



CAPITAL REPORTS





Capital Reports Section

https://www.dimolanka. com/2023-2024-dimo-annual-report/url.php?id=19

Table 12: Capital Deployment

	Capitals	Unit	2023/24	2022/23	2021/22	2020/21	2019/20
	Financial Capital						
≫⊞	Equity	Rs. million	16,849	15,354	15,466	14,961	12,349
	Borrowings	Rs. million	22,395	13,730	8,951	4,551	11,287
	Earnings per Share	Rs.	4.65	62.73	76.06	52.72	21.12
	Gross Margin	%	27.16	36.10	26.3	24.23	21.21
	Gearing Ratio	%	57.07	47.21	36.66	23.33	47.75
	Manufactured Capital						
<u> </u>	Freehold Building Sq. feet	Sq. Ft.	857,163	823,359	823,359	823,359	775,321
20	Human Capital						
	Total Employees	Number	1,933	1,868	1,875	1,804	1,916
	Turnover per Employee	Rs. million	22.58	18.91	20.00	17.08	18.04
	Employee Engagement Score	Index	4.2	4.2	4.2	4.06	4.11
	Female Employees in Decision Making Roles	Number	59	54	50	43	42
\bigcirc	Social & Relationship Capital						
신날	Customer Satisfaction Index	%	91	89	90	89	92
	Number of Strategic Relationships with Foreign				50		
	Principals	Number	118	116	94	86	88
	Investment in Social Progress	Rs. million	31	17	24	22	75
IST	Intellectual Capital						
town	Investments in Intangible Assets (ERP)	Rs. million	174	364	175	N/A	N/A
	Being Recognized as a Great Place to Work	Status	Yes	Yes	Yes	Yes	Yes
	Recognition for Corporate Reporting by External Bodies	Status	Yes	Yes	Yes	Yes	Yes
	Obtaining ISO Accreditation for QMS, EMS, OHS	Status	105	105	105	105	105
	& FSMS*	Status	Yes	Yes	Yes	Yes	Yes
P	Natural Capital						
\mathcal{D}	Total Water Consumption to Generate						
	Rs. 1 million Revenue	m ³	1.6	1.44	2.62	3.13	2.67
	Total Energy Consumption to Generate Rs. 1 million Revenue	GJ	1.18	1.21	1.52	1.47	1.9
		••••		••••••	•		N/A
	Renewable Energy Generation	GJ	11,605	11,415	11,739	10,734	N//

*obtained in 2022/23

Management Approach Alignment to Strategy

Table 13: Capital Report - Management Approach

Capital	Diversification	Differentiation	Collaboration
Financial	Financial capital plays a critical role in executing our diversification strategy. This approach necessitates sustained investment of financial resources to generate significant financial value over the medium to long term	The differentiation strategy is primarily implemented through our marketing efforts. As such, the financial capital requirements become clear only once the marketing strategy is finalized. This approach is anticipated to generate short-term value	The collaboration strategy primarily relies on relationship capital and intellectual capital. The need for financial capital will vary based on the nature of the collaboration. This strategy is expected to generate financial value across short, medium, and long term
Manufactured	Manufactured capital is essential for diversification efforts. Whether for related or unrelated investments and acquisitions, financial capital is required to enhance manufactured capital	The differentiation strategy is designed through cost, quality and delivery. As such, manufactured capital plays its part when quality products have to be offered at cost effective prices. Benefits from such investments are mostly short and medium term	Manufactured capital mostly become material when our principals require DIMO to comply with their quality and health & safety requirements. In such situations manufactured capital may be important in the short term. It is also important when comfort and health & safety is afforded to anyone who steps into our premises, including our employees and customers.
Human	The increase in human capital is a positive consequence of diversification. To attract expert talent for new ventures, a trade-off with financial capital may be necessary. Enhanced human capital is poised to add value to DIMO in the short, medium, and long term	The differentiation strategy necessitates a blend of fresh and seasoned human capital to develop innovative marketing strategies, processes, and procedures, thereby generating financial value in the short and medium term	The collaboration strategy relies on human capital, as the advantages of collaboration are driven by the people involved
Account Social & relationship capital	Diversification relies on relationship capital to form partnerships for new ventures. This capital generates short- term value, while strong relationships can provide long-term benefits.	The dependence on social and relationship capital for differentiation is perceived to be of a nature that is not considered material.	Enhanced social and relationship capital is essential for successful collaboration, as it is the key ingredient for its success
() Intellectual capital	The strategy requires enhanced intellectual capital to optimize synergies through diversification, leading to greater economies of scale and improved financial performance.	The strategy is supported by the intellectual capital of the business. The expertise and know-how of employees transforms the differentiation strategy into action, enhancing both human and financial capital in the short and medium term	Intellectual capital plays a pivotal role in the collaboration strategy as it becomes a key value creator when two parties collaborate. Financial capital, social and relationship capital as well as human capital are the capital enablers for this strategy to create value in the short, medium and long-term.
Natural	While natural capital might not be the primary driver for initiating diversification, its importance can vary depending on the specific area of diversification. For instance, transitioning into agriculture necessitates substantial natural capital, particularly in terms of land and water resources	Natural capital, such as water and land, is predominantly required for agriculture, while vehicle aftersales businesses require moderate quantities. However, while these resources are essential for agriculture, they do not typically serve as differentiators in these sectors.	Occasionally, DIMO may leverage natural capital, such as land, to establish novel partnerships under a collaboration strategy. However, there are currently no plans to do so.



Our financial capital consists of monetary resources strategically utilized to generate value through our business endeavours.

Effective and efficient management of these resources is essential to sustain our ability to create value for shareholders. Throughout the year, one of our primary focus areas was safeguarding our financial strength by securing financial resources to sustain uninterrupted operations, and by ensuring the maintenance of healthy liquidity levels.

This section provides an analysis of the key metrics of financial capital, encompassing both their qualitative and quantitative aspects. A few financial highlights are given below.

Stated Capital Rs. 621 million (2022/23: Rs. 621 million)

Long-term borrowings Rs. 2,866 million (2022/23: Rs. 1,973 million)

Earnings before interest, tax, depreciation and amortization

Rs. 3,655 million (2022/23: Rs. 4,538 million) General Reserves and Retained Earnings Rs. 8,680 million (2022/23: Rs. 8,744 million)

ROCE 8% (2022/23: 14%)

Paid as a cash dividend during the year

Rs. 92 million (2022/23: 115 million) **Rs. 19,529** million (2022/23: Rs. 11,757 million)

Short-term borrowings

Ended the year with a net cash position

Rs. 3,384 million (2022/23: Rs. 2,568 million)

provide more financial ratios

Identification and Mitigation of Risks of Financial Capital

Risk	Mitigation Strategy
	 All segments consistently follow up on debtors and inventory to minimize the need for working capital funding.
Fluctuations in interest rates	 Business units are encouraged to prioritize cash-based sales, resorting to credit sales where necessary.
	 Maintain an appropriate combination of fixed and floating rate borrowings.
Sustaining a surplus liquidity position	 Enhanced emphasis on improving cash collection and inventory management. Negotiate favourable credit terms with suppliers.
Non-availability of funds for growth and expansion	 Credit lines are secured on long-term basis to fund and match investments and their returns. Temporary burden of investments on DIMO cash flows is always evaluated prior to giving the "go" decisions for new investments.
Changes in taxes and tariff (VAT changes)	 Strategic adjustments such as pricing adjustments, cost management, operation efficiency and customer communication to manage the impact to the business.

Group's Financial Results - Nurturing Financial Capital

The financial ratios disclosed on page 257

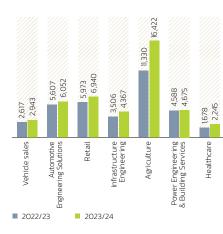
The Group demonstrated resilience throughout the financial year under review, achieving a net profit before tax across its diversified businesses, despite restrictions placed on one of Group's key lines of business – automobile sales. This accomplishment underscores the robustness of our operations amidst challenging market conditions.

Revenue

During the year, the Group recorded a net revenue of Rs. 43,644 million (2022/23: Rs. 35,299 million), generated through seven business segments. Revenue generated by each business segment including equity accounted investees is shown in Graph 8.

