



Risk Management

DIMO Annual Report 2025/2026



RISK MANAGEMENT



Risk Management strengthens DIMO's value creation model by enabling the Group to identify and respond to uncertainties that could affect strategy, capitals, stakeholders and long term resilience. Through an integrated and disciplined approach, DIMO looks beyond surface level disruptions to understand deeper impacts and dependencies across the business. This enables the Group to protect value, allocate resources with precision, pursue opportunities responsibly and sustain stakeholder confidence as a future focused Perfect Partner.



"Risk Management guides our strategic decisions rather than functioning as a standalone compliance task. The framework embeds risk consciousness into daily operations and decision-making to safeguard value creation and enhance corporate resilience. By looking beyond surface-level market shifts, the organization understands the deeper dependencies and impacts across industries to navigate uncertainties. This integrated approach aligns resource allocation with the right opportunities, allowing the Group to deliver meaningful outcomes with purpose."

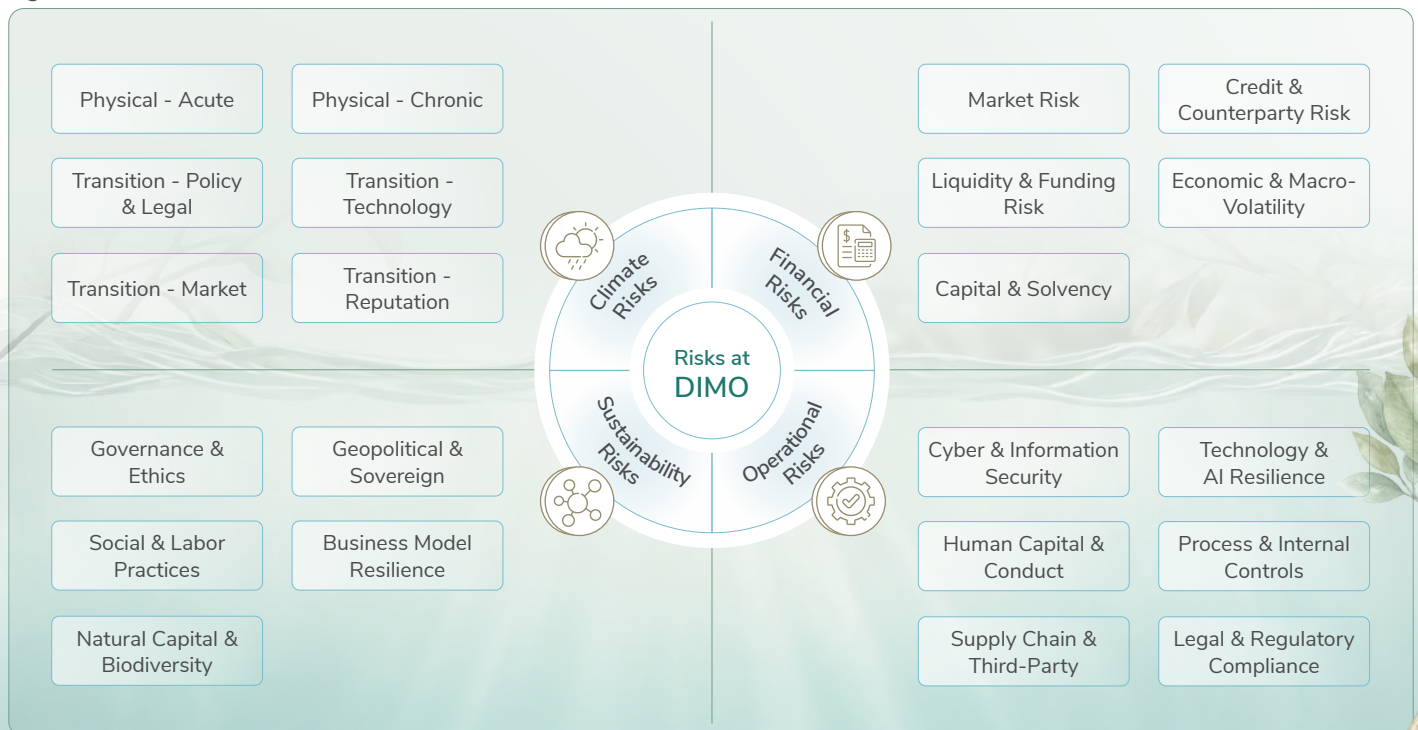
Gahanath Pandithage
Group Managing Director/Chief Executive Officer

RISK CLASSIFICATION

The Risk Register is the central document where we enter and classify each risk identify through the process of stakeholder engagement and value chain mapping.

The illustration below shows the 4 main categories and the respective sub-categories into which the identified risks are classified.

