

# CORPORATE *governance*

Governance attracts attention at all levels of DIMO for manifold reasons. The values and beliefs system across the Group strongly dictates that DIMO should benefit from a robust conformance and performance governance system that creates value for stakeholders.

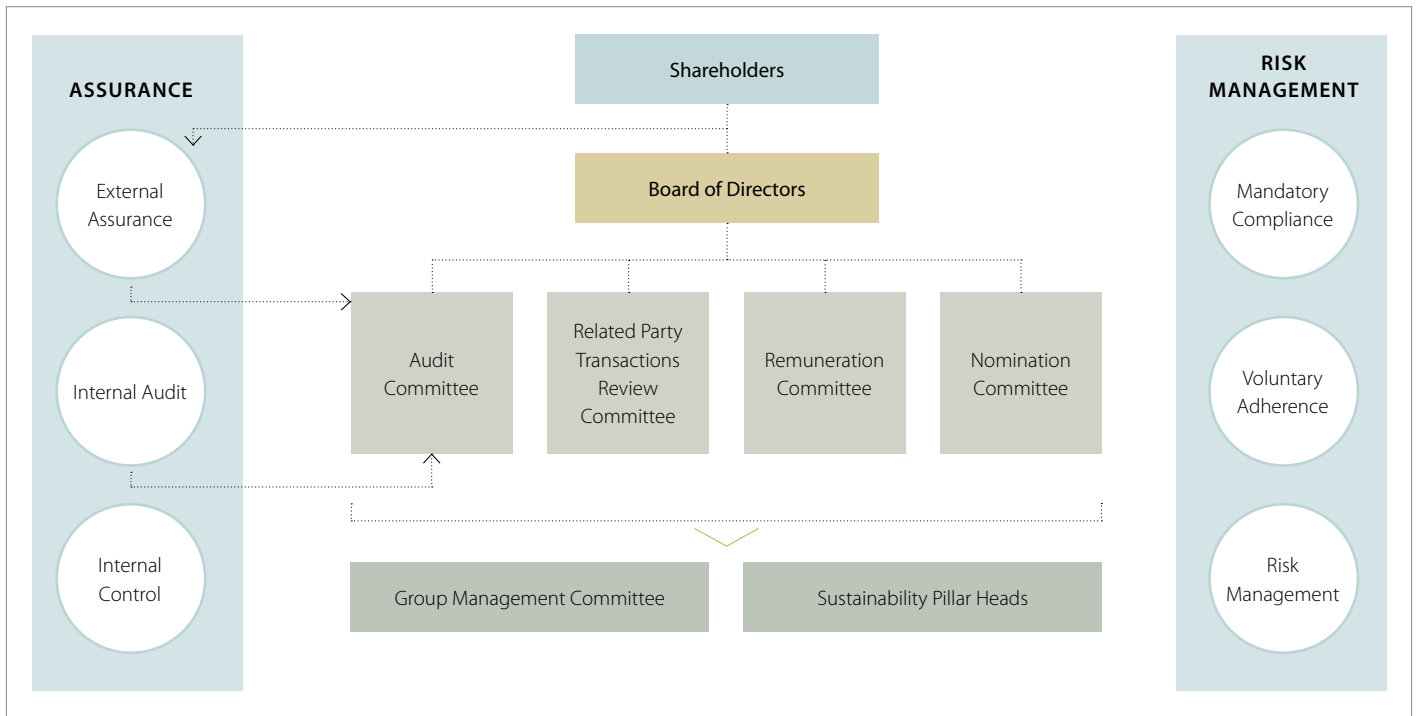
The demand for a strong governance system comes from many angles and includes the stewardship role of the Board, responsibility, transparency, compliance, control, environment social governance, strategy formulation, performance management and risk management, and are considered as aspects that will ultimately add value to shareholders and other stakeholders.

The Board is committed to a transparent and effective governance system that provides stakeholders with a high degree of confidence that the Group is being managed effectively. In order to ensure that the Governance process yields the desired outcomes, the following governance structure has been installed by the Board, although some of them are regulatory and legal requirements as well.



Figure 14: The Governance Structure of DIMO

A well-defined governance structure as shown below is in place within the Company.



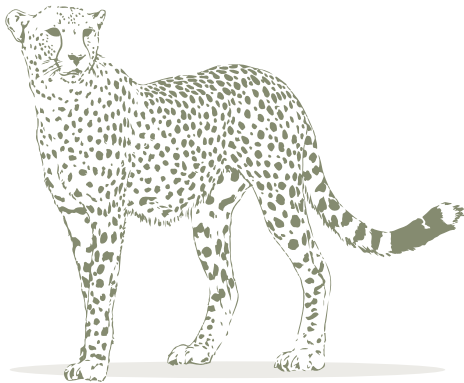
The Board of Directors is responsible for the formulation of strategy whilst the Group Management Committee and Sustainability Pillar Heads are tasked with the execution of strategy. A Board Committee is headed by a member of the Board. The Management Committees are expected to achieve the Group’s strategic priorities, creating value for the organisation and the stakeholders in the short, medium, and long-term. The Group Management Committee (GMC) and Sustainability Pillar Heads, collectively known as Management Committees, are also responsible for the effective and efficient management of risks and the IT environment. The GMC as the core executive leadership team, is responsible for forming a conducive culture for effective governance.

The Risk Management structure makes the Group follow laws, regulations, and best practices whilst assurance measures provide comfort to the Board on the financial statements, internal controls, and compliance.

The governance structure provides for setting the tone at the top through clear communication between the Board and the Management, thereby minimizing the potential for corruption and creating room for diversity.

**Board Skills**

The Directors possess a wide array of skills, knowledge, and expertise essential to driving the business to achieve its strategic objectives and create value. The following graph depicts the inventory of skills and expertise of the Board.



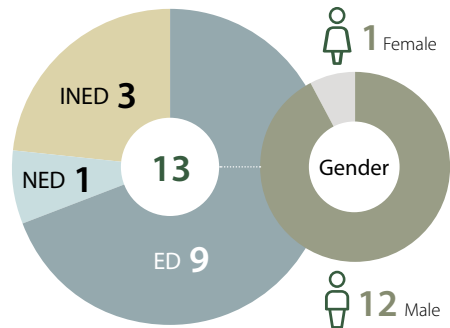
Corporate Leadership		3
Finance		3
Engineering		3
Information Technology		2
Law		2
Sales & Marketing		2
Human Resources Development		1
Automotive Management		1
Logistic & Transport		1
Assurance		1

The Board avails itself of the services of three qualified accountants who provide financial acumen and knowledge relating to matters of finance.