Financial Capital

Graph 08: Segment Revenue (Rs. million)



- The Agricultural and Retail segments collectively contributed Rs. 23,362 million (2022/23: Rs. 17,303 million) representing more than 50% of the Group revenue.
- Revenue generated by the Agriculture segment increased by 45% and Healthcare segment increased by 34% in 2023/24.
- Turnover increase of all the seven segments contributed to an overall increase of 24% (2022/23: 6% reduction) in Group turnover for the year.

Strategies identified for Revenue Growth

The Group's strategies for medium to longterm growth in revenue and profits are presented in the Strategy and Resource Allocation section on page 21 to 27.

Gross Profit & Operating Expenses

The Group gross profit margin decreased from 36.10% to 27.16% during the year (In Rs. 2023/24: 11,854 million, 2022/23: 12,743). The higher margins during the previous year were due to the accommodation of sharp increases in exchange rates, in the selling prices, where part of the difference in exchange cost relating to rate increases were included in the prior year. In an environment where business faced challenging circumstance, the efforts were heavily focused on securing requisite gross profit margins. Group incurred Rs. 9,344 million as operating expenses (2022/23: Rs. 7,739 million) representing 79% of the total gross profit of the Group for the year under review.

Group's gross profit and operating expenses over the last five years are given in Graph 9.





The Management continuously strives to identify ways of reducing operating expenses in order to lessen the pressure on the gross profit margins. Strategies pursued include optimizing cost structures, enhancing productivity, and curtailing discretionary spending. To mitigate cost escalations in the medium and long term, the Company will embark on a technological advancement path. This initiative not only promises operational efficiency but also enhances the overall customer experience.

Finance Expenses (Net)

The Group's net finance expenses decreased by 36% to Rs. 2,934 million (2022/23: Rs.4,566 million) during the year, compared to the previous financial year.

One of the reasons for the decrease in net finance expense was the 11% decrease of interest expenses on short-term and longterm borrowings to Rs. 2,866 million (2022/23: Rs. 3,218 million). Further, the Monetary Policy of the Central Bank of Sri Lanka caused the AWPLR to fall from 21.40% at the beginning of the year to 10.69% at the end of the year. The interest cover of the Group, stood at 1.07 times in comparison to 1.69 times in 2022/23.

The net exchange loss incurred by the Group in 2023/24 reduced to Rs. 1.3 million compared to Rs. 1,322 million net exchange loss in 2022/23. The selling rate of the USD published by the Central Bank of Sri Lanka as at the beginning of the year was Rs. 336.01, whilst it was Rs. 305.33 as at the end of the year.

As there was an exchange loss, the Group reviewed pricing mechanisms more frequently in response, to recover such forex losses either partially or fully.

Taxation

Paying taxes is crucial for the economic and social development of our country, and it is our responsibility to fully comply with all relevant tax laws and regulations. The Group's income tax charge for the year was Rs. 91 million (2022/23: Rs. 39 million). The effective tax rate (including the effect of the deferred tax expense) also increased to 49%, as against 5% recorded in 2022/23.

The reconciliation between accounting profit and taxable income is available in Note 4.6.3 to the Financial Statements. A summarized computation of deferred tax is provided in Note 4.24 to the Financial Statements.

Profitability

The profit before tax stood at Rs. 183 million (2022/23: Rs. 737 million) for the year under review, a decrease of 75%.

The profit after tax too decreased by 87% to Rs. 93 million from Rs. 698 million in the previous year.

The movement of the Groups' gross profit margin and Net profit (before tax) margin over the last five years is depicted in Graph 10.

Graph 10: Gross Profit vs Net Profit (%)



Group's Financial Position

The Group was able to maintain a desirable financial position with a total asset base of Rs. 48,993 million and total liabilities amounting to Rs. 32,144 million as at 31st March 2024. (Rs. 39,562 million total assets and Rs. 24,209 total liabilities as at 31st March 2023)

The summary of the Group's financial position is illustrated in Graphs 11 and 12.

Graph 11: Total Assets (Rs. million)

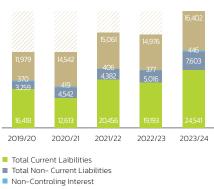


Strategic Agility

A dragonfly typically takes merely 50 milliseconds to respond to external movements. It also tracks its own movements while in pursuit of its goal, in order to advance accurately and with precision.



Graph 12: Total Liabilities and Equity (Rs. million)



Equity Attributable to owners of the Company

The efficient and prudent management of monetised assets such as property, plant and equipment, inventory, receivables and cash and cash equivalent, is imperative to maximising profitability and liquidity.

As depicted in Graph 11, the Group's noncurrent assets increased by 19% to Rs. 20,620 million (as at 31st March 2023: Rs.17,262 million) mainly due to revaluation of land carried out during the year.

The increase in the Group's trade and other receivables, other current assets and cash and cash equivalents drove the 27% increase in Group's total current assets to Rs. 28,373 million (as at 31st March 2023: Rs.22,300 million) and the 24% increase in Group's total assets compared to previous financial year (2022/23: decrease 2%). The Board together with the management closely monitors the Group's cash and cash equivalents to ensure availability of funds for the Group's operations. The Group has a dedicated treasury function to ensure securing and effective use of funds.

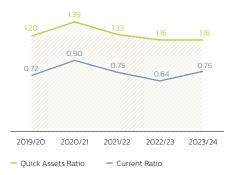
Liquidity Management and Working Capital

Effective liquidity management is vital for establishing a strong financial footing for the Group. We mitigate liquidity risk by strategically coordinating the maturity profiles of debts, receivables, forecasts, and cash flows. Usually, acquisitions of property, plant, and equipment, as well as new investments, are financed through distinct medium to long-term funding structures.

Diversifying our funding channels, we uphold a substantial level of undrawn committed bank facilities and cash reserves to address any immediate funding requirement and to cater to short to medium-term liquidity requirements.

Sustaining a healthy current ratio and a quick asset ratio remains pivotal in liquidity management. As depicted in Graph 13, the Group has maintained its current ratio at 1.16 times and quick ratio at 0.76 times at the end of the year 2023/24.

Graph 13: Liquidity Ratios



Group's net current assets increased by 23% to Rs. 3,832 million as at 31st March 2024 from Rs. 3,108 million as at 31st March 2023. The increase in net current assets is primarily due to the 58% increase in trade and other receivables, 57% increase in other current assets, and 32% increase in cash and cash

Financial Capital

equivalents. It also reflects the 63% decrease in current portion of lease liabilities and 59% decrease in amount due to related parties. The consolidated statement of cash flows on page 172 to 173 provides a total picture of the changes in liquidity.

The average cash conversion cycle for the Group stood at 171 days for the year 2023/24 (2022/23: 162 days). The Group continues to closely monitor inventory management including slow moving inventory and debtor collection while continuously negotiating payment terms with suppliers to improve its cash cycle. The cash conversion cycle is funded through short-term borrowings. The unutilised banking facilities as at 31st March 2024 amounted to Rs. 8,500 million (As at 31st March 2023: Rs. 9.644 million).

Cash Flow

The group treasury meticulously oversees and implements strategic measures to manage its cash flows. This involves constant monitoring and analysis of financial activities to ensure that funds are allocated and utilized efficiently. By adopting a cautious and wellplanned approach, the group treasury aims to optimize liquidity, minimize financial risks, and enhance the overall financial stability of the organisation.

As at 31st March 2024, Group's cash and cash equivalents stood at Rs. 3,384 million (in 2022/23 – Rs. 2,568) which comprised of cash, bank balances and short-term investments with a maturity of O3 months or less, net of outstanding bank overdrafts.

Net cash flow from operating activities reflected an outflow of Rs. 5,968 million, owing to the increase in trade and other receivables during the year. (2022/23: Rs. 3,483 million outflow)

Net cash flow from investing activities reflected an outflow of Rs. 1,428 million due to capital investments. (2022/23: Rs. 1,255 million outflow) Net cash flow from financing activities reflected an inflow of Rs. 8,194 million mainly due to the increase in short term borrowing. (2022/23: Rs. 3,718 million)

Capital Structure and Leverage

The Group's capital structure comprises of equity of Rs. 16,849 million and a debt of Rs. 22,395 million, leading to an increase in the gearing ratio to 57% from 47% as at 31st March 2024 (As at 31st March 2023: Rs. 15,354 million equity and Rs. 13,730 million debt). Every effort is made to ensure that the Group maintains a sound capital structure that enables cost–effective funding for new investments and acquisitions.

