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By

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DIRECT TAX

EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

Contributed by CA Ramaprasad T

Section 43A of Income Tax Act, 1961 (ITA/Act) provides that in case, where assessee has acquired any asset in the previous year from country outside India for the purposes of business or profession, the cost of such asset shall be adjusted because of increase or decrease in liability with change in exchange rate after the acquisition of asset at the time of payment of whole or part of cost of the asset.

The increase or decrease in liability and adjustment to the actual cost of the asset shall be made only if the payment is made by the assessee.

This adjustment is made only in relation to the actual cost mentioned in Sec 43(1)/Capex mentioned in Sec 35(1)(iv)/ Capex referred to in Sec 35A/ Capex referred to in Sec 36(1)(ix) and cost of acquisition referred to in Sec 50.

New Section – 43AA:

Finance Bill 2018 proposed a new section in relation to treatment of gain or loss on account of change in foreign exchange rates as income or loss. Such computation has to be made with reference to Income Computation Disclosure Standards (ICDS) notified under Sec 145(2) of ITA, 1961.

The gain or loss on account of change in foreign exchange rates shall be in respect of all foreign currency transactions. These include:

(i) Monetary and Non-monetary items;
(ii) Translation of financial statements of foreign operations;
(iii) Forward exchange contracts;
(iv) Foreign currency translation reserves.

The new section is subject to provisions of Sec 43A. In other words, new section has broadened the areas of application beyond capital items.

As per the proposed section the gains or loss on account of change in foreign exchange rates has to be computed with reference to notified ICDS(New) VI on 'The Effects of Changes in Foreign Exchange Rates'. It is effective from 01-04-2016 and applicable to AY 2017-18 and subsequent assessment years.

The ICDS (New) VI deals with treatment of transaction in foreign currencies/translating financial statement of foreign operations/ treatment of foreign currency transactions in the nature of forward exchange contracts.

ICDS are to be applied for computation of income under the head Profits and Gains of Business or Profession and Income from Other Sources.

The ICDS (New) VI is subject to the provisions of Sec 43A and Rule 115 of Income Tax Rules, 1962.

Initial Recognition:

As per ICDS (New) VI a foreign currency transaction[1] shall be initially recorded using the exchange rate on the date of transaction[2].

Recognition on the last date of previous year:

Foreign Currency monetary items[3] in foreign currency shall be converted into reporting currency by applying closing rate except in case of restriction on remittances or closing rate being unrealistic.

In case of non-monetary items[4] , except inventory, in foreign currency shall be converted in to reporting currency by using exchange rate on the date of transaction.

In case on inventory which is carried on Net Realisable Value (NRV) denominated in foreign currency shall be reported using the exchange rate existed when such value was determined.

Financial statement of Foreign Operations (disregarding distinction of Integral Operations or Non-Integral Operations) are to be translated as if the transactions as operation had been those of himself. The term Foreign Operations covers only branch, by whatever name called, the activities of which are based or conducted in a country other than India.

Key Note:

As per Rule 115 of ITA Rules, 1962 income accruing or arising or received or deemed to accrue or arise or deemed to be received in foreign currency and chargeable under the head Profits and Gains of Business or Profession and Income from Other Sources be converted in to rupees using TT buying rate on the last day of previous year of the assessee.

As per ICDS (New) VIExchange Rate is the ratio for exchange of two currencies. There is no specific reference as TT buying rate in the ICDS (New) VI. This could result in exchange differences. Since differentiation of foreign operations into integral or non-integral is removed accumulation of foreign currency translation reserve do not arise(may be relevant in the context of transitional provisions).

Exchange Differences:

Exchange Differences in respect of monetary items on settlement or conversion on the last day of the previous year shall be recognized as income or expenses in that previous year. In case of non-monetary items exchange differences shall not be recognized as income or expense.

Exchange rate differences on assets acquired using from outside India for business or profession shall be dealt in accordance with Sec 43A of ITA, 1961.