Figure 78:



TYPES OF RISKS



Financial

Risks that result in a direct monetary loss or negatively impact on the entity's capital, assets, and financial obligations.



Operational

Potential losses resulting from inadequate or failed internal processes, people, and systems, or from external disruptive events.



Sustainability

Risks stemming from an entity's dependencies and impacts on resources and relationships (human, social, and intellectual) that affect its long-term viability.



Climate

Risks specifically related to climate change and the global shift toward a lower-carbon economy.

WHAT'S NEW IN RISK MANAGEMENT

Risk Management Working Group (RMWG):

The formation of the RMWG during the year, formalized comprehensive cross-functional collaboration, uniting all support and control functions within the Group. This collective intelligence ensures a systematic approach to risk identification and management, allowing successful practices to be adapted across all business units.

Integration of Management Systems:

The framework now leverages Group synergies by integrating existing management systems. This utilizes shared governance and internal controls as primary drivers for operational consistency.

Value Chain Process Mapping:

The adoption of value chain mapping in relation to Risk Management, facilitates a granular integrated view of operations, connected with Capitals and Stakeholders. This ability to look deeper into processes ensures that the Group understands real business potential and risks at every stage of the value chain.

Standardized Risk Categorization:

A refined classification system categorizes risks into four distinct pillars; Financial, Operational, Sustainability, and Climate. This structure ensures clear focus and comprehensive coverage of stakeholder needs.

Refinement of the 4x4 Risk Matrix:

Transitioning to a refined 4x4 risk matrix establishes a uniform evaluation scale across the organisation. By eliminating neutral mid-points on both the impact and likelihood dimensions, this structure drives decisive risk assessments. This rigorous methodology underpins the identification of the material risks requiring careful management.

RISK GOVERNANCE

A structured and integrated governance framework ensures that discipline remains a collective priority across the Group. This top-down approach provides the clarity needed to pursue growth with foresight, ensuring everyone identifies and manages risk in a way that matches the responsibilities of their respective roles.

The Board of Directors maintains ultimate responsibility for risk management, overseeing its structure, reviewing significant risks, and ensuring alignment with the Company's strategic objectives.

Supporting this process, the Audit Committee serves as an oversight body by periodically reviewing the identified risks and the measures taken to address them.

Under this guidance, the Group Management Committee (GMC) evaluates and addresses significant risks, oversees mitigation strategies, and provides guidance and approval on implementing the risk management policy across the Company.

The Risk Management Working Group (RMWG) bridges the gap between senior leadership and operational units. With representation from all functional Units with diverse expertise within the Group, the RMWG identifies, assesses, and mitigates risks while uncovering available opportunities to help the organisation meet its key operational and business objectives.