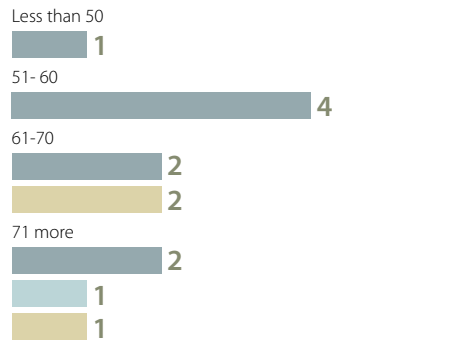
**Board Composition and Diversity**

The Composition of the Board is governed by the Company Articles and the Listing Rules of the Colombo Stock Exchange.

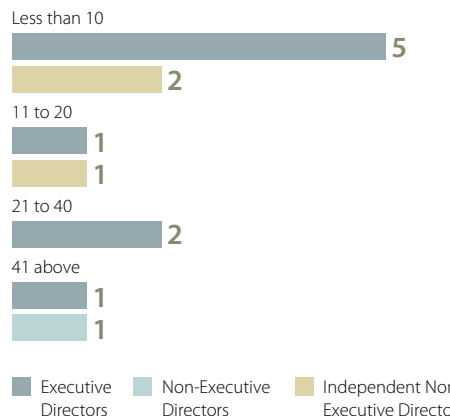
**Graph 16: Board Composition**



**Graph 17: Age of the Board Members (Years)**



**Graph 18: Tenure of the Board Members (Years)**



In determining the optimum composition of the Board and in filling vacancies, the Nominations Committee considers diversity in terms of the skills, experience, and knowledge the prospective member brings into the Board.

The Board fosters critical and balanced discussion encouraging the members to raise their different perspectives on matters considered at the Board.

**Board changes during 2022/23**

**Appointments to the Board**

During the year, the following two Directors were appointed to the Board on 30th May 2022.

1. C.R. Pandithage as an Executive Director
2. D.N.K. Kurukulasuriya as an Executive Director

These appointments enhance diversity on the Board in terms of age and gender.

**Re-elections**

The Articles of Association of the Company requires one third of Directors to retire from office and be eligible for re-election. In terms of this provision, the following Directors retired and were re-elected to the Board by the shareholders at the 77th Annual General Meeting (AGM).

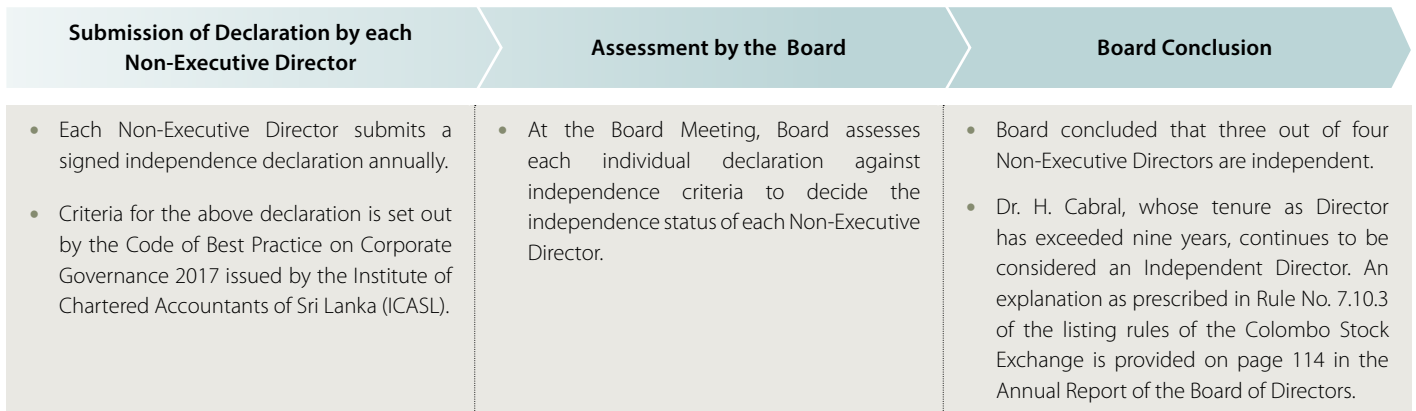
- A.D.B. Talwatte
- B.C.A.S.P. Gooneratne
- P.K.W. Mahendra
- S.R.W.M.C. Ranawana

In addition, two new Executive Director appointments were also approved by shareholders at the 77th Annual General Meeting (AGM).

Further, A.R. Pandithage, A.M. Pandithage, J.M. De Silva and S.C. Algama who are over the age of 70 years and who vacate the office in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act) were re-elected at the 77th Annual General Meeting.

# CORPORATE GOVERNANCE REPORT

Figure 15: Independence Assessment Process



### Chairman in an Executive Capacity

The Chairman A.R. Pandithage, who is designated Chairman/ Managing Director, plays an executive role in the Group and thereby holds the highest executive position. The Board is of the belief that the Chairman acting in an executive capacity has been economically beneficial to shareholders, and that the dual role of Executive Chairman does not compromise the principles of corporate governance. This is further ensured by the presence of the Independent Non-Executive Directors, including the Senior Independent Director.

### Senior Independent Director

A. D. B. Talwatte functioned as the Senior Independent Director (SID) of the company during the Financial Year. The presence of the Senior Independent Director provides an effective mechanism to review the effectiveness of the Board in view of the executive role played by the Chairman.

 Statement of SID available on page 69.

### Key Responsibilities of the Board

The Board holds the prime responsibility to provide strategic direction to the Group in order to deliver optimum value to the shareholders and other stakeholders. The Board sets the strategic objectives and policy framework for the Group results are monitored concurrently.

 The Statement of Directors' Responsibilities issued by the Board is available on page 120.

