

## Appendices — Independent Assurance Statement on Non-Financial Reporting

### Introduction

Det Norske Veritas AS (DNV) has been commissioned by the management of Diesel & Motor Engineering PLC ('Dimo' or 'the Company') to carry out an assurance of the Company's non-financial disclosures related to sustainability performance in its Annual Report 2012-13 (the Report) in its printed and online formats against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.1 (GRI G3.1) and Accountability's AA1000 Assurance Standard 2008 (AA1000AS 2008). The verification was carried out in May 2013.

The intended users of this assurance statement are the management of the Company and the readers of the Report. The Management of the Company is responsible for all information provided in the Report as well as the processes for collecting, analysing and reporting the information, including the maintenance and integrity of the website. DNV's responsibility regarding this verification is to Dimo 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, sufficient and authentic.

### Scope, Boundary and Limitations of Assurance

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

- The content of the sustainability performance reported in the Annual Report i.e. review of the policies, initiatives, practices and performance described in the Report as well as references made in the Report;
- Sustainability performance covering economic, environmental and social indicators for the period 1st April 2012 to 31st March 2013 in the Report prepared as per GRI G3.1;
- Evaluation of the Report's adherence to the Accountability principles and specified information mentioned below, as required for a Type 2, Moderate Level of assurance, according to AA1000AS 2008:
  - Information related to Company's sustainability issues, responses, performance data, case studies and underlying systems for the management of such information and data;
  - Information relating to Company's materiality assessment and stakeholder engagement processes;
- Confirmation of adherence to the requirements for GRI Application Level 'A+'.

The reporting boundary is as set out in the Report, covering entities over which the management has control and significant influence; during the verification process, there were no limitations encountered on the scope for the assurance engagement. Our verification was limited to the Report presented to us and our assurance does not cover maintenance and integrity of the website.

### Verification Methodology

Our assurance engagement was planned and carried out in accordance with AA1000AS (2008) and the DNV Protocol for Verification of Sustainability Reporting<sup>1</sup>. The Report was evaluated with regard to the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness as set out in AA1000AS (2008);
- The Reliability of specified sustainability performance information, as required for a Type 2, moderate level assurance engagement;

- Evaluation of the additional principles of Completeness and Neutrality, as set out in DNV's Protocol for Verification of Sustainability Reporting<sup>1</sup>;
- The principles and requirements of GRI G3.1 for Application Level 'A+'.

As part of the verification, DNV has verified the statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In doing so, we have:

- Reviewed the Company's approach to stakeholder engagement and its materiality determination process;
- Verified the sustainability-related statements and claims made in the Report and assessed the robustness of the data management system, information flow and controls;
- Examined and reviewed documents, data and other information made available to us by the Company;
- 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 checks 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.

### Conclusions

The sustainability performance as reported in the Diesel & Motor Engineering PLC Annual Report 2012–2013 provides a fair representation of the Company's sustainability policies, objectives, management approach and performance during the reporting year. We also confirm that the Report meets the content requirements of GRI G3.1 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:** The Company has identified key stakeholders and documented the process of engagement. The stakeholder engagement process is carried out with the help of an external organization and outputs of stakeholder engagement is validated.

In our view, the level at which the Report adheres to this principle is 'Good'.

**Materiality:** The Company has established the process of determining the materiality and updated material aspects for monitoring and continual improvement of its sustainability performance. The identified material aspects have been adequately prioritised and responded to in the Report.

In our view, the level at which the Report adheres to this principle is 'Good'.

**Responsiveness:** The Company has a fair understanding the sustainability context and has adequately responded to possible key stakeholder concerns through its policies and management systems. This is fairly reflected in the Report within the defined scope and boundary.

In our view, the level at which the Report adheres to this principle is 'Acceptable'.

<sup>1</sup> www.dnv.com/cr

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**Reliability:** The majority of data and information verified were found to be accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to data aggregation errors and the same has been corrected. Hence 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 and acceptable.

### Specific Evaluation of the Information on Sustainability Performances

We consider the methodology and process for gathering information developed by the Company for its sustainability performance reporting to be appropriate and the qualitative and quantitative data included in the Report, was found to be identifiable and traceable; the personnel responsible was able to demonstrate the origin and interpretation of the data and its reliability. We also assessed the reported progress against the Company's commitments as disclosed in its previous Report and observed that the Report presents a fair description of the sustainability activities and the goals achieved.

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

**Completeness:** The report boundary covers its operations in Sri Lanka. The Company has made disclosures on the performance of aspects and indicators relating to the key material issues identified and is also committed to improve the disclosures in future.

In our view, the level at which the Report adheres to this principle is 'Acceptable'.

**Neutrality:** The sustainability performance and related issues are reported in a fairly transparent and balanced manner, in terms of content and tone.

In our view, the level at which the Report adheres to this principle is 'Good'.

### Opportunities for Improvement

The following is a summary of the observations and opportunities reported back to the management. These do not, however, affect our conclusions regarding the Report, and they are indeed consistent with the management objectives already in place:

- The stakeholder engagement process may be broad-based and increase the engagement intensity to further improve the feedback and the Report may explicitly bring out the engagement outcomes and Company's responses;
- The Company may expedite the implementation of a health and safety management system across the entities of Dimo, to help identify and mitigate the health and safety risks related its workforce;

- To further strengthen and respond on the aspects related to human rights, formal assessments may be carried out across its value chain to identify frontier risks if any and implement suitable risk mitigation strategies.

### 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 states its independence and impartiality with regard to this assurance engagement. DNV was not involved in the preparation of any statements or data included in the Report, with the exception of 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.

For Det Norske Veritas AS,

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30th May 2013