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[1] Buying or Sale of goods/ services or borrowing or lending denominated in foreign currency/ party to un performed forward exchange contract/ acquisition or disposal of assets/ liabilities incurred in denominated in foreign currency.
[2] Avg rate for week or month that approximates the actual rates may be used for all transactions occurred during the period.
[3] Money, Assets to be received or Liabilities to be paid in fixed or determinable amount of money.
[4] Assets or Liabilities other than monetary items.

Forward Exchange Contracts:

Any premium or discount arising at the inception of a forward exchange contract, other than entered for trading or speculative purposes, shall be amortised as expense or income over the life of the contract.

The premium or discount is measured by the difference between the exchange rate at the date of the inception of the contract and the forward rate specified in the contract.

Exchange differences on such a contract shall be recognised as income or as expense in the previous year in which the exchange rates change. Any profit or loss arising on cancellation or renewal shall be recognised as income or as expense for the previous year.

Premium or discount and exchange differences on contracts intended for trading or speculation purposes or held for hedge purposes shall be recognized at the time of settlement.

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INTERNATIONAL TAXATION

AMENDMENT IN BUSINESS CONNECTION

Contributed by CA Suresh Babu S |

Over past few decades India has witnessed rapid growth in international business transactions and thanks to Modi Government as the international trade flow has increased dramatically post 2014. Even in the recent DAVOS conference, many CEO's of international MNC's have promised to do business in India. Accordingly, the stupendous growth in international business has steered to increase in tax issues as well. Therefore, the topic of Permanent Establishment ('PE') has become even more important as many MNC's establish their subsidiaries, offices, distribution networks, etc in jurisdictions such as BRIC nations.

International tax rules have used physical presence to allocate taxing rights. However, by virtue of digital technologies, businesses are able to have a significant economic presence without necessarily having a substantial physical presence. Accordingly, to bring such transactions into Tax bracket, Budget 2018 proposes to expand the scope of the 'business connection' test (the equivalent of permanent establishment) by including a 'significant economic presence test' ("SEP Test"). Under the SEP Test, download of data or software, or solicitation of business activities through digital means in India could lead to non-residents coming within the tax net. The basic intent behind this SEP test is to expand the Tax bracket without having a fixed place of business or a dependent agent thereto. Hence, the question of existing definition of PE being inconsistent with the underlying tax principles is avoided. Interestingly enough, OECD in the BEPS Action Plan is still evaluating various options to tax the digital economy transactions.

While India has lead the way to carve out tax provisions to tax digital transactions by first incorporating equalization levy in 2016, and now the SEP Test, other countries are not far behind.

The expectation is that once implemented, the measures restore taxation in a number of instances where income would otherwise go untaxed. Depending on the planning structure used, one or more of the measures developed will have an impact and ensure that income is taxed at least one time and not more than once. Rather than closing individual schemes, the measures go to their roots.

BEPS Action Plan 1

Action Plan 1 in the 15-point Action Plan to address BEPS, the work on the tax challenges of the digital economy, aimed to consider whether the international tax rules were sufficient to meet the demands arising from new business models and ways of creating value that are emerging with the rise of new technologies.

Globalisation means that domestic policies, including tax policy, cannot be designed in isolation. Tax policy is at the core of countries' sovereignty, and each country has the right to design its tax system in the way it considers most appropriate. At the same time, the increasing interconnectedness of domestic economies has highlighted the gaps that can be created by interactions between domestic tax laws. Therefore, there is a need to complement rules to prevent double taxation with a fundamentally new set of standards designed to establish international coherence in corporate income taxation.

The BEPS report (OECD, 2013a) calls for the development of "instruments to put an end to or neutralise the effects of hybrid mismatch arrangements and arbitrage". Hybrid mismatch arrangements can be used to achieve unintended double non-taxation or long-term tax deferral by, for instance, creating two deductions for one borrowing, generating deductions without corresponding income inclusions, or misusing foreign tax credit and participation exemption regimes.

While it may be difficult to determine which country has in fact lost tax revenue, because the laws of each country involved have been followed, there is a reduction of the overall tax paid by all parties involved as a whole, which harms competition, economic efficiency, transparency and fairness.