Table 25: Director's responsibilities

Key responsibilities of the Board defined in the Board Charter	How Board has discharged responsibilities
<ul style="list-style-type: none"> <li>Formulating and implementing the corporate strategy for value creation in the short, medium and long-term.</li> <li>Approving budgets, major investments and ensuring adequacy of resources.</li> <li>Providing proper financial oversight and adopting appropriate accounting policies.</li> <li>Ensuring compliance with rules, regulations, and internal policies of the group.</li> <li>Monitoring systems and procedures, especially with regard to internal controls and risk management.</li> <li>Making decisions on Board appointments and evaluating board performance including the performance of the Executive Chairman and the CEO.</li> <li>Building and improving stakeholder relationships and promoting the role to be played by the company towards sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>Held budget meetings with management to set strategic priorities of the Group. Periodically, evaluated desired outcomes against the actual outcomes.</li> <li>Increased focus on diversified businesses and revamped product portfolio with sustainable solutions.</li> <li>Monitored performance of the Group's operations through monthly, quarterly and annual financial reviews by having one-on-one meetings with business unit heads.</li> <li>Obtained independent auditors' services and implement recommendations made by the auditors.</li> <li>Monitored implementation of the improvement recommendations identified during board evaluation.</li> <li>Continued review and introduction of new systems, policies, processes into the group governance structures.</li> <li>Monitored the implementation of robust corporate social responsibility programs and the implementation of ESG strategy with an emphasis on value creation.</li> <li>Interacted with stakeholders through different communication channels such as events, forums, surveys, assessments, feedbacks, ratings and etc.</li> </ul>

### Board Oversight

Figure 16: Key areas of Board oversight relate to among others

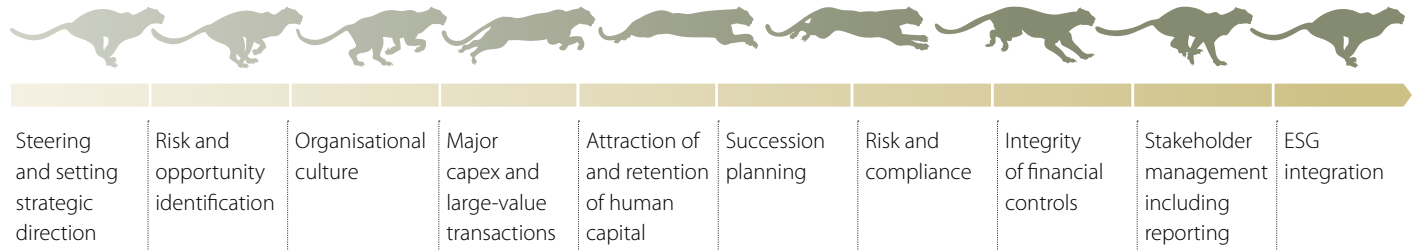
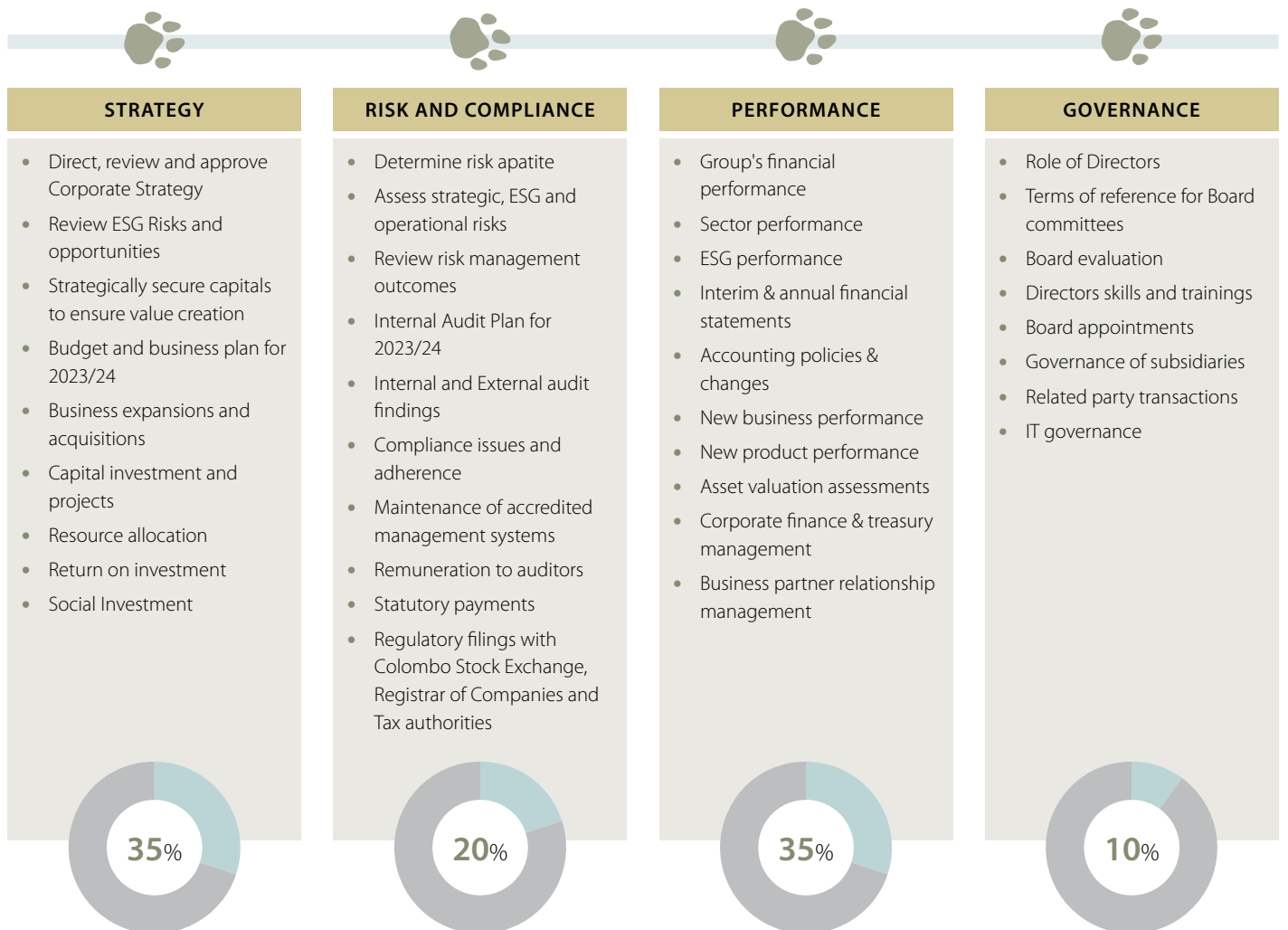





