MOMENTUM IN

MOTION

ANNUAL REPORT 2024/25

DIMO
THE PERFECT PARTNER

Risk Management

RISK MANAGEMENT

"At DIMO, risk and opportunity management is not confined to a single function but is a collaborative effort. This integrated approach enables us to balance risk mitigation with the pursuit of strategic opportunities, fostering resilience and agility in an ever-evolving business landscape."

Governing Risk Management

The key objective of risk and opportunity management at DIMO is to drive sustainable business success and safeguard the company's continuity as a going concern. We achieve this through a forward-thinking, opportunity-focused, yet risk-aware decision-making framework that aligns with our strategic vision. The Executive Board holds overall responsibility for establishing and overseeing a robust risk and opportunity management system, ensuring that all material risks and opportunities across the organization are systematically identified, assessed, and addressed.

At DIMO, risk and opportunity management is a collaborative effort and is not confined to a single function. It involves active contributions from all business units and functions across the Group, supported by valuable insights from the Board of Directors. This integrated approach enables us to balance risk mitigation with the pursuit of strategic opportunities, fostering resilience and agility in an ever-evolving business landscape. By embedding risk awareness into our corporate culture and decision-making processes, we empower our teams to make informed choices that enhance value creation while protecting the interests of our stakeholders.

Through continuous monitoring, adaptive strategies, and transparent governance, DIMO remains committed to turning challenges into opportunities and ensuring long-term growth and stability.

The Group adopts the three lines of defence model with clear segregation of duties. It is a proactive approach to risk management and internal control within the Group.

First Line Management

1st Line of Defence

Policies and Values

Code of Business Ethics

Internal Control

Procedures and Processes | Segregation of Duties

Accredited Management Systems

Quality | Environment | Health and Safety

Performance Management

Risk Management and Compliance

2nd Line of Defence

Compliance

Compliance with legal and regulatory requirement

Conformance relating to Quality, Environment and Occupational Health and Safety Management Systems

Risk Management

Strategic | Governance | Operational | ESG | Business related Risk Management

Assurance

3rd Line of Defence

Assurance - External

Independent Assurance of Financial Statements

Independent Assurance on:
Integrated Reporting | GRI Standards | SASB Standards | ESG Performance Statement

Independent Assurance on Management Systems and Certification:
Quality Management System | Environmental Management System | Occupational Health and Safety

Assurance - Internal

Internal Audit – Financial:
Effectiveness of internal controls | Effectiveness of controls relating to preparation of financial statements

Internal Audit:
Audit of effectiveness of management systems

RISK MANAGEMENT

Risks and Opportunity Management Section

https://www.dimolanka.com/2024-2025-dimo-annual-report/url.php?id=21

A robust risk management structure integrates cross-functional expertise to safeguard the organization while driving strategic growth. This collaborative framework not only mitigates threats but also identifies opportunities, ensuring resilience, regulatory adherence, and long-term value creation across all levels of the organization.

At Group level, several functions typically collaborate to identify, mitigate, and manage risks and opportunities effectively. These functions collaborate closely to ensure that risks and opportunities are identified, assessed, prioritized, and managed effectively at the Group level, in alignment with the organization's strategic objectives and promoting long-term sustainability and resilience.

Board of Directors	Assumes responsibility for ensuring robust risk management practices by establishing appropriate structures, policy frameworks, actively monitoring risks, and offering guidance on risk management strategies.
Audit Committee	Scrutinize risk registers to ensure comprehensive oversight of prominent and emerging risks, keeping the Board informed of critical threats.
Group Management Committee	Address and manage the risks within the risk appetite of the Group. Provide recommendation to the Board on resource allocation.
Segment Heads	Sector-wise risk assessment while actively supporting and overseeing mitigation efforts.

Function	Area of focus
Corporate Planning & new business development	Identify strategic risks and opportunities.
Group Finance	Assess the financial implications of various risks and opportunities.
Group Treasury	Manage liquidity and cost of funding. Hedging against currency fluctuations.
Supply Chain Management	Leveraging group synergies to optimise pricing and availability
Compliance	Ensures that the organization adheres to relevant laws, regulations, internal policies and voluntarily committed standards.
Legal	Identifying, mitigating, and preventing risks that could lead to financial losses, reputational damage, or operational disruptions.
Group IT	Responsible for managing cybersecurity risks, data privacy risks, data security and other technology-related risks and opportunities
Facility Management	Responsible for operational continuity, employee safety, regulatory compliance, and disaster preparedness
Group HR	Identifying and managing risks and opportunities related to human capital.
Sustainability	Driving continuous improvement in ESG risk management practices, fostering a culture of sustainability and resilience within the organization.
Corporate Communication	Responsible for communicating corporate and employer brand equity in an appropriate manner.

