

ENTERPRISE RISK MANAGEMENT

Overview

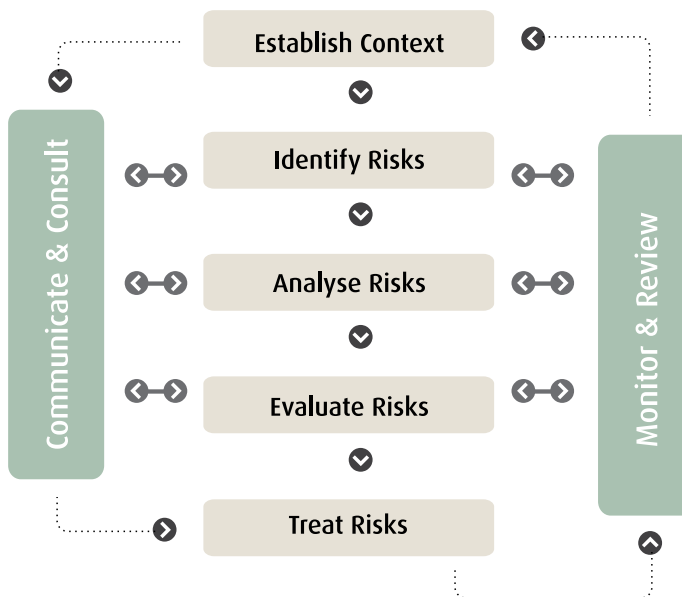
Effective risk management is fundamental to the business activities of the Group. While we remain committed to increasing shareholder value by developing and growing our business within our board-determined risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders.

We seek to achieve an appropriate balance between risk and reward in our business, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment.

Dimo operates in a constantly evolving environment, which exposes the Group to risk factors and uncertainties in addition to the risk factors related to its operations. The materialisation of the risks described below could have a material adverse effect on our operations, our financial condition, our results, our prospects or our share price.

It is important for a business to identify the variety of risks it is exposed to, examine the likelihood of the occurrence and the extent of impact that it may create. Enterprise risk management is an integral part of Group's business strategy. Thus Risk Management reconciles the two dimensions of enterprise governance namely, conformance and performance.

Risk Management Framework

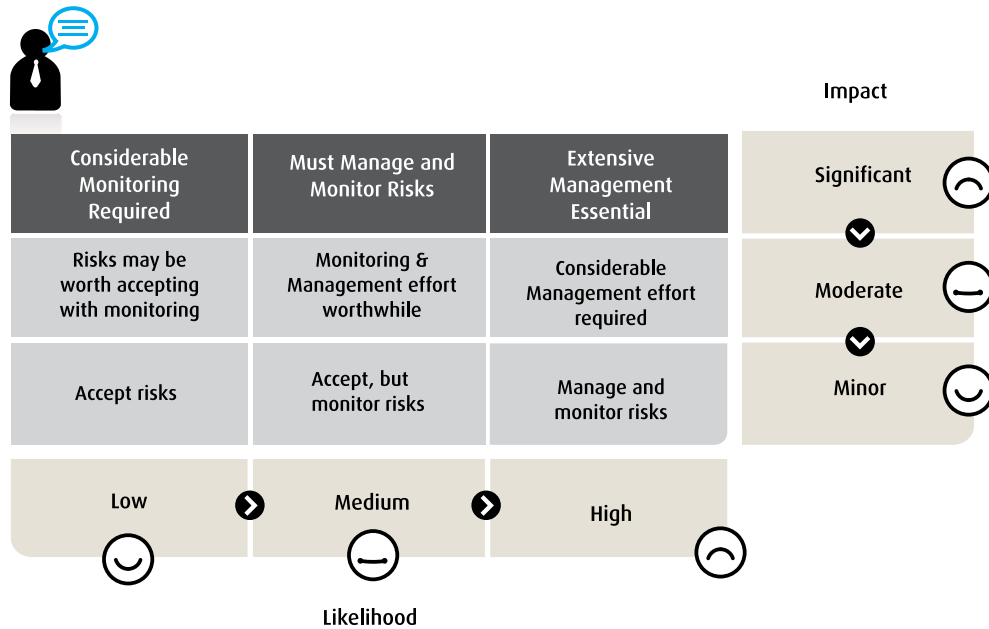


Risk Mapping

Risk mapping is carried out in order to assess the likelihood of occurrence and consequence of an event/set of events. It is based on the following:

- Likelihood of occurrence is assessed on the basis of past experience and the preventive measures in place. A ranking of high, medium and low in terms of the probability of occurrence is assigned for each risk.
- The impact of the event is assessed by determining the loss it would cause and the extent of the impact. By considering these two factors the impact is then categorised as minor, moderate and significant.

Risk Management Actions



Portfolio Management

LIKELIHOOD:
Low ☺️

➕ ➡️ Considerable Monitoring Required

IMPACT:
Significant ☹️

Description of Risk

❓ The vehicle sales and vehicle parts/services segments account for a significant share of the total portfolio. A significant alteration to the portfolio could have a considerable impact on results in the short-term and in the long-term.

What we are doing to manage it?

The Group is currently diversifying its competencies to the areas of marketing & distribution and in providing engineering solutions to Power, Water and Healthcare sectors. 💡

Foreign Exchange Exposure

LIKELIHOOD:
High ☹️

➕ ➡️ Considerable Management Effort Required

IMPACT:
Moderate 😐

Description of Risk

❓ Foreign currency exposure arises out of trading activities. This directly impacts the trading profit when the foreign currency assets and liabilities are translated into local currency at the Balance Sheet date.

What we are doing to manage it?