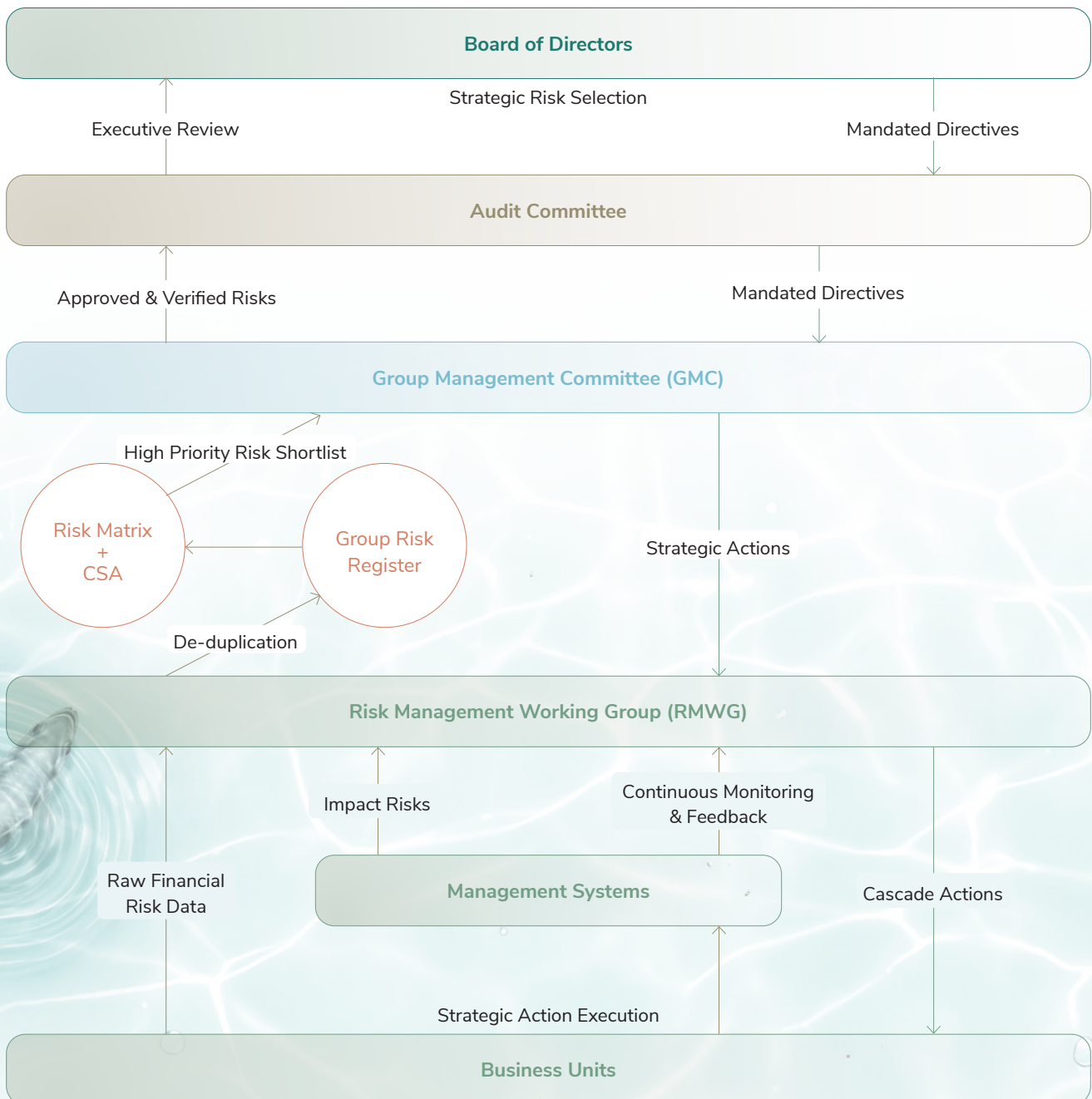
Corporate Planning Business domain changes, Macro factors	Supply Chain Shipping, Logistics, Regulatory impacts
Finance Finance exposure, Market trends	Sustainability Climate, Sustainability risk
Legal Legal obligations, Contractual matters	HR Workforce matters, Employee relations
Group Financial Planning Strategy implications, budgets	IT System continuity, Data security
Internal Auditing Internal controls, Governance, Process assurance	Compliance Statutory regulations, Policy adherence
Corporate Communications Brand reputation, Stakeholder engagement	Customer Experience Service delivery standards, customer satisfaction

RISK MANAGEMENT

Management Systems provide the structured framework of policies, processes, and procedures required to achieve these risk objectives. To ensure compliance, the Management System Audit conducts systematic, independent, and documented reviews. This process determines whether risk management activities align with defined criteria and remain compliant with risk management policies within the organizational scope.

This clear governance structure transforms risk management into a shared responsibility, allowing the organization to detect threats early and apply successful practices quickly across all business units.