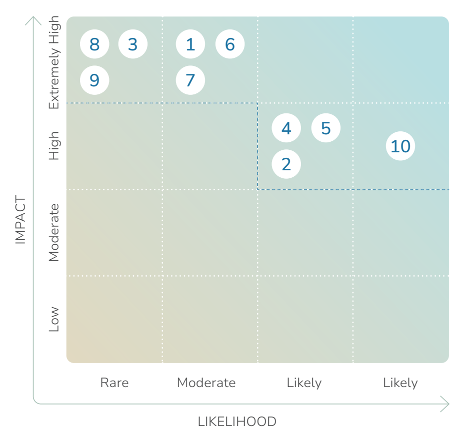
Strategic Business Units	Strategic business leaders are accountable for fostering the sustainable growth and profitability of their respective ventures, with support provided by Group functions.

Map and Manage - Risk Heatmap

A risk map is developed following an assessment of the likelihood of occurrence and the potential impact of risks. The likelihood of occurrence is assessed based on experience and preventative measures in place. Each risk is assigned a ranking on the probability of occurrence. The impact of the event is assessed by determining the loss it could cause and the extent of the impact. Considering these two factors, the impact is then rated.

The position of a particular risk on the risk map indicates whether the risk falls within or beyond DIMO's risk appetite. The extent to which risk mitigation actions are required is then determined.

Figure 14: Risk heat map



Risk that exceed Group's Risk Appetite

1. Economic downturn risk
2. Innovation & competitor action risk
3. Technological disruptions
4. Supply chain disruptions
5. Environmental & social risk
6. Financial risk
7. Risks arising from global events
8. Safety & quality risk
9. Compliance & regulatory risk
10. Risks related to operational processes & controls

While the Board of Directors and the Group Management Committee play a vital role in overseeing the risk management process, they ensure that all the risks including strategic risks, operational risks, financial risks, reputational risks and compliance risks are appropriately addressed. This helps them identify the risks related to our short to medium term plans and the strategic risks, which reduce our ability to achieve our corporate strategy over the long term. Risks that fall within the risk appetite of the Group are addressed and managed by the Group Management Committee, based on the management activity to which each relates. Risks falling outside the risk appetite are communicated to the Board of Directors to ensure proper mechanisms are in place to address such risks.

Types of Risks

Strategic risk	which can have long-term implications for the organization's goals and sustainability.
Operational risk	which affect daily operations and have more immediate consequences
Financial risk	that may affect the company's fiscal stability
Reputational risk	arises due to its failure to adhere to laws, regulations, industry standards, or internal policies
Compliance risk	arise from negative public perception, ethical lapses, or failure to meet stakeholder expectations

Table 35: Strategic Risk Management Table

Strategic risks can have a more profound impact on the organization's long-term viability and ability to achieve its corporate strategy. These risks are typically associated with factors such as changes in market dynamics, shifts in consumer preferences, technological advancements, geopolitical instability, and competitive pressures. Our strategic risk management encompasses the comprehensive understanding of the organisation's internal and external environment, effective risk assessment and analysis, and the development of robust risk management strategies. Annually, the Corporate Planning team presents their business plan including the strategic risk profile to the Group Management Committee and the Board of Directors to further analyse the strategic risks to the company. The main strategic risks identified for the Group are,

Risk Area	Description	Impact to DIMO	Mitigating actions
1. Economic conditions	The adverse economic conditions will lead to economic downturns.	• Reduced customer spending, impacting demand for our products and services. • Cost pressures for the Group and limited access to capital. • New regulations and fiscal policies aimed at stimulating economic growth could increase costs or restrict market access.	• Diversify revenue streams. • FOREX hedging. • Cashflow management. • Build agility into our business models to adapt quickly to changing market conditions.
2. Innovation and competitor actions	Competitor actions can pose various risks to the Group, influencing our market position, profitability, and long-term sustainability.	• Aggressive marketing strategies of competitors will lead to loss of our market share. • Price competition creates a challenging operating environment for the Group.	• Offering unique products, services and experiences. • Products and services will be tailored to meet the needs of specific market segments. • Innovation and strong relationships with customers.

