07 - Rs. 25.76) and the Total Shareholder Return (TSR) fell further by 22.70 % [2006/07 (9.03%)] because of a reduction in earnings. The drop in the Market Value per Share too contributed to the reducing in the TSR. The reasons for the reduction in profits are discussed in the Financial Review on page 37. The fall in profit after tax necessitated a reduction in the dividends.

The value that accrues to a shareholder is a combination of the dividends per share and the appreciation/depreciation of the share over the medium to long-term. The Total Shareholder Return Chart captures the value addition to shareholders over the medium to long-term.

Shareholders' funds stood at Rs. 1,657 mn compared to Rs. 1,506 mn as the end of the previous financial year.

### Economic Value Added (EVA)

Economic Value Added (EVA) is a performance measure developed by Stern Stewart & Co. Ltd. that attempts to measure the true economic profit produced by a Company. It is frequently also referred to as 'economic profit' and provides a measurement of a company's economic success (or failure) over a period of time.

		2007/08 Rs. '000	2006/07 Rs. '000
<b>Total Capital Supplied</b>			
Shareholders' fund		1,657,151	1,506,508
Long-term interest bearing loans and borrowings		730,702	477,565
		<b>2,387,853</b>	1,984,073
<b>Earnings</b>			
Profit after tax		205,093	301,777
Add: Interest on long-term borrowings		67,915	58,925
Adjusted earnings		273,008	360,702
Weighted average cost of capital (WACC)		16.54%	12.12%
Economic charge		394,951	240,470
Economic Value Added (EVA)		<b>(121,943)</b>	120,232
	Source	2007/08	2006/07
Average Risk Free Rate (Average Treasury Bill Rate)	Central Bank	17.81%	11.88%
Beta Factor - DIMO	CSE	0.17	0.37
Risk Premium	Assumed	2%	2%
All Share Price Index (ASPI)	CSE	2,550.5	2,789.8
Average Weighted Prime Lending Rate (AWPLR)	Central Bank	17.95%	15.19%
Rate of Income Tax	Applicable Rate	35%	35%
Cost of Equity (based on CAPM)	Computed	18.15%	12.62%
Cost of Debt (After Tax)	Computed	11.67%	9.90%

# ECONOMIC PERFORMANCE

CREATING SUSTAINABLE ECONOMIC SYSTEMS

## Total Shareholders Return (TSR)

	2008	2007	2006	2005	2004
Market Price per Share (Rs.)	<b>88.75</b>	120.00	138.50	103.00	53.00
Dividend per Share (Rs.)	<b>4.00</b>	6.00	6.00	5.00	3.50
Total Shareholders Return (%)	<b>(22.70)</b>	(9.03)	40.29	103.77	13.00
Earning per Share (Rs.)	<b>16.95</b>	25.76	22.96	17.72	10.03

### Employees

The Company strictly follows all statutory requirements with regard to employee remuneration and has a market based rewards structure. The salaries are usually adjusted to reflect employee performance. In addition, the staff is entitled to a comprehensive medical insurance cover and a performance based incentive pay which is linked to a pre determined scheme.

Staff costs increased from Rs. 432 mn to Rs. 573 mn reflecting both an upward movement in salaries and an increase in the average number of employees.

### Customers

Dimo provides total solutions to its customers. The sale of a product marks the commencement of a relationship with the customer and the Company continues to provide a high level of after care beyond the point of sale. Dimo's highly trained staff provide excellent technical support which adds value to the investment made in the products and services.

### Suppliers

Suppliers come in two main forms: principals and other suppliers. The Company's aim is to build long lasting and sustainable relationships

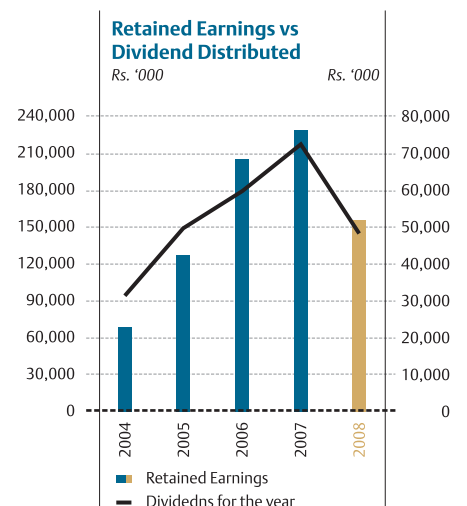
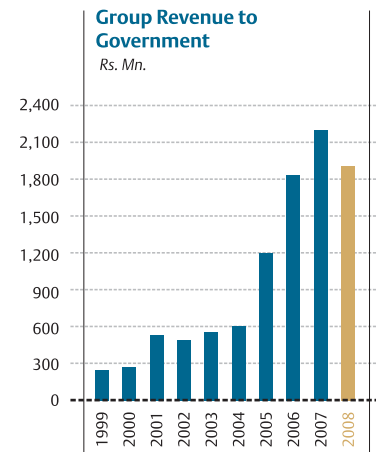
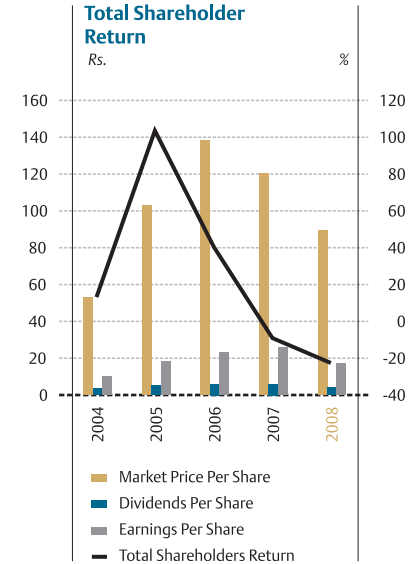
with our principals and to foster stronger relationships with principals who share our philosophy of sustainability.

