

SUSTAINABILITY... OUR CORNERSTONE



Chairman's Statement

Dear Reader,

I have much pleasure in placing before you, Dimo's Sustainability Report for the financial year 2008/09.

The value of sustainable principles of conduct in business has never been more fully vindicated than in the case of the current global economic crisis. Sustainability observed in the breach, plus other undesirable human traits that killed prudence along the way to seeking an ever larger 'pot of gold' have placed our world in an untenable situation.

Dimo places sustainable wealth creation at the core of our corporate strategy. You could say our business is founded on this principle. This is reflected in the manner in which sustainability is enshrined in our vision and guiding values.

Within this Report, you will find a comprehensive and detailed presentation of initiative and precept that seeks to deliver sustainable well-being for diverse stakeholders across economic, social and environmental parameters.

It is an account of impact and interaction that Dimo experiences with its stakeholders across these parameters; the philosophy that guides us and the business practices enacted that provide true sustainability for all.

Dimo has taken care to report as fully and as transparently as possible, upon every aspect that would give you dear reader, a true and fair picture of our enterprise within the context of Sustainability.

A handwritten signature in dark ink, appearing to be 'A.R. Pandithage', written over a light blue horizontal line.

A.R. Pandithage

Chairman

22nd May 2009

Preamble...

If the global economic crisis currently prevailing teaches us anything, it would be the horrendous repercussions of poor governance, lax risk management and greed.

If facets of modern business such as 'sustainability', 'corporate social responsibility' and 'triple bottom line accounting' seemed to be 'mantras' employed by wily businessmen to embellish annual reports, more people than ever, from more walks of life now realise the vital importance of such fundamentals of enterprise.

We've grown up believing that 'only the strong survive' ... and until less than a year ago, that was true. Now, we are called to re-phrase the saying...' only the strong and prudent survive'.

The enterprise of Dimo, which began 70 years ago was founded on delivering value to customers and shareholders whilst conducting our affairs with the greatest propriety and a complete awareness that we are not an isolated entity from the community and the environment.

It only remained for Dimo to strengthen and develop this solid foundation over the years, evolving its business into a truly sustainable entity.

An Overview of this Report

The creation of sustainable value lies at the core of our corporate strategy.

Thus, our purpose in producing a Sustainability Report is to place before all stakeholders a comprehensive account of the economic, social and environmental impacts that are generated by the Company's activities.

We have sought to be balanced and fair, detailing both the positive and the negative aspects that present themselves.

Our efforts to build yearly improvement into sustainable value creation are also described within this Report.

It is also our desire that through the material contained herein, the warmth and closeness Dimo feels towards stakeholder communities and the environment will be aptly and clearly reflected.

Within these pages, we hope to clearly enunciate Dimo's philosophy and the framework developed to generate sustainable wealth.

At the end of the day, this Report needs to help the stakeholder to properly assess the Company's achievements in sustainable development whilst indicating areas of adequacy and others that need improvement.

Organisational Profile

The activities and enterprise of Dimo and its subsidiaries, including joint venture entities, are included in this Annual Report.

A comprehensive account of our portfolio of products and services, and their performance during the year under review appears in the 'Business Performance' segment of the Annual Report from pages 16 to 45.

The 'Financial Review' appearing on pages 48 to 53 captures all salient financial data and information.

Organisational Impact

In years gone by, many organisations tended to lay emphasis on the economic impacts of their businesses and their profitability. Relatively less importance was attached to social and environmental factors in their sustainability framework.

The importance and validity of a holistic approach to sustainability and the three broad parameters of economic, social and environmental impacts on business have been duly recognised today.

Ever increasingly, people expect business entities to espouse sustainable business practices yielding sustainable development across all parameters, not just shareholder well-being.

SUSTAINABILITY REPORT

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Dimo, with a portfolio of world class Principals and Suppliers, who themselves espouse the highest standards of sustainability uses its sustainability framework to drive value creation and competitive advantage.

Reporting Parameters

The period covered by this, Dimo's fifth Sustainability Report, is 1st April 2008 to 31st March 2009. Some information pertaining to previous reporting periods is also included.