Foreign exchange exposure is hedged through forward contracts where it is deemed appropriate. Hedging of this impact is available to the extent that trade receivables in foreign currency and foreign currency bank account balances cover the exposure on foreign currency payables. The profit and losses that arose from foreign exchange rate fluctuations have been appropriately accounted for in the Income Statement. 💡

Liquidity Management

LIKELIHOOD:
Low ☺️

➕ ➡️ Considerable Monitoring Required

IMPACT:
Significant ☹️

Description of Risk

❓ Unavailability of sufficient funds may interrupt the smooth functioning of the Company's day-to-day operations.

What we are doing to manage it?

The Group seeks to ensure that banking facilities are in place to cover its forecasted cash needs for a period of at least twelve months. Cash requirements of the Group are regularly and closely monitored and matched with banking facilities available in order to ensure that requisite funds are available for operations and investment. 💡

Credit Management

LIKELIHOOD:
High ☹️



Manage and Monitor Risks

IMPACT:
Minor ☺️

Description of Risk

❓ Company extends credit facilities to customers during the course of business.

What we are doing to manage it?

👤 Credit facilities are extended to customers in accordance with Group Credit policy. Customers are evaluated prior to extending credit facilities. Processes employed for credit extension include approvals prior to granting credit facilities, periodic review of receivables by senior management, credit suspension on overdue accounts and legal procedures for recovery of long overdue receivables. 💡

Disaster Management

LIKELIHOOD:
Low ☺️



Considerable Monitoring Required

IMPACT:
Significant ☹️

Description of Risk

❓ Disaster-related risks are situations that can adversely affect people or resources and threaten the continued operation of the organisation. Damages from fire and floods have been identified as key disaster-related risks that the Company carries.

What we are doing to manage it?

👤 Indemnity from insurance is the risk management measure taken to mitigate losses from such disasters. Preventive measures of safety are taken to minimise damage to people and property. The Company has a disaster recovery plan in place. Employees have been educated on the Company's disaster recovery plan. 💡

Relationships with Principals

LIKELIHOOD:
Low ☺️



Considerable Monitoring Required

IMPACT:
Significant ☹️

Description of Risk

❓ Company relationships with principals are one of the mainstays of our business and a disruption of this can have negative consequences.

What we are doing to manage it?

👤 The Company has focused on developing a mutually beneficial relationship with principals in an effort to minimise the risk. It makes every endeavour to ensure that requirements of principals and targets are met. Company is constantly looking for new opportunities to develop viable business opportunities and relationships with new principals in order to reduce the Company's dependency on any single sector. 💡

Customer Relationships

LIKELIHOOD:
Medium ☹️



Monitoring & Management Effort Worthwhile

IMPACT:
Moderate ☹️

Description of Risk

❓ As a profit making entity, customers are sovereign to the Company. Maintaining positive relationships with customers is vital.

What we are doing to manage it?

👤 The Company's Customer Relationship Management process helps it respond effectively and efficiently to customer complaints and to develop relevant solutions. The Company is constantly upgrading its level of after care and employees are periodically trained in this regard. Company promotes customer loyalty through a number of innovative schemes and has developed a diverse customer base. 💡


Industry Trends


Description of Risk


LIKELIHOOD:
Low ☺

  **Considerable Monitoring Required**

IMPACT:
Significant ☹

 Industry risks arise from sudden changes within each industry. These could be driven by new customer trends and as entry of new/alternative products into the market.

 **What we are doing to manage it?**

With a view to minimising these risks, the Company closely monitors developments in its business domain including competitor strategies and promptly develops counter strategies as necessary. Company explores every available opportunity for the introduction of new and innovative products. The Company represents global leaders and is in a position of advantage through the constant technological innovations achieved by them, allowing the Company to offer superior products to the market with the strongly positioned Dimo brand. 


Human Resources Management


Description of Risk


LIKELIHOOD:
Low ☺

  **Considerable Monitoring Required**

IMPACT:
Significant ☹

 Company's human resources are the most important asset as it is the backbone of the business holding the Company together. Recruitment and retention of committed and capable employees could be a constant challenge.

 **What we are doing to manage it?**

Succession plans are available to minimise the impact of voluntary exits of employees. Also regular meetings of the Employees' Council provide a forum to discuss employee concerns and help the management to respond and address them adequately. The Company's remuneration packages are in line with market rates. Regular training is provided to our employees both to motivate them and also to expose them to state-of-the-art technology. More measures taken to nurture the Human Resources are discussed in the Sustainability Report appearing from page 58 to page 101. 


Loss of Data


Description of Risk


LIKELIHOOD:
Low ☺

  **Considerable Monitoring Required**

IMPACT:
Significant ☹

 As a Company which operates within a fully-computerised environment, loss of important data arising from technological failure is a risk that the Company faces.

 **What we are doing to manage it?**

The Company employs various measures such as regular back-up of data to guard against and minimise the risk of data loss. Regular maintenance of our equipment ensures that the risk of system failure is minimised. Off-site storage of data back-ups is another measure taken to minimise risks. The Company has in place a disaster recovery plan as part of its information system management. 


Economic Behaviour

Description of Risk


LIKELIHOOD:
Low ☺

  **Considerable Monitoring Required**

IMPACT:
Significant ☹

 The risks that arise from the changes in the economic environment that have the probability to affect the Company adversely.

The Group is highly sensitive to interest rate changes as it could impact demand for vehicles due to high cost of financing and increase the cost of borrowings due to higher level of borrowing it has on its capital structure.

 **What we are doing to manage it?**

Cautious management of working capital and costs were some of the measures that the Company has taken in order to mitigate the impact.

Group makes every endeavour to constantly negotiate with banks in order to obtain favourable terms of borrowing. 