Risk Area	Description	Impact to DIMO	Mitigating actions
3. Technological disruptions	Rapid advancement in technologies can render existing business models obsolete, making it essential for us to adapt quickly or face declining relevance and competitiveness. Embracing technological advancements that support the transition to a low-carbon economy is essential to meeting evolving market demands and ensures the organization remains competitive in a future shaped by climate considerations.	• Loss of relevance and market competitiveness due to failure to anticipate and respond to innovations by competitors. • Losing market share to more innovative competitors who leverage these technologies to offer better products or services. • Increased reliance on digital technologies exposes the Group to cybersecurity risks such as data breaches, phishing scams, and other forms of cybercrime. • Advances in technology raises concerns about privacy and data protection, leading to regulatory scrutiny and consumer backlash. • The advancement of low-carbon technologies is redefining customer expectations, regulatory requirements, and supply chain standards.	• Invest in building a strong brand for DIMO. • Conduct scenario planning exercises to anticipate potential technological disruptions and their impacts on our business. • Develop contingency plans and risk mitigation strategies. • Ensure compliance with relevant laws and regulations governing data privacy, cybersecurity, intellectual property, and other areas impacted by technological advancements. • Develop talent related to emerging technologies internally through training programs, mentorship, and cross functional collaboration. • Conduct company-wide information security awareness activities. • Strategic Investment in Future-Ready Technologies: Strengthening the portfolio with electric vehicles, precision agriculture tools, renewable energy systems, energy-efficient equipment, and smart infrastructure. • Cross-Sector Innovation Partnerships: Collaborating with global technology leaders and startups to integrate advanced, low-carbon solutions into existing product lines.
4. Supply chain disruptions	Supply chain disruptions can have significant impact on Group, as most of the business units rely heavily on the smooth functioning of global supply chains to source materials, components, and finished goods from suppliers located in different countries. Physical climate risks are a key factor driving long-term supply chain disruptions for DIMO.	• Pose challenges to the maintenance of optimal levels of inventory to meet customer demand. • Market volatility, impacting the Group's ability to forecast demand, manage pricing strategies, and make strategic decisions. • Changes in trade regulations, tariffs, or customs procedures require us to adapt quickly to ensure compliance and minimize disruptions. • Inability to meet customer demands in delivering goods and services in timely manner.	• Reducing the dependency on a single supplier or sourcing region by diversifying the supplier base. • Working closely with suppliers to understand their capabilities, assess risk exposure, and develop contingency plans. • Conducting risk assessments and developing contingency plans and alternative sourcing strategies such as dual sourcing and safety stocks. • Embracing technology solutions such as advanced analytics into the supply chain process. • Utilize supply chain risk management methodologies such as risk mapping, scenario analysis and business continuity planning. • Strengthening supply chain planning with climate considerations.

Risk Area	Description	Impact to DIMO	Mitigating actions
5. Social risk	Since DIMO is weighed heavier towards imports, social risk can stem from suppliers' practices, including poor working conditions, child labor, or violations of human rights.	• Sourcing from suppliers engaged in unethical practices may have an adverse impact on our reputation and supply chain sustainability. • Reputational damages arising from impacts to local communities through our operations and sourcing activities.	• Ensure that our suppliers adhere to ethical and sustainable practices throughout the supply chain. • Conduct due diligence on suppliers and adhere to ethical sourcing standards. • Engage with local communities, respect indigenous rights and implement community development initiatives.
6. Global events	Geopolitical instability, trade disputes, natural disasters and pandemics can have far-reaching impacts on our export business, international trade and supply chains.	• Geopolitical tensions between countries and regions may result in us encountering import/export restrictions, tariffs, sanctions, or political risks that affect market access, profitability, and strategic investments.	• Diversify export markets and supply chains. • Stay informed about local laws, regulations, and political developments in each market where we operate. • Develop contingency plans and response strategies to anticipate and prepare for potential geopolitical risks.

Addressing these strategic risks requires proactive risk management, scenario planning, and agility in adapting to changing circumstances effectively. We continuously assess our risk exposure and implement mitigation strategies to safeguard our long-term success. Our Group Management Committee and Board of Directors are balanced in skills, knowledge and experience to carry out this process effectively.

Table 36: Operational Risk Management Table

Operational risk refers to the potential for losses arising from inadequate or failed internal processes, people, systems, or external events. Operational risk arises from the day-to-day operations of the Group; these are short to medium term risks to which we are exposed throughout our value chain. The Group Management, the Board of Directors and Operational Compliance Team review the key operational risks on a quarterly basis. These risks - based on insights from management teams across the organisation - include all types of risks that could cause significant disruptions to the business. Below is an overview of our key operational risks.

Risk Area	Description	Impact to DIMO	Mitigating actions
1. Safety & quality risk	Our primary concern of health and safety risks is the well-being of employees, consumers, and customers. Workplace accidents or incidents can result in injuries, illnesses, or even fatalities, leading to physical and emotional harm for employees and their families.	• Absenteeism, reduced work hours, and decreased efficiency can result from health and safety issues, impacting overall business operations. • Product availability may be compromised due to disruptions in supply due to quality issues.	• Stay up to date with relevant safety and quality regulations, standards, and industry best practices. (ISO 9001:2015 certified quality management system and ISO 45001:2018 certified health and safety management system) • Comprehensive training and education programs.

