# AN INVESTOR'S GUIDE TO SHAREHOLDER MEETINGS IN INDIA

Rights, Roles, and Responsibilities

Jointly published by:
**CFA Institute and Indian Association of Investment Professionals – A member society of CFA Institute**

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CFA Institute is the global association of investment professionals that sets the standards for professional excellence. We are a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community.

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# Introduction

Shareholder meetings contribute to the effective monitoring of management decisions and play a key role in holding directors of a company accountable for their decisions. Encouraging and facilitating shareholder engagement has thus been one of the top corporate governance reform priorities of the Organisation for Economic Co-operation and Development (OECD).

For a long time, minority shareholders in India have focused their attention largely on share-price returns and dividends. Corporate governance has been considered only a theoretical construct and, therefore, never scrutinized. Yet there are many governance issues in India that plague the full corporate spectrum.

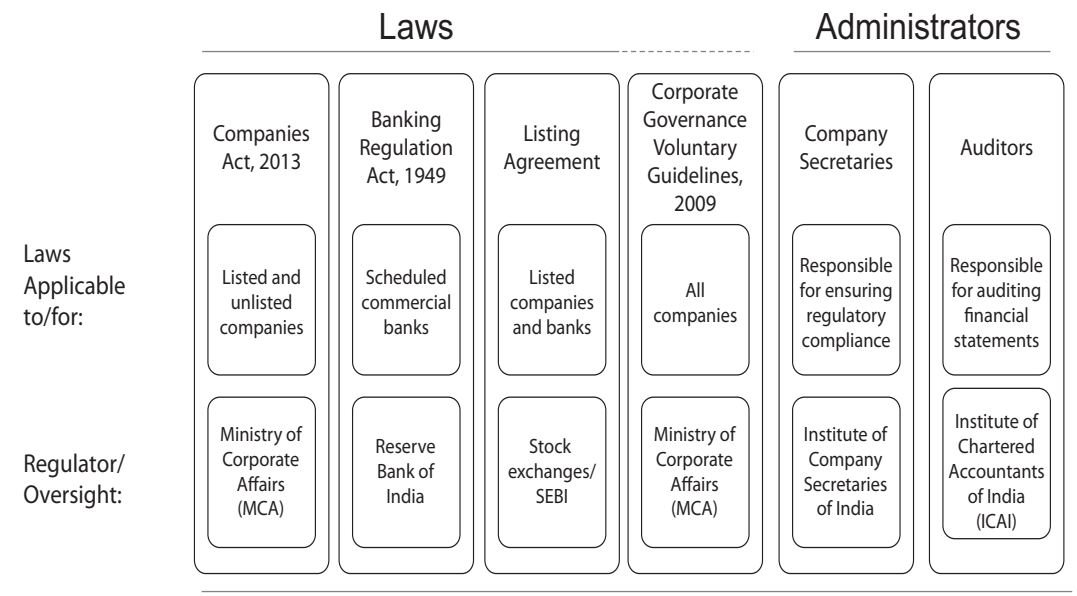
A general lack of awareness about corporate governance among retail investors has led to apathy toward annual general meetings (AGMs). It is argued that even if retail shareholders were to participate in shareholder meetings and express their views, their negligible shareholding would mean that management and controlling shareholders could afford to ignore their minority voice and that, in effect, they would have no real ability to affect the outcome of corporate decisions. At the same time, institutional investors sometimes choose to remain silent or simply exit their investments when problems arise.

CFA Institute, with the Indian Association of Investment Professionals (IAIP), developed this guide on AGMs to educate shareholders—particularly those in India—about their roles, rights, and responsibilities and how to exercise them. These rights include the right to call for a general meeting, to elect their representative on the board, to access company documents, and to engage with the board and management on critical issues. Most of these rights are exercisable at company annual general meetings.

This guide supports Indian regulators' recent steps to bolster minority shareholder rights through changes to the new Companies Act, 2013,[1] and recent changes to Clause 49 of the Listing Agreement[2] between companies and stock exchanges, including requiring companies to adopt stringent definitions for independent auditors and directors, to have greater control over related-party transactions, and to provide additional disclosures with regard to key financial and business information. Although this guide is primarily intended for the use of shareholders of listed companies, many sections and references in the document are also applicable to investors in public unlisted and private companies, as defined in the Companies Act, 2013. **Figure 1** provides an overview of the corporate governance laws, regulators, and administrators at work in India.

[1]For more information on the Companies Act, 2013, the Listing Agreement, and the Indian stock exchanges, see the Glossary.
[2]See www.sebi.gov.in/cms/sebi_data/attachdocs/1397734478112.pdf.

**Figure 1. Corporate Governance Laws, Regulators, and Administrators in India**




***Notes:*** SEBI is the Securities and Exchange Board of India. For more information on SEBI and the Ministry of Corporate Affairs, see the Glossary.

CFA Institute prefers the term "shareowner" rather than "shareholder," as highlighted in our report *Shareowner Rights across the Markets*, because share *holding* connotes a limited or passive engagement, comparable to the role of a custodian, whereas share *owning* connotes more participation through exercising one's rights and engaging actively. Shareholders (shareowners) should understand the assets they own and use their rights to maximize the value of those assets. For the purpose of this manual, however, we have used the term "shareholder" because "shareowner" is a term that is relatively new to investors in India.