India's Action in line with BEPS

Under the existing provisions of Explanation 2 to clause (i) of sub-section (1) of section 9, "business connection" includes business activities carried on by non-resident through dependent agents. The scope of "business connection" under the Act is similar to the provisions relating to Dependent Agent Permanent Establishment (DAPE) in India's Double Taxation

Avoidance Agreements (DTAAs). In terms of the DAPE rules in tax treaties, if any person acting on behalf of the non-resident, is habitually authorised to conclude contracts for the non-resident, then such agent would constitute a PE in the source country.

However, in many cases, with a view to avoid establishing a permanent establishment (hereafter referred to as 'PE') under Article5(5) of the DTAA, the person acting on the behalf of the non-resident, negotiates the contract but does not conclude the contract.

Further, under paragraph 4 of Article 5 of the DTAAs, a PE is deemed not to exist when a place of business is engaged solely incertain activities such as maintenance of stocks of goods for storage, display, delivery or processing, purchasing of goods or merchandise, collection of information. This exclusion applies only when these activities are preparatory or auxiliary in relation to the business as a whole.

The OECD under BEPS Action Plan 7 reviewed the definition of 'PE' with a view to preventing avoidance of payment of tax by circumventing the existing PE definition by way of commissionaire arrangements or fragmentation of business activities. In order to tackle such tax avoidance scheme, the BEPS Action plan 7 recommended modifications to paragraph (5) of Article 5 to provide that an agent would include not only a person who habitually concludes contracts on behalf of the non-resident, but also a person who habitually plays a principal role leading to the conclusion of contracts. Similarly Action Plan 7 also recommends the introduction of an anti fragmentation rule as per paragraph 4.1 of Article 5 of OECD Model tax conventions, 2017 so as to prevent the tax payer from resorting to fragmentation of functions which are otherwise a whole activity in order to avail the benefit of exemption under paragraph 4 of Article 5 of DTAAs.

In section 9 of the Income-tax Act, in sub-section (1), in clause (i), with effect from the 1st day of April, 2019,—

(I) in Explanation 2, for clause (a), the following clause shall be substituted, namely:—
"(a) has and habitually exercises in India, an authority to conclude contracts on behalf of the non-resident or habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by that non-resident and the contracts are—
(i) in the name of the non-resident; or
(ii) for the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that non-resident has the right to use; or
(iii) for the provision of services by the non-resident; or";
(II) after Explanation 2, the following Explanation shall be inserted, namely:— 'Explanation 2A.—For the removal of doubts, it is hereby clarified that the significant economic presence of a non-resident in India shall constitute "business connection" in India and "significant economic presence" for this purpose, shall mean—
(a) transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India, if the aggregate of payments arising from such transaction or transactions during the previous year exceeds such amount as may be prescribed; or
(b) systematic and continuous soliciting of business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means:

Provided that the transactions or activities shall constitute significant economic presence in India, whether or not the non-resident has a residence or place of business in India or renders services in India:

While India has lead the way to carve out tax provisions to tax digital transactions by first incorporating equalization levy in 2016.Now it has took the next step of Significant Economic Presence Test (SEP Test).

The memorandum to the Finance Bill further throws light on the intention of the Legislature for introducing SEP. The relevant para is as follows:

The proposed amendment in the domestic law will enable India to negotiate for inclusion of the new nexus rule in the form of 'significant economic presence' in the Double Taxation Avoidance Agreements. It may be clarified that the aforesaid conditions stated above are mutually exclusive. The threshold of "revenue" and the "users" in India will be decided after consultation with the stakeholders. Further, it is also clarified that unless corresponding modifications to PE rules are made in the DTAAs, the cross border business profits will continue to be taxed as per the existing treaty rules.

Impact on Indian Economy

It is pertinent to note that that India is not waiting for a broader consensus on taxation of digital economy and has already started taking measures to deal with it unilaterally. However, the proposed introduction, may not be fruitful because the taxpayer can always avail the treaty benefit. Accordingly, unless there is a change in the PE definition in the bilateral treaties, the amendment may not have any impact.