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Risk Area	Description	Impact to DIMO	Mitigating actions
		• Our presence in the healthcare sector, may expose us to equipment shortages and quality issues in such medical equipment which could have potential impact on patients.	• DIMO fosters a culture of continuous improvement by regularly reviewing safety and quality performance, soliciting feedback from employees, customers, and stakeholders, and implementing corrective actions to address any issues or deficiencies identified.
2. Technology and information systems related risks	Risks related to the malfunction, failure, or security breaches of technology systems, including hardware, software, networks, and data storage, can result in data loss, cyberattacks, system downtime, and financial losses.	• Limit our ability to maintain operations and future business opportunities if proprietary information is lost. • Failure to protect sensitive data will damage the company's reputation, brand, and public perception.	• Comprehensive backup and disaster recovery plan to ensure the timely recovery of data and IT systems in the event of a cyberattack, natural disaster, or system failure. • Take actions to regularly back up critical data, test backup systems, and maintain off-site backups for redundancy. • Regular training and awareness programs about IT security. • Conduct company-wide internal audit of IT security controls. • Implement robust data security measures to protect sensitive information from unauthorized access, theft, or disclosure. • Regular updates of security software and patches.
3. Operational Processes and Controls	Weaknesses or failures in operational processes, procedures, and internal controls can result in errors, inefficiencies, fraud, non-compliance with regulations, and operational losses.	• Poorly designed or outdated operational processes can lead to inefficiencies and can result in wasted time, resources, and increased costs. • Mistakes can lead to inaccuracies in data, financial discrepancies, or product defects, ultimately affecting customer satisfaction and DIMO reputation. • Cybersecurity threats and supply chain disruptions associated with our operational processes will have an adverse impact on the Group.	• Regularly assess our operational processes, identify potential vulnerabilities, and implement appropriate controls and safeguards. • Investing in technology, training employees, establishing contingency plans, and continuously monitoring and improving processes to adapt to changing circumstances.

Risk Area	Description	Impact to DIMO	Mitigating actions
4. Workforce efficiency drop due to rise in temperature	Rising temperatures, can lead to reduced cognitive performance among workshop, field and project operation employees. Prolonged exposure to high heat may also increase the risk of heat-related illnesses, absenteeism, and lower morale.	• Reduced productivity leads to lower output per labor hour, affecting service volumes and project timelines. • Higher absenteeism or medical expenses impact employee well-being and HR budgets. • Project delays can result in penalties or delayed revenue recognition.	• Improving facilities and facilitating better ventilation and cooling, especially at workshops and warehouses. • Net-zero energy efficient building design and construction. • Automation and digitalization to facilitate heavy duty work with minimum effort.

Table 37: Financial Risk Management

DIMO proactively manages financial risks to safeguard profitability and ensure sustainable growth in a dynamic economic environment. Key risks, including foreign exchange fluctuations, interest rate volatility, credit defaults, and liquidity constraints, are systematically monitored and mitigated through robust strategies. The Company employs hedging instruments to stabilize currency exposures, maintains disciplined credit assessment processes, and optimizes working capital to enhance liquidity resilience. Scenario analysis further strengthens our ability to navigate uncertainties, ensuring financial stability and long-term value creation for stakeholders. By aligning risk management with strategic objectives, DIMO remains well-positioned to capitalize on opportunities while minimizing potential financial disruptions.

Risk Area	Description	Impact to DIMO	Mitigating actions
1. Interest rate risk	Changes in borrowing costs affecting debt servicing.	• Higher interest rates will restrict our opportunities to invest in new business activities and will increase our finance cost.	• Implement Asset-Liability Management strategies (ALM) to match the maturity and interest rate sensitivity of assets and liabilities. • Monitor the trends of market interest rates and decide on fixed-rate financing or variable-rate financing options to reduce vulnerability to increasing or decreasing interest rates.
2. Exchange rate risk	Exposure to currency fluctuations due to international transactions.	• Exchange rate fluctuations can have a significant impact on the cost of imported goods and profit margins.	• Use currency hedging techniques such as forward contracts. • Monitor exchange rate movements, economic indicators, and geopolitical developments that may impact currency markets.
3. Credit risk	This will arise from potential defaults by customers or business partners.	• Extending credit to customers can result in bad debts, write-offs, and impaired assets.	• Set appropriate credit limits and payment terms for customers and counterparties based on their trading values, creditworthiness and risk profile. • Implement credit policies and procedures to manage credit customer onboarding, monitor credit exposures and enforce timely payments.

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Risk Area	Description	Impact to DIMO	Mitigating actions
4. Liquidity risk	Insufficient cash flow to meet short-term obligations.	• We are a capital-intensive business with dependencies on imports, inventory management, and credit cycles. Therefore, insufficient liquidity might disrupt supply chain payments, delay procurement of critical components, or constrain working capital for projects.	• Robust cash flow forecasting and monitoring with scenario analysis to manage seasonal demand cycles and economic shocks. • Working capital optimization through the negotiation of extended supplier credit terms while offering early payment discounts to customers to accelerate receivables. • Maintenance of diversified funding sources.

Table 38: Reputational Risk Management

At DIMO, we recognize that our reputation is one of our most valuable assets, built on decades of trust, quality, and ethical business practices. We proactively manage reputational risks by upholding the highest standards of corporate governance, transparency, and stakeholder engagement. Our commitment to product excellence, customer satisfaction, and sustainable operations is reinforced through rigorous quality control, responsible sourcing, and adherence to environmental and social governance (ESG) principles. Additionally, we employ robust crisis communication protocols and continuous stakeholder feedback mechanisms to swiftly address any emerging concerns. By embedding integrity and accountability into every aspect of our operations, we ensure that DIMO's reputation remains resilient, fostering long-term confidence among customers, investors, and the communities we serve.