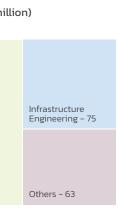
Shareholder value creation through financial capital is discussed on page 110 to 115 in the "Investor Relation" section of the Annual Report.

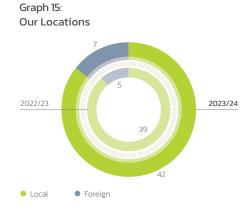


Property, plant and equipment including rented and leased premises across the island, excluding land.

Graph 14: Investment in capital expenditure during the year (Rs. 771 million)

(2022/23 – Rs. 639 million) [Investments excluding Land]





Graph 17:

Colombo

Gampaha

No. of Manufacturing and

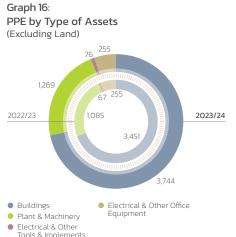
Assembly facilities



Our Manufactured Capital

Agriculture - 633

The Group's manufactured capital comprises of state-of-the-art vehicle service workshops, manufacturing facilities, and other physical assets across the island, which enable us to manufacture sustainable products, offer quality services, enhance customer centricity and nurture employeefriendly working environments.



How Manufactured Capital Supports Our Value Creation Goals and

Strategic Decision

Bringing DIMO's long-term vision on value creation into action, the group maintained a positive attitude towards investing on manufactured capital in order to strengthen the potential for growth in key business segments.

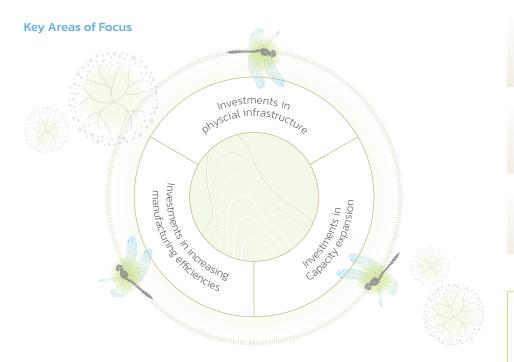
The quality and adequacy of our manufactured capital plays a pivotal role in our strategic direction and value creation. The Group's investments towards enhancing

manufacturing capabilities enable us to diversify ourselves in the market by offering high-quality, sustainable products to customers. We strive to continuously invest in improving our vehicle service workshops and our island-wide branches with the aim of offering an unparalleled customer experience. And through the efficient use of our physical assets, we endeavour to attract new customers and expand our growth potential.

Kurunegala

Puttalam

Manufactured Capital



Investment in Physical Infrastructure

The group continues to invest in expanding and improving the quality and quantity of its physical asset base across the island with the aim of increasing the quality of services offered and maintaining better working environments. In this light, the group continued to invest approximately LKR 335 million in infrastructure additions during the FY 2023/24 (2022/23 – Rs. 220 millions).

Our branch and workshops network across the island contributes to expanding our customer base and improving our brand visibility. They are equipped with the latest machinery and technology to offer superior service to customers, positioning DIMO above the competition. The DIMO 800 state-of the-art Mercedes-Benz workshop and office premises is a hallmark of the group's investments which has also made a remarkable contribution to upholding our brand awareness.

The details of additions to physical infrastructure during the year are summarized below.

Table 14: Investments in physical infrastructure

Segment	Details of investments done	Value of investment Rs. millions
Automotive Engineering	Investment in DIMO Balagolla Branch	28
& Solutions	Investment in recreational vehicle manufacturing building and tools	8
Agriculture	Investment in Agri experience centre – Dambulla	68
	Investment in acquisition of new business (Excluding cost of Land)	231

No. of own buildings **39** (2022/23 - 31)

Total area of own buildings 857,163 sq. Ft (2022/23 - 823,359 sq.Ft)

PPE held overseas Rs. 143 million (2022/23 - Rs. 280 million)

Investment in DIMO Branch at Balagolla - Kandy

With the aim of upholding DIMO's brand visibility and customer accessibility, the group invested Rs. 28 million on its latest branch at Balagolla. The branch will cater to all sales and after-sales requirements of TATA vehicles and agri machinery. Additionally, the branch will offer a range of other products such as WD-40, DIMO LUMIN bulbs and Black & Decker home appliances, providing existing and potential customers a one-stop solution.

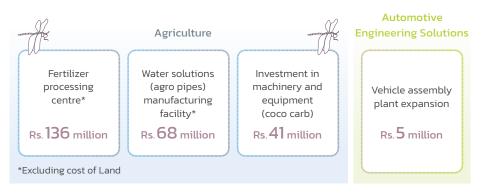


Investments in Capacity Expansions

The group's dominant position in the market is strengthened by its sophisticated manufacturing capabilities. The 15-acre logistics centre located at Weliweriya houses the central warehousing complex, plants for TATA Ace vehicle assembly, power panel building facility and water pump assembly. The group continuously focuses on improving the manufacturing capabilities of these facilities, in alignment with its long-term vision of prioritizing local value addition.

DIMO Agribusinesses owns an agri fertilizer value addition plant at Sapugaskanda, a coconut oil production plant at Minuwangoda, and a fruit and vegetable-based product processing plant at Kurunegala. In addition, it owns a charcoal production facility, coconut milk manufacturing facility, alkathene pipe manufacturing facility in the Puttalam district. DIMO's increasing focus on manufacturing operations plays a pivotal role in cementing its competitive advantage. Approximately 19% of the group's revenue in FY 2023/24 was derived from manufacturing activities. This represents a 25% increase from the previous year, clearly indicating the vital role it plays in the group's value creation process and the management's reliance on it as a contributor to long-term success.

During the year, DIMO invested approximately Rs. 250 million (Rs. 82 million – 2022/23) in capacity expansions at its manufacturing plants. The details of these investments are summarized below.



Investments in Increasing Manufacturing Efficiencies

Over the past few years, DIMO's profile has undergone a paradigm shift from being an automobile sales and aftersales expert to a dominant player in Agriculture. Throughout its history, the group has maintained a positive attitude towards investments for diversification and in enhancing manufacturing capabilities and continuously improving manufacturing efficiencies, leading to productivity improvements. Aligning with DIMO's commitment for differentiation through a unique product portfolio, the company invested approximately Rs. 21 million (Rs. 17 million – 2022/23) during the year on the latest technologies and equipment aimed at improving the efficiency of our manufacturing operations. These initiatives will contribute to resource optimization, the reduction of waste and an increase in the productivity of the manufacturing operations.



Digitalization in Manufacturing

With the implementation of SAP, the group had embraced digitalization within its manufacturing operations. The Production planning and Quality Management module implemented for manufacturing and assembly operations enables the integration of end to end production and assembly operations from planning and execution to sales. It also offers invaluable insights into manufacturing KPIs, which are imperative for improving productivity. Furthermore, the Plant Maintenance module will enable the group to track its manufacturing assets and ensure their timely maintenance, in order to upgrade the overall productivity level.





Manufactured Capital

Risks and Responses Relating to Manufactured Capital

During the year, DIMO faced multiple challenges in managing its manufactured capital.

Risks	Impact to business	Mitigation actions
 Increase in cost of acquisition, maintenance and renting of physical infrastructure 	The upward trend in inflation can increase the prices of manufactured assets and maintenance costs, resulting in an additional burden to the group. This could negatively impact the group's profitability as well as its availability of funds for investments.	 Plan the investments based on the intensity of the requirement and group's strategic priorities. Direct all vendor inquiries through a centralized team to increase group's bargaining power.
2. Risk of theft of assets or destruction due to man-made or natural calamities.	Safeguarding the Company's assets against theft or natural disasters is of utmost importance to ensure flawless operations and to avoid any negative implications to the group's earnings.	Safeguarding assets through property insurance

Capitals Impacted



Alignment of Seven strategic priorities

Increase business presence in essentialgoods & services while focusing on geographical expansions

3 Drive for sustainable products, services, and practices

Refer page 22 - 24 to read more about Seven strategic priorities

Contribution Towards SDGs



Way Forward

Throughout DIMO's journey of value creation, the group will continue to focus on investing in manufacturing operations to enhance its capabilities and efficiencies, enabling the group to offer high quality products to both local and export markets. In this regard, the group has the following action plan set for the future:

Short Term Plans

• Embed digitalization in managing the group's physical asset base with the use of SAP.

