

DIESEL & MOTOR ENGINEERING PLC

DIMO	POLICY ON INTERNAL CODE OF BUSINESS CONDUCT AND ETHICS FOR ALL DIRECTORS AND EMPLOYEES	Document Number: GRP/FM/CG/07/08
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1. INTRODUCTION

Diesel & Motor Engineering PLC (hereinafter referred to as "the Company") is committed to maintaining the highest standards of ethical conduct and integrity in its business operations. This Internal Code of Business Conduct and Ethics (hereinafter referred to as "the Code") outlines the principles and standards that all directors and employees of the Company are expected to follow.

This internal code of business conduct and ethics describes the Company's positions on many business issues and establishes the level of conduct that is expected from each employee. New employees must read the Code and certify at the beginning of employment that they will follow its guidelines.

2. OBJECTIVES

The objectives of this Code are to:

- **Promote Ethical Behavior:** Establish and maintain high ethical standards for business conduct and decision-making.
- **Ensure Compliance:** Adhere to all applicable laws, regulations, and Company policies.
- **Prevent Conflicts of Interest:** Identify and manage conflicts of interest to avoid compromising the Company's integrity.
- **Protect Confidential Information:** Safeguard sensitive information and ensure its proper use.
- **Foster a Respectful Workplace:** Create a positive and inclusive work environment.
- **Ensure Transparency in Trading:** Prevent insider trading and ensure compliance with trading policies.

3. SCOPE

This Code applies to all directors, management and employees of the Company, as well as to contractors, consultants, and other third parties engaged in business with the Company. It governs all aspects of business conduct and interactions, both internal and external.

The company is responsible for:

- Complying with applicable government laws, rules and regulations
- Distributing the Code of Business Ethics to all employees
- Maintaining an ongoing ethics awareness program
- Providing continued counselling and guidance on appropriate business behavior, ethical matters and legal issues
- Enforcing compliance with this Code of Business Ethics
- Disclosing any waiver of this Code of Business Ethics (for which waiver requires prior approval of the Audit Committee of the Board of Directors) to Company shareholders.

Supervisors/managers are responsible for:

- Assuring that all current and new employees have received a hard or a soft copy of the Code of Business Ethics
- Emphasizing to employees under their supervision the need for ethical behaviour
- Demonstrating ethical conduct by their personal action
- Identifying areas in which special training may be needed

All employees are responsible for:

- Reading and understanding the Code of Business Ethics and conducting themselves accordingly
- Seeking assistance when the appropriate course of action is unclear or unknown
- Remaining alert and sensitive to any actions that are in violation of this Code
- Reporting violations through appropriate channels

4. CODE OF CONDUCT AND ETHICS

4.1 General Principles

- **Integrity and Honesty:** Conduct business with honesty and integrity, avoiding any actions that might reflect poorly on the Company or its reputation.
- **Accountability:** Take responsibility for your actions and decisions, and act in the best interest of the Company and its stakeholders.

4.2 Fair Treatment

The Company's overriding principle is fairness for all employees. In alignment with national laws and regulations, The Company will recruit, hire, transfer, promote, and compensate employees without regard to race, colour, religion, national origin, gender, sexual orientation, or age. The Company is committed to comply with applicable human rights, employment equity, and non-discrimination legislation and does not tolerate behaviour that creates an intimidating or offensive work environment.

Managers are expected to treat employees with respect and ensure that the work environment is inclusive, welcoming, efficient, productive, and cooperative. The Company does not condone any behaviour, whether on or off. The Company premises, that suggests employment decisions such as promotions are based on personal relationships.

4.3 Working Conditions & The Environment

The Company is responsible for ensuring an environmentally safe workplace, safeguarding employees, the environment, and customers. The Company is committed to taking all necessary steps to ensure that no involuntary or illegal labor is used in the operations. Additionally, all facilities must maintain a drug-free environment.

Foster a work environment free from harassment, discrimination, and retaliation. Promote a culture of respect, safety, and inclusion.

4.4 Environmental Concerns

The Company is committed to protecting the environment and conserving natural resources. We adhere to all environmental laws and regulations in every location where we operate, benefiting the environment, the health and safety of our employees, our customers, and the communities we serve.

We will monitor our manufacturing, storage, treatment, and disposal processes to ensure that the operations meet or exceed applicable standards, benefiting the health and safety of our employees, customers, and the communities in which we operate. It is in the Company's best interest, as well as that of our customers, to continue and enhance our efforts to reduce waste, use recycled materials wherever feasible, lower carbon emissions, and develop environmentally friendly processes and packaging.