Risk Area	Description	Impact to DIMO	Mitigating actions
1. Product quality	Defects in products or product recalls will damage brand trust.	• Defects may raise fears about user safety, leading to public backlash. • Customers may turn to competitors for better products which will have a direct impact on our sales.	• Use machine learning to detect defects pre-production. • Offer free inspections/repairs to reassure buyers. • System-based quality management and recording.
2. Corporate governance failures	Non-compliance or unethical practices leading to reputational harm.	• Loss of customer trust with buyers questioning the reliability of DIMO's products and services. • Regulatory scrutiny. • Employee turnover as employees disengage from a company perceived as unethical.	• Ensuring transparency and adherence to corporate governance best practices. • Train employees and leadership on anti-corruption, data privacy, and governance laws.
3. Environmental & Social responsibility	Failure to meet sustainability commitments.	• Loss of stakeholder trust. • Eco-conscious buyers may shift to competitors. • Social media activism may harm brand perception.	• Strengthening ESG (Environmental, Social, and Governance) initiatives to align with global sustainability trends.

Table 39: Compliance Risk Management

DIMO maintains a robust compliance risk management framework to ensure adherence to all applicable laws, regulations, and ethical standards. We proactively identify and assess regulatory risks across our operations, implementing stringent controls, regular audits, and employee training programs to mitigate potential violations. By fostering a culture of accountability and transparency, DIMO upholds its commitment to legal and ethical business practices, safeguarding the Company's reputation and long-term sustainability. Continuous monitoring and stakeholder engagement further strengthen our compliance posture in an evolving regulatory landscape.

Risk Area	Description	Impact to DIMO	Mitigating actions
1. Regulatory compliance	Failure to follow applicable laws, industry regulations, or internal policies.	• Financial penalties for violating laws. • Operational disruptions due to suspension of licenses for non-compliance. • Reputational harm • Market access restriction	• Proactive regulatory monitoring. • Robust internal controls such as automated compliance checks and internal audits. • Mandate role-specific compliance trainings.
2. Financial & Tax compliance	Tax fillings or transfer pricing violations.	• Heavy fines or prosecution for non-compliance with Sri Lankan tax laws. • Operational disruptions • Reputational damages • Blacklisting from government tenders or BOI incentives due to compliance failures.	• Proactive compliance controls such as pre-filing audits and transfer pricing documentation. • Regular monitoring of changes in tax laws.
3. Corporate governance & Ethics	Mishandling customer data and violation of Bribery Act	• Regulatory fines • Reputational fallout • Operational disruptions • Restriction of growth opportunities due to loss of partnerships and government contracts.	• Strengthen compliance with data privacy laws. • Invest in robust Data Security Technology. • Employee training and awareness.

Climate Risk Report

Our Climate Ecosystem

As a diversified conglomerate, climate risk is a critical aspect of DIMO's business. Climate risks impact each of DIMO's seven distinct business segments differently. Recognizing the importance of integrating climate risk into core strategic planning, the Group adopts a proactive approach to identifying and mitigating both physical and transition risks, while also aiming to capitalize on climate-related opportunities ahead of competitors.

Given the principle-based, diversified product portfolio and international target market of DIMO Agribusiness, it is essential to assess climate-related risks to ensure compliance with global standards and to stay competitive amid evolving policy landscapes. Beyond compliance, the urgency of climate action and the need for a low-carbon transition have positioned DIMO to take decisive steps forward. As a responsible organization, DIMO is committed to leading by example and demonstrating corporate climate leadership in the face of global environmental challenges.

DIMO is committed to transitioning toward a low-carbon economy in alignment with Science-Based Targets (SBTs). Over the past few years, the company has significantly strengthened the integration of climate considerations into its corporate strategy, enabling this transition and reducing environmental impacts - particularly those related to climate change.

Focused execution: Our Climate Journey So Far

In the evolution of our sustainability journey, this year marks a significant milestone in integrating climate considerations into our core business practices. For the first time, this annual report features a comprehensive, group-level greenhouse gas emission inventory alongside our ultimate emission reduction and climate risk mitigation strategy — DIMO Decarbonization Plan.

