

## INDEPENDENT ASSURANCE STATEMENT ON THE NON-FINANCIAL REPORTING



### Introduction

Det Norske Veritas AS (DNV) has been commissioned by the management of Diesel & Motor Engineering PLC (or the company) to carry out an assurance engagement on the non financial data (economic, environmental and social indicators) in its Integrated Report 2010 -11 (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)).

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 toward any people interviewed. DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

The intended users of this assurance statement are the readers of company's Integrated Report 2010-11. The management of Diesel & Motor Engineering PLC is responsible for all information provided in the Report as well as the processes for collecting, analyzing and reporting the information. DNV's responsibility regarding this verification is to the Diesel & Motor Engineering PLC only and in accordance with the agreed scope of work. The assurance engagement is based on the assumption that the data and information provided to us is complete and true.

The reporting boundary is as set out in the report and during the assurance process; we did not come across limitations to the scope of the assurance engagement. The verification was carried out in May 2011.

### Scope of Assurance

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

- The external verification of the non financial data prepared using the GRI G3 guidelines, covering economic, environmental and social indicators for the period 1st April 2010 to 31st March 2011, covering the Diesel & Motor Engineering PLC and its subsidiaries;
- The 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;
- The evaluation of the additional principles of Completeness and Neutrality, as set out in DNV's Protocol for Verification of Sustainability Reporting;
- Confirmation of adherence to the requirements for GRI Application Level A+.

### Verification Methodology

This assurance engagement was planned and carried out in accordance with the AA1000AS (2008) and the DNV Protocol for Verification of Sustainability Reporting<sup>1</sup>. The report has been evaluated against the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness as set out in the AA1000AS (2008); the Reliability of specified sustainability performance information, as required for a Type 2 and moderate level assurance engagement,
- Adherence to the additional principles of Completeness and Neutrality as set out in DNV's Protocol, and
- The principles and requirements of the GRI G3 for an application level A +.

<sup>1</sup> [www.dnv.com/services/assessment/corporate\\_responsibility/services\\_solutions/sustainabilityreporting/order/](http://www.dnv.com/services/assessment/corporate_responsibility/services_solutions/sustainabilityreporting/order/)

## INDEPENDENT ASSURANCE STATEMENT ON THE NON-FINANCIAL 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 certified financial statements.

### 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:

- Further strengthening the materiality determination process (i.e. the risk evaluation done by the Group Management committee and the issues identified by the sustainability committee needs to be merged) and linking them to sustainability drivers will help to improve the organisation's sustainability performance, including timely detection of emerging issues and opportunities ;
- The present objectives and targets are focused on environment and needs to cover the broader sustainability topics and need to establish long term and mid-term objective and goals (3-5 years) for key material aspects;
- Implementing a systematic quality assurance procedure for data management will help improve the reporting process.

### 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 A+.

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 engaged with selected stakeholders during the year, through the channels as listed in the report. The Company has engaged an external organization to conduct the stakeholder engagement and documented the process;

## INDEPENDENT ASSURANCE STATEMENT ON THE NON-FINANCIAL REPORTING



**Materiality:** Acceptable. The company identifies issues from the stakeholder's feedback and expectations; these are mapped to GRI indicators and prioritized by the sustainability Committee. However the linkage between these issues and the risks emerging from the Group Management Committee is not clearly presented in the report. The relative materiality of issues which have changed in the reporting period with respect to last year needs to be explained to further enhance the clarity;

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

#### Additional Parameters as per DNV's Protocol

**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 key material issues identified and is also committed to improve the disclosures in future.

**Neutrality:** Acceptable. The company has reported sustainability issues, in a balanced manner, in terms of content and tone. Challenges and limitations may be stated with commitments to future improvements.

In our opinion, and based on the scope of this assurance engagement, the Diesel & Motor Engineering PLC Integrated Report 2010-2011, provides a fair representation of the Company's sustainability policies, objectives, management approach and performance during the reporting year.

In accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, we conclude that the specified sustainability data and information presented in the Report is generally reliable. The Report contains data that is measured and estimated and some of the errors in data compilation, which were attributable to transcription and aggregation, were corrected.

DNV confirms that the Report meets the requirements for GRI application level A+. The core GRI indicators are responded to either fully or partially, or their omission is explained, with due regard to the Materiality principle.

For Det Norske Veritas AS

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