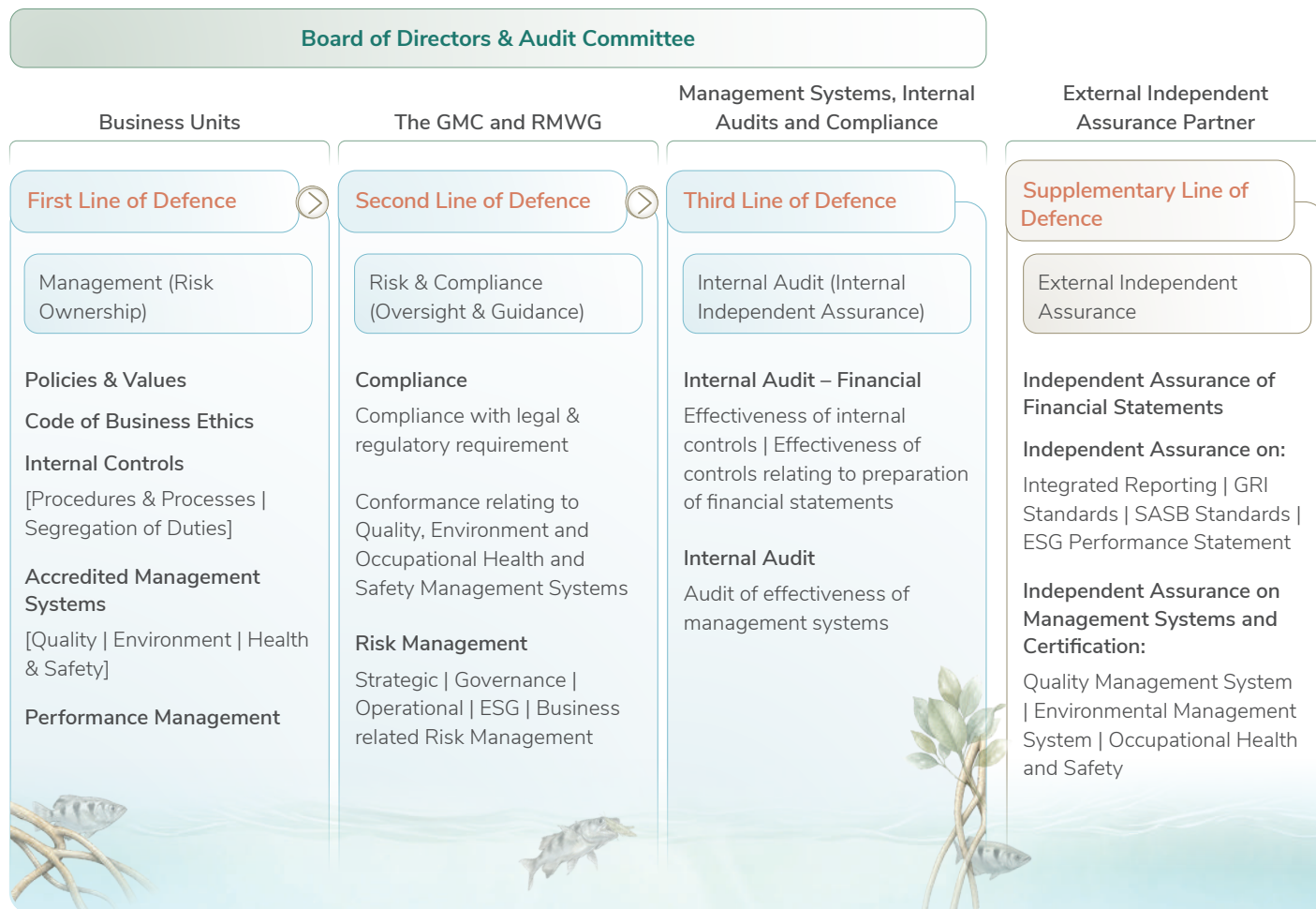
Figure 79: Governance Structure of Risk Management



LINES OF DEFENCE

The Group adopts the three lines of defence model with clear segregation of duties to provide a proactive approach to risk management and internal control. Going beyond standard regulatory compliance, this framework voluntarily incorporates independent external assurances to further validate and strengthen overall governance as a supplementary line of defence

Figure 80:



APPROACH TO RISK MANAGEMENT

Risk Identification

The process commences with the material topics identified on page 145 and their associated risks. The Risk Management framework evaluates these exposures at both the corporate and business levels by assessing two distinct directional dimensions:

- External-to-Enterprise Risks:** External factors like economic shifts, new regulations, market trends, and environmental changes that could impact on the Group's operations, finances, or strategic goals.

- Enterprise-to-External Risks:** Internal activities such as corporate decisions and daily operations that could impact stakeholders, communities, and the environment.

This dual approach protects the business from external shocks while actively managing its footprint on society and the environment.

To uncover these risks, the organization runs ongoing workshops, brainstorming sessions, and consultations with management, employees, and advisors. This effort centers on Value Chain Mapping, which combines

detailed process mapping along with associated Capitals and stakeholders. The process also evaluates stakeholder needs, climate scenario impacts, and specific sustainability and climate-related risks and opportunities.

Additionally, climate scenario analysis determine how shifting environmental factors might disrupt different stages of the value chain, while factoring in stakeholder expectations.

RISK MANAGEMENT

Risk Training

2,427 employees

2852.25 hours

(2024/25: 2463.17 hours, 2283 employees)

82 Decision Making Employees

369 hours



Centralised Risk Register

The RMWG consolidates all findings into a central Risk Register to track and monitor exposures uniformly across both corporate and operational levels.

The Risk Register captures entries based on:

- Both outward external-to-enterprise risks and inward enterprise-to-external impacts.
- Specific risks identified during corporate and business-segment value chain mapping.

By centralizing these inputs, the organization maintains clear visibility over its complete risk profile, ensuring consistent monitoring across all departments.

Assessment & Prioritisation of Risks

Once the risk identification process is complete, the organisation assesses each entry in the Risk Register based on its likelihood of occurrence and severity of impact. The results of this evaluation determine the specific strategy to manage each risk, which can be a single approach or a combination of **Acceptance, Adaptation, Avoidance, Exploitation, Mitigation,** and **Transference**. This exercise also guides how the management of each risk is embedded into organisational structures, systems, and operational processes, keeping the defined risk appetite in mind.