This guide is meant to serve as a reference for minority shareholders to better understand the nature of shareholder meetings, including the activities, procedures, and rules of etiquette of the meetings, as well as other matters, so that they can adequately prepare to engage at these events. For example, we provide an overview of the various types of important resolutions (see the Glossary) put to vote in shareholder meetings and how shareholders can research and analyze important issues before the meetings. We also encourage shareholders to participate actively to ensure that their interests are not unduly diluted. Finally, we encourage companies to become more responsible toward the interests of minority shareholders and more responsive to their actions. Although this guide may have more general applicability, it pertains mainly to companies listed on the stock exchanges and incorporated in India. The scope of the guide is restricted to the most common business items typically transacted in shareholder meetings. It is not meant to be exhaustive and does not constitute legal advice.

# About the Creation of This Guide

CFA Institute contracted with Institutional Investor Advisory Services India Limited (IiAS), a proxy advisory firm in India, to conduct research on the latest regulatory developments in India and to support the creation of this guide.

IiAS has discovered a number of corporate governance issues to be addressed, including inadequate disclosures on agenda items, voting through a show of hands, annual general meetings crowded together in the last few days before a deadline, and not enough transparency in the voting process.

Not only do such practices dissuade shareholders from actively participating in the voting process, but they also facilitate the passage of contentious resolutions that do not adhere to good corporate governance standards. Some areas where such issues are most notable include

- unfair valuations in schemes of arrangement involving related parties,
- promoter[3] family members getting paid higher remuneration despite a decline in company performance,
- listed multinational corporations transferring their key businesses to wholly owned subsidiaries of the parent company,
- high royalty payments for promoters compared with lower dividend payouts for other shareholders, and
- regulatory loopholes being taken advantage of to side step delisting regulations.

Although the regulatory authorities in India have made some recent changes to the Companies Act and Listing Agreement to provide clarity and resolve a number of these issues, shareholders still need to participate actively in general meetings because they can play a crucial role in driving and monitoring the company's strategic actions and business activities.

# About CFA Institute

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. Its end goal is to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has over 120,000 members in 142 countries and territories, including over 114,000 CFA® charterholders, and 140 member societies. For more information, visit www.cfainstitute.org.

[3]See the Glossary.

## About the Indian Association of Investment Professionals

The Indian Association of Investment Professionals (IAIP), established in April 2005 and located in Mumbai, is an association of local investment professionals. As one of 140 CFA Institute member societies, the IAIP connects local members to a global network of investment professionals. Consisting of portfolio managers, security analysts, investment advisers, and other financial professionals, the IAIP promotes ethical and professional standards within the investment industry, facilitates the exchange of information and opinions among people within the local investment community and beyond, and works to further the public's understanding of the CFA® designation and the investment industry. The IAIP achieves these objectives by conducting speaker events encompassing various disciplines of finance, along with the Annual Forecast Event, the Research Challenge, and the India Investment Conference. For more info, visit www.cfasociety.org/india or read the blog at http://iaip.wordpress.com.

IiAS INSTITUTIONAL INVESTOR ADVISORY SERVICES

## About Institutional Investor Advisory Services India Limited

Institutional Investor Advisory Services India Limited (IiAS) is a proxy advisory firm dedicated to providing independent opinion, research, and data on corporate governance issues, as well as voting recommendations on shareholder resolutions for over 300 companies. It provides bespoke research and valuation advisory services and assists institutions in their engagement with company management and boards of directors. IiAS has provided voting recommendations to institutional and retail investors on resolutions passed in more than 1,500 meetings since commencing business in 2011. See www.iias.in.

# 1. Shareholder Meeting: The Life Cycle

Shareholder meetings help facilitate public shareholders' engagement with company management and the board of directors. Resolutions passed at all such meetings are binding on the company and its stakeholders (see Annexure A for a list of common resolutions passed in shareholder meetings). Every shareholder meeting has its own life cycle that can be segregated into three distinct phases. The role of the company and the key rights and duties of shareholders in each phase are shown in **Table 1**.

**Table 1. The Company's Role and the Rights and Duties of Shareholders in Shareholder Meetings**

| Role of the Company | Rights and Duties of Shareholders |
|---|---|
| **Pre-Meeting Preparation** | |
| Determine the type of meeting to be convened | Read key parts of the annual report, meeting notice, and all supporting documents to formulate questions and send them in advance to the management |
| Draft resolutions to be passed at the meeting | Know the name of the chairperson and directors to address them in person |
| Send meeting notice along with all supporting meeting materials | Right to request the inclusion of an agenda item with prior notice and prescribed process |
| Follow due process/appropriate timelines if a meeting is requested by shareholders | Right to appoint a proxy/authorized representative for the meeting |
| Inform shareholders about the rules, including voting procedures that will govern the shareholder meetings | Right to call for a meeting under certain circumstances |
| **Meeting Activities** | |
| The chairperson: | Ask well-considered questions of the management |
| Ensures that the meeting is conducted in a proper and orderly manner | Review company documents |
| Ensures quorum | Propose amendments to certain resolutions, as prescribed by law[a] |
| Gives opportunity to the shareholders to speak | Vote on a resolution |
| Conducts poll, if requested | Ask for poll on an agenda item, if deemed necessary |
| Allows participation of all shareholders | |
| Adjourns the meeting, if required | |
| **Post-Meeting Activities** | |
| Prepare meeting minutes and send them to stock exchanges on time. Dissenting opinions, if any, should be explicitly recorded. | Inspect minutes of the meeting and voting results |
| Publish voting results | Bring to the attention of the board any identified issues |

[a]Institute of Company Secretaries of India, *Secretarial Standard on General Meetings*, 2nd ed. (www.icsi.edu/WebModules/Publications/SS-2GM.pdf). For more information, see the Glossary.