Further, the countries who do not have treaties with India would be highly reluctant to undertake transactions with Indian entities, given the expanded scope of the provisions.

The existing provisions would mean that even if services are rendered from outside India the same may result in SEP in India if the revenue threshold is exceeded. This would bring within its ambit all services rendered from outside India assuming the revenue threshold is exceeded and thereby creating SEP for such non-residents.

Key Concerns

The taxation of digital economy is being discussed at various international forums (OECD, Council of European Union, G20), as unilateral action of a single country cannot resolve tax challenges of the digital economy. Before proceeding to obtain consensus among the members, views on following aspects be framed at an international level:

a) **Compliances for a virtual permanent establishment;**
Given the wide ambit of the amended 'business connection', it is possible that a large number of non-residents may satisfy the requirements of constituting a business connection in India, though they may not constitute a PE under existing tax treaty rules. It is not clear if such non-residents should file a tax return in India and undertake related compliances even though no income may be taxable in India on account of the tax treaty benefits.

b) **Profit attribution for digital economy;**
A key issue in this approach is the attribution of income to the SEP. The current guidelines for attribution of profits enshrined in the authorized OECD approach may not be adequate in a situation where the significant economic presence is established without any assets or people function, which is the very situation SEP seeks to target. It may require changing the current rules to get to a meaningful conclusions.

c) **Characterisation of income derived from digital business models;**
The present nature of the Digital PE rule raises questions on how it will be enforced. For instance, for the threshold based on interaction of number of users, calculating the number of users actually interacting with the non-resident could be cumbersome. Among other things, this would require a robust Audit trail to arrive at the number of users – especially in cases of business models where the user interaction is on a **free-for-all** basis.

d) Under Explanation 1(a), the attribution is restricted to the operations carried out in India. Whereas, in case of Explanation 2A, the attribution is to the transactions or activities referred to in clause (a) or class (b). Since the word 'referred' is used in 2nd proviso, it would appear that attribution under Explanation 2A would be wider/larger than that under Explanation 1(a).

Conclusion

To conclude, though India has taken the lead in making tax provisions to tax digital transactions, the Government should be able to resolve the ambiguity on income attribution. The provisions seem to be disregarding many of the OECD options and appropriate safeguards discussed in the BEPS Action plans. Businesses may not have immediate worries about Digital PE being created, but the government needs to clarify on various issues that may lead to time-consuming litigation without much revenue benefit to the Government.

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SEBI

UNDERSTADING BRR AND ITS PRINCIPLES

Contributed by CA Murali Krishna G

Business Responsibility Report

- National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business – by MCA in July 2011
- SEBI Circular No. CIR/CFD/DIL/8/2012, dated 13/08/2012
- Regulation 34 (2) (f) of SEBI (LODR) Regulations, 2015, dated
- SEBI Circular No. CIR/CFD/CMD/10/2015, dated 04/11/2015
- SEBI (LODR) (Amendment) Regulations, 2015, dated 22/12/2015

Applicability

- Initial List – Top 100 companies by Capitalisation at BSE and NSE (FY ending on or after 31/12/2012)
- Subsequent List – Top 500 Companies by Capitalisation at BSE and NSE (Wef 01-04-2016)

Sustainability Reporting

- GRI Sustainability Reporting Standards 2016
- Accountability: AA1000 Series of Standards
- Carbon Disclosure Project (CDP) tool and Framework
- International Integrated Reporting Council (IIRC) International Framework
- ISO 26000
- OECD: Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones
- Sustainability Accounting Standards Board (SASB)
- UN Global Ten Compact Ten Principles
- The Greenhouse Gas (GHG) Protocol

ESG Norms

- Environmental
- Social
- Governance

9 Principles

- Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
- Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
- Businesses should promote the well being of all employees
- Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- Businesses should respect and promote human rights
- Business should respect, protect, and make efforts to restore the environment
- Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
- Businesses should support inclusive growth and equitable development
- Businesses should engage with and provide value to their customers and consumers in a responsible manner

P1- Ethics, Transparency & Accountability

- Businesses should develop governance structures, procedures and practices that ensure ethical conduct at all levels; and promote the adoption of this principle across its value chain.
- Businesses should communicate transparently and assure access to information about their decisions that impact relevant stakeholders.
- Businesses should not engage in practices that are abusive, corrupt, or anti- competition.
- Businesses should truthfully discharge their responsibility on financial and other mandatory disclosures.