Medium to Long Term Plans

- Increase investment to enhance the manufacturing capacities of exportoriented businesses with the focus of improving DIMO's footprint in the global marketplace.
- Invest in sustainable manufacturing practices in alignment with group's sustainability agenda 2030.

GRI: 2–30



Our skilled tribe, their expertise, dedication, and commitment that helps to foster a culture of excellence

Graph 18: Employees by Segment

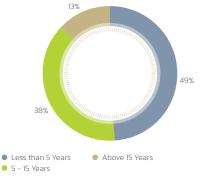




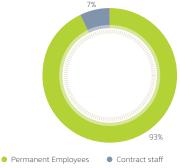
Our People **1,933** (2022/23 - 1,868)

<figure>

Graph 20: Employees by Years of Service



Graph 21: Employees by Type of Employment



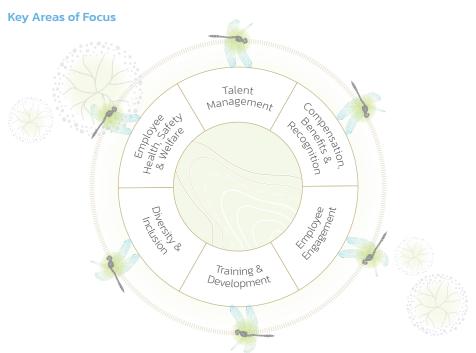
Our Human capital

Our highly competent workforce transforms our purpose into value by offering innovative solutions to our customers. Their skills, expertise and commitment differentiate us from the rest and contribute towards our long-term stability.

How Human Capital Contributes to Our Value-Creation Goals and Strategic Direction

Our people are the driving force behind our success. A highly motivated and engaged workforce can drive the organization towards fulfilling its strategic aspirations and we are committed to ensure a positive and collaborative work environment which offers an enriching employment experience to our team. Our corporate values connect our employees with our strategic direction and supports the delivery of our long-term business strategy. We empower our tribe members to unleash their full potential to provide innovative solutions to our customers, delivering our brand promise and thus differentiating ourselves from the competition. The 'Carpital' advisory service, and the mini fire truck are few such initiatives taken during the year.

Human Capital



Talent Management

The Group's talent management strategy covers the complete employee life cycle from recruitment to resignation. It focuses on attracting top-tier talent, providing them with opportunities for growth and retaining the best talent within the Group, supported by our employee value proposition. We believe our tribe members are the catalysts in driving our value creation journey; we are committed to create a promising workplace for them. During the year, we have taken a new step forward by embracing digitalization in HR. The new 'SAP SuccessFactors' will integrate HR functionalities, allowing us to cater to all human resource needs efficiently, thereby sequentially boosting the overall productivity of the workforce.

Composition of new recruitments and additions to the cadre through acquisitions

By Segment	No	By Gender	No.	By Age Group	No.
Automotive Engineering Solutions	82	Female	102	Less than 30 Years	280
Agriculture	141	Male	368	30 – 50 Years	164
Vehicle Sales	3			> 50 Years	26
Healthcare	53				
Infrastructure Engineering	17	93 Tribe memb	ore	163 Vacancies interr	
Power Engineering & Building Services	40	promoted duri year (2022/23 -	ng the	filled (2022/23 – 212)	latty
Retail	48				
Support Services Units	86	€ 25		** 21	
Total New recruitments and additions to the cadre during the year (2022/23 – 217)	470	A 68		136	



HR Governance

DIMO's comprehensive HR policies, which are designed in compliance with both local and international regulatory frameworks, address all key focus areas of our HR strategy. These policies govern our ethical culture and ensure the delivery of our employee value proposition. In addition to complying with the national regulations on human resource management, DIMO has the following policies in place to ensure a secure and respectful working culture:

HR policies of DIMO

- HR Policy
- Harassment, Bullying & Retaliation
 Policy
- Whistle Blowing Policy
- Code of Business Ethics
- Parental Leave Policy

Compensation, Benefits, and Recognition

At DIMO, we firmly believe that a fair and equitable remuneration policy is key to attracting and retaining the best talent. We are committed towards offering a competitive compensation and benefit package to our tribe members through periodic, industry specific benchmarking. Our performancebased culture minimizes subjectivity and ensures the efforts of the employees are being adequately rewarded whilst maintaining both internal and externally parity. The group also recognizes and appreciates the outstanding commitments of its employees. During DIMO Day held 05th November 2023, 36 extraordinary achievers were recognized as 'DIMO Knights'.

GRI: 2-30, 401-2, 403-4, 404-2, 404-3



Total Payments to Employees



Total Employees felicitated **36**

Employee Engagement

The DIMO employee engagement scope is focused towards wining the hearts and minds of its tribe members by offering a rewarding employment experience throughout their employee life cycle. It entails ensuring the availability of basic facilities for work, rewarding their commitment, being an ethical employer and delivering our employee value proposition. The group also believes that being connected with its employees is a key factor is creating a conducive work environment. Among many other things, religious and cultural events and sports & entertainment activities are also organized to uplift team spirit and to make work enjoyable. During the year, multiple surveys were conducted to assess the effectiveness of the group's employee engagement efforts.

Overall Employee Engagement score 4.2 (2022/23 – 4.2)

Employee voice

DIMO is committed to maintaining an inclusive workplace and employees may offer suggestions, raise their concerns and provide feedback to the Management about their employment experience. This includes Employee Councils held monthly, feedback surveys and HR clinics designed not only to make employees' voices heard, but also to provide resolutions to employee concerns.

Employee Council Meetings held
12

(2022/23 - 12)

No. of surveys conducted

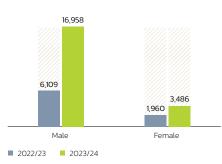
4 (2022/23 – 4)

HR Clinics 8 (2022/23 – 8)

Training and Development

We believe continuous training and development is required to strengthen the skills and capabilities of our tribe members. Through the yearly training need analysis, gaps are identified, and proactive measures are taken to equip staff with these skills. Our training programs includes a mix of skill, knowledge and attitude development programs, sessions on elevating customer experience, giving prominence to leadership development. We adopt a blended approach of class-room trainings, online programs, bite-size trainings, and gamified training.

Graph 22: Gender Wise Training Participation (Hours)



Total investment on training (Trainings conducted locally)

Rs. 24 million (2022/23 – Rs. 11 million)

Average training cost per employee

Rs. 17,030 (2022/23 - Rs. 14,728)

Average training Hours per employee (Gender wise)



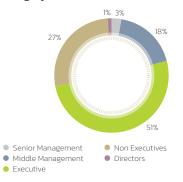
Diversity and Inclusion

We embrace the diversity within our workforce and design our HR strategies to offer an inclusive workplace to all tribe members by providing equal opportunity to all. We believe this dynamism in the workforce is a powerful driver of innovation and thus, much emphasis is given to leveraging these opportunities. At DIMO, we warrant no discrimination on race, religious belief, age, nationality, disability, sexual orientation or political opinion and ensure that each individual is respected. Our anti-harassment helpline, managed by an independent external party, showcases our promise of a conducive workplace.

Female participation in workforce



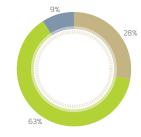
Graph 23: Female participation by designation category



Human Capital

Due to the inherent nature of our business, most technical jobs are male dominated. However, we are strongly committed towards breaking the glass-ceiling for women by recruiting more females for mechatronics services and by increasing female participation in decision making roles.

Graph 24: Employees by Age Group



Below 30 (2022/23 - 27%)

Between 30 - 50 (2022/23 - 65%)

Above 50 (2022/23 - 8%)

Employee Health, Safety and Welfare

At DIMO the total wellness of an employee - physical, psychological and financial, is taken care of through a meticulously crafted governance framework. We prioritize the safety of our employees above everything, else, and stringent measures have been taken to minimize workplace accidents and injuries. The safety team conducts periodic hazard hunts and immediate solutions are given during monthly safety meetings. To promote a safety conscious culture, training on firefighting, first aid and emergency response is offered to all staff. Among many other measures, the company also has medical centres at certain key locations with a trained representative, while employees also have access to a medical practitioner at no cost.