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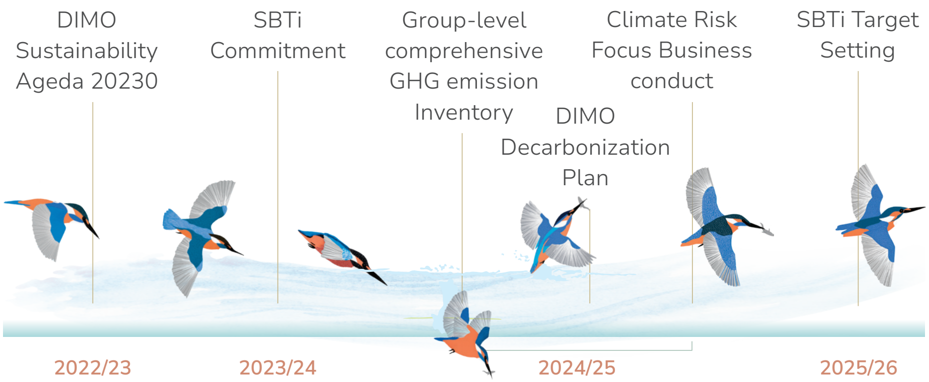


Adoption of SLFRS S1 and S2

Strengthening the management of sustainability-related risks and opportunities- with a special focus on climate, this annual report aligns with SLFRS S1 and S2 reporting standards, ensuring adherence to best practices in climate risk and opportunity disclosure.

Our approach to managing climate-related risks and opportunities is guided by both the TCFD recommendations and the IFRS S2 requirements.

Our Climate Structure

As explained in the Risk Governance section, our climate-related risk and opportunity management strategy is overseen by the same governance body (Refer page 106). Where necessary, the Group Sustainability Team provides additional input and technical expertise to support and enhance the climate risk decision-making process.

Our Approach

To standardize our climate risk management strategy in keeping with TCFD guidelines and IFRS S2 standards, DIMO has adopted a three-scenario approach coupled with three distinct climate time horizons to assess risk projections across multiple future pathways. The rationale behind the selected scenarios and timeframes reflect DIMO's commitment to sustainable business practices and takes into consideration potential future developments in Sri Lankan rules and regulations.

Scenario Analysis

DIMO has adopted a three-scenario approach to climate projections for climate risk assessment and reporting purposes. These scenarios are based on the Representative Concentration Pathways (RCPs) developed by the Intergovernmental Panel on Climate Change (IPCC). For ease of reporting and to support the risk management process, DIMO has aligned its climate scenarios with RCP 8.5, 6.0, 4.5, and 2.6 in the following manner:

- RCP 8.5 – Business-as-usual scenario (BAU)
- RCP 6.0 & 4.5 – Intermediate scenario
- RCP 2.6 – Low carbon scenario

Time Horizons

- Short – 1 to 5 years
- Medium – 6 to 10 years
- Long – 11 to 2050

DIMO's approach to identifying climate-related risks and opportunities aligns with its conventional risk management strategy. During the preparation of the risk registry (Refer page 106), all potential climate-related physical risks arising under a Business-as-Usual (BAU) scenario are identified alongside other operational and strategic business risks. A segment-wise Climate-Related Risks and Opportunities (CRRO) assessment is conducted by the core risk management team, with technical guidance from the Group Sustainability Team. Each business segment undergoes further evaluation through climate scenario analysis over the short, medium, and long term and material risks are identified and presented in the business reports (Refer business reports 36 to 63).

DIMO's climate strategy is embedded within the broader DIMO Sustainability Agenda 2030, which focuses on both greening the business portfolio and reducing the Group's overall carbon footprint.

Greening Business Portfolio

- EV focus
- Renewable energy business expansion
- Sustainable agriculture
- Collaborative approaches with principles and suppliers

GHG emission reduction

- Comprehensive emission inventory
- 1.5^{0}C Near-term science-based targets
- DIMO Decarbonization plan
- Value stream focus

Given our import-oriented business portfolio, the value stream plays a vital role in DIMO's business conduct and is subsequently responsible for 98.6% of carbon emissions (page 187) (refer business reports).

How We Manage Our Climate Risk

Following the sector-wise climate risk assessments, material climate risks at the Group level are re-evaluated based on impact severity and likelihood, and further deliberated within relevant risk teams and committees. This collaborative process supports the development of appropriate mitigation strategies and the identification of climate-related opportunities. All climate risks are categorized in alignment with the frameworks provided by the Task Force on Climate-related Financial Disclosures (TCFD) and IFRS S2 standards.

Under both TCFD and IFRS S2 guidelines, climate risks are classified into two primary categories: physical risks and transition risks. These are further subdivided into two subcategories for physical risks (acute and chronic) and four subcategories for transition risks (policy and legal, technology, market, and reputational).