The organisation utilises a standardised 4x4 **risk matrix** to evaluate the **likelihood and impact** of identified risks on a consistent scale. To maintain strict financial discipline and align with core performance, the impact is measured based on the potential percentage effect on the Group's Gross Profit (GP). This approach reduces subjectivity, providing a clear prioritisation of risks that directly influence financial resilience.

The matrix outputs are then plotted onto a **risk heat map** (Figure 82), which visually consolidates the Group's overall risk profile. By charting the severity and probability of each risk, this heat map highlights the high-priority areas where mitigation efforts and resources are most critically required.

To ensure a holistic perspective, the organisation complements the quantitative matrix results with a **qualitative assessment**. When selecting material risks for strategic intervention, the evaluation looks beyond numerical scores to consider critical factors such as reputational impact, strategic priorities, and stakeholder expectations. This balanced approach ensures an agile response to risks that carry profound implications for long-term value and brand trust, even if their immediate financial impact is categorised differently.

Aligning with identified material matters (Page 145), the Risk Register captured **44** risks over the financial year, ultimately prioritising **8** as material risks requiring careful management.

Figure 81: The Group's Material Risk Landscape

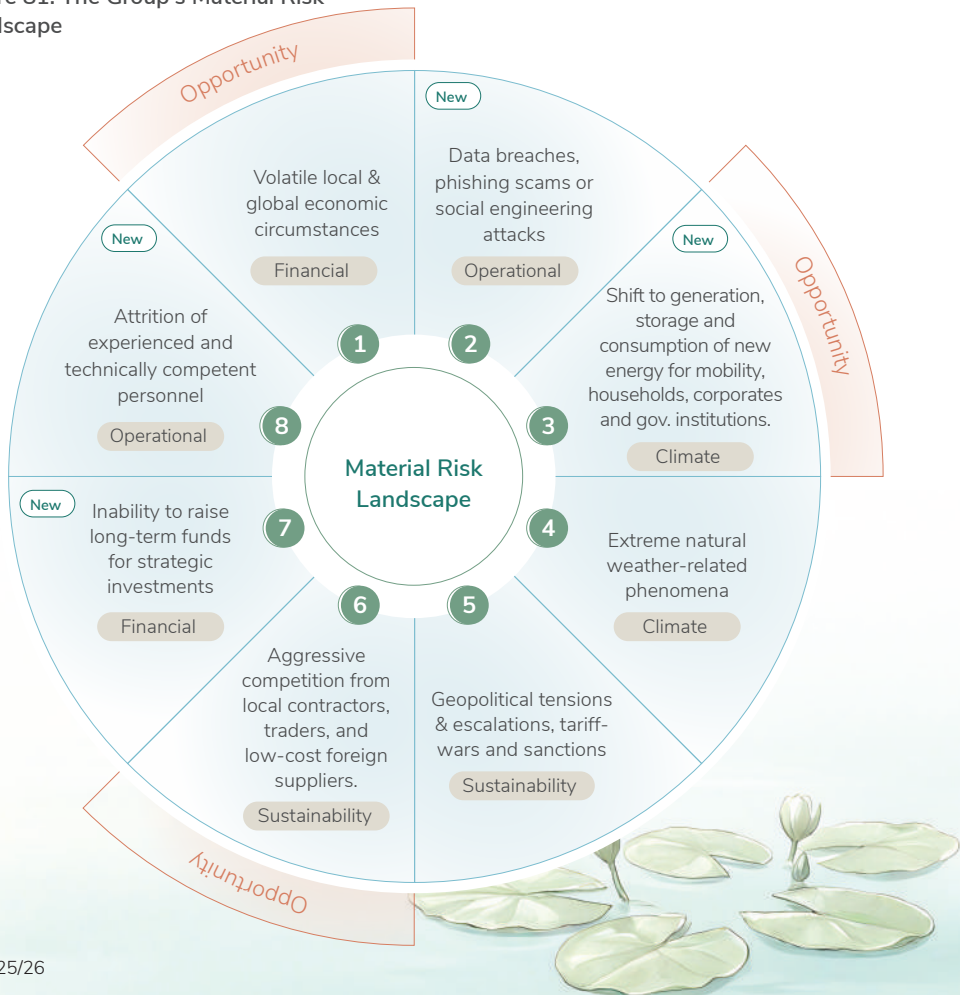


Figure 82: Risk Heat Map



Integration with Material Matters

The identification and prioritisation of risks are directly mapped against the Group's material matters. The broad material topics featured within the Stakeholder Engagement section on page 145 serve as a baseline to ensure all critical economic, environmental, and social dimensions are considered. The specific process utilized for the initial identification of these material topics can be found in detail on page 147. Conversely, the high-priority outputs of the Group Risk Register are used to validate and refine these material matters, ensuring the Group's external disclosures perfectly align with its actual operational risk profile.