***Notes:*** For more information on the board of directors, various types of directors, and quorum, see the Glossary.

# 2. Types of Shareholder Meetings

There are four primary types of shareholder meetings—that is, forums to facilitate interaction between public shareholders and the company management—in India: (1) annual general meetings, (2) extraordinary general meetings (EGMs), (3) postal ballots, and (4) court convened meetings (CCMs). They differ in their periodicity and type of business agenda. Except for the AGM, which must be held every year, the meetings are held to seek shareholder approval on specific resolutions, ranging from electing a small shareholder director[4] to altering the memorandum of association (MoA, see the Glossary) and from issuing bonus shares to increasing borrowing limits.

## Annual General Meeting

The AGM is a compulsory meeting to be held by every company every financial year.[5] AGMs serve three principal functions:

- to inform shareholders about the financial performance of the company and key management decisions,
- to seek consent of the shareholders for decisions that are beyond the discretion of the board of directors (see Annexure A), and
- to provide a forum for discussions between the management of the company and shareholders to analyze past performances and evaluate future business policies.

The routine business items (also known as "ordinary business") that are transacted at an AGM are the consideration of financial statements and the reports of the board of directors and auditors,[6] declaration of dividend, (re)appointment of directors, and appointment of auditors, including their remuneration. All other business items are considered "special business."

As per the Companies Act, 2013, the first AGM for a newly established entity has to be held within nine months from the date of closing of its first financial year. All subsequent AGMs should be held within 15 months from the date of last AGM or 6 months from the close of the financial year, whichever is earlier. In some cases, for special reasons, the Registrar of Companies (see Glossary) may extend the time for holding the meeting by a period not exceeding three months (except in the case of the first AGM).

Every annual general meeting shall be called during business hours—that is, between 9 a.m. and 6 p.m. on any day that is not a national holiday[7] and shall be held either at the registered office of the company or at some other place within the city, town, or village in which the registered office of the company is situated.

[4]See Section 151 of the Companies Act, 2013.
[5]See Section 96 of the Companies Act, 2013.
[6]The financial statements of the company duly approved and signed by the board are adopted by the shareholders of the company in an AGM.
[7]National holidays include 26 January (Republic Day), 15 August (Independence Day), 2 October (Gandhi Jayanti), and other days as notified by the central government from time to time.

The documents to be included with an AGM notice are as follows:

- A hard copy of the annual report, which includes the financial statements,[8] as well as the consolidated financial statements, auditors' report, directors' report, proxy form, and others, shall be sent to every shareholder at least 21 days before the date of the meeting. Further, the company shall dispatch the soft copies of the complete financial statements and annual reports, along with such statements as prescribed under the law, to all those shareholders who have registered their e-mail addresses for the purpose.

- A statement setting out the material facts concerning each item of special business to be transacted at the meeting.

All the documents mentioned have to be made available for inspection by shareholders at the company's registered office during business hours for a period of 21 days before the meeting. Listed companies shall also post all the prescribed documents on their website. Companies shall post separate audited financial statements for each of their subsidiaries on their websites and provide copies to any shareholder who requests them.

## Extraordinary General Meeting

Any meeting of shareholders conducted between two annual general meetings is termed an extraordinary general meeting.[9] These meetings are held when an issue arises that is to be considered and approved by the shareholders of the company and is too urgent to wait until the next AGM. The board can call an EGM whenever it deems fit.

Shareholders can also request that the company convene an EGM. This is covered in detail in Section 6.

## Postal Ballot

Physically attending a meeting is often a constraint for shareholders in India. In order to encourage wider participation from all investors, the central government has listed the following business items that are to be mandatorily approved by postal ballot[10] instead of at an in-person meeting:

- alteration of object clause of MoA;

[8]The financial statement includes the balance sheet, profit and loss account, cash flow statement, statement of changes in equity, and any explanatory note annexed to or forming part of the documents.
[9]See Section 100 of the Companies Act, 2013.
[10]Postal ballots (Section 110 of the Companies Act, 2013) are not a conventional form of shareholder meeting. In this guide, however, we have included the postal ballot as a type of general meeting because it allows shareholders to participate in and provide their views/opinions of key strategic matters of the company.

- alteration of articles of association (AoA)[11] to change the type of company (public or private);
- change in purpose for which the company has raised money from the public and still has unutilized funds;
- buyback of shares;
- issue of shares with differential rights[12] and variation in rights of existing shares;
- sale of undertaking or substantially the whole of an undertaking[13] of the company;
- granting of loans or extension of a guarantee in excess of the prescribed limits;
- shifting of registered office outside the local limits of any city, town, or village; and
- election/appointment of a small shareholder director.[14]

In addition, other special business items may be conducted through a postal ballot (see Annexure A). The resolutions through a postal ballot will be passed if assented to by the requisite majority of shareholders. For this, shareholders will need to submit the postal ballot form (see Annexure E) to the company before the scheduled deadline (which shall not be later than 30 days from the date of dispatch of the notice). If the company has provided an e-voting platform, shareholders can cast their votes online.