Principals provide the foundation for the Dimo brand. They are the base on which the Company builds its value. Without their participation we are not able to offer our customers a world class product.

All our contractual obligations with our principals are honoured by the Company. We also invest substantially both in financial terms and in our human resources to enhance the value of the world class products that we offer. The economic value transferred to our principals is shown in the statement of value added as 'cost of goods and services bought'.

### Government

The Company ensures that all obligations to the Government of Sri Lanka is met as per legislation. During the financial year, the Company paid out Rs. 1,906 mn by way of taxes and other levies compared to the Rs. 2,206 mn in the previous year. This represents a total value added of 58% compared to the 64% previous year. The main reason for this decrease in taxes paid was due to the reduction in vehicle imports during the year.



# ENVIRONMENTAL PERFORMANCE

## REJUVENATING THE ENVIRONMENT

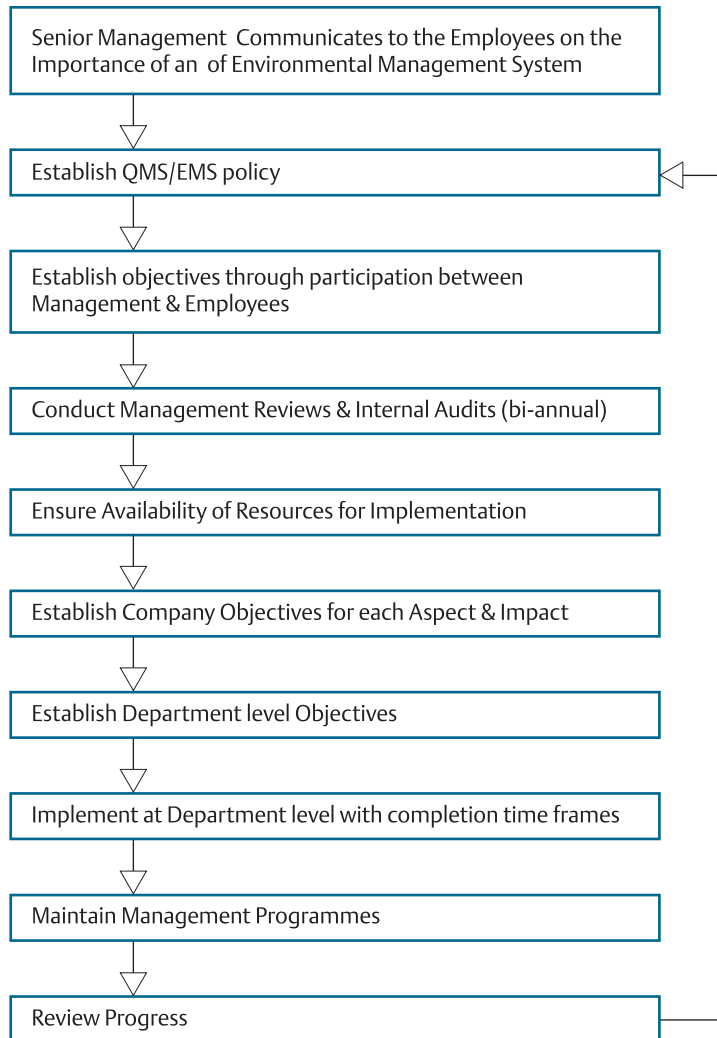
### Management Approach

This section looks at how the Company has adapted its practices and processes so as to rejuvenate the physical environment and ensure its sustainability for generations yet unborn.

The Environmental Management System (EMS) that is in place enables the Company to measure the impact its operations have on the environment and enables us to identify the steps we should take to minimise any adverse consequences. The EMS helps in integrating energy saving processes and technologies within the Company and the reduction of wastage. The EMS is guided by the Triple R concept: reduce, reuse and recycle. In 2005 the EMS received ISO 14001 certification.