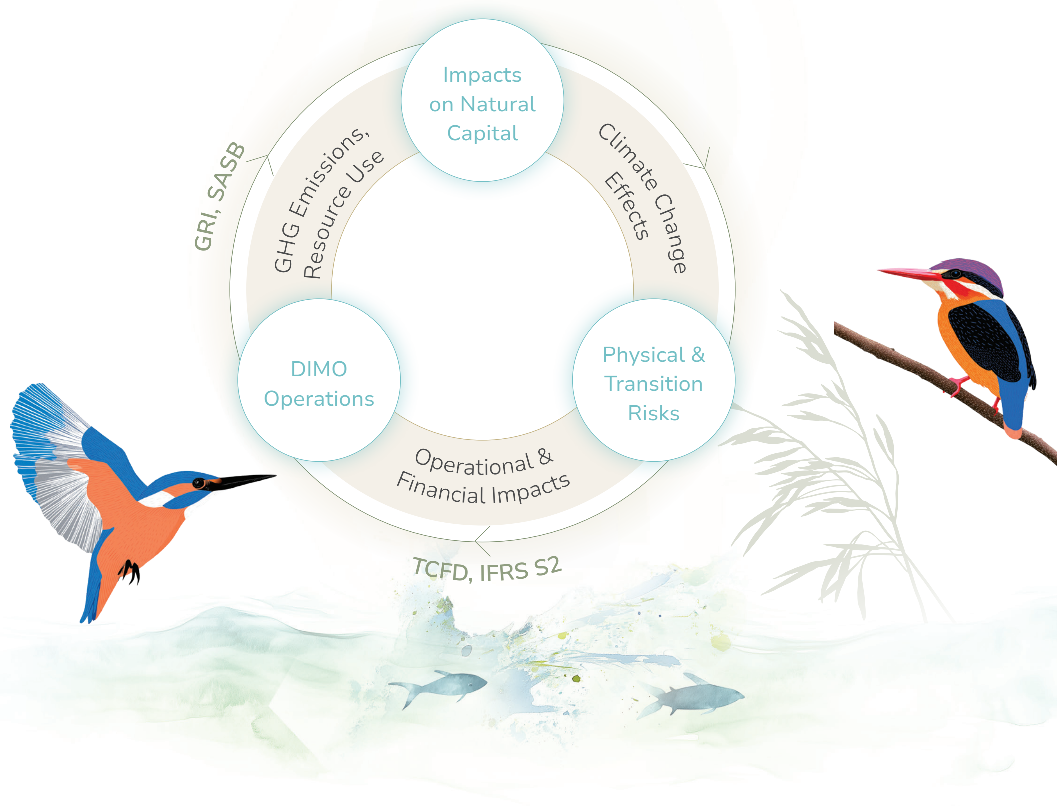
Climate-related physical risks were identified through a comprehensive process involving the analysis of national natural disaster vulnerability maps, national climate projections, and cross-functional brainstorming sessions held during risk management meetings. Transition risks, along with scenario analyses, were identified based on global climate projections (RCPs), anticipated market shifts, projected international policy developments, and Sri Lanka's Nationally Determined Contributions (NDCs), also through cross-functional risk assessment discussions.

As a responsible organization, DIMO is committed to minimizing its impact on natural capital, and the DIMO Sustainability Agenda 2030 ensures continuous efforts to reduce the environmental footprint of our operations. Taking a step further, DIMO is now actively assessing the financial impacts associated with natural capital, with a special focus on climate-related risks by aligning with IFRS S1 and S2 standards and TCFD recommendations. We are confident that proactive climate risk monitoring will enhance our ability to anticipate risks and strengthen our long-term sustainability journey.

Climate Risk and Double Materiality

Climate risks stemming from our operations and value chain ecosystem have a direct and significant influence on DIMO's business conduct, underscoring their urgency and importance for long-term business continuity. As such, the double materiality of climate risks plays a vital role in our capital management strategy. On the one hand, climate risks affect business operations and pose long-term threats to financial capital. On the other, our operational footprint impacts natural capital - contributing to resource depletion and influencing our share of the global carbon budget.

In alignment with international best practices, we have adopted IFRS S1/S2 and TCFD frameworks to assess how climate risks affect our business performance. Additionally, we utilize the GRI and SASB standards to evaluate how our business operations impact the environment, ensuring a balanced view of our sustainability performance across all capitals.



RISK MANAGEMENT

Following the business-level climate risk scenario analysis, a group-level climate risk scenario analysis was conducted based on risk impact scores. The identified high-impact risks were evaluated alongside other group-level risks.