The Sustainability Report is prepared annually and is published as part of the Annual Report.

It draws on the provisions of the Global Reporting Initiative (GRI).

Any questions or queries regarding the Sustainability Report may be directed to - Corporate Communication Division, and could be sent via e-mail to dimo@dimolanka.com

Governance & Commitment

The responsibility of laying down the framework for sustainability within the organisation rests with the Board of Directors.

The Board delegates responsibility for enactment of sustainability measures to the Group Management Committee (GMC). The Group Management Committee is responsible for identifying and managing the Group's economic, social and environmental impact and performance, through processes such as the Quality Management System, the Environmental Management System, Task specific Committees and the Management Information System.

The GMC is also tasked with implementing improvements to procedures, processes, evaluation mechanisms.

The Company has complied with the listing rules of the Colombo Stock Exchange pertaining to Corporate Governance and uses Best Practices and guidelines issued by various institutions that propagate good governance in order to improve the Corporate Governance framework and its implementation. The Enterprise Governance Report is available on page 86.

Dimo has qualified to receive ISO 14001 certification for its Environmental Management System and ISO 9001-2000 certification for its Quality Management System.

The Company received the following accolades at the Annual Report Competition - Awards Ceremony, conducted by the Institute of Chartered Accountants of Sri Lanka, held in November 2008.

1. Overall Winner (Gold) - Sustainability Reporting
2. Overall Winner (Gold) - Corporate Governance Reporting
3. Overall 2nd Runner-Up (Bronze) - Management Commentary
4. Category Winner (Gold) - Best Annual Report (*Category: Group companies up to five subsidiaries*)

Stakeholder Dialogue Process - In Summary

STAKEHOLDERS	SUSTAINABILITY ISSUES & CONCERNS	PROCESS OF ENGAGEMENT
<p>Shareholders</p> <ul style="list-style-type: none"> ◦ Owners ◦ Providers of Capital 	<ul style="list-style-type: none"> ◦ Profits & Growth ◦ Return on Investment 	<ul style="list-style-type: none"> ◦ Annual General Meeting provides an opportunity to review the past year's performance and engage in discussions with the management ◦ Annual Report ◦ Quarterly reports provide a quarterly review of performance.
<p>Employees</p> <ul style="list-style-type: none"> ◦ The key resource for competitive advantage and sustainable growth 	<ul style="list-style-type: none"> ◦ Individual's future growth is linked to Company achieving its objectives ◦ Personal Development ◦ Health & Safety ◦ Balance between professional and personal life 	<ul style="list-style-type: none"> ◦ Employee Council meetings ◦ Employee Portal of the Company network accessible to every employee. ◦ Annual strategic planning meeting ◦ Company's 'Open Door' policy encourages direct employee - management dialogue. ◦ Annual Employee Surveys - voluntary and confidential. ◦ Employee newsletter (Dimo News) ◦ H.R. Clinics ◦ Individual performance reviews
<p>Customers</p> <ul style="list-style-type: none"> ◦ Principal source of sustenance 	<ul style="list-style-type: none"> ◦ Product quality ◦ Availability (islandwide cover) ◦ Standard of After Care ◦ After Sales Care ◦ Standard of Services ◦ Reliability ◦ Technology 	<p>Customer Relationship Management 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. Customer get-together events are also held frequently and they are also included in our Product Launch events</p> <ul style="list-style-type: none"> ◦ A Customer Satisfaction Index maintained by each department provides an assessment of satisfaction levels and helps to improve problem solving capacities within the Company.
<p>Business Partners</p> <ul style="list-style-type: none"> ◦ Critical part of the Value chain 	<ul style="list-style-type: none"> ◦ Market Share ◦ Profitability ◦ Quality Standard 	<ul style="list-style-type: none"> ◦ A high speed 24 x 7 online link enables constant dialogue with principals. Issues discussed include product quality, marketing, customer satisfaction, 'problem solving' and employee motivation. ◦ On site visits from principals and on site visits to principals' location facilitate engagement.
<p>Community</p> <ul style="list-style-type: none"> ◦ Civil Safety ◦ Stakeholders in Sustainable development 	<ul style="list-style-type: none"> ◦ Social and Environmental impact 	<ul style="list-style-type: none"> ◦ Dialogue with Religious Dignitaries ◦ Written and oral communications initiated by stakeholders ◦ Company website

Stakeholder Dialogue

Engaging with and listening to the stakeholder community is a vital step in the progress towards building a sustainable and responsible business.

