

# ANNEX 6: INDEPENDENT ASSURANCE REPORTS

## ANNEX 6.1: INDEPENDENT ASSURANCE REPORT TO COMMERCIAL BANK OF CEYLON PLC



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
: +94 - 11 244 6058  
: +94 - 11 254 1249  
Internet : www.kpmg.com/lk

We have been engaged by the Directors of Commercial Bank of Ceylon PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended December 31, 2017. The Sustainability Indicators are included in the Commercial Bank of Ceylon PLC's Integrated Annual Report for the year ended December 31, 2017 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report page
Financial Highlights	10

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report page
Sustainability performance indicators:	
Non-financial highlights	11
Performance highlights	12 – 13
Information provided on following stakeholder groups:	
• Shareholders and investors – Financial and manufactured capital and Investor relations	54 – 57, 73 – 77 and 334 – 342
• Customers – Social and network capital and Intellectual capital	78 – 89 and 90 – 93
• Society and Environment – Natural capital and Social and network capital	102 – 104 and 78 – 89
• Employees and employee association – Human capital	94 – 101
• Suppliers and business partners – Social and network capital	78 – 89

### Our Conclusions:

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

### Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended December 31, 2017, are, in all material respects, prepared and presented in accordance with the GRI Standards.

### Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended December 31, 2017, have not in all material respects, been prepared and presented in accordance with the GRI Standards.

### Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the GRI Standards.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

### Our Responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by The Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by The Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

*Reasonable Assurance over Reasonable Assurance Sustainability Indicators*

The procedures selected in our reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the GRI Standards, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

*Limited Assurance on the Assured Sustainability Indicators*

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

**Purpose of our Report**

In accordance with the terms of our engagement, this Assurance Report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the GRI Standards and for no other purpose or in any other context.

**Restriction of use of our Report**

Our Report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our Report or a copy thereof and chooses to rely on our Report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this Independent Assurance Report, or for the conclusions we have reached.



*Chartered Accountants*

Colombo  
February 23, 2018

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan ACA

P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA

C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. C.T.K.N. Perera ACA

## ANNEX 6.2: INDEPENDENT ASSURANCE STATEMENT ON NON-FINANCIAL REPORTING – DNV GL



### Scope and Approach

DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited has been commissioned by the management of Commercial Bank of Ceylon PLC (“Commercial Bank” or “the Bank”) to carry out an independent assurance engagement (Type 2, Moderate level) for the non-financial – qualitative and quantitative information (sustainability performance) reported in Commercial Bank’s Annual Report 2017 (“the Report”) in its printed format for the financial year ending December 31, 2017. The sustainability disclosures in this Report is prepared by the Bank, based on International Integrated Reporting Council’s (“IIRC’s”) International <IR> Framework (“<IR> Framework”) and includes references to the Global Reporting Initiative (“GRI”) Sustainability Reporting Standards 2016 (“GRI Standards”), for non-financial performance related to identified material topics.

We performed our work using AccountAbility’s AA1000 Assurance Standard 2008 (AA1000 AS) and DNV GL’s assurance methodology VeriSustain™<sup>1</sup> which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised\* and GRI Guidelines. Our assurance engagement was planned and carried out during December 2017 – March 2018. The intended user of this assurance statement is the Management of the Bank (“the Management”).

The reporting topic boundary of sustainability performance is based on internal and external materiality assessment covering Commercial Bank’s banking and associated operations in Sri Lanka and Bangladesh. The Report excludes performance data and information related to the activities of Commercial Bank’s six subsidiaries – Commercial Development Co. PLC, ONEzero Co. Ltd., Serendib Finance Ltd., Commex Sri Lanka S.R.L. Italy, Commercial Bank of Maldives (Private) Limited and CBC

Myanmar Microfinance Company Limited, and the operations of its two associates, Equity Investments Lanka Ltd. and Commercial Insurance Brokers (Pvt.) Ltd. as the results of their operations are not significant (< 1 % revenue) compared to the overall results of the Bank. This is as set out in the Report in the section “Basis of Preparation”.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

### Responsibilities of the Management of Commercial Bank and of the Assurance Providers

The Management of Commercial Bank have the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing our assurance work, our responsibility is to the Management; however, our statement represents our independent opinion and is intended to inform the outcome of our assurance to the stakeholders of the Bank. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL provides a range of other services to Commercial Bank, none of which in our opinion, constitute a conflict of interest with this assurance work.

DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

### Basis of our Opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at Commercial Bank’s Head Office, and as part of assurance we visited sample branch operations in Sri Lanka & Bangladesh. We undertook the following activities:

- Review of Commercial Bank’s approach to stakeholder engagement and materiality determination process and the outcome as reported in this Report. We did not have any direct engagement with external stakeholders;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Bank’s sustainability objectives;
- Site visits to the sample branch operations at Wattala and Narahenpita in Sri Lanka, and Gulshan-2 in Dhaka, Bangladesh to review processes and systems with regard to the site level sustainability data and implementation of sustainability strategy. We were given the choice to select the sites we visited.
- Review of supporting evidence related to qualitative & quantitative disclosures within the Report against identified material topic.
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation. The reported data on economic performance and other financial data are based on audited financial statements issued by the Bank’s statutory auditors;

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.