- Businesses should report on the status of their adoption of these Guidelines as suggested in the reporting framework in this document.

- Businesses should avoid complicity with the actions of any third party that violates any of the principles contained in these Guidelines

P2- Safe and Sustainable Goods & Services

- Businesses should assure safety and optimal resource use over the life-cycle of the product – from design to disposal – and ensure that everyone connected with it- designers, producers, value chain members, customers and recyclers are aware of their responsibilities.

- Businesses should raise the consumer's awareness of their rights through education, product labelling, appropriate and helpful marketing communication, full details of contents and composition and promotion of safe usage and disposal of their products and services.

- In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.

- Businesses should regularly review and improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations.

- Businesses should recognize and respect the rights of people who may be owners of traditional knowledge, and other forms of intellectual property.

- Businesses should recognize that over-consumption results in unsustainable exploitation of our planet's resources, and should therefore promote sustainable consumption, including recycling of resources.

P3- Promote well being of all employees

- Businesses should respect the right to freedom of association, participation, collective bargaining, and provide access to appropriate grievance Redressal mechanisms.

- Businesses should provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability or sexual orientation.

- Businesses should not use child labour, forced labour or any form of involuntary labour, paid or unpaid.

- Businesses should take cognizance of the work-life balance of its employees, especially that of women.

- Businesses should provide facilities for the wellbeing of its employees including those with special needs. They should ensure timely payment of fair living wages to meet basic needs and economic security of the employees.

- Businesses should provide a workplace environment that is safe, hygienic humane, and which upholds the dignity of the employees. Business should communicate this provision to their employees and train them on a regular basis.

- Businesses should ensure continuous skill and competence upgrading of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions.

- Businesses should create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities.

P4- Respect interest and responsive to all stakeholders

- Businesses should systematically identify their stakeholders, understand their concerns, define purpose and scope of engagement, and commit to engaging with them.

- Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product & services and associated operations on the stakeholders.

- Businesses should give special attention to stakeholders in areas that are underdeveloped.

- Businesses should resolve differences with stakeholders in a just, fair and equitable manner

P5- Respect and promote human rights

- Businesses should understand the human rights content of the Constitution of India, national laws and policies and the content of International Bill of Human Rights. Businesses should appreciate that human rights are inherent, universal, indivisible and interdependent in nature.

- Businesses should integrate respect for human rights in management systems, in particular through assessing and managing human rights impacts of operations, and ensuring all individuals impacted by the business have access to grievance mechanisms.

- Businesses should recognize and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalized groups.

- Businesses should, within their sphere of influence, promote the awareness and realization of human rights across their value chain.

- Businesses should not be complicit with human rights abuses by a third party.

P6- Protection of Environment

- Businesses should utilize natural and manmade resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling and managing waste.

- Businesses should take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to public interest.

- Businesses should ensure that benefits arising out of access and commercialization of biological and other natural resources and associated traditional knowledge are shared equitably.

- Businesses should continuously seek to improve their environmental performance by adopting cleaner production methods, promoting use of energy efficient and environment friendly technologies and use of renewable energy.

- Businesses should develop Environment Management Systems (EMS) and contingency plans and processes that help them in preventing, mitigating and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of its value chain.

- Businesses should report their environmental performance, including the assessment of potential environmental risks associated with their operations, to the stakeholders in a fair and transparent manner.

- Businesses should proactively persuade and support its value chain to adopt this principle.

P7- Influence on Public & Regulatory Policy

- Businesses, while pursuing policy advocacy, must ensure that their advocacy positions are consistent with the Principles and Core Elements contained in these Guidelines.