Dimo has in place systems and processes that are as diverse and comprehensive as necessary, to capture feedback from the stakeholder community, which we use in turn to add value to decision making.

In this whole process, Dimo places great emphasis on achieving high levels of inclusivity; it puts our finger on the pulse of the public, which is a vital requirement in carrying our enterprise forward.

Dimo works diligently each year to cull comment, process ideas, evaluate impact and attain that fine balance that seeks to deliver customer preference and shareholder requirements whilst maintaining the values and equity of true sustainable entrepreneurship.

Shareholders

The Annual General Meeting (AGM) is the principal forum at which shareholders can discuss the performance of the Group, its financial statements, returns, appointments and many other relevant matters.

The Annual Report is distributed to shareholders in advance of the AGM, to allow them to review its contents and prepare themselves to engage in constructive dialogue at the AGM.

Quarterly financial statements provide opportunity for shareholders to monitor the progress of the Group during the year.

Price-sensitive and other corporate announcements are made to the Colombo Stock Exchange (CSE) and are available at the CSE website.

The Company Secretary is available for consultation by shareholders.

Employees

The Employee Council meets each month and is a forum which provides an opportunity for employee and Company to engage in frank discussion on matters pertaining to the Company's operations.

The employees nominate their representatives to the Council, whilst the management of Business Units also attends.

The ensuing dialogue at Council meetings cover employee grievances, suggestions for improvement of business operations, new initiatives and other matters that could benefit from two-way communication.

Minutes of these meetings are maintained and posted on our employee portal.

The Business Units meet at least once a month to review performance, discuss areas of challenge and assess future plans.

Each year, the Business Units also meet and discuss their budgets with their employee members. At this meeting, the past year's performance is analysed and employee feedback sought on such performance as well as for suggestions for the year ahead.

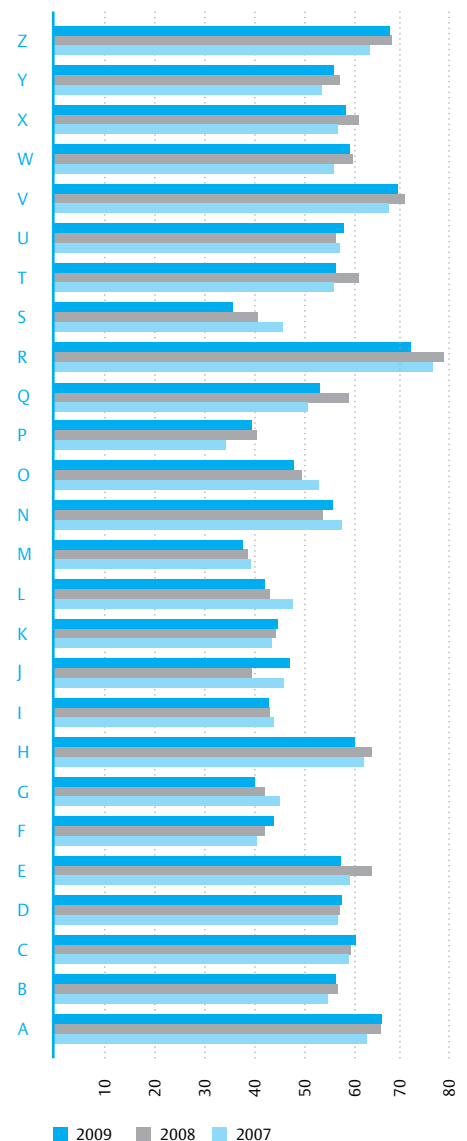
At the commencement of every financial year the Chairman/CEO reveals his vision and plans for the ensuing year.