In rejuvenating and replenishing the physical environment the Company has focused on six strategic areas - Energy and fuel management, Water management, Noise Emissions, Air Emissions, Waste management and Paper management. These initiatives are well documented and monitored under the EMS which carries the ISO 14001 certification. These are discussed in detail below.

### QMS/EMS Process



*ISO Certifications giving testimony to our uncompromising standards of quality and safety*



# ENVIRONMENTAL PERFORMANCE

## REJUVENATING THE ENVIRONMENT

### Managing Energy Use

The Company's main source of energy comes from the national grid. Alternative and renewable sources are being explored and progressively integrated but yet at this point of time conventional electricity provides the primary source. Energy use is constantly monitored with a view to reducing costs and making maximum use of the energy consumed.

Throughout the Company incandescent lamps are being replaced by energy saving bulbs. At present we have replaced more than 80% of bulbs to energy saving.

Computers in all locations are programmed to revert to the standby mode within five minutes of idling. All new units ordered by the Company come with low radiation levels.

Air conditioning units are regularly serviced and are set at a constant minimum of 24 degrees C. Natural sunlight is used wherever possible and new facilities are being designed to make maximum use of natural light. All machinery at all locations are operated at optimum energy levels.

### Managing Water

Here too the national supply provides the main source of water for the Company's operations. Ground water sources will be explored as part of the Company's next phase of sustainability.

The Company's policy on water management is driven by efforts to both reduce the use of water and to treat and re-use the resource wherever this is possible. The Company is exploring the use of advanced water treatment techniques in an effort to make maximum utilisation of this resource.

At the Company's Siyambalape facility, a pH testing system has been installed to check the acidity levels of the water discharged into the sewage system. This system periodically checks to see that the water released to the sewage system conforms to legal limits.

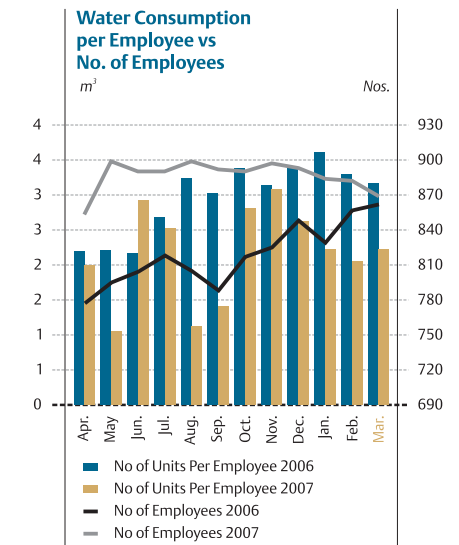
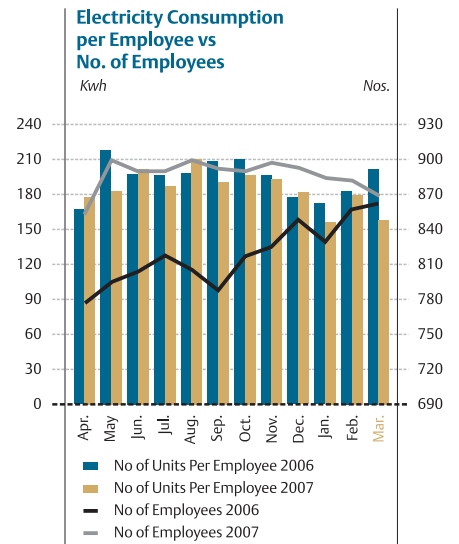
An active oil separator has also been installed at Siyambalape. This separator ensures that the water is not contaminated with oil residue when it is released into the physical environment.

### Noise Emissions

Noise emissions from all of the Company's facilities are strictly controlled to ensure that all those within the vicinity of these locations are not subjected to uncomfortable noise levels. The Company complies scrupulously with the legal requirements with regard to noise emissions and is taking steps to ensure that its noise emissions are substantially below the legal requirements.

### Emissions to Air

Dimo is committed to reducing ambient air emissions in all aspects of its operations. The Company ensures that exhaust extractors at all locations capture Carbon Dioxide (CO<sub>2</sub>) and diesel fumes that are emitted. These fumes are excreted into a machine, which is carried upward to legally permissible limits before they are released to the air. All Company vehicles are subjected to regular and stringent emission testing to ensure that they comply with the emission regulations under the National Environment Act. Ozone depleting emissions such as gas from Air Conditioning units are recycled in special machines to avoid leakage into the environment.



# ENVIRONMENTAL PERFORMANCE

## REJUVENATING THE ENVIRONMENT

Our passenger car workshop in Colombo is fitted with exhaust gas and dust extractors, the former to deal with harmful gas emissions and the latter to absorb dust that emanates when air filters and brake components are cleaned. All our paint booths are fitted with filters to prevent the release of paint fumes and particles into the environment.