Health & Safety records

Cases	2023/24	2022/23
Injuries	12	9
Occupational		
diseases	NIL	NIL
Lost working days	168	80
Work related		
fatalities	NIL	NIL

Risks and Response Relating to Human Capital

During the year under review, the group faced multiple challenges influenced by both the VUCA world and the changes in the internal environment in which it operates.

Table 15: Risk, Impact and Mitigation Action

Ri	sks	Impact to business	M	itigation actions
1.	Staff Attrition	Influenced by the uncertain economic situation of the country, many skilled professionals left the country for greener pastures. Consequently, DIMO also experienced significant employee attrition during the period. However, the critical talent attrition during the year was only 0.4%.	•	Benchmarking with industry and offering competitive compensation and benefit packages. Offering internal promotion opportunities.
2.	Change Management	During the year, the Company implemented its new ERP, 'SAP' with a focus on re-engineering its current business processes. This shift from the previous thinking to the new required significant efforts on change management.	•	Providing continuous training on system functionalities to align the staff to the core objectives of the project.
3.	Employee unrest due to economic crisis	Rising inflation and economic volatility in the country may create frustration among the employees. This could negatively affect employee morale and thereby their productivity.	•	Conducting periodic 'HR clinics' to understand employee grievances and to address their issues.

Way Forward

Managing the unprecedented challenges posed by today's ever-changing business world is vital for driving our business towards its strategic direction. In this regard, the agility of our employees plays a significant role. We are committed towards upskilling our workforce, streamlining our HR processes and improving gender parity with the aim of becoming a dynamic and innovative employer.

Short Term plans

- Aligning all our subsidiaries to DIMO group's HR practices ensuring uniformity across the group.
- Designing ourselves for greater scalability through digitalization.

Alignment of Seven Strategic Priorities

5 Critical talent retention via equitable compensation

Creating a conducive environment for employees tocollaborate seamlessly, ensuring a unified brand voice and consistent customer journey(s)

Refer page 22 - 24 to read more about Seven strategic priorities

Medium to Long term plans

- Maintaining gender parity by increasing the number of women in decision making roles to 40% by 2030.
- Striving to brand ourselves as a young, innovative and dynamic organization and be a 'top-of-the-mind employer'.

Contribution Towards SDGs



Graph 26:

Graph 28:

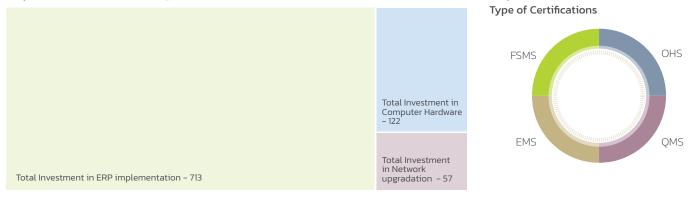
No. of Own Brands

GRI: 2-27



Our core expertise, skills, and capabilities enrooted in our business.

Graph 25: Total Investment in Digitalization as at 31st March 2024 (Rs. 892 million)



Graph 27: Investment for Research & Development during the year (Rs. 27 million) (2022/23 - Rs. 17 million)



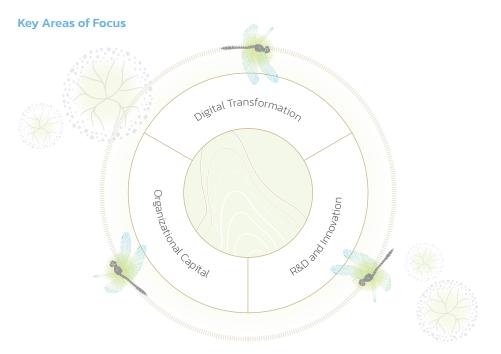
What Intellectual Capital Means to DIMO

The group's intellectual capital is the invisible ingredient that distinguishes DIMO from competition and drives sustainable growth. It encompasses the abundance of knowledge and expertise intrinsic to our group as well as our operational procedures, digitalization, brand reputation, capacities for innovation and strategic alliances. It is undoubtably a significant contributor to the group's value creation journey and equips us to respond adeptly to the ever-changing business challenges.

How Intellectual Capital Contributes to Our Value-Creation Goals and Strategic Direction

The strength of our intellectual capital plays a pivotal role in our strategic direction and value creation journey. The group's latest investments in a top-notch ERP system [SAP] has paved the way for unlocking its potential in digital transformation and will drive operational efficiencies by streamlining its processes. The use of advanced digital technologies enables the group to innovate its business processes, enhance operational efficiency and increase its competitive position in the market whilst driving sustainable long-term business growth. The reputation attained by the DIMO brand over a period of 85 years and our commitment to customer centricity have paved the way for creating lasting strategic partnerships with our key customers. Our aptitude for innovation, stemming from our strategic priorities, will steer long-term stability.

Intellectual Capital



Digital Transformation

Project Genesis



In order to unlock its potential in digital transformation, DIMO embarked on a revolutionary journey to implement the world class ERP system, SAP for its business. This will integrate the group's business processes and will enhance our value generation by streamlining our operations, optimizing the utilization of resources and leveraging on the synergies created by cross-functional collaboration. By re-engineering our current business processes, DIMO will align its IT strategy with the corporate strategic priorities, and this will strengthen our ability to navigate the challenges posed by a VUCA world and will pave the way for long-term stability. Please refer page 25 - 26 to read more about our IT strategy as a key strategic enabler in achieving strategic priorities.

Benefits yielded

- Restructuring our existing business processes to adopt industry best practices focusing on productivity enhancement.
- Creating the maximum value for Customers and Principals in each of the value chains we operate by seamlessly integrating customers, suppliers and employees with business functions through digitalization.
- Real time data analytics enabling datadriven decision making across the organization.
- Insights-driven and integrated strategic planning and budgeting; efficient management of working capital through accurate demand planning; cost optimization along the supply chain.
- Streamlining manufacturing and assembly operations through integration and elevating efficiencies by setting KPIs.
- Centralised shared services through standardization and automation of business processes aimed at improving efficiency and effectiveness.

Legal Entities within Scope 13

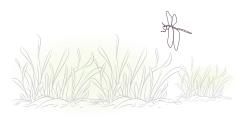
Modules Implemented in Phase I : On prem modules : 12 Cloud modules : 9

Modules planned for phase II : 16 modules

Research & Development and Innovation

We firmly believe that our continuous commitment to research & development and our aptitude for innovation across all business segments is prerequisite to differentiating ourselves in the constantly evolving marketplace. It is undoubtably a fundamental skill that is critical to ensure long-term stability. The Company's largest agriculture research and development facilities are located at Lenadora, Lindula and Nikeweratiya. These Techno Parks are used to carry out research and demonstration activities aimed at transforming the future of agriculture in Sri Lanka. The Company's assembly plant located at the Weliweriya logistics centre is the hub for TATA Ace vehicles assembly, power panels and water pump assembly operations aimed at driving product innovation. At DIMO, we are committed to spearheading both product and process innovation in all our businesses to deliver superior customer value, thereby strengthening our future growth potential.

Please refer page 61 on Manufactured Capital to read more about our manufacturing capabilities



Product Innovations



- Introduction of 'Tata Yodha' Diesel Pickup vehicle.
- Conversion of an assembled Tata Ace model to a mini fire truck.
- Assembly of a recreational vehicle aimed at export market.
- Organic fruit and vegetable based product range introduction to local market; 'Flava' brand.
- DIMO Agri water solution agro pipes made from recyclable & reused plastics.
- Pioneering the introduction of Drone technology for agriculture.
- Vegan Meat alternatives for export market
- Spreads and canned fruits and vegetables for export market.
- New high technology advanced tractor model of Mahindra – YUVO Tech+ 585
- Two wheel tractor model from DIMO (a first for DIMO) – VIKYNO RV 125

Process Innovations

- Implementation of Extended
 Warehouse Management system for
 Weliweriya. [Project Genesis]
- Implementation of production planning and quality management modules of SAP for manufacturing and assembly operations. [Project Genesis]
- Introduction of a new sales stream for passenger vehicle sales.
- Introduction of centralised Shared Services for resource management and process efficiencies.