Employee Portal

The Company's employee portal is an excellent communication medium. Every employee has his/her own portal which carries personal details, items of shared knowledge and intimation of Company events as well as other relevant information.

The portal also allows e-mail communication across peer, subordinate and supervisory groups.

Employee Satisfaction Survey (%)



- 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

Our "Open Door" Policy

At Dimo, our open door policy allows any employee the facility of meeting any person from senior management, including the Chairman/CEO as it is our aim to foster open dialogue and contribution from employees, irrespective of grade or position.

HR Clinics

A new initiative this year is the programme conducted as a HR Clinic for every Business Unit employee, right at their location of operation.

Two such sessions were conducted during the year under review.

The process involves HR personnel visiting the employee in situ, and initiating a free and frank discussion on any issue, clarification, grievance and/or suggestion the employee may have.

Every endeavour is made to provide immediate solutions - where these aren't possible, such matters are referred for further discussion with the senior management.

News Letter - 'Dimo News'

The Company newsletter 'Dimo News' is published thrice a year. It is an important conduit for sharing knowledge and information on Company matters and as a means of communicating with employees.

Employee Satisfaction Survey

The Human Resource Department conducts an employees' survey to gauge employee satisfaction levels amongst our workforce.

Anonymity is an option offered to the employee in completing the survey. Results and findings are summarised and presented for discussion at Employee's Council meetings and the Business Unit Managers' meeting.

The HR Department then institutes follow up action to track progress and implementation of selected and approved outcomes.

For the year under review, the overall satisfaction index was 53.87% which was slightly less than the previous year's figure of 55.03%. Dimo's

staff strength is 870, of which 503 or 58.2% participated in this year's survey. The previous year 657 (or 76%) of the 867 employees participated.

Principals - Our Business Partners

We maintain healthy and regular contact with our Principals, who visit us frequently to participate in review meetings. These meetings evaluate performance, market and economic trends, competitor issues, targets, training, resource utilisation among other issues.

The reverse process too takes place, with Dimo personnel visiting Principals in their home countries for similar performance reviews.

Such frequent and close interaction not only helps develop relationships but also optimally positions the Group to respond quickly to challenges that may arise, keeps us on the cutting edge of development and change and reinforces the mutually beneficial win-win situation for all parties concerned.

Arising from such interaction, reports from Principals are shared with management on a regular basis. In turn, our Business Unit managers send a regular flow of information and data to our Principals in order to apprise them of our activities.

Dimo also enjoys the facility of being linked to the Intranet of a few of our Principals, which allows for easy and regular communication with these companies located in many other countries.

The Chairman/CEO of Dimo sends a Report to the senior management of our Principals, with a commentary on the performance of the



✦ Our newsletter to keep our employees informed

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Principal’s business as progressed by Dimo, which also includes details of investments made in the business.

Additionally, our Business Units submit annual reports to their respective Principals, whilst also sending other information in accordance with a pre-determined time frame.

Customers

Dimo values very highly, the strong and enduring relationships it maintains with customers. It is an integral aspect of our operations and is a vital factor in the long-term success of the Company.

For its part, the Company ensures that the products and services we offer adequately target and meet customer expectations and requirements.

As has been our ethos from inception, Dimo offers the customer a portfolio of premium products and services from the world’s best brands.

Customer Relationship Management (CRM)

The Dimo Customer Relationship Management initiative is our main point of engagement with the customer.

The function is vested in the Customer Relationship Management Team and through its activities this unit maintains constant interaction with the customer eliciting their opinions on many factors.

The CRM Team also spearheads problem solving processes in respect of any aspects of our products and/or services that adversely affect the customer.

Dimo CRM Framework

Many features distinguish the Dimo CRM process. We ensure that we respond instantly to the customer.

