

# INDEPENDENT ASSURANCE STATEMENT



## Introduction

Det Norske Veritas AS (DNV) has been commissioned by the management of Diesel & Motor Engineering PLC (the Company) to carry out an assurance engagement on the Company's 2009/10 Sustainability Report (the report) in its printed format against the Global Reporting Initiative (GRI) 2006 Sustainability Reporting Guidelines Version 3.0 (G3) and AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS 2008).

Diesel & Motor Engineering PLC is responsible for the collection, analysis, aggregation and presentation of information within the report. Our responsibility in performing this work is to the management of Diesel & Motor Engineering PLC only and in accordance with terms of reference agreed with the Company. The assurance engagement is based on the assumption that the data and information provided to us is complete and true. This statement is intended for the management and broader stakeholders of Diesel & Motor Engineering PLC.

## Scope of Assurance

The scope of work agreed upon with Diesel & Motor Engineering PLC included the following:

- External verification of the entire report covering economic, environmental and social indicators for the period 1st April 2009 to 31st March 2010, and prepared using the GRI G3 guidelines;
- Evaluation of the report's adherence to the three Accountability principles (Inclusivity, Materiality and Responsiveness) and the reliability of specified performance information, as required for a Type 2, Moderate Level of assurance, according to AA1000AS 2008;
- Evaluation of the additional principles of Completeness and Neutrality, as set out in DNV's Protocol for Verification of Sustainability Reporting;
- The boundary of the report covers Diesel & Motor Engineering PLC and its subsidiaries;
- Confirmation of adherence to the requirements for GRI Application Level "B+";
- The verification was carried out in May 2010.

## Verification Methodology

Our assurance engagement was planned and carried out in accordance with the DNV Protocol for Verification of Sustainability Reporting\*. As part of the verification we have challenged the sustainability-related statements and claims made in the report and assessed the robustness of the underlying data management system, information flow and controls. For example, we have:

- Examined and reviewed documents, data and other information made available to us by Diesel & Motor Engineering PLC.
- Visited the Head-Office and site operations at Siyambalape and Colombo (Jetawana Road).
- Conducted interviews with key representatives (including data owners and decision-makers from different divisions and functions) of the Company;

- Performed sample-based reviews of the mechanisms for implementing the Company's own sustainability-related policies, as described in the report, and for determining material issues to be included in the report;
- Performed sample-based audits of the processes for generating, gathering and managing the quantitative and qualitative data included in the report;
- Reviewed the process of acquiring information and economic data from the financial data presented in the 2009/10 certified Consolidated Balance Sheets.

## Conclusions

In our opinion, the report is an appropriate representation of the Company's sustainability-related policies, management systems and performance. We also confirm that the report meets the content requirements of the GRI Application Level "B+". We have evaluated the report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

### AA1000AS (2008) Principles

**Inclusivity:** Acceptable. The Company engages with selected stakeholders during the year through the channels as listed in the report. But a formal engagement process needs to be strengthened with appropriate documentation of the stakeholder feedbacks and expectations.

**Materiality:** Needs Improvement. The Company has improved its materiality determination process to bring out issues of significance in relation with the GRI G3 performance indicators. The relative grading of the stakeholder concerns in the materiality determination process need to be improved.

**Responsiveness:** Acceptable. We consider that the Company has adequately responded to key stakeholder concerns through its policies and management systems, and this is fairly reflected in the report within the defined scope and boundary.

**Reliability:** Acceptable. In accordance with Type 2, Moderate Level assurance requirements, we conclude that the specified sustainability data and information presented in the report are generally reliable. Although no systematic errors have been detected, DNV observed improvements possible in data and information related to some of the performance indicators, in particular water, hazardous waste and health and safety. Although in many of the performance indicators the Company compares the performance with that of previous years, it is also evident that the Company is aware of the need to improve the data management process

### Additional Principles

**Completeness:** Acceptable. The report boundary covers the Company and its subsidiaries with the coverage of their operations in Sri Lanka. The Company has made disclosures on the performance of indicators pertaining to most material issues identified and is also committed to improve the disclosures in future.

\* [www.dnv.com/services/assessment/corporate\\_responsibility/services\\_solutions/sustainabilityreporting/order](http://www.dnv.com/services/assessment/corporate_responsibility/services_solutions/sustainabilityreporting/order)



**Neutrality:** Good. The Company has reported sustainability issues, in a balanced manner, in terms of content and tone. Challenges and limitations are fairly presented with commitments to future improvements.

#### Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported back to the management of Diesel & Motor Engineering PLC. However, these do not affect our conclusions on the report, and they are indeed generally consistent with the management objectives already in place.

- The Company's sustainability work would benefit from developing mid-term objectives and goals aligned to the material issues identified.
- Reporting on trends of the performance indicators can be improved by objectively designing the metrics and reporting them over a time period to enable the stakeholder to make informed decisions.
- Implementation of systematic quality assurance procedures of internal data management systems will help further improve the reporting process by increasing the reliability of reported data.

#### DNV's Competence and Independence

DNV is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV was not involved in the preparation of any statements or data included in the report except for this Assurance Statement. DNV maintains complete impartiality towards people interviewed during the assignment. DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

For Det Norske Veritas AS

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