

No 17/95/2011-CL.V
Government of India
Ministry of Corporate Affairs

5th floor, 'A' Wing, Shastri Bhawan,
Dr. Rajendra Prasad Road, New Delhi
Dated: 20.05.2011

All the Regional Directors,
All the Registrar of Companies

Subject: Green Initiative in the Corporate Governance – Participation by shareholders in general meetings under the Companies Act, 1956 through electronic mode.

Sir,

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies after considering sections 2, 4, 5, 13 and 81 of the Information Technology Act, 2000 for legal validity of compliances under Companies Act, 1956 through electronic mode.

2. The Ministry has been receiving representations from various Industry bodies to recognize participation by shareholders in meetings under the Companies Act, 1956 through electronic mode.

3. Section 13 of the Information Technology Act, 2000, inter-alia provides time and place of dispatch of notices in electronic mode, which may be applicable for the purpose of notice period provided in the Companies Act, 1956 or in the Article of Association of the company.

4. In the light of the above provisions and circumstances, it is hereby clarified that a shareholder of the company may participate in a general meeting under the provisions of Companies Act, 1956 through electronic mode.

For this purpose, the company shall also comply with the following requirements and procedures, in addition to the normal procedures required under the Companies Act, 1956 for holding general meeting: --

- (a) Electronic mode means video conference facility i.e. audio-visual electronic communication facility employed which enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate effectively in the meeting.
- (b) The notice of the meeting must inform shareholders regarding availability of participation through video conference, and provide necessary information to enable shareholders to access the available facility of videoconferencing.
- (c) The Chairman of the meeting and Secretary shall assume the following responsibilities:
 - (i) to safeguard the integrity of the meeting via videoconferencing.
 - (ii) to ensure proper videoconference equipment/facilities.

- (iii) to prepare the minutes of the meeting.
- (iv) to ensure that no one other than the concerned shareholder or proxy to the shareholder is attending the meeting through electronic mode.
- (v) If a statement of a participant in the meeting via videoconferencing is interrupted or garbled, the Chairman of the meeting or Secretary shall request for a repeat or reiteration, and if need be, the Chairman or Secretary shall repeat what he heard the participant was saying for confirmation or correction.

5. (a) Section 166 of the Companies Act, 1956 inter-alia provides that a company is required to have its Annual General Meeting either at the registered office of the company or at place within the city, town or the village in which registered office of the company is situated.

(b) Section 174 of the Companies Act, 1956 inter-alia provides that at least five members in case of public company and two members in case of other company have to be personally present and shall be the quorum for the general meeting.

(c) In a general meeting, where shareholders are allowed to participate through electronic mode, the quorum as required under section 174 of the Companies Act, 1956 as well as chairman of the meeting shall have to be physically present at the place of the meeting.

6. To provide larger participation and for curbing the cost borne by the shareholders to attend general meetings, listed companies may provide video conferencing connectivity during such meetings at least five places in India. It is recommended that these places would be situated all over India in such a way that it covers top five States/UTs based on maximum number of members or at least 1000 members, whichever is more, residing as per the address registered with the depositories.

7. In order to have secured electronic platform for capturing accurate electronic voting processes, the necessary clarification has already been issued vide Circular no. 21/2011 dated 02.05.2011.

Yours faithfully,


(Monika Gupta)
Assistant Director

Copy to: All concerned.