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Deloitte

Third-Party Verification for Green Bonds

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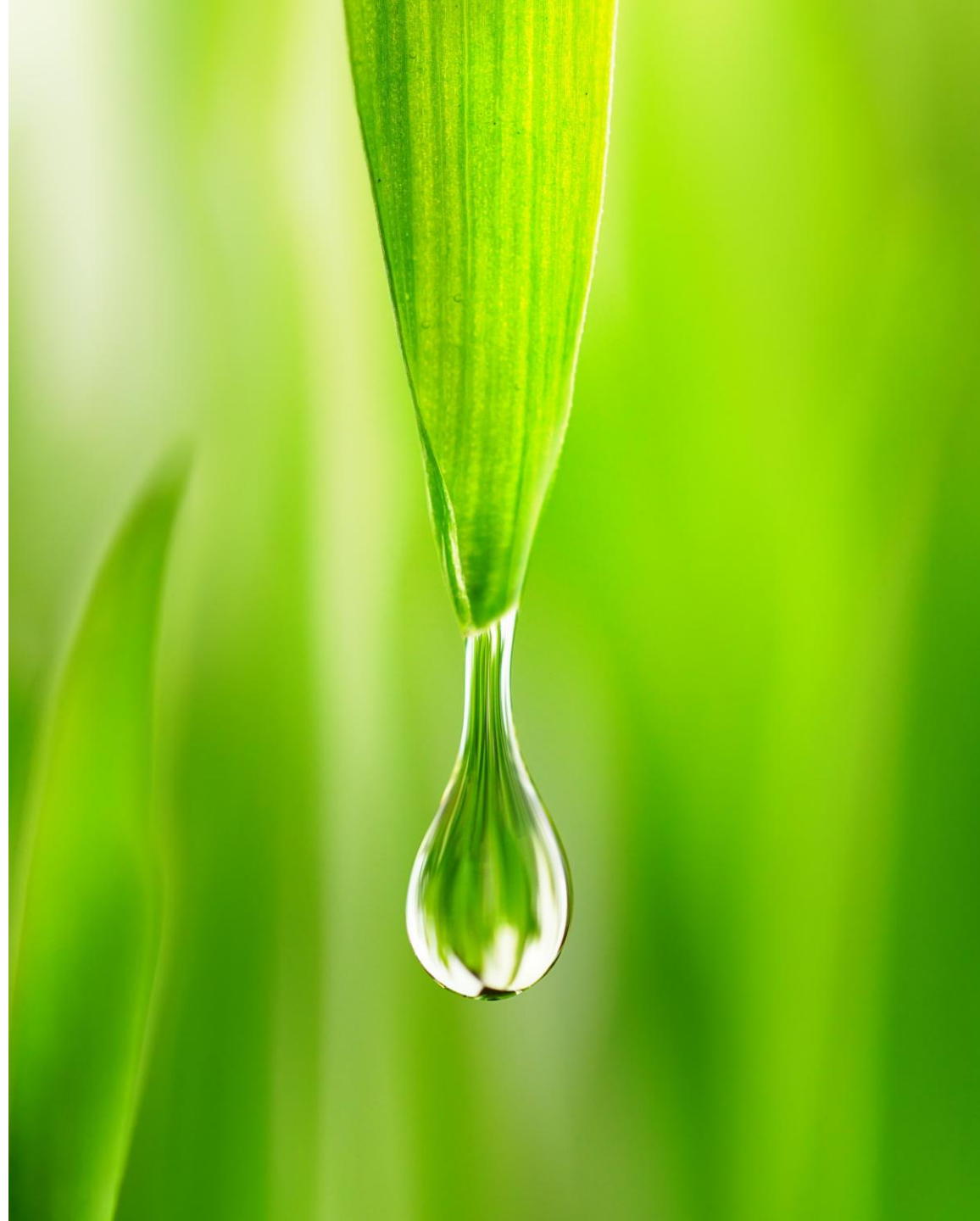
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Types of External Reviews

There are a variety of ways for issuers to obtain external input to their green, social, sustainability and sustainability-linked bonds process and there are several levels and types of review that can be provided in the market.