Risk Mitigation, Management, and Monitoring

To execute the framework effectively, risk mitigation, management, and monitoring are designed with clearly assigned responsibilities for each level in the governance structure at defined intervals or stages of a risk event. The Group systematically manages risk through the following operational phases.

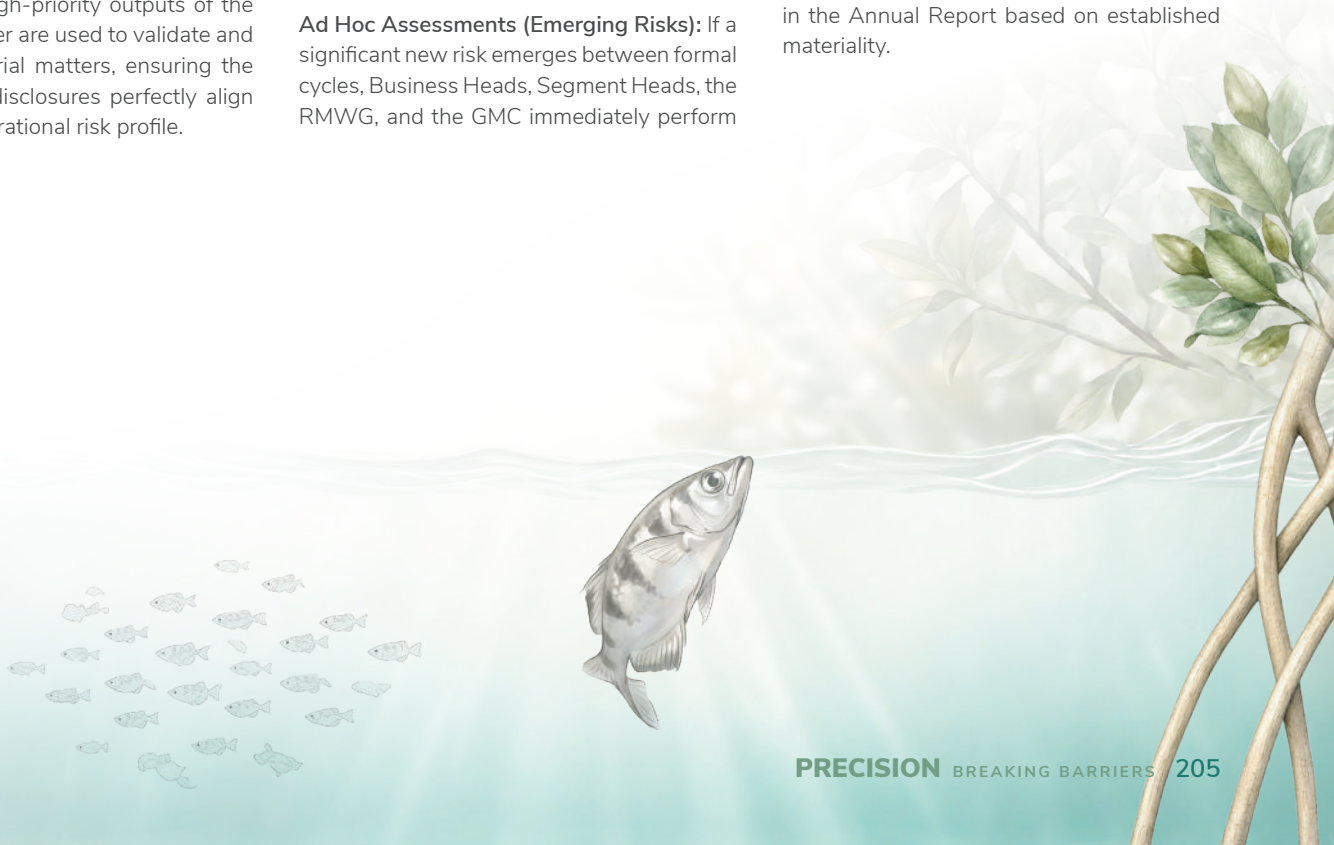
Periodic Reviews: The RMWG conducts an annual review of value chain mapping, climate scenarios, and sustainability or climate-related risks and opportunities (SRROs and CRROs) to update the central Risk Register and establish materiality. On a quarterly basis, Business and Segment Heads, the RMWG, and the GMC review risk likelihood and control effectiveness to determine probable capital allocation requirements and link findings directly to future corporate planning. Internally, the RMWG provides monthly updates to the GMC based on routine reviews, which are escalated to the Audit Committee on a quarterly basis, or to the Board of Directors if pre-defined thresholds are exceeded.