The votes are counted by the scrutinizer—the person who verifies and validates the votes received and is not employed by the company. The scrutinizer(s) will have to submit the report within seven days after the last date of receipt of postal ballots.

## Court Convened Meeting

Another type of meeting conducted for all schemes of arrangement (mergers, acquisitions, amalgamations, or winding up proposals) is a court convened meeting.[15] Such meetings are conducted as per the directions given by the court, and the resolutions proposed in the meetings need to be approved by a majority in a number representing three-fourths in value held by the shareholders present in person or through proxies at the time of meeting. In the case of listed entities, the schemes need an in-principle approval from the capital market regulator—the Securities and Exchange Board of India—before being submitted to the court. Once the court approves it, the scheme is binding on all shareholders, creditors, directors, and every other person related to the company. The Companies Act, 2013, envisages setting up of a National Company Law Tribunal (NCLT, see the Glossary) to oversee such schemes in the future.

[11]The articles of a company generally contain regulations for management of the company, including grant of special rights to certain classes of investors.
[12]Different classes of equity shares might have differential voting rights or rights to special dividends and so forth.
[13]See Section 7.
[14]See Section 7.
[15]See Sections 230–234 of the Companies Act, 2013. CCMs are not part of the scope for this guide.

**Table 2** summarizes the four major types of shareholder meetings in India.

Table 2. **Major Types of Shareholder Meetings in India**

| | AGM | EGM | Postal Ballot | CCM |
|---|---|---|---|---|
| Section of the Companies Act, 2013 | Section 96 | Section 100 | Section 110 | Sections 230–234 |
| Business type | Ordinary/special | Special | Special | Special |
| Type of resolutions passed | Ordinary/special | Ordinary/special | Ordinary/special | Special |
| Periodicity | Annual | Need basis | Need basis | Need basis |
| Called by | Company | Company/share-holders | Company | Court/National Company Law Tribunal |
| Mode of voting | Show of hands/ poll/e-voting | Show of hands/ poll/e-voting | Ballot paper/e-voting | Poll/e-voting |

# 3. Shareholder Resolutions

Shareholders own the company. They may not run the day-to-day operations, but they have a say on a number of key decisions, such as appointment of auditors and directors and issuance of additional capital. Shareholders get to decide on these by approving (or rejecting) resolutions at general meetings.

Under the Companies Act, 2013, resolutions are categorized into either ordinary or special resolutions, which are described in **Table 3**.

**Table 3. Ordinary vs. Special Resolutions**

| | Ordinary Resolution | Special Resolution |
|---|---|---|
| Definition | Will be passed if the number of votes cast in favor of the resolution exceeds the number of votes cast against the resolution | Will be passed if the number of votes cast in favor of the resolution is not less than three times the number of votes cast against the resolution |
| Examples (see Annexure A) | Approval of accounts, payment of dividend, reappointment of directors | Alteration of charter documents, issuance of stock options |

Voting on resolutions can be done either through a show of hands (one person, one vote) or by poll (one share, one vote) in the meeting. The companies shall also provide shareholders the facility to exercise their right to vote at general meetings by electronic means.

All resolutions (both ordinary and special) go through the following life cycle at an AGM/EGM:

- Every resolution is proposed in the form of a motion (this step is not included in the case of a postal ballot). A motion is generally proposed by one shareholder and seconded by another.
  - The motion is then discussed in detail by shareholders, who debate the pros and cons of the concerned matter.
  - A Q&A session is conducted (this step is not included in the case of a postal ballot). All the related queries are answered and resolved to the satisfaction of shareholders before the motion is put to vote.
- Amendments, if any, are introduced (this step is not included in the case of a postal ballot). A shareholder has the right to move an amendment to the motion, which, if approved by the chairperson, is debated and discussed.
- The resolution, with or without amendment, is then put to vote and is passed or rejected. The resolutions can be ordinary or special, as prescribed by law.

- The voting results are submitted. For listed companies, the results of voting are submitted to the stock exchanges after conclusion of the general meeting. Any shareholder intending to know the voting results can visit the website of the concerned stock exchange.

# Voting in General Meetings

Voting is a legal mechanism for shareholders to express their opinions to board members and let their voices be heard. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated. Company procedures should not make it unduly difficult or expensive to cast votes. The exercise of voting rights by foreign shareholders should be facilitated.

There are various ways shareholders can vote[16] in a general meeting.

## *Show of Hands*

A resolution put to vote at any general meeting is generally decided by a show of hands.[17] This follows the principle of one vote per person (unlike in a poll, where it is one vote per share). Shareholders interested in voting for the proposals raise their hands to notify their approval or disapproval.

**Global best practice:**

Voting by show of hands could disenfranchise shareholders because proxies are not allowed to vote; thus, it may not always reflect the true collective opinion of minority shareholders. As a result, some regions—for example, Hong Kong—have made poll voting mandatory for all resolutions.

## *Poll*

A poll[18] is generally requested at a general meeting when there are contentious issues or there is a close vote. The key features of a poll are as follows:

- The chairperson can order a poll
  - on or before the declaration of results of voting by hand or
  - on demand from shareholders holding at least 10% of voting power or shares on which not less than a sum of 500,000 Indian rupees is paid up.
- The polling method follows the principle of one vote per share.