Figure 17: Key focus areas of the Board and the time spent by the Board (%)






# CORPORATE GOVERNANCE REPORT

Table 26: Focus Areas and Value Creation

Capital	Value created by key focus area			
	Strategy	Risk & Compliance	Performance	Governance
 <b>Financial</b>	<p>Rs. 13,128 million of turnover generated from new businesses introduced during the past six years.</p> <p>A profit before tax for the year from acquisitions during the past five years.</p> <p>Corporate plan for aggressive growth</p>	<p>Compliance Management Systems for Quality, Environment and Health and Safety</p> <p>Continuous improvement through internal audit</p> <p>Timely statutory payments and declarations</p> <p>Compliance with statutory and regulatory provisions</p> <p>Voluntary adherence to best practices</p>	<p>Identified ways to improve profitability of the new products and businesses</p> <p>Regular meetings with management to review and monitor performance of key businesses</p> <p>Review of ESG performance</p> <p>EPS of Rs. 62.73 (2021/22: Rs. 76.06)</p>	<p>Ensure transparency and integrity in financial reporting</p> <p>Balanced and skilful corporate leadership to ensure investor trust and confidence</p> <p>Board evaluations to assess whether board has fulfilled the financial interests of the investors</p>
 <b>Manufactured</b>	<p>Plan, review, and monitor investments in infrastructure and PP&amp;E</p> <p>Review asset utilisation via Asset Turnover Ratio and seek continuous improvement</p>	<p>Review of impairment to ensure any financial losses are accounted for</p> <p>Ensure adequate steps such as insurance are taken to cover risk exposure</p>	<p>Healthy return on assets</p> <p>Maintenance of optimum market value of assets</p> <p>Acquisition of value adding assets through prior evaluation</p>	<p>Securing of group assets</p> <p>Review progress of capital work in progress</p> <p>Legal compliance relating to acquisition and maintenance of real estate and other PP&amp;E</p>
 <b>Human</b>	<p>Recognised as a Great Place To Work 'Legend'</p> <p>Strong emphasis on matters relating to diversity and inclusion</p> <p>223 employment opportunities (2021/22: 350)</p> <p>Rs. 47 million incurred for employee and leadership training (2021/22: Rs. 11 million)</p>	<p>Availability of accredited health and safety management systems</p> <p>Adherence to all labour laws</p> <p>Institutionalised program for employee retention and succession</p> <p>Emphasis on anti-harassment</p>	<p>Performance based reward system for employees</p> <p>Employee development programs</p> <p>Employee satisfaction rate of 89% (2021/22: 92%)</p> <p>Employee engagement score of 4.21 out of 5 (2021/22: 4.20)</p>	<p>Independent determination of Director's remuneration by a Board Committee</p> <p>Succession plan for the senior management</p> <p>Established Code of Business Conducts and Ethics for all employees</p>

**Capital**

**Value created by key focus area**

	Strategy	Risk & Compliance	Performance	Governance
 <p><b>Social and Relationship</b></p>	<p>Partner with diversified businesses through acquisition (Collaboration)</p> <p>Introduce sustainable products to the market in collaboration with business partners (Collaboration and Diversification)</p> <p>Represent best in class business partners to bring innovations and state of the art technology into Sri Lanka (Collaboration)</p> <p>Focus on customer experience management</p>	<p>Quality management system that addresses customer feedback</p> <p>Ethical and compliant business conduct</p> <p>Tax payments amounting to Rs. 1,129 million during the year (2021/22: Rs. 4,427 million)</p>	<p>Making a difference through partnerships and corporate</p> <p>Social investment activities</p> <p>Launched 3 new sustainability friendly products during the year (2021/22: 2)</p>	<p>Review of related party transactions</p> <p>Ethical marketing and communications</p> <p>Strict adherence to compliance requirements of business partners</p>
 <p><b>Intellectual</b></p>	<p>Investment in innovations for future businesses</p> <p>Investment in a tier 1 ERP with a full complement of modules to take the organisation to the future</p>	<p>Special efforts to retain tacit knowledge</p> <p>Document systems and procedures through management systems</p> <p>Reputation management through corporate branding and management of ESG risks</p>	<p>High brand equity of DIMO as evident in being chosen as one of the 'Most Respected Companies' in Sri Lanka</p> <p>Investment of Rs. 286 million on the implementation of the new ERP</p>	<p>Emphasis on IT security</p> <p>Governance of corporate identity</p> <p>Registration of trademarks</p> <p>Code of conduct for employees to manage the reputation risk</p>
 <p><b>Natural</b></p>	<p>Investment in environmental preservation</p> <p>Environmental restoration</p> <p>Zero tolerance policy on environmental degradation</p> <p>Seizing opportunities in matters relating to ESG such as renewable energy</p> <p>Improve transparency on environmental factors</p>	<p>Reduction in carbon footprint and environmental pollution</p> <p>Accredited environmental management system to prevent breaches in environmental preservation</p>	<p>Rs. 17 million (2021/22: Rs. 24 million) invested in environmental preservation</p> <p>Our commitment towards 1:1 restoration on biodiversity conservation</p> <p>Award winning sustainability reporting</p> <p>Execution of many environmental preservation projects as detailed in the Sustainability Agenda 2030 on page 88 to 95</p>	<p>Accredited Environmental Management System</p> <p>Signatory to the United Nation Global Compact</p> <p>Commitment to contribute towards achievement of UN Sustainable Development Goals (SDGs)</p> <p>Improve transparency through best practices in sustainability reporting</p>

# CORPORATE GOVERNANCE REPORT

## Board Meetings

The Board meets on a quarterly basis, and as and when required for a specific purpose. The meeting dates are scheduled in advance. The Board also conducts discussions on specific subjects relevant to the business such as budgets. Board meetings are characterized by the free exchange of views by the Directors bringing their experience and independent judgement to bear upon the issues and decisions at hand. Non-executive Directors conduct discussions without the Executive Directors, so that they can discuss issues appropriate to such a forum. Senior executives such as Group Management Committee members may be invited to participate in a Board meeting to discuss a particular subject, where considered appropriate.