### Waste Management

The Company’s policy is to reduce waste as much as possible. Where waste does arise, we make every effort to reuse and recycle as much as is technically and economically feasible. In keeping with the Company’s objective of conserving scarce resources Dimo has introduced numerous procedures to adhere to this philosophy. One such initiative is the ‘Go Green Project Team 3’.

Last year the Company introduced a system to segregate its waste into plastics, solid waste, paper, glass and other materials. Unfortunately the Municipal Council is not geared to responding to such a system for managing waste. The Company instead has put in place a task team referred to as the ‘GO Green Project Team 3’ as a solution to this problem. Dimo developed this concept to further encourage all employees to make

greater contribution towards conservation of scarce resources by the proper discharge and disposal of waste. Under the initiatives taken by this team, waste is now collected at our Colombo premises in a manner that will facilitate recycling. The solid waste is handed over to third parties for recycling, while waste food is given to a farm for use as animal feed.

This system for waste management will soon be introduced at the Company’s workshop in Siyambalape, the Weliveriya Logistics Centre and all other branches.

All used toner cartridges are recycled. Toners are collected by our supplier, who in turn resends the used toner cartridges to the manufacturer.

Colour coded containers have been placed in dining areas to segregate food from wrapping materials.

The Company also has a ‘take back’ scheme which enables customers to return used tyres: which are then provided to a company which recycles the tyres and uses it as raw material.



The promotional methods for our ‘Go Green Project Team 3’- posters, vehicles and much more



# ENVIRONMENTAL PERFORMANCE

## REJUVENATING THE ENVIRONMENT

### Handling of Chemicals

Chemical spillages at the workshops are virtually non-existent and if any such incidents occur there are properly documented rules and guidelines in place to respond to the impact of such a spillage. Employees have been briefed on the proper procedures that must be followed and the training that is given to employees is in line with global safety practices.

Oil suckers are used to minimise oil spillage on the shop floor and oil waste is disposed off to the furnaces of authorised parties.

### Paper Management

Dimo's objective in this area is to move towards a substantial reduction in the amount of paper used within the organisation. Wherever possible the Company has introduced procedures for recycling used paper and at the same time uses recycled paper where this is possible.

The Company's EMS has the following specific measures with regard to paper:

- Awareness campaigns within the organisation with a view to creating a paperless office
- Awareness campaigns around the excessive printing of e-mails and other documents
- All e-mails within are created with a message 'Please consider your environmental responsibility before printing this e-mail'
- Initiatives to foster re-use of 'one sided' paper
- The use of recyclable paper bags when selling products to customers at our sales outlets
- Colour coded containers in offices to segregate paper from plastics
- Segregated paper is disposed of to an authorised paper recycler

Ensuring a clean environment - the water treatment plant at our Siyambalape facility



Recycling Kerosene Oil to conserve a scarce resource



dependability





While we may sell and customers may buy, Dimo relationships are built on mutual dependence and respect, customer and company linking together effortlessly and smoothly.

# SOCIAL PERFORMANCE

## EMPOWERING PEOPLE

### Management Approach

Investing in people is very much a part of the Dimo sustainability policy. This includes investments in the people who work for the organisation and investments in the people who form part of the larger community.

Our intellectual capital in the form of our people and processes is one of the Company's most significant assets.

Our goal is to nourish and nurture this intellectual capital to produce sustainable and durable outcomes for all stakeholders including the people themselves.

Dimo's policy is to produce sustainable and life rewarding outcomes both for the people within the organisation and for those in the community around us. In this section we look at how we build durable value for our employees and for those outside the organisation.

### Building a Dynamic Workforce through Good Practices

The Dimo team has been one of the main drivers of sustainable change and the Company makes consistent and substantial investments in their welfare, in their skills and in their future. The Company's goal is to make work enjoyable, rewarding and productive and to create work spaces that are rich in innovation and new ideas.

Dimo is an equal opportunity provider and the Company ensures that all employees are treated with respect and equality. There were no reported cases of discrimination or unfair dismissal and no court cases were pending, during the year, against the Company.