[16]A shareholder who has call money in arrears or other dues cannot vote in such meetings.
[17]Section 107 of the Companies Act, 2013.
[18]See Section 109 of the Companies Act, 2013.

- A proxy is permitted to vote only when a poll is requested.
- Persons demanding the poll can withdraw their request any time before the poll.
- The chairperson for the meeting will
  - appoint persons to scrutinize the poll process and
  - regulate the manner in which poll is taken.
- The result of the poll shall be the decision of the meeting on the resolution.

**Best practice:**

In order to get a fair reflection of shareholder opinion on key items, institutional investors should consider collaborating on such issues to build up an ownership block of more than 10% and force a poll.

## *Voting by Electronic Means (E-Voting)*

The Companies Act, 2013, stipulates that every listed company (or company having not fewer than 1,000 shareholders) shall provide a facility to vote by electronic means to its shareholders[19] for all types of meetings, including AGMs, EGMs, postal ballots, and CCMs.

As per Clause 35B of the Listing Agreement, all companies shall provide an e-voting facility with respect to all resolutions to be passed at general meetings or through postal ballots.

But companies that provide an e-voting facility also need to continue to provide a postal ballot option for the benefit of those shareholders who do not have access to the e-voting facility.

An e-voting process generally remains open for a minimum period of one day and a maximum of three days. Once a vote is cast, it cannot be changed.

The board appoints a scrutinizer(s), who must not be in the employment of the company, to oversee the entire process.

The various types of shareholder resolutions are summarized in **Table 4.**

[19]See Section 108 of the Companies Act, 2013.

**Table 4. General Meeting Voting Rules and Timelines**

| | AGM/EGM | | | |
|---|---|---|---|---|
| | Show of Hands | Poll | Postal Ballot | Voting by Electronic Means[a] |
| Voting | One vote per person | One vote per share | One vote per share | One vote per share |
| Proxy voting | Not allowed | Allowed | Not applicable | Not applicable |
| Authorized representative | Allowed | Allowed | Allowed | Allowed |
| Voting duration | During the meeting | During the meeting | Within 30 days from the date of dispatch of notice | Not less than one day and not more than three days |
| Scrutinizer appointment | Not applicable | Meeting chairperson | Board | Board |
| Scrutinizer report | Not applicable | Seven days from date of meeting | Within seven days after the last receipt of votes/ postal ballots from the shareholders | Within three days from the conclusion of e-voting period |
| Voting results declaration | During the meeting | On receipt of scrutinizer's report | Seven days after the last receipt of votes from the shareholders | Within two days of passing the resolution at the relevant general meeting of the shareholders |

[a]Applicable for general meetings.

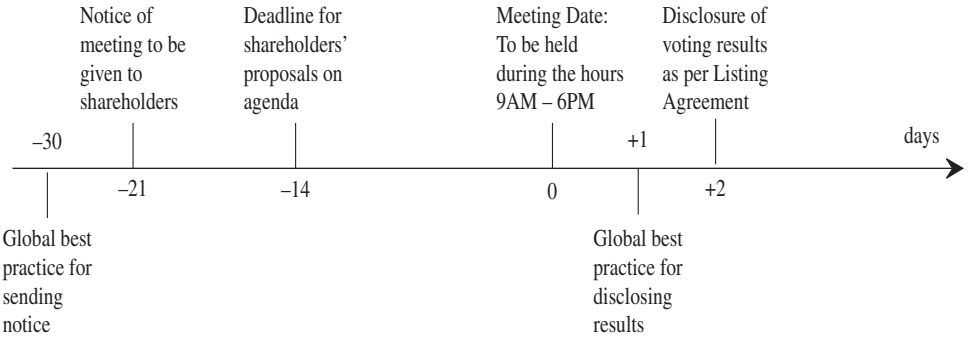
## Global best practice:

It is recommended that results of e-voting and poll voting be published within 24 hours of the shareholder meeting.

# 4. General Meeting Notice

Notice of the general meeting should be sent to all participants at least 21 days prior to the meeting (excluding the date of the notice and the date of the meeting).[20] **Figure 2** provides an overview of the timeline for the meeting, including notice dates.

**Figure 2. Timeline for Shareholder Meetings**




## Shorter Notice

General meetings can also be conducted with shorter notice (i.e., fewer than 21 days) if consent in writing or by electronic mode is obtained from 95% or more of the shareholders who are entitled to vote at such meetings. Accidental omission or non-receipt of meeting notice by a shareholder does not invalidate the proceedings of the meeting.

### Global best practice:

A notice of minimum 21 days prior to a meeting is better than the 14 days provided in some countries in Asia (e.g., Singapore, Japan). Best practice, however, is to provide notice at least 30 days in advance (e.g., Australia gives 28 days).

## Modes of Notice Delivery

Notice of the meeting can be given either in writing or electronically (via e-mail). The notice shall be simultaneously placed on the website of the company. In addition, under the Listing Agreement, every listed company has to inform the stock exchanges about all shareholder meetings. Such notices should also be advertised in at least one leading national daily English language newspaper (as per the Companies Act, 2013) and one leading daily Mumbai newspaper (as per the Listing Agreement).

[20]See Sections 101 and 102 of the Companies Act, 2013.

## Content of Notice

All general meeting notices shall state the following:

- place, date, day, and hour of the meeting;
- business agenda, which lists the various items to be transacted at a meeting;
- explanatory statement (for each special business item), which discloses material facts for each item, any interest (financial or otherwise) of directors or key management personnel and their relatives, and any other information necessary for the shareholders to understand the scope and make an informed decision.