Ad Hoc Assessments (Emerging Risks): If a significant new risk emerges between formal cycles, Business Heads, Segment Heads, the RMWG, and the GMC immediately perform

ad hoc assessments to determine its operational drivers and necessary mitigation actions.

Post-Event Response (Risk Realisation): When a risk event occurs, Segment Heads, the RMWG, Finance, and the GMC immediately quantify the financial impact on assets, inventory, or sales, while evaluating the impact on affected stakeholders. The teams conduct a post-evaluation to implement corrective and preventive actions, routing detailed impact reports based on quantified damages to the GMC, the Audit Committee, and the Board of Directors depending on the severity of the material impact.

Continuous Monitoring & Disclosures: Day-to-day risk monitoring is embedded into management structures involving Business Heads, Compliance, Internal Audit, and the GMC alongside operational frameworks like QMS, EMS, OHS, and ISMS. This continuous oversight feeds the structured internal escalation framework and external disclosures, maintaining policy updates on the corporate website while formally disclosing broader performance in the Annual Report based on established materiality.




RISK MANAGEMENT


KEY RISK PROFILES

Risk 1: Volatile local & global economic circumstances

Economic & Macro-volatility




Risk Description: Disadvantageous exposure of earnings and costs in terms of revenue earnings being skewed to trading in imports. Public and private consumption of these imported goods and services is highly contingent on economic circumstances.


Impacts Conservative consumptions, austerity measures, resulting in drop in earnings & higher financial costs. This may impact growth strategy realisation and in extreme situations the strategic direction of the company.	Management Strategy: Mitigation Exploitation		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px dashed #ccc; padding: 5px;"> Measures currently applied: <ul style="list-style-type: none"> Scaling down businesses and recovering repurposed resources & spaces, with economic downturn and recovery, respectively. e.g. showroom footprint of mobility. Embarked on fixed contract pricing. Imports are partially or fully forward booked to mitigate Foreign Exchange loss from import bills settlements. Pricing mechanisms have incorporated frequent reviews and trigger point monitoring </td> <td style="width: 50%; padding: 5px;"> Proposed measures: <ul style="list-style-type: none"> Forward rate agreements or fixed contract pricing, particularly for high spend items. Streamline the hedging decision protocol to improve timing for Forex deal closures. </td> </tr> </table>	Measures currently applied: <ul style="list-style-type: none"> Scaling down businesses and recovering repurposed resources & spaces, with economic downturn and recovery, respectively. e.g. showroom footprint of mobility. Embarked on fixed contract pricing. Imports are partially or fully forward booked to mitigate Foreign Exchange loss from import bills settlements. Pricing mechanisms have incorporated frequent reviews and trigger point monitoring 	Proposed measures: <ul style="list-style-type: none"> Forward rate agreements or fixed contract pricing, particularly for high spend items. Streamline the hedging decision protocol to improve timing for Forex deal closures.
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	Opportunity for Value Creation Diversify product-service portfolio to include revenue from local value-additions and from serving the basic consumption of households & corporates (e.g. Food related, Daily consumables, healthcare, education & energy management).		
Link to Capitals: 	Link to Material Matters: 1 Macro-Economic Resilience & Financial Stability		

Risk 2: Data breaches, phishing scams or social engineering attacks

Cyber & Information Security



Risk Description: Exposure on Company's data and information due to Employees' over-confidence that company's infrastructure secures their devices and online presence. Employees' under-appreciation that their designated role is of interest to hackers.

Impacts Unauthorized access to corporate systems, loss of proprietary information and ransomware deployment. Disruption to operations, loss of competitiveness and disrepute.	Management Strategy: Mitigation		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px dashed #ccc; padding: 5px;"> Measures currently applied: <ul style="list-style-type: none"> Base line security is in place bringing the group at par with the market and peers. Examples spam email filtering, internet security, safeguards against phishing attacks including awareness trainings in conjunction with HR and restricted access to online sites subject to business requirements. Introduction of Information Security Management Systems to formulate procedures in a systematic manner. </td> <td style="width: 50%; padding: 5px;"> Proposed measures: <ul style="list-style-type: none"> Document security to prevent data leakages, document classification for restricted viewing & editing, restricted use of external storage devices & unauthorised software, evolution of spam filters and business specific safeguards. </td> </tr> </table>	Measures currently applied: <ul style="list-style-type: none"> Base line security is in place bringing the group at par with the market and peers. Examples spam email filtering, internet security, safeguards against phishing attacks including awareness trainings in conjunction with HR and restricted access to online sites subject to business requirements. Introduction of Information Security Management Systems to formulate procedures in a systematic manner. 	Proposed measures: <ul style="list-style-type: none"> Document security to prevent data leakages, document classification for restricted viewing & editing, restricted use of external storage devices & unauthorised software, evolution of spam filters and business specific safeguards.
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Link to Capitals: 	Link to Material Matters: 2 Business Model Innovation, Digital Transformation & Market Competitiveness 7 Stakeholder Engagement, Value Chain Sustainability & Resilience		

Risk 3: Shift to generation, storage and consumption of new energy for mobility, households, corporates and gov. institutions.