Role of the Chairman at Board Meetings	Role of the Group CEO at Board Meetings	Role of the CFO at Board Meetings
<ul style="list-style-type: none"> <li>Ensure that the Board addresses the matters that are of strategic and material importance to the future growth and success of the Company.</li> <li>Ensure that adequate time is available for discussion of all agenda items.</li> <li>Ensure that each person is given the opportunity and time to express their views.</li> </ul>	<ul style="list-style-type: none"> <li>Provide a review of the business and how it is performing.</li> <li>To answer questions from the members of the Board relating to performance.</li> <li>To advise the Board about developments in the external environment.</li> <li>To inform the Board about the risks and opportunities prevailing in the market.</li> </ul>	<ul style="list-style-type: none"> <li>Provide an overview of the Group's financial position &amp; performance during the quarter.</li> <li>To evaluate and present outcomes against the budget, to the Board.</li> <li>To inform changes in financial markets, financial risks and mitigation strategies followed by the company.</li> </ul>

## Role of Company Secretary at Board Meetings

The Company Secretary plays a pivotal role in arranging board meetings and deliberations. The Company Secretary will make sure all Directors have full and timely access to relevant information ahead of each meeting.

### Prior to Board meetings:

Liaise with Directors and management to prepare the agenda for the Board meeting. The agenda and all board papers are circulated electronically to Board members prior to each meeting. When required, specific reports and schedules are also circulated together with Board papers. Ensures that previous meeting minutes are also circulated among the Board members. Board members can easily access the Company Secretary regarding any clarification.

### During the meetings:

Minutes of discussions and decisions made at the meeting are recorded in an appropriate manner in the Board minutes.

### After Board meeting:

Board meeting minutes are prepared and circulated to the Board prior to the next meeting.

## Meeting Attendance

# 07

Meetings held during 22/23  
(08 - 21/22)

All Directors actively participate in Board meetings as and when scheduled. As the responsibility demands, the Board always dedicates adequate time and effort to discuss matters of the Board and the Group, to ensure that the duties and responsibilities owed to the Group are satisfactorily discharged.

Table 27: Details of Directors' attendance at Board Meetings.

Board Member	Overall Attendance	Board Member	Overall Attendance
A.R. Pandithage	07/07	S.R.W.M.C. Ranawana	07/07
A.G. Pandithage	07/07	J.M. De Silva	06/07
S.C. Algama	07/07	A.D.B. Talwatte	07/07
M.V. Bandara	06/07	C.R. Pandithage	05/06*
Dr. H. Cabral	07/07	D.N.K. Kurukulasuriya	06/06*
B.C.A.S.P. Gooneratne	07/07		
P.K.W. Mahendra	07/07		
A.M. Pandithage	07/07		

\*D.N.K. Kurukulasuriya and C.R. Pandithage were appointed to the Board on 30th May 2022 hence participated for Board meetings held since 30th May 2022.

### Board Committees

Board Committees consist of the Audit Committee, Related Party Transaction Review Committee, Remuneration Committee and the Nomination Committee.

Table 28: Board committees and strategic priorities

Board Committee	Primary focus	Primary focus in terms of Strategic Priorities
<b>Audit Committee</b>	Group's financial reporting and internal control systems, compliance with legal and regulatory requirements, risk management practices, tax governance, external and internal audit	Integrity of financial reporting system and audit function
<b>Related Party Transaction Review Committee</b>	Transactions with related parties as defined by LKAS 24 and Listing Rules of the Colombo Stock Exchange.	Integrity of transactions
<b>Remuneration Committee</b>	Remuneration policy and remuneration packages of the Chairman/ Managing Director, Chief Executive Officer (CEO) and the Executive Directors. Remuneration of the members of the Group Management Committee.	Performance management, pay for performance, retention, achievement of corporate objectives
<b>Nomination Committee</b>	Structure and composition of the Board, new appointments to the Board, collective knowledge, expertise, skills and experience of the Board	Appropriate Board composition, Board competence, succession

Each committee is chaired by an Independent Non-Executive Director. The Committee's composition met the requirements of the rule Section 7.10.5 (a), 7.10.6(a) and Section 9.2.2 of Listing Rules of the Colombo Stock Exchange and Code of Best Practices on Corporate Governance 2017 jointly issued by the ICASL and Securities and Exchange Commission.

The Group Chief Financial Officer serves as the Secretary to the Audit Committee, Related Party Transaction Review Committee and Nomination Committee. The Group Chief Executive Officer serves as the Secretary to the Remuneration Committee

 The reports of the Audit Committee, Related Party Transaction Review Committee, Remuneration Committee and Nomination Committee are available on pages 70 - 71.


















#### Terms of Reference

Each Committee is governed by Terms of References (TOR) approved by the Board, setting out its objectives, responsibilities, structures, and operations. The Committees' TOR were last reviewed and approved by the Board on 30th May 2022. The revised TORs improve the Committee contribution to the oversight function of the Board and helps avoid synergies between the committees.

### Composition of Board Committees & Attendance at Board Committee Meetings

The composition of the respective Board Committees and attendance by each member at committee meetings held during the financial year are as below.

Table 29: Committee composition and attendance

Name of the Director	Position	Audit Committee		Related Party Transaction Review Committee		Remuneration Committee		Nomination Committee	
		Membership	Meeting Attendance	Membership	Meeting Attendance	Membership	Meeting Attendance	Membership	Meeting Attendance
A.D.B. Talwatte	Independent Non-Executive Director		3/3		4/4		2/2		1/1
Dr. H.Cabral	Independent Non-Executive Director		3/3		4/4		1/2		1/1
J.M. De Silva	Independent Non-Executive Director		3/3		4/4		2/2		0/1
A.M. Pandithage	Non-Executive Director		3/3		4/4		2/2		1/1
A.R. Pandithage	Chairman/ Managing Director	-	-	-	-	-	-		1/1

Committee Member -  Committee Chair - 



# CORPORATE GOVERNANCE REPORT

## Performance evaluation of the Board and Sub Committees

The Board recognizes that evaluating the performance of the Board and its Committees is essential to monitor effectiveness of the Board and the Board Committees. Evaluation of the Board and Board Committees is carried out on an annual basis.

Each Director independently completes a questionnaire to assess the performance of the Board, and that of its committees. The tabulated results are used to make improvements in effectiveness. The Chairman also discusses any improvements required with individual Directors and Board Committee Chairs. The evaluation result this year indicated that the Board operated effectively and performed well in the governance aspects of the Group, and that the members were satisfied with the composition and operational effectiveness of the relevant Board Committees.