The right to freedom of religion of all employees is respected and company practices have been adapted so as to allow

### Service Group Analysis (No. of years in Service vs No. of Employees)

Service Group	Non-Executive			Executive			Total
	Male	Female	Total	Male	Female	Total	
Above 31	2	1	3	8	0	8	11
26 - 30	14	0	14	22	5	27	41
21 - 25	8	0	8	12	5	17	25
16 - 20	17	0	17	42	5	47	64
11 - 15	58	1	59	45	5	50	109
05 - 10	44	2	46	69	12	81	127
Below 4	314	24	338	138	14	152	490
Total	457	28	485	336	46	382	867

(Source: Human Resources Department Records)

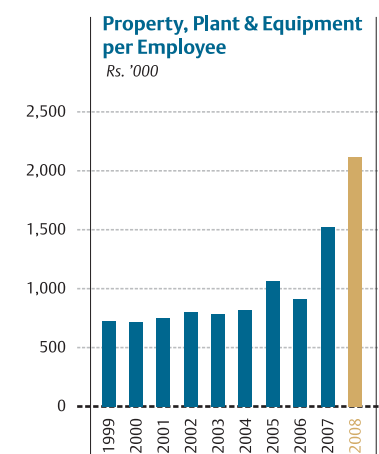
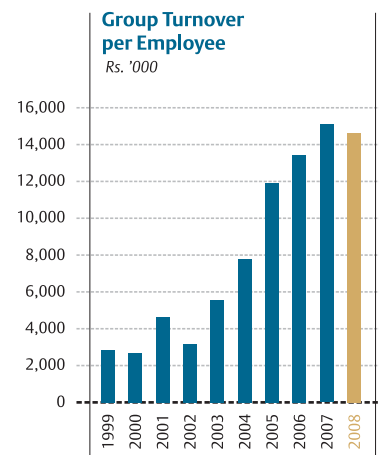
all employees to practice their religion without any hindrance.

In recent years the Company has noticed an increased number of females enrolling in the training school to qualify as automobile mechanics and service advisors, where previously those professions were dominated by males.

Employees' Personnel Development Plans are discussed each year with their line managers during the time of the performance appraisals and then evaluated at the year end.

The Company is committed to the right to freedom of association and collective bargaining and encourages employees to organise so as to better negotiate their rights. Regular employee meetings are held on a monthly basis to discuss and clarify any problems the staff may be facing in their daily functions. All departments have an 'open door' policy where any employee can directly address their superiors.

The Company offers a comprehensive corporate medical service that covers most situations of ill health both for the employees and their families.



# SOCIAL PERFORMANCE

## EMPOWERING PEOPLE

Reimbursements of up to Rs 100,000 are provided under this scheme. In some cases the Company covers expenses beyond that sum. Critical illness surgery expenses, including cardiac bypass procedures, are also reimbursed by the Company.

Job related educational expenses and subscriptions for membership of professional bodies are also reimbursed by the Company.

Our remuneration packages are on par with the best in the industry with annual adjustments to take account of inflation and other variables. Performance related incentives are offered by the Company and 'super performers' duly rewarded. Longevity of service is given special recognition and treated as a milestone for the employee concerned. Every employee receives comprehensive life assurance and is covered 24 hours a day.

### Child Labour

We at Dimo are strictly against the use of child labour. It is our philosophy that all children under the age of 18 should remain in school and not at work. We have extended the same view towards all our suppliers and to any party we deal with.

### Health and Safety

Health and safety of our employees is a core concern and the Company provides all the necessary safety equipment to our employees who need them. Every year the Company conducts a health and safety audit which identifies potential hazards and the programmes to put in place to address these. In spite of every measure taken to avoid accidents, last year there was one major accident on the Company premises.

We have taken the following specific measures to ensure employee safety:

- Safety gear in the workshops was replaced this year with the better quality and upgraded versions
- Seven people from our employees took part in the certificate programme on Occupational Safety and Health which was conducted by the Employers' Federation of Ceylon
- The Company conducted safety audits and took action in accordance with the recommendations of the safety auditors.
- The Company has taken the initiative to organise a safety committee
- Thirty employees successfully completed the certificate programme on first aid which was conducted by St. John's Ambulance.

Employees participating in the First Aid programme conducted by St. John's Ambulance



Ensuring employees safety - a safety audit in progress



# SOCIAL PERFORMANCE

## EMPOWERING PEOPLE

- Regular fire drills are conducted at all branches and all employees are educated on how to act in the case of an emergency.
- Special protective clothing along with eyewear is provided for the employees who need them. The Company is constantly improving the design and the comfort levels of the wearer.
- The equipment in the Company's workshops is state-of-the-art and they are all equipped with modern safety mechanisms.