Second party Opinion	An institution with environmental/ social/sustainability expertise that is independent from the issuer may provide a Second Party Opinion.
Verification	Issuer can obtain independent verification against a designated set of criteria, typically pertaining to environmental/social/sustainability or KPI performance and sustainability targets for the SLBs.
Certification	An issuer can have its green, social, sustainability and sustainability-linked bond or associated green, social, sustainability and sustainability-linked bond framework or Use of Proceeds or Key Performance Indicators (KPIs) and Sustainability Performance targets (SPTs) certified against a recognised external green/social/ sustainability standard or label.
Scoring/Rating	An issuer can have its green, social, sustainability and sustainability-linked bond associated framework or a key feature such as Use of Proceeds, selection of KPIs, calibration of the level of ambitiousness of SPTs, evaluated or assessed by third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology.



Regulatory Framework

**Section 02 – Listing
Rules of CSE**

The Entity seeking to issue Sustainable Bonds shall appoint an **Independent External Verifier** to provide an independent Assurance Statement prior to issue.

The regulatory framework for third-party verification is outlined in the listing rules of the Colombo Stock Exchange.

If the assurance is provided by a member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), they must also adhere to the ethical requirements specified in the CA Sri Lanka Code of Ethics and requirements set out in the Sri Lanka Standards on Quality Management.

When an auditor provides verification services to a bank or a non-bank financial institution under the supervision of the Central Bank of Sri Lanka (CBSL), the relevant CBSL regulations for auditors must also be considered.


Section 03	Independent Assurance Statement prepared and signed by the Independent External Verifier in accordance with the required minimum content specified by the Exchange.
Section 07	The Independent Assurance Statement prepared and signed by the Independent External Verifier relating to; i. The alignment of the Sustainable Bonds with selected Sustainable Bond standard; and, ii. verifying the utilization of the proceeds, shall be submitted to the Exchange along with the Annual Report of the Entity.

Importance of Third-Party Verification



Investors and stakeholders to trust that these bonds genuinely contribute to sustainability goals, **Third-Party Verification** plays a crucial role.





Our Approach

The engagement was conducted based on SLSAE 3000 and in adhering to the requirements of Code of Ethics of CA Sri Lanka and Sri Lanka Standards on Quality Management.



ICMA Guideline for Green, Social, Sustainability and Sustainability Linked Bonds External Reviews was also considered.



Conduct pre-engagement activities

Confirm that the conditions for an assurance engagement are met:

- Determine that **Deloitte is independent** and can satisfy ethical and independence requirements
- Determine that the **subject matter** (Green Bond Framework) **is appropriate** and that the **criteria** to be applied in the preparation and evaluation of the subject matter are **suitable** and will be **available** to the users of the report
- Determine that **Deloitte will be able to obtain the evidence** needed to arrive at our conclusion
- Select an **engagement team** with the appropriate competencies and capabilities
- Perform **engagement acceptance** activities and agree on the terms of the engagement



Understand and plan

Determine the scope, nature, timing, and extent of the planned procedures to be performed, including:

- Obtain an understanding of the **information** to be assured and the control environment by performing procedures, such as inquiries, analytical procedures, and review of supporting documentation and data management systems
- **Analyze data flow and procedures** for identifying, gathering, and reporting relevant data within the defined boundaries
- **Identify and assess risks of material misstatement, due to fraud or error**, as the basis for designing and performing further procedures



Perform assurance plan

Perform procedures to respond to the assessed risks and to obtain limited assurance to support our conclusion, including:

- **Test the completeness and accuracy of the underlying data** to support the information
- Evaluate whether the information produced by the Company is **sufficiently reliable**
- Evaluate whether the subject matter (selected indicators) is **measured or evaluated in accordance with the criteria**



Conclude and report

Evaluate the results of the procedures and form a conclusion about whether we're aware of any material modification that should be made to the subject matter in order for it to be presented in accordance with the criteria, with the following key steps:

- **Analyze subsequent events** that may have affected subject matter
- **Obtain written representations from management** asserting their responsibility for, and the accuracy of, the reported data
- **Evaluate the overall presentation** of the subject matter for inconsistencies
- **Provide a review report** and, separately, our high-level recommendations and observations for how the process of compiling and reporting the information might be improved



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