### Board Evaluation Measures

- Strategy implementation
- Achievement of performance objectives
- Conduct of Board's performance evaluation
- Risk management
- Board composition, skills and trainings
- Compensation philosophy
- Succession planning
- Performance of the CEO
- Compliance & latest developments in legal environment
- Communication with shareholders
- Stakeholder interest
- Internal controls
- Financial performance

### Committee Evaluation Measures

- Composition of the committees
- Conduct of committee meetings
- Effectiveness of meetings held
- Delivery of information to the Board
- Execution of responsibilities

The performance of the Chairman, who plays an executive role, is appraised annually by the Non-Executive Directors. The Non-Executive Directors assess the performance of the CEO through pre identified Key Performance Indicators (KPIs) and achievement of operational budgets.

## Directors' remuneration

The Board always ensures that the level of remuneration is attractive enough to motivate and retain Executive Directors. The Remuneration Committee assists the Board by suggesting and approving remuneration for Executive Directors. Information about DIMO's remuneration policy and the Remuneration Committee, including the work carried out in 2021/2022, is set out in the Remuneration Committee Report in page 71.

 Directors' remuneration is disclosed on page 146.

## Remuneration Linked to Value Creation

The Board bears the responsibility to ensure that the Group has a comprehensive remuneration policy through which employees are rewarded for their alignment to the Company's strategic direction. The remuneration policy of the employees, ensures;

- attracting, motivating, and retaining high calibre employees in a competitive market and recognizing their skills, experience, and contribution to the Company's values
- ensuring that our pay is competitive in the industry and matched to market rates
- being able to comply with legislative provisions and negotiated contractual commitments
- reinforcing and enhancing the principle that employees are the key stakeholders of our Company
- ensuring an appropriate and flexible benefit mix (medical aid, subscriptions, etc.) to best serve our employees' dynamic lifestyle and life-stage needs

The Group Chief Human Resource Officer is the delegated Executive Director in charge of implementing this policy.

**The Board bears the responsibility to ensure that the Group has a comprehensive remuneration policy through which employees are rewarded for their alignment to strategic direction.**

## Management committees

### Group Management Committee (GMC)

GMC consists of Executive Directors and members of the senior management team.

GMC is responsible for the steering of the Group and its business. It assumes overall responsibility for the execution and implementation of strategies set by the Board and the achievement of performance targets.

 The composition of the Group Management Committee is available on page 16.

### Sustainability Pillar Heads

The Sustainability Pillar Heads consist of members of the management team including Executive Directors. It holds primary responsibility to oversee the Group's activities with regard to the identification and management of economic, social and environmental impacts, and the achievement of the Group's Sustainability Agenda 2030.

 Please refer the Sustainability Agenda 2030 on page 88 to 95 for the measures taken to identify, manage and monitor risks and opportunities relating to ESG.

**Assurance**

The assurances for the integrity of systems, processes, controls and financial and non-financial information are obtained internally and externally.

Table 30: Types of Assurance

TYPE ASSURANCE			
Assurance on Financial Statements	Assurance on Internal Business Process, systems and controls	Assurance on Integrated Report and non- financial information	Assurance on Management Systems
Independent Audit Report provided by External Auditor - Messrs KPMG	Internal Auditors' Reports & Audit Committee assurance to the Board	Independent assurance on Integrated Reporting, Global Reporting Initiative (GRI) compliance, ESG Statement and relevant standards on Sustainability Accounting Standards Board (SASB)	Independent audit and certifications on Quality Management System, Environmental Management System, Occupational Health and Safety Management System

**Internal Audit**

The company has in place an independent internal audit function, through which the Board, Audit Committee and Senior Management are provided with reasonable assurance relating to internal controls and on controls governing the preparation of financial statements. The Internal Audit Division is headed by the Group Chief Internal Auditor, who is appointed by the Board. The internal audit function is carried out on a risk-based Internal Audit Plan. Internal Auditors submit their findings together with recommendations on a quarterly basis to the Audit Committee and the Board. Internal Audit Reports are made available to External Auditors, should they require them. During the year, the Audit Committee reviewed the work of the Internal Audit function and are satisfied with the performance of the Internal Audit function.


**External Audit**

The External Audit function of the Company is independent and monitored by the Audit Committee. The Audit Committee received

written confirmation from the External Auditor of its independence and objectivity. The Audit Committee has met with the External Auditors to enquire as to whether there are any concerns relating to financial statements. A partner rotation of the auditors takes place at periodic intervals; the last such rotation took place in 2017.

**Internal Control**

Internal Controls are important for the Company to prevent, detect and mitigate what could go wrong arising from ongoing business operations. The Board is assisted by the Audit Committee in monitoring and evaluating the effectiveness of the internal control environment of the Group/ Company. The evaluation is carried out mainly through discussions and assessment of reports submitted by the Management Committees, Internal Auditors and External Auditors.

 Refer page 121 for more details on Board of Directors' Statement on Internal Controls.

**Risk Management**

Effective risk management spreads beyond fulfilling regulatory requirements. In order to assess risks and opportunities and to mitigate and manage them, the Group has installed processes at different functional levels as described in the Risk Management section on pages 81- 86.

**Compliance**

DIMO is committed to complying with laws, regulations, industrial best practices and voluntary commitments.

The compliance and adherence aspect of the conformance framework provides the basis for conformance and identifies the rules that are to be followed by the Board, Board Committees, Management Committees and employees. As identified in the governance framework, the compliance and adherence aspects include statutes and regulations classified into the 'mandatory compliance' category and codes, best practices and management control systems classified into the 'voluntary adherence' category.



**RESILIENT**

We are conditioned and designed to remain resilient against harsh conditions.