Any document referred to in the notice will be available for inspection at a specified time and place.

## Special Notice

Shareholders have the authority to propose certain business items by giving a special notice to the company.[21] These business items include

- resolution for removal of an auditor before the expiry of the term,
- resolution to appoint another auditor in place of the removed/retiring auditor,
- resolution to remove a director before the expiry of the director's period in office,
- resolution to appoint another director in place of the removed/retiring director, and
- any other resolution as required by the AoA of the company.

In order to give such a notice, the shareholder(s) must own at least 1% of the total voting power or hold fully paid-up shares of an aggregate face value of 500,000 Indian rupees. Special notice should be given not earlier than three months and at least 14 days before the date fixed for the meeting.

[21]See Section 115 of the Companies Act, 2013.

# 5. Adjournment of Meeting

A meeting is adjourned until a later date if none of the business items in the agenda can be discussed for want of quorum[22] or other exigencies. If the quorum is not present within half an hour of the appointed time for the meeting, the meeting will automatically be adjourned. The quorum should be present throughout the meeting. Proxies are to be excluded for determining the quorum. The meeting may also be adjourned because of such exigencies as power outages, natural calamities, and external disruptions.

The power of adjournment vests in the majority of those present at the meeting. The chairperson cannot arbitrarily adjourn the meeting.

In case of an adjourned meeting, the company shall inform its shareholders about reconvening the adjourned meeting at least three days in advance, either individually or by publishing an advertisement in the newspapers (one in English and one in the vernacular language) that are in circulation at the place where the registered office of the company is located.

In the adjourned meeting, if the quorum is not present within half an hour from the time appointed for the meeting, the shareholders present will constitute the quorum and no further adjournment is required. All the matters discussed at such a meeting are valid.

[22]See Section 103 of the Companies Act, 2013.

# 6. Rights of Shareholders

Shareholders maintain oversight on the functioning of management, pass key resolutions in general meetings, and have the right to inspect company documents. Further, they have the right to call an EGM to discuss special or ordinary resolutions. The company should ensure equitable treatment of all shareholders, including minority and foreign shareholders. They should have an adequate mechanism for redress in case of violation of their rights.

## Appoint a Proxy

A proxy[23] is an agent appointed by the shareholders to attend the general meeting and vote (in a poll) on their behalf. The document by which such an agent is appointed is known as a proxy form (a sample of a proxy form is given in Annexure F). This form is provided along with the notice of the meeting and should be submitted to the company at least 48 hours before the meeting starts (Sunday is also included in the computation of 48 hours). Notice of every general meeting shall include a statement providing for the appointment of proxy. Proxies need not be a shareholder of the company.

The various rights and restrictions of a proxy agent are as follows.

- Proxies do not have the right to speak or seek clarifications at a general meeting. They are eligible to participate in poll voting.
- Proxies can demand a poll for any resolution, provided they represent shareholders who hold shares worth at least 500,000 Indian rupees (face value) or 10% of the total voting power of the company.
- A single proxy holder can represent a maximum of 50 shareholders (holding less than 10% of the total share capital of the company). However, a shareholder holding more than 10% of total share capital may appoint a single person as proxy and such person shall not act as a proxy for any other shareholder.
- If a company accepts defective/incomplete proxy forms, the resolutions passed at the concerned meeting may be held invalid by the courts.
- A proxy can be revoked by the shareholder at any time, and such revocation must be communicated to the company before the meeting.

Institutional/corporate shareholders can appoint an "authorized representative." An authorized representative is entitled to the same rights and powers as any other shareholder. The authorization can be given by the board of the institution/corporation. Such representatives are not proxies and are hence taken into account to determine the quorum of the meeting.

[23]See Section 105 of the Companies Act, 2013.

## Send Questions in Advance to the Company Management

Every resolution is first discussed in the meeting before being put to vote. During such discussions, the shareholders can ask questions. Shareholders are encouraged to send questions related to facts and figures in advance to the company management/board/secretary to give the company time to gather additional information, review the financial statements, and come prepared to the meeting.

## Call for an Extraordinary General Meeting

Shareholders holding not less than 10% of paid-up share capital of the company can move a requisition to the board to call an EGM.[24] The board shall, within 21 days of the receipt of a valid requisition, proceed to call a meeting (which is to be held within 45 days of the date of requisition). If the board fails to act within that time frame, the interested shareholders (i.e., those who requisitioned for the meeting) can by themselves call for an EGM within three months from the date of the requisition. In the case of the latter, all reasonable costs of holding such a meeting shall be reimbursed by the company.

## Request for Inclusion of Agenda Items/Circulation of Shareholder Resolution

Shareholders holding not less than 10% of a company's paid-up share capital can requisition the company for insertion of an agenda item at the forthcoming general meeting of the company.[25] On receipt of the request, the company shall give its shareholders a notice with reference to the resolution, which may be moved at the meeting, and circulate a statement with respect to the matters referred to in the proposed resolution.

The following pre-conditions need to be met by shareholders before requesting an agenda item.