TAGS Awards 2023



Great Place to Work Awards 2023



View DIMO's owned brands https://www.dimolanka.com/ our-brands/

At DIMO, managing our reputation is given the utmost importance and careful attention. All communications are screened through a stringent process to ensure that no communications that would indirectly harm our reputation takes place. All public communications are reviewed against compliance with legal and regulatory requirements, corporate guidelines, and ethics and guidelines, prior to publishing.

Management systems and processes

A meticulously designed management system enables the effective implementation of internal processes and procedures. Such systems will assist the organization to preserve its knowledge base in response to the risk of tacit knowledge loss due to employee turnover. A well-defined management system will facilitate the seamless transition of responsibilities from one employee to another. The implementation of Tier 1 ERP system SAP enabled the Company to streamline its

Highlights 2023/24

Flava

- Launching of 'Flava' Organic fruits and vegetable based products.
- Launching of new product range aimed at export market by 'Miditer'.

Miditer

Organisational Capital

Reputation and Brand Management

With a longstanding track record of over 85 years, DIMO brand has a strong reputation for quality, best-in-class customer service and trust. We strive to embody our brand promise of becoming the perfect partner by building sustainable relationships with world class principals and stakeholders. We are passionate about living our brand purpose by fuelling dreams and aspirations of the communities we serve. By providing unparalleled customer service, offering quality products, and engaging local manufacturers in our value chains, we are committed to upholding our brand purpose. In addition to the principal brands we represent, DIMO also has 16 owned brands introduced to the market.

•



Intellectual Capital

business processes and integrate business operations with its strategic priorities to create value. All transaction processing now happens in SAP and the Management relies on the insights generated through SAP for performance management and decision making. It is the underlying foundation on which DIMO's business processes are built on and had significantly contributed to converting organizational wide knowledge into explicit knowledge. Thus, the group's risk of tacit knowledge loss is minimized.

The management systems of DIMO, which are regarded as an integral part of our intellectual capital that is fundamental to our value creation efforts, have obtained the following accreditations: .

- ISO 9001:2015 Quality Management System valid till 25th Oct 2025 (QMS)
- ISO 14001:2015 Environment Management System valid till 25th Oct 2025 (EMS)
- ISO 45001:2018 Occupational Health and Safety Management System valid till 15th June 2025 (OHS)
- ISO 22000:2018 Food Safety Management System valid till 11th January 2026 (FSMS)

Workshop Management system

XENTRY Portal

Our state-of-the-art Mercedes Benz workshop is managed as per global standards set out by our principals to ensure a superior service is received by our customers. The 'XENTRY' system offered by Mercedes Benz encompasses a comprehensive guideline on sales and after-sales processes including an extensive stepwise approach on handling customer concerns. It also has a complete product catalogue enabling our service team to identify the required parts for each vehicle's specific requirement. It also lists the KPI's to be assigned to each team for measuring service performance and offers online trainings for users. By using XENTRY, our after-sales team is fully trained and equipped to offer best-in-class service to our customers, offering us an unparalleled competitive edge over others in the market.

Social Accountability Management system

DIMO is committed to ensuring compliance with social accountability standards to the best of its abilities and to ensuring that all internal procedures and practices are suitable for that purpose. The Company carries out its business in a way that is fair and decent for its' employees, onsite service providers, contractors, and other stakeholders to demonstrate their adherence to the highest social standards. DIMO's social accountability standards focuses on 8 key areas in the workplace, child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours and compensation. DIMO opposes the use of Child Labour, Forced Labour. The company is committed to work towards a goal of zero accidents and the general wellbeing in the workplace. DIMO upholds the Freedom of Association and Right to Collective Bargaining, ensures there is no Discrimination and is committed to ensure that each employee and potential employee is treated with fairness and dignity.

The social standards practiced at Tropical Health Foods is SEDEX certified, which verifies that the Company is meeting the ethical standards established by SEDEX (Supplier Ethical Data Exchange).

Certifications

Virgin Oil International (Pvt) Limited and Tropical Health Food (Pvt) Limited have obtained the following certifications, further strengthening our processes. All products manufactured by these companies comply with the product certifications required for export businesses.

- SMETA : Social audit
- BRCG : Food safety
- HACCP : Food safety

Industry Knowhow

With over 85 years of experience in doing business in Sri Lanka, DIMO has enriched itself with unique industry specific knowledge which strengthens its competitive position. This exclusive knowledge and expertise associated with the DIMO brand name form part of our intellectual capital and yields benefits throughout the value creation journey. It could also be considered an enabler for our brand to be recognized at multiple forums.

Awards and accolades

The DIMO brand is frequently recognized in the industry for the premium quality it had always maintained. The following are a few such awards received by the DIMO Group during year.

- Please refer page 8 to read more about our awards and accolades
- Silver Trophy in the Vehicle Servicing category – Presidential Environment Awards 2021–2022, Central Environment Authority – Min. Of Environment
- BASF Award for Excellence in Business Best in Crisis Management, BASF Pharma Solutions Asia Pacific
- CMA Excellence in Integrated Reporting Awards – Total 4 awards including Overall Gold winner (shared)
- TAGS Awards 2023 for Corporate Reporting

 Total 4 awards including 2 Gold awards for Diversified holdings (Group Turnover up to Rs. 50 billion) Sector and Best Integrated report (Shared).
- Award in Recognition of DIMO 's Automobile Engineering Initiative for Females - AICPA & CIMA Satyn Women Friendly Work Places Awards 2023
- Best Support Services in the Maritime Industry – DIMO Coastline (Pvt) Ltd – South Asian Business Excellence Awards 2023 (SAPS)
- South Asian Federation of Accountants (SAFA) – Gold awards for Best Integrated Report and joint winner of Diversified Holdings sector.

Risks and Response Relating to Intellectual Capital

The group's intellectual capital is exposed to the following risks; their impacts and the group's risk mitigation responses are also listed below.

Table 16: Risk, Impact, and Mitigation Action

Risks		Impact to business	Mi	itigation actions
1. Risks of cyber- and lo inform	-attacks ss of	The increased use of digitalization in the operations has exposed the group to a novel series of threats; potential	•	Perform regular reviews of IT security systems and upgrade as required.
_	cyber–attacks and loss of information.	•	Increase awareness among users to identify potential phishing attacks.	
2. Risk o damag brand	ge to	The 85-year-old history associated with the DIMO brand symbolises the trust and respect it has earned. Any actions that	•	Strengthen the brand governance framework and align all marketing and branding activities to the same.
		could negatively impact the brand value could result in loss of confidence among stakeholders and in turn loss of business.	•	Collaborate with third party agencies to assess the sentiments of the general public towards DIMO brand.
3. Loss o knowl		The organisational knowledge built over a history of eight decades is a key factor which makes DIMO unique. Any loss of such tacit organizational knowledge could negatively impact the brand name and thereby, the business.	•	Streamline existing business processes and conduct frequent knowledge sharing within departments aimed at nurturing our organizational knowledge. Use technology to manage workflows and to retain data, information and statistics in a data base.

Capitals Impacted



Alignment of Seven strategic priorities

- 1 Enhance brand equity
- Refer page 22 24 to read more about Seven strategic priorities

Contribution Towards SDGs



Way Forward

DIMO's journey to unlock its potential focuses on the key areas of digital transformation, research & development and Innovation. As we venture forward, it is of utmost importance that we tackle the brand-new challenges posed by the everchanging business landscape. In this regard, the group has the following action plan with a future focus.

Short Term Plans

- Increase digital competencies by implementing Project Genesis : Phase II, which will enhance our capabilities in analytics and integrated business planning.
- Automate existing manual business processes and improve process efficiency through integration.
- Leverage on research & development capabilities and continuously focus on new product development.