### Employee Welfare

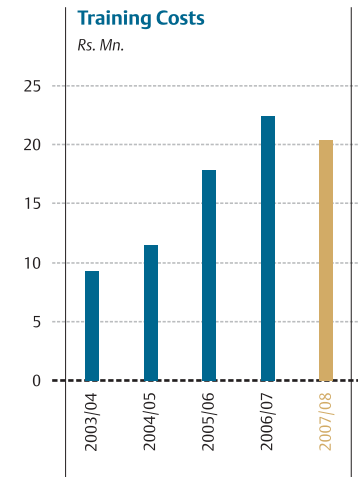
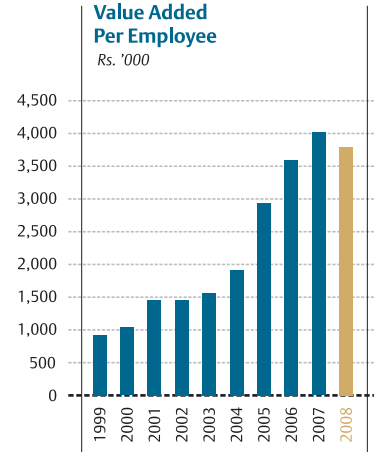
The Company currently provides numerous welfare benefits to its employees which include:

- Subsidised gym membership
- Free school books to children of employees
- Uniforms and footwear for drivers and workshop staff
- Meals at subsidised prices
- An annual Christmas party for children of employees
- Annual excursion allowance for all employees
- Free transport four times a day between Colombo and Siyambalape
- A Mercedes-Benz for employee weddings

- A death donation fund where company and employees contribute in equal measure. On the death of an employee or an immediate family member the fund releases Rs. 50,000/- in the case of an employee and Rs. 40,000/- in the case of a family member
- Special awards to recognise the educational achievements of employees' children
- Medical expenses
- A special programme for school children to enable them to develop a vision for themselves.
- A doctor visits the premises everyday and the employees can consult him free of charge
- In house nursing facilities are provided at both the head office and Siyambalape
- A mobile laboratory visits all our locations twice a week and medical tests are done at no cost to the employees.
- Training and Education

### Training

All employees are given the opportunity of participating in training programmes, both local and overseas. Outward Bound Training, training on attitude development, and motivation training are among the programmes that employees were exposed to last year.



The Chairman and the participants at the annual strategy presentation



The annual pirith ceremony held for employees and families



## SOCIAL PERFORMANCE

## EMPOWERING PEOPLE

Last year the Company invested Rs. 20 mn on employee training. 26 employees participated in training programmes conducted overseas and 829 employees participated in a variety of programmes locally and internationally.

The Company implements a knowledge sharing scheme where those employees who have undergone training are then required to share this training with co-workers in order to cascade the training to all levels of the organisation.

Job related educational expenses and subscriptions for memberships of professional examination bodies are reimbursed by the Company in a bid to promote greater levels of knowledge acquisition.

### Promoting and Protecting Human Rights

Dimo is committed to all those rights contained in the international covenants on human rights and those rights contained in the Constitution of Sri Lanka. The Company is deeply committed to advancing the rights of all those working within the organisation and all those other stakeholders it engages with. The Company attempts at all times to ensure that our suppliers, dealers and other business partners also respect human rights as part of their business practices.

### Ensuring Equal Opportunity

The Company follows a policy of non-discrimination and facilitates equality of opportunity for all its employees. Equal opportunities are provided to all within the Company irrespective of sex, social background, caste, old school tie or other distinction. Promotions are strictly on merit and potential. Dimo's employment

### Training Programmes Analysis (2007/08)

Month	No. of External Training Programmes	No. of Employees Participated	No. of Internal Training Programmes	No. of Employees Participated
April	1	3	–	–
May	11	43	–	–
June	7	15	1	55
July	5	13	2	130
August	11	24	3	111
September	2	2	2	61
October	8	24	3	98
November	9	9	4	104
December	1	2	4	67
January	6	17	3	67
February	6	9	2	66
March	3	4	–	–
Total	70	165	24	759

### Age Group Analysis (Age vs No. of Employees)

Age Group	Non-Executive			Executive			Total
	Male	Female	Total	Male	Female	Total	
Above 61	4	0	4	7	0	7	11
51 - 60	43	1	44	43	5	48	92
46 - 50	24		24	36	7	43	67
41 - 45	22	0	22	43	5	48	70
36 - 40	45	1	46	51	3	54	100
31 - 35	48	1	49	74	8	82	131
26 - 30	156	6	162	68	11	79	241
21 - 25	112	19	131	14	7	21	152
Below 20	3	0	3	0	0	0	3
Total	457	28	485	336	46	382	867

(Source: Human Resources Department Records)

practices have generated a high degree of loyalty: 377 of our employees have been in service for over five years and 250 for over 10 years.

Eliminating gender based discrimination and gender stereotypes at the workplace is very much a part of the Company's policy on advancing human rights. Women are recruited as automobile mechanics and service advisors, traditionally perceived as male dominated professions.

# SOCIAL PERFORMANCE

## EMPOWERING PEOPLE

### Empowering the Broader Community

The Company's policy is to invest in the welfare of the broader community and to facilitate sustainable futures for them. The following are some of the specific community initiatives the Company has been involved in over the years.

#### Dimo Automobile Training School (DATS)

Every year the Company enrolls two batches of 16 students each in the Dimo Automobile Training School (DATS). DATS provide the students with a two year world class comprehensive diploma that covers all aspects of the automobile industry.