# CORPORATE GOVERNANCE REPORT

Table 31: Compliance

Mandatory Compliance	Voluntary Adherence
<ul style="list-style-type: none"> <li>✔ Companies Act No. 07 of 2007</li> <li>✔ Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995</li> <li>✔ Listing Rules of Colombo Stock Exchange</li> <li>✔ Articles of Association</li> <li>✔ Securities &amp; Exchange Commission regulations</li> <li>✔ Other legislative enactments affecting the Company</li> </ul>	<ul style="list-style-type: none"> <li>✔ Code of Best Practice on Corporate Governance issued by CA Sri Lanka</li> <li>✔ Ten Principles of the UN Global Compact</li> <li>✔ Code of Business Conducts and Ethics of DIMO</li> <li>✔ GRI Standards and Sustainability Accounting Standards Board</li> <li>✔ Internal control system</li> <li>✔ Quality management system</li> <li>✔ Environmental management system</li> <li>✔ Social Accountability Management System Occupational Health &amp; Safety Management System</li> </ul>

## Code of Business Conduct and Ethics

At DIMO, we have institutionalized a Code of Business Conduct and Ethics (The Code), which is applicable to Directors, Management and all other employees. The orientation programme of new employees includes a training on how to be in compliance with the Code of the Group and at the point of recruitment, each employee signs a declaration to the effect that they will comply with the Code in its entirety. Non-compliance with the Code is monitored by HR department.

## Conflict of Interest

Each Board member shall endeavour to avoid having his or her private interests interfere with the interests of the Company. The Directors do not participate in or vote for any board resolution in which they may have a substantial interest. Each Director submits a quarterly declaration stating his or her interest with the Company, while the same is disclosed to the Board through the Related Party Transaction Committee. All such interests are also recorded in the Interest Register of the company maintained by the Company Secretary.

## Whistle-Blowing, Fraud and Non-Compliance with Laws and Regulations

Employees can raise any confidential matters pertaining to the accounting, internal controls and any Non-Compliance with Laws and Regulations (NOCLAR) to Chief Human Resources Officer, Group Chief Internal Auditor, Chief Executive Officer or the Chairman/Managing Director. The Senior Independent Director is available to any member of the Board to discuss confidential matters that concerns the Board.

Disclosures required by the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange can be viewed on pages 117 - 118.

The compliance levels with the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka are available on Company's website at <https://www.dimolanka.com/investor-relations/>

## IT Governance

Information Technology (IT) is a key part of DIMO's differentiation strategy. Thus, the Board is committed to the implementation of the organisational structure with well-defined roles

**Enterprise Governance at DIMO is designed to navigate its operations through uncertainty to achieve long-term value and to enhance investor confidence.**

that bear responsibility for information, business processes, applications, infrastructure, etc. which generate value for our shareholders, while mitigating the risks associated with the incorrect deployment and use of Information Technology. The digital transformation that began in 2020 is a five-year commitment undertaken by the Board to transform the Company's processes and systems to align with world class best practices. While this is expected to create substantial outcomes in the medium to long-term, in the short term the project demands a substantial trade-off of monetised capital. The Board has thus taken the initiative to ensure that the implementation is aligned with the Board's strategic direction and that it is completed on time with the desired outcomes.

Figure 18 elaborates on the governance mechanisms deployed by the Board for this important mandate. The digital transformation is expected to increase the visibility and transparency of internal processes as well.

## IT risks

With the digital transformation and increased process automation, the Board is aware that IT related risks including cyber risk are probable to the Group and thus mitigation strategies must be in place.

 Details of the Group's Risk Management Process is discussed on pages 81 - 86.

## Our Board's support of innovation

The Board always defines and encourages innovative priorities, implements an innovation culture, allocates sufficient resources, and makes important decisions regarding innovation within the company. Thus, this will help to align IT strategy with business strategy to create medium to long-term value creation to shareholders.

Figure 18: Innovation outlook

Innovation Outlook		What Innovations offers to us	
> Future Focus	> Operational Excellence	• Employee efficiency	• Minimized risks
> Organisational effectiveness	> Sustainable development	• Customer satisfaction	• Increased competitiveness
		• Cost optimization	• Business network
		• Brand value	

**Relations with Shareholders**

Refer pages 72 - 76 for Investor Relations section of the Annual Report for more information about our interaction with Shareholders.



Scan this QR Code to view Supplementary Information – Governance Report

**Sustainability Reporting – ESG**

Environmental, social and governance considerations are given top priority in DIMO's long-term business strategy and throughout its value creation process. The Board, with the support of the Sustainability Pillar Heads, continuously identifies and responds to ESG related risks and opportunities that affect DIMO's business model.

A comprehensive report on ESG factors and an ESG Performance Statement are available on pages 96 - 106.

# SENIOR INDEPENDENT DIRECTORS' *statement*

The 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by The Institute of Chartered Accountants of Sri Lanka recommends that a Senior Independent Director (SID) should be appointed in the event that the same person holds the offices of Chairman and Chief Executive Officer or where the Chairman is not an Independent Director. At DIMO, the Chairman plays an executive role as Chairman/Managing Director.

The presence of a SID provides a workable mechanism to review the role played by the Chairman. While the role of the Chairman entails providing leadership in observing best practices of Corporate Governance, the

role of the SID calls for a review of the Board's effectiveness. The presence of the SID also provides emphasis to transparency on matters relating to governance.

DIMO is committed to the principles of good governance and always strives to live by the best practices of corporate governance. The conformance culture of the Company is strongly embraced by the Board of Directors. The Company follows a policy of strict compliance with mandatory requirements while embracing voluntary adherence, in order to enhance stakeholder acceptance and to have a positive impact on value creation.

As the SID, I am consulted by the Chairman on governance issues, if there are any. Further, I make myself available to any Director to have any confidential discussion on the affairs of the Company, should the need arise.



**Asite Talwatte**  
Senior Independent Director

Colombo  
05th June 2023

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee (AC) provides an independent oversight of the Group's financial reporting and internal control systems, internal and external audits, risk management, compliance with laws and regulations, in line with the approved Audit Committee Charter. Meetings of the Audit Committee were aligned with the key reporting and regulatory timelines.

### Activities and Deliberations of the Committee in 2022/23

- Reviewed Interim Financial Statements of all four quarters and the Annual Financial Statements prior to publication. During the review, AC ensured that Financial Statements are prepared in compliance with Sri Lanka Accounting Standards and applicable regulatory requirements
- Monitored the effectiveness of the internal audit function in terms of its scope, execution of its plan, findings, independence, skills, staffing, overall performance and standing within the organisation.