Transition - Technology



→ This exposure is classified as a Climate-Related Risk and Opportunity (CRRO), with its specific operational impacts, actions taken, and management strategies presented within the Sustainability-related Financial Disclosures on page 225.

Risk 4: Extreme natural weather-related phenomena

Physical - Acute



→ This exposure is classified as a Climate-Related Risk and Opportunity (CRRO), with its specific operational impacts, actions taken, and management strategies presented within the Sustainability-related Financial Disclosures on page 221.

Risk 5: Geopolitical tensions & escalations, tariff-wars and sanctions

Geopolitical & Sovereign



Risk Description: Exposure on company's supplies and inbound supply chain due to sustainability of business primarily being dependent on an imported product portfolio originating from regions prone to military conflicts, economic disputes and resource competition.

Impacts Supply chain disruptions. Ripple effects for volatile economic circumstances. Impairment of strategic investments in inaccessible regions.	Management Strategy: Mitigation	
	Measures currently applied: Diversification of supplier base for fertilizer, selected retail products, locally sourced lubricants and IT office equipment.	Proposed measures: Continuous diversification of product portfolio & sourcing.
Link to Capitals: 	Link to Material Matters: 1 Macro-Economic Resilience & Financial Stability 2 Business Model Innovation, Digital Transformation & Market Competitiveness 7 Stakeholder Engagement, Value Chain Sustainability & Resilience	

Risk 6: Aggressive competition from local contractors, traders, and low-cost foreign suppliers

Business Model Resilience



Risk Description: Offering goods and services which compete in red-oceans, challenged by grey- market imports and fails to be considered as high-value by the market vis-a-vis the competition.

Impacts Longer sales conversion cycle and lower conversion rate. Increased price discounting and taking on low return projects to meet revenue expectations.	Management Strategy: Mitigation	
	Measures currently applied: <ul style="list-style-type: none"> Offer lower lifecycle cost and reliability propositions to customers. Target customers/applications where quality, performance and long-term support are valued. 	Proposed measures: <ul style="list-style-type: none"> Transition from trading in products to undertaking service contracts, where possible.
Link to Capitals: 	Opportunity for Value Creation Offer alternatives of reputed quality with the necessary supporting infrastructure, in Mobility, Infrastructure Engineering, Power Engineering & Building Technological Solutions.	
	Link to Material Matters: <ul style="list-style-type: none"> 2 Business Model Innovation, Digital Transformation & Market Competitiveness 7 Stakeholder Engagement, Value Chain Sustainability & Resilience 	

RISK MANAGEMENT

Risk 7: Inability to raise long-term funds for strategic investments

Capital & Solvency

Risk Description: Series of weak financial performance and poor working capital management, curtails prospects to service new long-term bank loans for growth.

Impacts Curtailment in long-term growth, balance sheet mismatch in assets & liabilities and reduced credit worthiness.	Management Strategy: Avoidance	
Link to Capitals: 	Link to Material Matters: <ul style="list-style-type: none"> 2 Business Model Innovation, Digital Transformation & Market Competitiveness 7 Stakeholder Engagement, Value Chain Sustainability & Resilience 	Actions to be taken: <ul style="list-style-type: none"> • Aim to be a preferred client for more banks, by responding quickly and factually to inquiries, meeting covenants and sharing the group's cash management business with our banks. • Be decisive with corrective action and exits for businesses with weak prospects, to improve the Group's financial performance.

Risk 8: Attrition of experienced and technically competent personnel

Human Capital & Conduct

Risk Description: Potential loss of talent when working arrangements and performance-based employee remuneration, lag prospects at local peer companies and overseas opportunities.

Impacts Loss of tacit knowledge & customers, disruptions to project execution, higher training cost & slower service delivery. Fosters direct competition.	Management Strategy: Mitigation Adaptation	
Link to Capitals: 	Link to Material Matters: <ul style="list-style-type: none"> 5 Talent Attraction, Development & Retention and OHS, Employee Wellbeing 	Actions to be taken: <ul style="list-style-type: none"> • Formal programme of succession planning and career progression. • Introduce more progressive work arrangements prioritizing flexibility, innovation, autonomy and work-life balance.