- A copy of the request or requisition needs to be deposited at the registered office of the company not less than six weeks prior to the meeting in cases where the requisition requires notice. In any other case, the requisition has to be sent not less than two weeks prior to the meeting.
- Shareholders who request inclusion of an agenda item have to deposit a certain amount of money with the company to meet the expenses to give effect to the request. The amount shall be reasonably sufficient to meet the company's expenses and will vary from case to case.

Any new item that is not present in the initial agenda and has not been requested for inclusion by shareholders in the prescribed format shall not be taken up for discussion during the meeting.

[24]See Section 100 of the Companies Act, 2013.
[25]See Section 111 of the Companies Act, 2013.

## Seek Appointment as a Director

Shareholders of a company can propose themselves, or any other person, for appointment as a director[26] through a separate application.

Such an application has to be delivered to the registered office of the company at least 14 days prior to the meeting along with the deposit of 100,000 Indian rupees (or such higher amount as may be prescribed by the Ministry of Corporate Affairs, or MCA). This deposit gets refunded if the person proposed gets elected as a director or gets more than 25% of the total votes. On receipt of the application, the company shall inform other shareholders about the candidacy at least seven days prior to the meeting.

## Elect a Small Shareholder Director

In a listed company, small shareholders (shareholders holding shares of face value less than 20,000 Indian rupees) can nominate a representative to the board.[27] Such an application can be made by a minimum of 1,000 small shareholders or an aggregate of one-tenth of the total number of small shareholders (whichever is lower). The proposed representative is elected by postal ballot. Shareholder directors are considered to be independent directors provided they submit a declaration of their independence to the company. They are appointed for a term not exceeding three consecutive years and are not eligible for reappointment after the expiry of their term.

## Ask Questions during a Meeting

Shareholders (but not proxies) are permitted to ask questions during the general meeting. In order to streamline the process, shareholders intending to ask questions should notify the company at the start of the meeting. It is the collective responsibility of all shareholders to see to it that the decorum of the meeting is not spoiled by irrelevant questions. They should address their questions to the chairperson of the meeting and only when their turn comes. There may be situations where, due to lack of time, the chairperson may decide to revert back later to the shareholders with the relevant answers.

## Access to Company Documents

Shareholders have the right to inspect key documents of the company.[28] The documents that can be examined include

- the company's register of shareholders,
- register of directors,

[26]See Section 160 of the Companies Act, 2013.
[27]See Section 151 of the Companies Act, 2013.
[28]See Section 94 of the Companies Act, 2013.

- copies of the annual returns,
- minutes of shareholder meetings,
- MoA, and
- AoA.

Shareholders can take extracts of these documents or ask for copies.

Before an AGM, shareholders are entitled to receive audited financial statements (including consolidated financial statements) of the company for every financial year. If desired, shareholders can also ask for separate financial statements of each of the company's subsidiaries.[29]

## Right to File Grievances

Every listed company shall constitute a stakeholders relationship committee to specifically redress grievances of shareholders. It will be under the chairmanship of a non-executive director and such other members as decided by the board. This committee is responsible for developing an adequate mechanism to resolve the grievances of the shareholders and other security holders of the company, including complaints related to non-receipt of balance sheet and non-receipt of declared dividends.

The rights of shareholders are summarized in **Table 5**.

**Table 5. Rights of Shareholders**

| Rights | Details |
|---|---|
| Appoint a proxy | A proxy is an agent appointed by the shareholders of the company to attend and vote on their behalf. |
| Send questions in advance to company management | A good practice, but not mandatory. |
| Call for an EGM | Requisition can be made by shareholders who own more than 10% of capital. |
| Request for inclusion of agenda items | Applicable only for shareholders who own more than 10% of capital. |
| Seek appointment as a director | Shareholders can stand for election and get elected as directors. |
| Elect small shareholder director | Shareholders can elect a representative to the board. |
| Ask questions during a meeting | All shareholders can get their queries resolved by management during the shareholder meetings. |
| Gain access to company documents | Shareholders can examine the register of shareholders, register of directors, annual returns, minutes of shareholder meetings, MoA, AoA, and so forth. |
| Approach the stakeholders relationship committee with grievances | Shareholders can approach the committee for redress of their grievances. |

[29]See Section 136 of the Companies Act, 2013.

# 7. How to Research Key Items in the Agenda

Please note that this section does not provide an exhaustive list of resolutions passed at general meetings or a list of all related questions. Contents of this section and document should not be construed as legal advice. Refer to the applicable laws (e.g., the Companies Act, 2013) and regulators (e.g., SEBI) for complete details. Depending on the individual company, there may be other issues that are more important and that should be further analyzed by shareholders.

## Adoption of Accounts

### *Regulatory Provisions*

| Resolution Type | Provision in the Companies Act, 2013 |
|---|---|
| Ordinary | Section 129 |

Every company has to prepare financial statements for each year and get them approved at the AGM. The term "financial statements" includes the balance sheet, profit and loss accounts, cash flow statement, statement of changes in equity, and notes to accounts. The statutory auditors of the company are expected to scrutinize the accounts and include their opinion on the fairness, compliance, and accuracy of the financials in the annual report.

### *Company Obligations/Best Practices*

A copy of the financial statements (including the consolidated statements, auditors' report, and directors' report) must be sent to every shareholder at least 21 days before the meeting. In the case of listed companies, such financial statements shall also be open for inspection during business hours for a period of 21 days before the date of the meeting. Furthermore, the company shall dispatch the full annual reports in soft copy to all those shareholders who have registered their e-mail addresses for that purpose.