- Met with the External Auditor to review their observations discovered during the audits. The AC also reviewed the independence and objectivity of the Independent External Auditors, Messrs KPMG, Chartered Accountants and recommended to the Board about the engagement of Auditor.
- Reviewed risk related management and audit reports and ensured risk mitigation processes/procedures are established and operated within the Company.
- Assessed the appropriateness of the Company's whistle blowing policy to ensure the Company's arrangement for confidentiality of information and its sources.
- Evaluated compliance with laws and regulations and timely payment of statutory obligations.

### Future Focused activities

Future focus areas of the committee include, but are not limited to:

- Approval of Internal Audit Plan for 2023/24
- Improvement of Risk Mitigation strategies of the Company

The Committee has recommended to the Board that Messrs KPMG be re-appointed as the independent External Auditor and that the re-appointment be included in the agenda of the Annual General Meeting.

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Group and of the implementation of the Group's accounting policies and operational controls provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded. The Committee is also satisfied that the Company and its subsidiaries remain solvent and are able to continue as a going concern.



**Asite Talwatte**  
Chairman – Audit Committee

Colombo  
05th June 2023

## REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Related Party Transactions Review Committee (RPTRC) is tasked with providing advice to the Board in relation to transactions with the related parties as defined by LKAS 24 and Listing Rules of the Colombo Stock Exchange. The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka.

### Proceedings of the Committee Meetings

An agenda checklist is prepared and circulated prior to each Committee meeting, which assists and enables Committee members to identify all related parties and to review all related party transactions. A summary of related party transactions that occurred during the period under review is provided to the committee ahead of the Committee meetings. A summary of the quarterly declarations provided by the Directors identifies the Directors' and their close

family members' shareholding, names of the companies where they hold office, transactions with the company during the quarter.

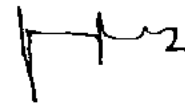
### Activities and Deliberations of the Committee in 2022/23

- Identified related parties as defined by LKAS 24 and Listing Rules of the Colombo Stock Exchange
- Reviewed all related party transactions carried out during the year and communicated observations to the Board of Directors.

During the year, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. Details of other related party transactions entered into by the Company during the year are disclosed in Note 4.30 - 5.1 to the Financial Statements.

### Declaration by the Committee

A declaration is given by the Board in the Annual Report of the Board of Directors on page 115 as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered by the Company during the financial year.



**Jayantha De Silva**  
Chairman – Related Party Transactions Review Committee

Colombo  
05th June 2023

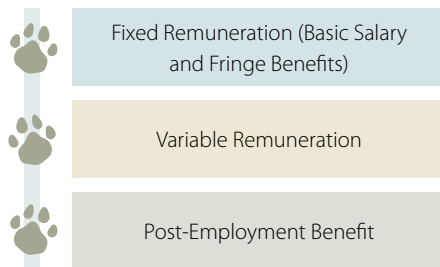
# REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee considers and recommends the Company's remuneration policy and the remuneration packages of the Chairman/ Managing Director, Group Chief Executive Officer (CEO) and the Executive Directors. The Committee also approves the remuneration of the members of the Group Management Committee on recommendations made by the Chairman/ Managing Director and the Group Chief Executive Officer.

## Remuneration Policy

The remuneration policy is designed to reward, motivate and retain the Company's Executive Directors and the members of the senior management team to support the continued success of the business and value creation over the short, medium and long-term.

## Components of the Executive Directors' Remuneration



The Remuneration package awarded to Executive Directors and members of the Group Management Committee is intended to be competitive and market based, and comprises of a mix of fixed and variable return. The variable remuneration is linked to individual performance and group profitability in order to align individual's interest with Company's interest.

All Non-Executive Directors receive a fee for serving based on their time commitment and contribution to the Board and Board Committees. They do not receive any performance related incentive payments. The Company does not have an employee share option scheme for members of the Board, who are considered as Key Management Personnel (KMP). The Articles of Association does not contain a shareholding guideline for a KMP.

## Activities and Deliberations of the Committee in 2022/23

The Committee covered following key areas during the meetings;

- Revisited the Remuneration Policy of the Company to align it with industry levels and its application to the Chairman/ Managing Director, Group CEO, other Executive Directors and members of the Group Management Committee.

- Considered and recommended remuneration including annual salary increases and performance incentives for personnel stated above.
- Ensured that none of the Directors are involved in deciding his/her own salary

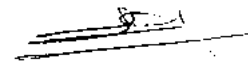
## Directors' Emoluments

The Directors' emoluments and compensations during the year 2022/23 are disclosed in Note 4.5 on page 146.

## Future Focused activities

- Improve the link between performance and rewards through remuneration policy

The Committee realized that the Directors and Senior Management are remunerated fairly and receive performance-based compensation by ensuring an effective remuneration policy aligned with the Company's strategy and long-term value creation.



**Dr. Harsha Cabral**  
Chairman – Remuneration Committee

Colombo  
05th June 2023

# REPORT OF THE NOMINATION COMMITTEE

The Nomination Committee (NC) reviews the structure and composition of the Board and makes recommendations to the Board on all new appointments.

## Activities and Deliberations of the Committee in 2022/23 include:

- Reviewing the structure, size, composition and competencies of the Board
- Evaluating the independence of the Non-Executive Directors through independence declarations submitted by the Non-Executive Directors
- Reviewing the process of succession planning for key management personnel to ensure that the Board has the correct balance of individuals to discharge its duties effectively

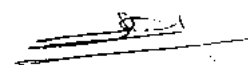
- Considering and recommending the re-election of the Non-executive Director eligible for re-election in line with Company's Article of Association and applicable laws
- Ensuring that no member of the Nomination Committee is involved in deciding his own appointment
- Making any recommendations on any other matter/s referred to the Committee by the Board of Directors.

## Future Focused activities

Future focus areas of the committee include, but are not limited to:

- Ensuring the Board and executive management have an adequate mix of skills, experience and attributes necessary to support Group strategy and future endeavours

The Committee is pleased to confirm that three out of four Non-Executive Directors are independent from acting in an executive capacity in the company and that the board succession plan ensures the board appoints Directors who have the requisite skills and experience.



**Dr. Harsha Cabral**  
Chairman – Nomination Committee

Colombo  
05th June 2023

 Terms of reference, composition of each committees, names of the committee members and their meeting attendance are given on pages 58 - 71 of the Corporate Governance Report.

 Performance evaluation of each committees are discussed in page 66 of the Corporate Governance section.