<sup>1</sup> The VeriSustain protocol is available on [www.dnvgl.com](http://www.dnvgl.com)

\* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

## Opinion

On the basis of the verification undertaken, nothing came to our attention to suggest that the Report does not describe following Commercial Bank's non-financial performance related to identified material topics and performance Indicators verified by us as part of our assurance engagement:

- GRI 201: Economic-performance  
2016 – 201-1, 201-3;
- GRI 202: Market presence  
2016 – 202-1, 202-2;
- GRI 204: Procurement practices  
2016 – 204-1;
- GRI 205: Anti-corruption  
2016 – 205-1, 205-3;
- GRI 302: Energy  
2016 – 302-1, 302-4;
- GRI 306: Effluents and waste  
2016 – 306-2;
- GRI 308: Supplier environmental  
assessment  
2016 – 308-1;
- GRI 401: Employment  
2016 – 401-1, 401-2, 401-3;
- GRI 402: Labour/Management relations  
2016 – 402-1;
- GRI 403: Occupational health and safety  
2016 – 403-4;
- GRI 404: Training and education  
2016 – 404-1, 404-2, 404-3;
- GRI 405: Diversity and equal opportunity  
2016 – 405-1, 405-2;
- GRI 406: Non-discrimination  
2016 – 406-1;
- GRI 407: Freedom of association and  
collective bargaining  
2016 – 407-1;
- GRI 408: Child labour  
2016 – 408-1;
- GRI 409: Forced or compulsory labour  
2016 – 409-1;
- GRI 413: Local communities  
2016 – 413-1;

- GRI 414 : Supplier social assessment  
2016 – 414-1;
- GRI 417: Marketing and labeling  
2016 – 417-1, 417-2, 417-3;
- GRI 418: Customer privacy  
2016 – 418-1;
- GRI 419: Socio-economic compliance  
2016 – 419-1.

## Observations

Without affecting our assurance opinion, we also provide the following observations.

### Materiality

*The process of determining the issues that is most relevant to an organisation and its stakeholders.*

The process considers inputs from a wide range of sources, including the needs and concerns of stakeholders, societal norms, financial considerations, policy-based performance and sustainability context. The Bank needs to evaluate impact of identified material topic to the entities which are excluded from the boundary i.e. six subsidiaries & two associates. The response to the organisation's material issues is balanced and comprehensive. It would be better to benchmark sustainability performance & trend analysis with respect to identified material topic with peer group.

### Inclusivity

*The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.*

The Bank has a documented stakeholder engagement process, which helps in identifying, engaging and responding to key sustainability concerns of significant stakeholders. This process covers a wide range of stakeholders. Engagement is practiced throughout the organisation. This can be further improved in terms of coverage.

## Responsiveness

*The extent to which an organisation responds to stakeholder issues.*

The key stakeholder concerns are fairly responded within the Report i.e. the Report brings out disclosures such as Bank's business model, policies, management systems, governance mechanisms, Disclosures on Management Approach, and Performance Indicators for the identified material topics. Commercial Bank can improve this further by applying proactive engagement method with key stakeholders. Customer responsiveness needs to improve which include identification of changing needs & timely fulfillment of their expectations.

## Reliability

*The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.*

The robustness of the data management and aggregation systems was evaluated during our visits to Commercial Bank's Head Office and branch sites; the sample data and information verified as part of assurance was found to be reliable. All that had come to our attention suggests that reported data has been properly collated from information gathered from the operational level. A small portion of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors. Such errors have been communicated for correction have been proactively closed.

## Specific Evaluation of the Information on Sustainability Performance

We consider the methodology and process for gathering information developed by Bank 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 were able to demonstrate the origin and interpretation of the data and its reliability. We observed that the Report presents a faithful description of the reported sustainability activities for the reporting period.

#### **Additional Principles as per DNV GL VeriSustain**

##### **Completeness**

*How much of all the information that has been identified as material to the organisation and its stakeholders is reported.*

The Report has brought out the Content Elements and Guiding Principles of <IR> Framework well. Business strategy is well in place with digitalisation well in focus. Resource allocation is carefully done considering the automation, growth & increasing footprint in the global market. It has also brought out the six capitals including the management approach, monitoring systems and sustainability performance indicators against the <IR> Framework requirements for reporting within its identified reporting boundary.

##### **Neutrality**

*The extent to which a report provides a balanced account of an organisation's performance, delivered in a neutral tone.*

Neutral tone of the disclosures on sustainability initiatives in terms of content and justification, makes the report balanced in its approach. Discussion on the challenges along with the objective approach adopted or planned to that effect for the reporting period at various geographical locations of operations can bring more objectivity to the plans and their operationalisation.

For DNV GL



**Mithu Ghose**  
*Project Manager*  
DNV GL Business Assurance India  
Private Limited, India



**Rathika de Silva**  
*Country Head*  
DNV GL Business Assurance Lanka  
Private Limited, Colombo, Sri Lanka.



**Nandkumar Vadakepath**  
*Assurance Reviewer*  
DNV GL Business Assurance India  
Private Limited, India.

March 1, 2018  
Colombo  
Sri Lanka.



*DNV GL Business Assurance Lanka (Private) Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. [www.dnvgl.com](http://www.dnvgl.com)*