Table 40: CRRO for DIMO at a Glance

Risk	Risk Category	Impacted Segments	BAU			Intermediate			Low-Carbon			Mitigation Actions
			S	M	L	S	M	L	S	M	L	
Loss of customers to EV-focused competitors due to shifting market preferences	Transition – Market	Mobility, Automotive Engineering Solutions	🟢	🟢	🟡	🟢	🟡	🟡	🟡	🔴	🔴	Implementing targeted marketing programs (e.g., TATA & Mercedes EV campaigns); Facility upgrades to support EV transition Promote and prioritize climate-conscious OEMs, adopt carbon labelling and sustainability marketing
Workforce efficiency declines due to rising temperatures affecting field and workshop employees	Physical – Chronic	Automotive Engineering Solutions, Infrastructure Engineering, Agriculture	🟡	🟡	🔴	🟢	🟡	🟡	🟢	🟢	🟡	Facility improvements; Implementation of energy-efficient building solutions under DIMO decarbonization plan
Market loss in climate-vulnerable countries (e.g., Maldives)	Physical – Chronic	Automotive Engineering Solutions	🟢	🟡	🔴	🟢	🟡	🟡	🟢	🟢	🟡	Proactive identification of climate risk prone areas, diversification of markets
Risk of declining demand for internal combustion engine (ICE) focused businesses	Transition – Market	Automotive Engineering Solutions	🟢	🟢	🟡	🟢	🟡	🟡	🟡	🔴	🔴	Maintaining proactive stakeholder engagement to anticipate market and policy shifts
Supply chain disruptions due to extreme weather events	Physical – Acute	All Business Segments	🟢	🟡	🔴	🟢	🟡	🟡	🟢	🟢	🟡	Enhancing supply chain resilience through improved planning and diversification strategies
Rising raw material costs and limited availability due to climate impacts	Physical – Chronic	Agriculture Infrastructure Engineering	🟢	🟡	🔴	🟢	🟡	🟡	🟢	🟢	🟡	Identifying and investing in low climate-dependent business ventures
Increased drought and erratic rainfall patterns impacting yields and fertilizer demands	Physical – Chronic	Agriculture	🟡	🟡	🔴	🟢	🟡	🟡	🟢	🟢	🟡	Contract farming with climate-resilient practices, diversify sourcing regions
Increasing water stress in drought-prone regions affecting supplies and projects	Physical – Chronic	Agriculture Infrastructure Engineering	🟡	🟡	🔴	🟢	🟡	🟡	🟢	🟢	🟡	Adopting efficient water management technologies; Enhancing rainwater harvesting and water reuse systems

(segment wise climate risk assessment – Business reports page 35)

DIMO Decarbonization Plan serves as the organization's comprehensive strategy for addressing climate-related risks and seizing climate-related opportunities. It outlines the Group's detailed roadmap for greenhouse gas emission reductions across all business segments. In addition, DIMO's Risk and Sustainability teams actively monitor the company's emission performance and remain vigilant about evolving international and local climate policies, including updates to Nationally Determined Contributions (NDCs), to ensure timely enhancements to the strategy and alignment with global best practices.

How We Stay on Track

Climate risk metrics and targets are integrated into the DIMO Sustainability Agenda through a dedicated emissions KPI (Refer pages 172 to 173). Once validated by the Science Based Targets initiative (SBTi), DIMO will adopt science-aligned emissions reduction targets in line with the Paris Agreement's 1.5°C pathway. As part of its net-zero transition, this annual report marks a significant milestone by publishing a comprehensive GHG emissions inventory across the entire Group, encompassing all 15 Scope 3 emission categories for the first time.

Table 41: Opportunities for the identified risks

In the midst of acknowledging the risks inherent in our industry, it's equally important to recognize the abundance of opportunities that surround us. Despite challenges, our company stands on the verge of numerous possibilities waiting to be seized, promising growth, innovation, and success.

Opportunity	Description	Siezing the opportunity
Corporate Brand equity	DIMO brand equity is important in attracting stakeholders. By managing the corporate brand and further enhancing it through managing ESG risks effectively and responsibly, DIMO can create brand equity as a company that respects and embraces sustainability.	The management systems available drives standards of quality, environment and health and safety. The Corporate Communication Division is entrusted with communicating DIMO's sustainability efforts in an appropriate manner.
Employer Brand equity	An employee would like to be employed by a company that behaves responsibly. This affords an employee a congruence between his or her conscience and that of the corporate. This increased the likelihood of prospective employees wanting to be part of the DIMO tribe by increasing the employer brand of DIMO.	The human resources development function together with the Corporate Communications Division make sure that the sustainability friendly values of DIMO are communicated to current and prospective employees.
Electric vehicle	Changes in the environmental landscape demand that combustion engines are replaced by electrically powered vehicles.	Key principals of DIMO associated with automobile industry have developed electric vehicles that are attractive to the market. DIMO is engaging in importing these vehicles after releasing the import ban for vehicles.

DIMO Sustainability Agenda

50%

Reduction of Carbon Emissions

(Pages 172 to 173)

GHG Emission Inventory

2024-25

(Page 187)

DIMO Decarbonization Plan

https://www.dimolanka.com/2024-2025-dimo-annual-report/url.php?id=22

Opportunity	Description	Siezing the opportunity
Renewable energy	The energy plan of the government requires a significant increase in generation of renewable energy, partly to keep up with its sustainability targets.	DIMO is in the process of consolidating and strengthening its portfolio of renewable energy mainly through solar power.
Products and Services driven by sustainability	The future generations are going to value products and services offered to them embedding principles of sustainability and delivery of them with positive impacts to the society and environment. They are also likely to assess the commitment of the seller towards sustainability prior to making the "buy" decision.	The Sustainability Agenda 2030 of DIMO is dedicated to enhancing the percentage of "Sustainability Friendly" products and services in the portfolio. Further as a company, DIMO is committed to responsible behaviour respecting all principles relating to Sustainability.