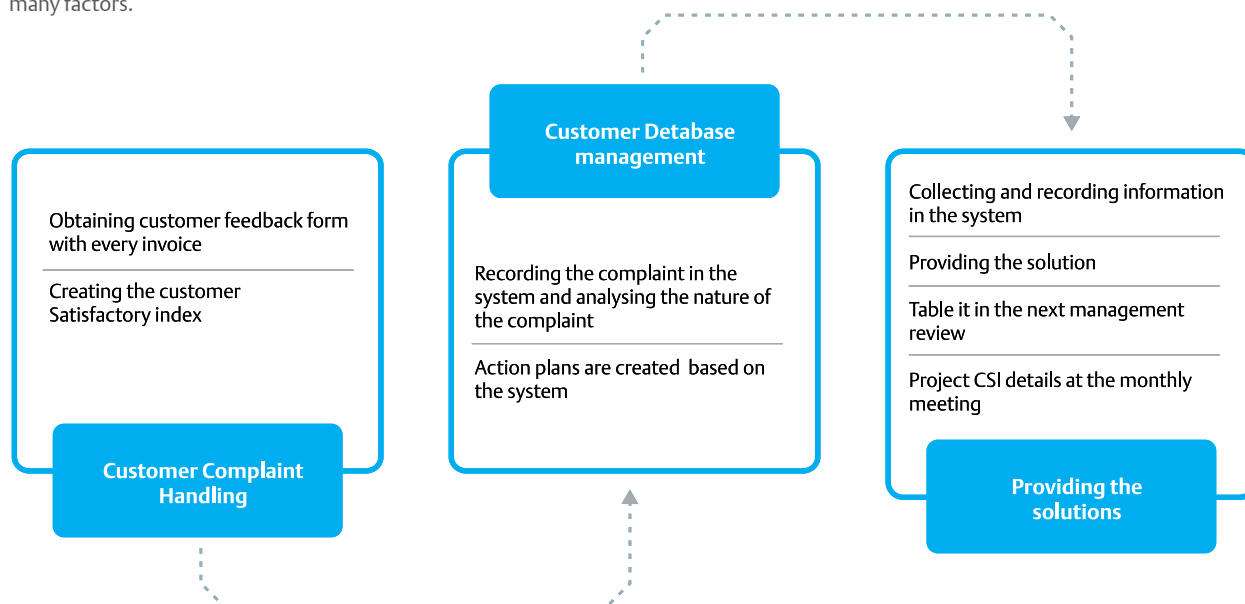
We acknowledge any customer complaint on the day of referral and make every endeavour to provide a solution within 3 days.

In this process, the CRM department analyses the issue raised from both the customer’s and Company’s perspective, evolving the best and quickest solution.

Customer Complaint Management

From the data appearing in the chart below, it is evident that customer complaints are on a downward spiral. There has been a 6% drop in complaints this year, compared with the previous year.

	2008/09	2007/08	2006/07
Customer complaints	289	305	458



Analysis of time taken to provide solutions during year 2008/09

Solutions Provided

	Days		2008/09 Total	2007/08 Total
	<5	>5		
April	15	7	22	23
May	23	5	28	37
June	11	6	17	27
July	15	8	23	39
August	18	5	23	38
September	18	8	26	32
October	17	5	22	30
November	10	6	16	13
December	10	4	14	11
January	18	12	30	19
February	20	12	32	25
March	22	8	30	17
	197	86	283	311

Note

All the complaints were provided with a satisfactory solution eventually.

Total complaints include 6 complaints brought forward from the previous period.

As the chart appearing above shows, 283 customer complaints were received by the CRM Department during 2008/09 of which solutions for 197 complaints were found in a period of less than 5 days each, whilst the rest were eventually solved satisfactorily.

Customer Satisfaction Survey Index

Each Business Unit collects data necessary to carry out a Customer Satisfaction Survey.

The CRM Department has the responsibility of analysing information pertaining to the vehicle division, whilst in the case of other Business Units, the analysis of data is carried out in consultation with senior management on a quarterly basis.

The CRM Department maintains a Customer Satisfaction Survey Index for the Vehicle division and these details are forwarded to Business Units heads, monthly.

Both these quarterly and monthly Reports contain an analysis of customer responses and will enable the Company to continuously improve its problem-solving capacity.