- To the extent possible, businesses should utilize the trade and industry chambers and associations and other such collective platforms to undertake such policy advocacy.

P8- Support Inclusive Growth & equitable development

- Businesses should understand heir impact on social and economic development, and respond through appropriate action to minimise the negative impacts.

- Businesses should innovate and invest in products, technologies and processes that promote the wellbeing of society.

- Businesses should make efforts to complement and support the development priorities at local and national levels, and assure appropriate resettlement and rehabilitation of communities who have been displaced owing to their business operations.

- Businesses operating in regions that are underdeveloped should be especially sensitive to local concerns.

P9- Provide value to the consumers in a responsible manner

- Businesses, while serving the needs of their customers, should take into account the overall well-being of the customers and that of society.
- Businesses should ensure that they do not restrict the freedom of choice and free competition in any manner while designing, promoting and selling their products.
- Businesses should disclose all information truthfully and factually, through labelling and other means, including the risks to the individual, to society and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner. Where required, businesses should also educate their customers on the safe and responsible usage of their products and services.
- Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in these Guidelines.
- Businesses should exercise due care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption.
- Businesses should provide adequate grievance handling mechanisms to address customer concerns and feedback.

GRI Standards - Overview

101 – Foundation
102 – General Disclosures
103 – Management Approach

Economic Standards

201 – Economic Performance
202 – Market Presence
203 – Indirect Economic Impact
204 – Procurement Practices
205 – Anti Corruption
206 – Anti Competitive Behaviour

Environmental Standards

301 – Materials
302 – Energy
303 – Water
304 – Biodiversity
305 – Emissions
306 – Effluents and Waste
307 – Environmental Compliances
308 – Supplier Environmental Assessment

Social Standards

401 – Employment
402 – Labor/ Management Relations
403 – OHS
404 – Training & Education
405 – Diversity and Equal Opportunities
406 – Non Discrimination
407 – Freedom of Association & Collective Bargaining
408 – Child Labor; 409 – Forced or Compulsory Labor
410 – Security Practices
411 – Rights of Indigenous People
412 – Human Rights Assessment
413 – Local Communities
414 – Supplier Social Assessment
415 – Public Policy
416 – Customer Health and Safety
417 – Marketing and Labeling
418 – Customer Privacy
419 – Socio Economic Compliance

Integrated Reporting (IR) Framework (1/3)

- SEBI Circular No. SEBI/HO/CFD/CMD/CIR/P/2017/10, 06/02/2017

- Regulation 4(1)(d) of SEBI LODR states "the listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors"

- SEBI Circular No. SEBI/HO/CFD/CMD/CIR/P/2017/10, 06/02/2017

- IOSCO Principle 16 - there should be full, accurate and timely disclosure of financial results, risks and other information that is material to investorś decisions.

- International Integrated Reporting Council ('IIRC') Guiding Principles:

  •Strategic focus and future orientation
  •Connectivity of information
  •Stakeholder relationships
  •Materiality of Information
  •Conciseness
  •Reliability and completeness
  •Consistency and comparability