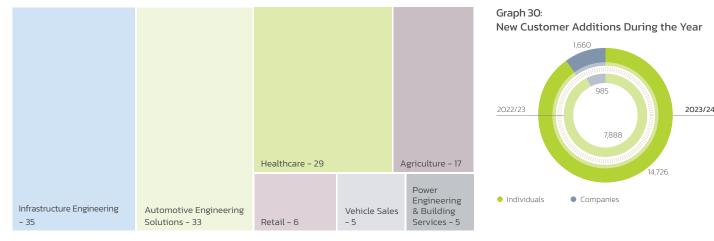
Medium to Long Term Plans

- Increase investment to enhance the research & development capacities of export-oriented businesses with the focus of marking DIMO's footprint in the global marketplace.
- Implement big data analytics with focus on driving sustainable long-term interactions with stakeholders.

Social and Relationship Capital

Our strong commitment towards building and maintaining sustainable relationships with our stakeholders

Graph 29: Segment Wise No. of Principal Brands - 130 (2022/23 - 129)





What Social and Relationship Capital Means to DIMO

Our social and relationship capital represents the fundamental link between our business and our customers, suppliers, regulators and the community at large. It embodies our steadfast commitment towards maintaining sustainable business relationships with these stakeholders, who are also the beneficiaries of our value creation process.



Individuals

No. of Suppliers by Type (including principals)

Graph 32:

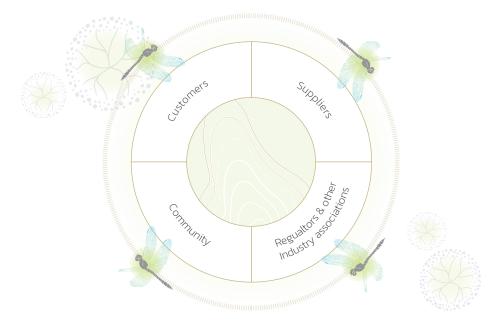


How Social and Relationship Capital Contributes to Our Value-creation Goals and Strategic Direction

Companies

As a diversified conglomerate which operates in multiple industries, maintaining meaningful relationships with our stakeholders and aligning the group's strategic priorities with their expectations is essential for our long-term stability. We have secured lasting customer interactions by maintaining a customer centric approach throughout our businesses, and in our Aftersales services in particular. Our positive relationships with our foreign principals strengthen our supply chain process. DIMO represents the highest number of German brands in Sri Lanka, which underscores the trust and reputation we have earned through our ethical business operations and strong relationships with principals. Such collaborative efforts enable us to differentiate ourselves by leveraging on these relationships to achieve our long-term strategic priorities.

Key Areas of Focus



Customers

The strength of the customer relationships we nurture plays a pivotal role in cementing the long-term stability of our business. The Group sets its strategic priorities with a focus on delivering value to our customers and we believe that fostering a customer-centric approach in all areas of our business will have a significant positive impact on our capacity to realise continuous financial value in future. As an ethical business, DIMO complies with all legal and regulatory requirements, both in local and export markets. All our products undergo a rigorous quality management process to ensure that our customers receive the best. The certifications received by DIMO group, as explained in page 70 under intellectual capital, reflect our commitment in this regard.

DIMO also continuously looks for opportunities to offer innovative products to customers with the aim of delivering enhanced customer value. The new products introduced during the year, as detailed on page 69, clearly demonstrate our efforts to generate shared value. "Delivering exceptional Customer Experience (CX) is at the heart of our operations. By continuously listening to our customers and innovating to meet their evolving needs, we strengthen our relationships and build lasting trust. Our commitment to exceptional Customer Experience goes beyond transactions; it fosters trust and loyalty, the foundation of our Social and Relationship Capital"

Dinuk Peiris

Group Chief Marketing Officer

Total Customers as at 31st March 2024 564,601 (2022/23 - 548,215)

New Customers on boarded in 2023/24 **16,386** (New onboarded in 2022/23 - 8,873)

Digitalization of Customer Relationship Management

Embracing the latest technology, DIMO began digitalization of customer relationship management. Our latest investment on 'Customer Experience – CX Project', aims to induce purchasing and inspire loyalty. Further, the recent implementation of SAP – Sales Cloud will strengthen the sales force by offering easy order capturing capabilities. The two systems are expected to be integrated in future, transforming the history of customer relationship management at DIMO.

Customer engagement

It is important to invest in customer engagement in order to foster healthy customer relationship by offering an unmatched customer experience. In this respect, DIMO has facilitated the formation of the following clubs, to reward loyalty and to differentiate DIMO customers from the rest.

- Mercedes-Benz Club
- Jeep Club
- TATA Emperor

Customer voice

At DIMO, we believe that continuous customer engagement is key to understanding market dynamics and to be proactive in responding to emerging customer needs. To facilitate engagement, DIMO has a dedicated call centre and customer relationship management team who engage with customers through various channels, and identify and respond to customer concerns. We value customer complaints and consider them an opportunity to improve ourselves to deliver a better customer experience. All complaints received are separately recorded and monitored for timely resolution.

Customer Satisfaction Index Score 2023/24 91 (2022/23 - 89)

Social and Relationship Capital

The team also performs periodic surveys to assess the quality of the customer experience received from DIMO. The frequency of the survey is based on the industry, and responses are captured through multiple platforms and analysed in detail to understand the strengths and weaknesses of our processes.

Suppliers

Throughout its history of over eight decades, DIMO had maintained long term associations with some of the world's best brands. Maintaining long-term relationships with our principals and suppliers is imperative to differentiate ourselves and deliver a superior customer value proposition. Trust, transparency and longevity are the guiding principles that shape our relationships with our suppliers. The fit between DIMO and its principals and suppliers is vital for the delivery of our customer value proposition whilst aligning with our strategic direction, and such goal congruence will support our responsible value creation journey.

DIMO has a diverse supplier base, both geographically and by scale of operations, ranging from small scale suppliers to large B2B traders. Our total supplier base consists of over 32,624 suppliers (including principals). The strong and positive relationships we share with our suppliers have enabled us to manage our supply chains efficiently and effectively.



% of local suppliers 94% (2022/23 - 95%)

Strategic relationships with Principals **118** (2022/23 – 116)

Supplier value creation

The group's total financial value creation to suppliers increased by 62% to Rs. 50,892 million during the year, indicating our unwavering pledge towards our business amidst the challenging economic conditions. From the total supplier payments, about 39% are made to local suppliers. To create a positive impact on the country's economy, DIMO considers local value creation as an integral part of its long-term strategy. We have maintained enduring relationships with local suppliers, especially in sourcing the raw materials required for our manufacturing operations, and we are committed to continuously enhance our local footprint. While striving to create continuous value for our suppliers, we also endeavour to obtain their commitment to the DIMO Supplier code. This ensures that our goals and strategies are aligned, thus producing a collaborative effort.



Payments local suppliers Rs. **19,829** million (2022/23 – 8,700)

Supplier Engagement

Mercedes-Benz Flying Doctor service clinic

DIMO as the home of Mercedes-Benz in Sri Lanka engages with its principal to offer an exclusive service to its customers through facilitating 'Mercedes-Benz flying doctor service clinic' in Sri Lanka. This program is hosted by Mercedes-Benz AG together with its authorized partners to provide an opportunity to its customers to meet their Global Technical Expert for an invaluable knowledge sharing session. Customers will have the opportunity to meet the Mercedes-Benz technical expert in person at DIMO premises and receive first-hand technical insights into the well-being of their prestigious asset. This offers DIMO an unparalleled opportunity to strengthen its relationship with its principals and assure trust with customers.

Regulators and Other Industry Associations

As a diversified conglomerate with a lifespan of over 85 years of doing business in the country, DIMO is recognized for its ethical and lawful conduct and expertise in the industries in which it operates. The group prudently complies with all applicable rules, regulations and guidelines, strengthening its governance framework. Such compliant behaviour enables us to maintain a positive relationship with the regulatory bodies, which allows us to grow our business as we envisage.

DIMO also engages with many industry associations to exchange knowledge. Our employees hold memberships in these respected associations, and are involved in acquiring and sharing knowledge and expertise by serving on various boards and committees. This reflects our unwavering commitment to creating mutual value to DIMO and the society at large.