During the training period the trainees receive a monthly allowance, subsidised meals, uniforms and footwear at the Company's cost. They are also entitled to medical facilities and insurance cover at the Company's cost.

The two year course is followed by a competitive examination and exposes them to Mercedes, TATA, Bosch and Japanese vehicle maintenance and the latest developments in automobile technology. The Dimo certificate is well recognised by the Sri Lankan engineering community.

The DATS programme offers the additional advantage of giving trainees the opportunity of spending time with our principals in Germany and being exposed to first-hand training experiences in a high-tech environment.

Depending on the availability of vacancies, on completion of their two year course, DATS trainees are offered a position at Dimo. These trainees are under no obligation to accept such employment and are free to make their career choices if they so wish.

#### Rebuilding of Dikyaya Vidyalaya

Dikyaya Vidyalaya is located in the Uva Province in the Badulla District. In August 2007 Dimo took up the challenge of developing the school so as to provide children in the adjoining villages, access to a superior education. In a matter of a few weeks the school has been transformed into a modern and attractive facility with many new additions to its infrastructure.

#### Donations to Maw Sewana

Company employees donated commodities to the Maw Sewana child care centre and spent a day entertaining them. They also donated some items to the staff members as well.

Students in the midst of their training at our state-of-the-art Dimo Automobile Training School



Educating our nations children - school children at the Dikyaya Vidyalaya which is supported by Dimo



# SOCIAL PERFORMANCE

## EMPOWERING PEOPLE

### Career Guidance

The Company sponsored a career guidance programme for students at the Sri Jayewardenepura University. The programme was organised by the Marketing Management Association of the University of Sri Jayewardenepura mainly as a fund raiser and as a soft skill development programme for the students. On a special request from the students, the Company participated as a sponsor for the programme.

Dimo displayed the range of Bosch Automotive/Osram Auto/Blaupunkt Car stereo products, and demonstrated Blaupunkt sound effects during the course of the programme.

The Company sponsored a similar career guidance programme at the University of Peradeniya and was also a platinum sponsor at the career guidance day at the University of Moratuwa.

### 5 S Practices

The Company has previously won several awards for the practice of 5 S principles. During the year under review, Dimo extended this idea to three external garages where 5 S practices were introduced by the Dimo team and training provided to help the staff implement the

principles. The system is in full operation in these garages now, and has helped to improve productivity in those locations.

### Dimo Gimanhala

Last year the Company invested resources to construct a resting area on the Colombo Kurunegala road. Dimo customers can use this as a 'pit stop' when they travel and enjoy the services provide by the Dimo Gimanhala.

### Blood Donation Campaigns

Two blood donation campaigns were carried out at the Head office and the Siyambalape branch last year. Dimo staff members participated and it was considered a success. The Company hopes to make this an annual event.

### Corruption

The Company has a zero policy on corruption. Similarly Dimo does not tolerate ethically unsound or corrupt practices on the part of our business partners either.

### Anti-Competitive Behaviour

Dimo does not engage in anti-competitive behaviour and does not support other organisations engaging in such practices. There have never been any legal actions on this basis against the Company in its 69 years of activity.

*Dimo Gimanhala - the 'pit stop' and resting place for all our customers on the move*



# SOCIAL PERFORMANCE

## EMPOWERING PEOPLE

### Ensuring Customer Privacy

Dimo considers the privacy of its customers as sacrosanct. Thus we do our utmost to ensure customer privacy is respected fully and customer data and information fully protected as far as it does not undermine the prevalent laws in the country.

### Product Responsibility

The Company has modified its practices and takes every possible measure to ensure that its products and services do not cause any harm or injury to the health, safety and well being of its customers and the environment. The Company shares as much information as possible about products with its customers and ensures that customers are well informed should there be any potential risks with regard to use of the Company's products. The Company's principals and suppliers also follow similar practices and the Company ensures that its suppliers are highly reputed brands who comply with the highest standards of product responsibility.

The following are some of the specific measures that the Company and our principals have initiated to promote sustainable entrepreneurship:

- Daimler Chrysler does extensive research on their products and each year registers more than 2000 patents. This has ensured that Daimler Chrysler remains the market leader at the international level in the fields of technology and innovation.
- Osram operates within the context of a 'global care' philosophy. This 'global care' philosophy represents their commitment to social and environmental responsibility worldwide. As a leader in innovative lighting solutions, Osram is dedicated to products and processes that contribute to solving global sustainability challenges, addressing economic needs and protecting the environment for today and for the future.
- All Mercedes-Benz, jeep, and Chrysler vehicles conform to Euro IV standards.
- All TATA vehicles are fitted with 'Cummins' engines known for their low operating cost both with regard to fuel and oil. These engines have a unique emission control mechanism which reduces the emissions coming from the vehicles.
- Osram lighting appliances have an energy efficiency rating of over 80%. This helps to reduce energy consumption by as much as 80%. All Osram lamps can be recycled.
- Siteco lighting solutions make maximum use of natural light and minimise light pollution.
- After years of use, customers can return a Mercedes-Benz to the factory for environmentally friendly disposal in accordance with the 'end of life' vehicle law. All Mercedes-Benz vehicles meet the statutory regulations governing the suitability of the vehicle design for reuse and recycling.
- The Komatsu forklifts refurbishment scheme fits electric and LPG engines to their reconditioned machines, eliminating internal combustion. These LPG cars produce 90% fewer particulate emissions and 90% less Nitrogen Oxides than diesel engines.

# SOCIAL PERFORMANCE

## EMPOWERING PEOPLE

- The Michelin 'Green tyres', which are ISO 14001 certified, make it possible to cut fuel consumption by 3%, reinforce users' safety (by a stronger grip) and last as long as normal tyres.
- The Bosch power tools recycling system enables dealers to pay for and take back old batteries for recycling. Plastics are also recyclable while the package is also fully recyclable cardboard.
- Dimo was one of the first to introduce non-asbestos clutch plates in Sri Lanka.
- Siemens medical equipments' radiation levels are on average less than our competitors.
- The KSB pumps we market have energy conservation features.
- The Mahindra & Mahindra tractors are among the most economic in their category.
- YORK refrigeration systems use environmentally friendly refrigerators and are CFC free.
- MTU engines conform to Euro II and III standards.
- Komatsu heavy machinery conforms to Euro II standards.

- Siemens power generation solutions offer renewable power solutions such as wind mills and Biomass generation.
- Siemens building management systems have the ability to reduce power consumption of high rise buildings and industrial applications by significant proportions.

### Product Labelling

As is the customers right, nearly all product labels and packaging provide relevant information on the use of products and make mention of any dangers and risks. Icons are also used for those who cannot read. There have been no cases of non-compliance against the Company.

### Marketing Communications

All marketing campaigns at Dimo are thoroughly screened to ensure that Dimo does not engage in unethical marketing campaigns.

### Compliance

Dimo complies with the standards and regulations laid down by the Government of Sri Lanka.

All products that bear the stamp of Dimo contains a message of quality. During the year, Dimo has not been taken to courts on any count for non-compliance with the laws and regulations concerning the provision and use of products and services.

## ASSURANCE REPORT



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### REPORT OF FACTUAL FINDINGS TO THE BOARD OF DIRECTORS OF DIESEL AND MOTOR ENGINEERING PLC

The Sustainability Report 2007/2008 has been prepared by the Management of Diesel & Motor Engineering PLC (DIMO) who are responsible for the collection and presentation of information within it. Our engagement was undertaken in accordance with Sri Lanka Auditing Practice Statement applicable to agreed upon procedures engagements. The procedures performed solely to assist you in evaluating the validity of the contents in the Sustainability Report 2007/2008 is summarised below:

1. Obtaining details pertaining to matters in the report from the management of DIMO.
2. Discussing with management activities undertaken during the period under review.
3. Reviewing third party reports and internal documents relating to sustainability performance of DIMO.
4. Discussing with relevant officers the existence of the systems and procedures currently adopted as stated in the report.
5. Dimo Automobile Training School (DATS) and the water treatment plant at Siyambalape were visited to obtain an understanding of the projects undertaken.

6. Verifying the financial information stated in the report have been correctly derived from the audited financial statements into the report.
7. Verifying the non-financial information stated in the report have been correctly transferred from relevant clusters of the company into the report.

We report our findings below:

- a) With respect to item 1 we were able to obtain relevant information and details from the management of DIMO and are in agreement with the report.
- b) With respect to item 2 we were able to conduct discussions with the management and found that the activities undertaken during the period under review are in agreement with the contents of the report.
- c) With respect to item 3 we were able to review third party reports and internal documents and were satisfied with the conclusions given thereof.
- d) With respect to item 4 we were able to interview relevant officers and were able to verify the existence of the systems and procedures adopted as stated in the report.
- e) With respect to item 5 we found that these projects are in operation.

- f) With respect to item 6 the financial information in the report are in agreement with the audited financial statements.
- g) With respect to item 7 the non-financial information in the report, are in agreement with the information obtained from the relevant clusters of the company.

Because the above procedures do not constitute either an audit or a review made in accordance with Sri Lanka Auditing Standards, we do not express any assurance on the contents of the Sustainability Report of DIMO for 2007/2008.

Had we performed additional procedures or had we performed an audit or review of the above mentioned report in accordance with Sri Lanka Auditing Standards, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose.

**SJMS Associates**  
Chartered Accountants  
9th May 2008