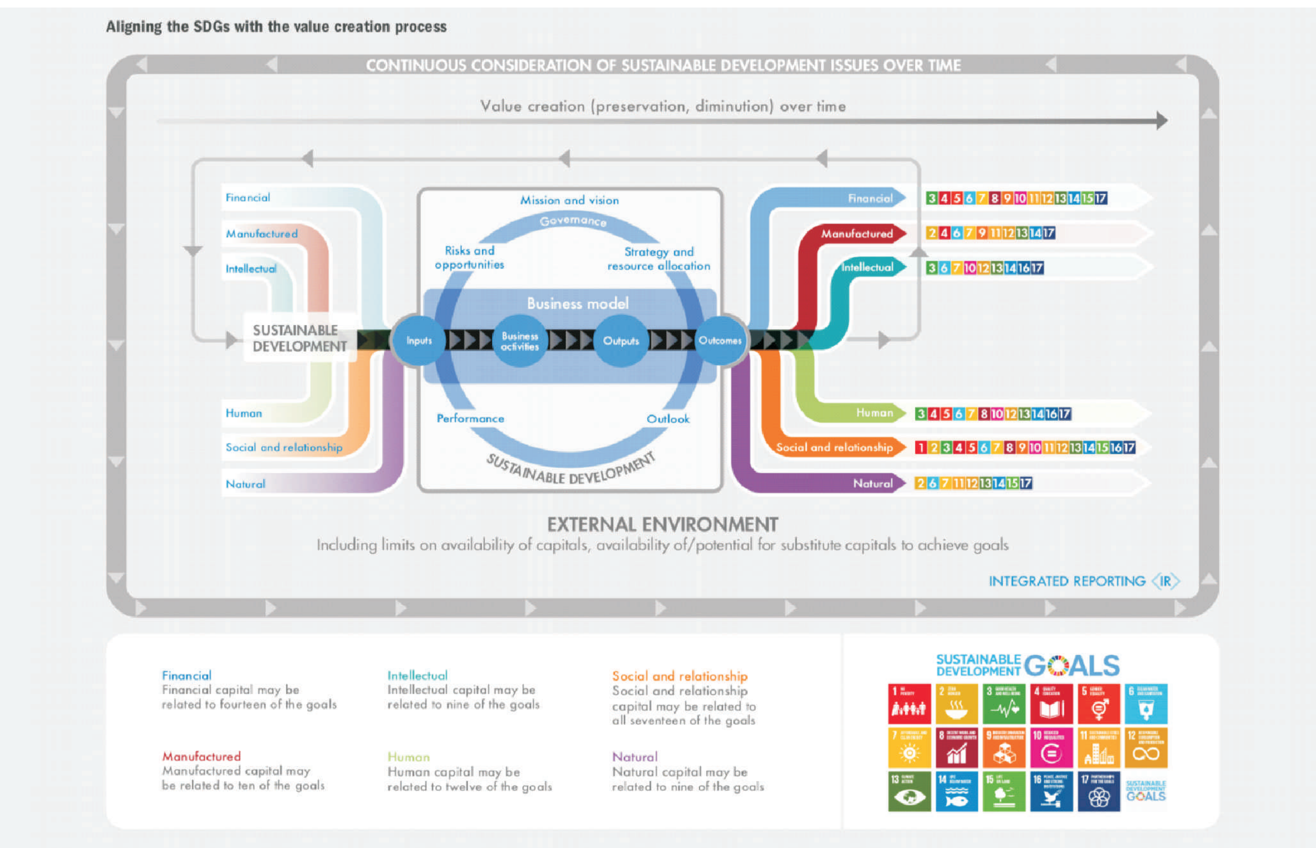
Integrated Reporting (IR) Framework (2/3)

- **Forms of Capital**
  - Financial Capital
  - Manufactured Capital
  - Intellectual Capital
  - Human Capital
  - Social and Relationship Capital
  - Natural Capital

- **Applicability**
  - It is applicable on Voluntary basis from the FY 2017-18 for the companies covered under BRR

- **Forms of reporting**
  - As part of MDA Analysis Report, or
  - Separate Annual Report as per IR Framework of IIRC
  - As a green initiative, this report need to be hosted on website of the company and appropriate references may be given in the Annual Report of the Company

Integrated Reporting (IR) Framework (3/3)



Benefits of BRR (Triple-Bottom Line Approach)

Triple Bottom Line approach – People, Planet and Profit

1. Improved Reputation
2. Increased Employee Loyalty
3. Helps the Organisation to refine its corporate vision or strategy
4. Increased Consumer Loyalty
5. Improvement in efficiency and Waste Reduction within the organisation
6. Improved relationships with the regulatory bodies
7. Monitoring Long Term risk and improving Long Term Risk management
8. Other forms of cost saving within the organisation
9. Improved measures in increase the long term profitability
10. Improved access to capital
11. Preferred Insurance rates

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