4.5 Confidential & Proprietary Information

The Company places high value on its confidential and proprietary information, as much of our work depends on it. This includes marketing objectives, customer lists, interim financial results, workforce and production plans, manufacturing techniques, software, and new product developments. Such information must be treated as confidential, as unauthorized disclosure can undermine its value. Both current and former employees have a responsibility to protect the information they have access to and to handle it with care. Upon termination of employment, all confidential information, whether electronic or printed, must be returned to the employee's manager.

4.6 Conflict of Interest & Gifts

A conflict of interest occurs when an individual's private interests conflict with those of the Company, potentially impeding their ability to act objectively and effectively on behalf of the Company. It is crucial that all employees avoid any situation or activity that could compromise their judgment or impair their ability to perform their job responsibilities impartially.

The Company expects all employees to avoid outside business or financial interests or activities that could interfere with their performance or conflict with the Company's interests.

- Having a material investment in, or a position with an enterprise that is a competitor, customer or supplier is an inherent conflict and is prohibited.
- Loans or other personal benefits given to an employee, or to a close friend or family of an employee, may impair the employee's ability to act in the best interest of the Company. For example, receipt of a gift from a supplier, whether in cash, property or services, may impair one's ability to make a sound business decision.
- Acceptance of any gift that is or could be construed to be a bribe is forbidden. Thus,

a gift, favour or entertainment may be given to or received from a supplier or a customer only when all the following criteria are met:

- It is consistent with established and customary business practices, such as paying the bill for lunch with a customer.
- It is of Rs.10,000 or less than Rs.10,000 and the business courtesy cannot be construed as a bribe, influence payment or kickback. An example would be accepting a calendar from a supplier that the supplier sends to all its customers annually.
- It does not violate any applicable law or regulation, or the customer's or suppliers' ethical practices. An example would be providing a customer with tickets to a sports event where the customer's code of business practices permits its employees to accept such offers;
- It will not embarrass the Company or the employee if publicly disclosed, such as purchasing an advertisement in a charity journal sponsored by a customer.

Under no circumstances should an employee responsible for recommending or purchasing goods or services maintain a personal relationship with anyone who provides goods or services to the Company. Common sense and good judgment must be applied in these situations.

Any potential or actual conflicts of interest must be disclosed to the appropriate authority within the Company.

4.7 Anti-Corruption and Bribery

- **Zero Tolerance:** The Company has a zero-tolerance policy for corruption and bribery. Do not engage in or tolerate bribery or other forms of corruption.
- **Anti-Bribery Procedures:** Follow anti-bribery procedures and report any suspicious activities or concerns regarding bribery or corruption. (Refer Policy on "Anti-Bribery & Corruption")

4.8 Corporate Opportunities

All employees have a duty of loyalty to advance the Company's business interests. No business opportunity discovered through the Company's employment should be diverted from the Company. When dealing with suppliers, employees must act solely in the Company's best interests. If an employee is interested in pursuing any such opportunity, they should consult the Chief Human Resources Officer to determine if pursuing it conflicts with the Company's interests.

4.9 Accurate Books & Records

All financial transactions and funds of the Company must be accurately recorded and supported by complete documentation, in accordance with generally accepted accounting principles and sound business practices. Every employee is individually responsible for ensuring that each financial transaction is properly authorized and documented.

The Company requires that all officers and directors comply with all disclosure requirements to ensure that public reports to the Securities and Exchange Commission, Colombo Stock Exchange, and similar entities are complete, accurate, timely, and fully compliant with applicable standards, free of any misrepresentation.

4.10 Personal Use of Company Equipment

Most employees have access to telephones, email, the Internet, fax machines, and other equipment. This equipment and these services are provided solely for the Company's business purposes. With managerial approval, occasional personal use for emergency or other personal reasons is permitted, provided it aligns with this Code.

The Company reserves the right to monitor all such systems to detect and address any potential misuse.

- Employees are encouraged to use their own or public facilities for personal matters during working hours. Please note that, even with managerial approval, there is no expectation of privacy when using the Company's equipment and facilities for personal purposes.
- Employees must not use company equipment, systems, or servers to visit "adult" or gambling websites, or to send, receive, or forward inappropriate content such as offensive jokes, photographs, or material that could be considered racist, sexist, homophobic, or derogatory toward any religious or ethnic groups.
- Employees found sending inappropriate emails to other employees will face termination for cause (without severance).
- Receiving inappropriate material in the Company's workplace violates our Code of Business Ethics and is contrary to our commitment to maintaining a welcoming environment where employees are treated fairly and without intimidation, regardless of race, colour, religion, national origin, gender, sexual orientation, or age.
- If you receive an inappropriate email from an unknown source, immediately notify your IT department so that steps can be taken to block such emails in the future.