The DIMO Group has affiliations with the following esteemed associations (among others):

- 1. Central Environmental Authority
- 2. Ceylon Motor Traders Association
- 3. Employer's Federation of Ceylon
- 4. German Chamber of Industry and Commerce (AHK)
- 5. Sri Lanka Food Processors Association
- 6. The Ceylon Chamber of Commerce
- 7. The Colombo Stock Exchange
- 8. The European Chamber of Commerce of Sri Lanka
- 9. The Export Development Board
- 10. The Institute of Chartered Accountants of Sri Lanka



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Community

In line with DIMO's overarching vision to fuel the dreams and aspirations of the communities we serve, we strive to make a positive impact on the lives of the people we associate with. As a responsible corporate citizen, we acknowledge our obligation towards the society at large. This desire to integrate our community into our value creation journey will enhance our brand equity, increasing employment and business opportunities, improving the quality of the environment we live in and advancing the lifestyles of the people we associate with.

To transform our visionary thinking to actions, the Company had initiated many programs during the period and details of such initiative can be found in the Sustainability Agenda 2030 from page 128 to 136. The details articulate our social sustainability strategy. A few such activities are listed below.

- Leadership, skill development and sustainability education programs
- DIMO Nature Club Young Explorers Program
- Book Donation Campaign (Lassana Hetak)
- Donations for Community
- DIMO Nature Club Blood Donation
 Campaign
- DATS Free Education
- Agri Farmer Outgrower Program

DATS Free Education Program

Refer 37 to read more about DIMO Academy

The DIMO Academy for Technical skills (DATS) helps uphold the livelihoods of youth by offering world class vocational training opportunities for those who wish to pursue a career in Science, Technology, Engineering and Mathematics (STEM) occupations. The academy also offers free education scholarships for aspiring young learners in need. So far, 15 students have been enrolled through the free scholarship program, reflecting DIMO's commitment towards community development.

Risks and Responses Relating to Social and Relationship Capital

We are exposed to the following risks when managing our social and relationship capital towards value creation. The potential impact of such risks and the mitigation actions are explained in detail below.

Table 17: Risks, Impact, and Mitigation Action

Risks	Impact to business	Mitigation actions
1. Loss of key suppliers	Losing a key supplier can have a significant negative impact on DIMO as our suppliers play a vital role in our value creation by providing the required materials and services.	 Managing our relationships with suppliers effectively and efficiently by agreeing on mutually beneficial terms and conditions. Maintaining a pool of suppliers, especially for specialized materials where supply is limited, to minimize dependence on one.

Total investment Rs. **31** million (2022/23 – Rs. 17 million)

Total Beneficiaries **3,491** (2022/23 - 2,946)

'CARPITAL'

While the vehicle market has faced an import ban on brand new vehicles since March 2020, DIMO introduced 'CARPITAL', a complimentary advisory service for luxury vehicles. This complimentary service is available for all luxury vehicle owners and is aimed at making a positive impact on the community by sharing DIMO's unparalleled expertise in luxury automobiles.







Social and Relationship Capital

Risks	Impact to business	Mitigation actions
2. Loss of loyal customers	Our loyal customers are the backbone of our business and loss of customers could negatively impact the business and reduce our earnings.	 Focusing on increasing customer value proposition by integrating with the latest digital tools implemented with the aim of differentiating ourselves in the market.
		 Investments in Customer Experience Management in terms of Human Capital and Technology
3. Negative societal impact on Company	Maintaining a positive relationship with the community is essential to ensuring our social license to operate. Any negative impact to the society from our business operations could	 Continuous engagement with the community groups we associate with to understand their concerns and provide prompt responses. Giving more prominence to social sustainability in our sustainability agenda 2030.
	severely damage our brand name, leading to a lowering of our earnings.	6 <u>50.000</u> 2020.

Capitals Impacted



Alignment of Seven strategic priorities

- 3 Drive for sustainable products, services and practices
- 4 Enhance Brand Equity

Create a conducive work environment for employees to collaborate

- 5 seamlessly, ensuring a unified brand voice and consistent customer journeys
- 7 Address Climate risk
- Refer page 22 24 to read more about seven strategic priorities

Contribution Towards SDGs

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Way Forward

In order to fulfil our strategic priorities and achieve sustainable business growth, it is imperative that we maintain healthy relationships with our customers, suppliers, regulators and other industry associations and our community at large. To this end, DIMO has established the following action plan.

Short Term Plans

- Integrate CX and SAP Sales cloud platforms to improve customer centricity and ensure the efficient delivery of the customer value proposition. This will eventually have a positive impact in the medium and long term too.
- More frequent stakeholder engagement

Medium to Long Term Plans

- Build strategic relationships with reputed local and foreign suppliers who adhere to environmentally responsible practices with a view to supporting sustainable sourcing and procurement.
- Increase investment on social sustainability with the aim of creating a significant positive impact on the society.



Managing natural capital in our day-to-day operations is regulated through DIMO's Environmental Management System.

Our Owned Land Area 103 Acres (2022/23 – 85 Acres)



Natural resources that we draw out from non-renewable and renewable sources are included within this important capital. Sri Lanka is a country with medium to high water risk/stress and therefore, we need to be more conscious of how we extract water from natural resources.

Managing natural capital is embedded in day-to-day operations through DIMO's Environmental Management System (EMS). A dedicated sustainability team ensures continuous improvements while the compliance team ensures that daily operations adhere to the EMS.

The Environment Pillar of DIMO's Sustainability Agenda 2030 is led by a Pillar Head from the Senior Management team, who provides effective leadership. The four main KPIs of the Pillar to be achieved by 2030, namely, 100% reuse of recycled water, zero landfill, 1:1 biodiversity restoration and 50% Total Water Consumption 69,914 m³ (2022/23 - 50,964 m3)

reduction in GHG emissions, clearly vouch for our commitment to make substantial change and reduce our footprint. Since the environment is an important element of DIMO's sustainability strategy, more disclosures about this capital are provided under the section named 'Statement of ESG performance' presented from page 137 – 148.

Please refer page 137 to read more on the ESG statement



With the intention of reducing the use of fossil fuel in electricity generation, DIMO has invested in solar energy at several of our premises. Currently operational in 5 locations – Weliweriya, Siyambalape, DIMO 800 and MTU Building and Embilipitiya as a IMW ground mount location – these solar installations have a combined capacity of 2,765.09 kW and contribute directly to the national grid. More capacity will be added to this portfolio during the year.

Non-renewable

We source our energy mostly from the main grid and have utilized building design to capture more natural light for lighting and use efficient lighting fittings for saving more. Other non-renewable energy is sourced to run generators and to fuel DIMO-owned vehicles and vehicles being serviced in DIMO workstations. Total Energy Consumption **51,503** GJ (2022/23 – 42,883 GJ)



As a measure to reduce ground water consumption, DIMO has invested in water recycling by filtering through a carbon and sand process before being reused for operational activities such as vehicle undercarriage washing. Rainwater harvesting plants have also been initiated to collect rainwater.

Irresponsible waste disposal, among other issues, causes pollution and landfill, reducing the availability of clean ground water and land, which are inputs for many businesses. Therefore, we play our part responsibly when it comes to waste disposal. At DIMO, disposing waste sustainably is a priority and is mandated by the EMS. We are currently experimenting with the best methods of disposing sludge, which is an output of our effluent treatment plants.



Natural Capital

Cultivated

This topic covers all areas of our agricultural land and the restoration efforts taken to achieve 1:1 restoration by 2030. We provide local farmers with necessary technical knowledge and access to equipment that will boost crop yield and productivity. DIMO Agri offers an all-in-one experience centre, the first of its kind in Sri Lanka, where visitors can observe our product range and processes to understand the workings of this sector and what we do for its enhancement. We provide guidance on crop nutrition and crop protection as well as soil nutrition and maintaining healthy soil, while supplying a range of seeds to local farming communities.

Our own land area extends to 103 acres (2023/24), keeping our baseline at 82 acres (33.18 hectares), while we have been to restore 10.83 hectares through our Turtle Conservation project at Panama, 'Life' Project at Kanneliya, 'Life to Reef' – Coral Restoration project at Rumassala and Mangrove Restoration project at Galle.

Alignment of Seven strategic priorities

3 Drive for sustainable products, services and practices

7 Address climate risk

Refer page 22 – 24 to read more about seven strategic priorities

Contribution Towards SDGs



GRI: 304-3