4.11 Compliance with All Applicable Laws

The Company adheres to all relevant laws, rules, and regulations. We require all employees to comply with these laws, including but not limited to those outlined in this Code, as well as those related to trade regulation, competitive information, insider trading, and fair trade practices. Any questions or concerns regarding antitrust issues involving competitors, customers, or suppliers should be directed to the Company's Chief Human Resources Officer.

4.12 Competitive Information

Gathering information about competitors is a legitimate business activity that enhances the Company's understanding of the markets we operate in and helps us better meet customer needs. However, there are both ethical and legal constraints on how we obtain such information. With the advent of the Internet, a wealth of information about competitors is readily accessible online. Additionally, attending trade shows can provide a valuable public forum for collecting competitive insights through observation and listening.

- In no case should any employee obtain non-public competitive information through bribery, violation of confidentiality obligations, or any form of misrepresentation.
- The Company expects its employees, customers, suppliers, and competitors to respect

its confidential and proprietary information.

- In turn, the Company requires its employees to respect the confidential and proprietary information of our customers, suppliers, and competitors.

4.13 Insider Trading

If employees have access to information arising from their employment that is not generally known to the public. If you know of non-public information that could be expected to influence an investor's decision to buy, sell, or hold securities, you may not use such information to trade for your own benefit and you may not disclose such information to anyone else.

4.14 Outside Interests

It is essential that all employees avoid any situation or activity that might affect their judgment with respect to their responsibilities at the Company and their ability to properly fulfil the responsibilities of their job. The Company expects all employees to avoid any outside business or financial interests or activity that may interfere with their performance or may be contrary to the Company's interest. It is prohibited to have a material investment in, or be an official, director of or consultant to another enterprise, particularly if that enterprise is a competitor or a customer or supplier of products or services to the Company. Doing so is an inherent conflict with the Company's interests. If you engage in any outside business or commercial interests that require your attention for any part of the business day, you must make written disclosure of your involvement, whether in any company, partnership, or real estate venture, in writing, to the Chairman, to assure that you are not using the Company's resources or time for such outside interests. This provision does not apply to typical stock market investments. On the other hand, the Company encourages its employees to participate in charitable and civic endeavours through volunteer work and community service.

4.15 Political Contributions

The Company encourages its employees to exercise their individual rights as citizens to participate in the political process. Such participation, however, must be at the employee's expense, in the employee's free time, and cannot interfere with fulfilling one's job responsibilities. No assets shall be used for political contributions to any party or individual candidate.

5. REPORTING VIOLATIONS

5.1 Reporting Mechanism

- **Reporting Channels:** Use designated reporting channels to report any violations of this Code or concerns about unethical behavior. This may include confidential hotlines or email addresses.
- **Responsibility:** All Directors and employees are responsible for reporting violations and are encouraged to do so without fear of retaliation.

5.2 Investigation Process

- **Investigation:** The Company will investigate reported violations promptly and thoroughly. Ensure that investigations are conducted impartially and confidentially.

- **Corrective Actions:** Implement appropriate corrective actions based on investigation findings. This may include disciplinary measures or changes to policies and procedures.

5.3 Protection for Whistleblowers

- **Non-Retaliation:** Protect whistleblowers from retaliation or adverse consequences for reporting violations in good faith.
- **Confidentiality:** Ensure that the identity of whistleblowers is kept confidential to the extent possible.

6. TRAINING AND AWARENESS

- **Training Programs:** Provide training for all Directors and employees on the Code of Conduct and Ethics, including specific training on trading in Company securities and reporting violations.
- **Ongoing Awareness:** Conduct periodic refresher courses and updates to ensure continued awareness and understanding of the Code.

7. POLICY REVIEW AND UPDATES

- **Annual Review:** Review this policy annually or more frequently if necessary. Consider changes in regulations, Company operations, and industry best practices.
- **Policy Updates:** Update the policy as needed to reflect changes in regulatory requirements, business practices, or Company goals.

8. APPROVAL AND IMPLEMENTATION

This policy has been approved by the Board of Directors and is effective as of 1st October 2024. All directors and employees are required to familiarize themselves with this policy and adhere to its provisions.

9. MISCELLANEOUS

- 9.1 In so far as this Policy imposes any obligations on the Company, those obligations are not contractual and do not result in or confer any contractual rights to any person whomsoever.
- 9.2 To the extent that this Policy describes benefits and entitlements for employees, they are discretionary in nature and are also not intended to be contractual. The terms and conditions of employment that are intended to be contractual are set out in an employee's written employment contract.