### *Guidelines for Shareholders*

A comprehensive review of the financials of a company is a critical exercise that often requires proper due diligence. The following parameters can help guide shareholders in their analysis of the financial performance of the company.

- Performance indicators:
  - Growth in turnover, increased cost of raw materials, and miscellaneous expenses are important areas of focus in the financial statements. Any significant change should be scrutinized carefully because it may indicate changes in business strategy or related issues.
  - Shareholders can analyze the capital expenditure and ask the directors if the increase has resulted in additional capacity.
  - Shareholders should determine whether all subsidiary accounts are audited by an external auditor. If not, they should push the company to provide audited accounts of all the subsidiaries.
- Growth: If the growth of the company has declined over the past few years but the industry has grown, shareholders should ask why the company's growth has been lower than industry growth.
- Profitability:
  - Shareholders should raise questions if the operating margin and net profit margins are declining consistently.
  - If profitability has declined, shareholders can ask whether the fall in profitability is due to external factors that are beyond the control of the company.
- Market share:
  - If the market share has fallen consistently, shareholders can ask for a detailed explanation of the reasons behind the fall.
  - Likewise, an increase in market share should be questioned because it may signal that the company is taking actions that undercut profitability to gain market share.
- Risk indicators:
  - If there is any disconnect between cash flows and profits, shareholders should ask the company specifically for reasons behind the discrepancy.
  - Shareholders should determine whether any promoter shareholding is pledged to borrow money for the company because such activity might indicate that the company is running out of assets to secure its debt.
  - The translation of profits to net worth and retained earnings should be examined. If there is any mismatch, it might mean that the company is inflating its profits and debiting expenses from its reserves.

- Contingent liabilities of the company are a potential overhang on the company. A high amount of such liabilities compared with the size of the company in terms of net worth may have an impact on the financials in the future.
- The return on average cash and cash equivalents should be examined. A lower yield ratio, in relation to the market, might indicate that the average cash balances of the company are lower than the year-end position.

- Leverage profile:
  - Leverage ratios like debt to equity, interest coverage, and so forth should be carefully examined because they might increase the leverage risk of the company and affect its net profits.
  - The credit rating of a company is an indicator of the company's leverage position. However, shareholders should conduct their own analysis instead of relying purely on the credit rating of the company.
- Related-party[30] transactions: Any increase in transactions with related parties is a potential red flag. Companies should monitor such transactions because other promoter entities may be benefiting at the cost of shareholders.
- Liquidity position (current ratio, quick ratio): The analysis of these ratios should indicate whether the company has enough liquid assets to meet its short-term capital and expenditure requirements.
- Auditor opinion: Shareholders should carefully examine the auditors' report to find out if they have qualified the accounts or have raised any concerns on the company's accounting policies.
- Accounting policies: Frequent changes in accounting policies (e.g., depreciation rates or inventory valuation policies) should be examined and taken up with the management because such changes make it difficult to compare with financial statements of an earlier period.

If shareholders are unsure of the implications of some of these parameters, they should take it up with management and auditors during the general meeting and seek additional clarifications. If they are not satisfied with the response from management, they have the right to engage with the independent directors to understand the steps the directors took to form an independent opinion regarding the management actions of the company.

# Appointment of Auditors

## *Regulatory Provisions*

| Resolution Type | Provision in the Companies Act, 2013 |
|---|---|
| Ordinary | Sections 139, 142, 143, 144 |

[30]See the Glossary.

The Companies Act, 2013, mandates rotation of audit firms every 10 years (after two terms of 5 years each) and of the individual auditor every 5 years.[31] Once rotated, a firm cannot be reappointed as the statutory auditor before a cooling-off period of five years has elapsed. Firms that have common audit partners with the retiring audit firm will not be eligible for rotation.

The Companies Act, 2013, requires the auditor remuneration to be fixed in the company's annual general meeting.[32]

The Companies Act, 2013, specifically debars auditors from providing accounting, bookkeeping, internal audit, actuarial, investment advisory, and management services to the company.[33]

### Company Obligations/Best Practices

The company should provide the date of the first appointment of the auditor and the audit partner. Central government approval is required to remove an auditor before the expiry of the auditor's term. The company also needs a special resolution[34] to be passed by shareholders. Because the removal of an auditor raises a red flag, company management has to give full disclosure and state the reasons for initiating the removal process.

### Guidelines for Shareholders

Shareholders should note that a prolonged association with the company may compromise the independence of the auditor/audit partner. In order to preserve the integrity of the audit process, they must ensure the following:

- that the auditor to be (re)appointed has good market standing;
- that the auditor remuneration is in line with the size and scale of operations and comparable to other peers; and
- that if the auditor resigns before the expiry of the tenure, the management requests the reasons behind the resignation.

## Dividend Declaration

### Regulatory Provisions

| Resolution Type | Provision in the Companies Act, 2013 |
|---|---|
| Ordinary | Section 123 |

[31]As per the MCA rules, the period for which the individual or firm has held office as auditor prior to the commencement of the act shall be taken into account for calculating the overall tenure.
[32]See Section 142 of the Companies Act, 2013.
[33]See Section 144 of the Companies Act, 2013.
[34]See Section 140 of the Companies Act, 2013.

The Companies Act, 2013, states that the dividend can be declared or paid by a company only out of the company profits for that year or any previous financial year(s) after providing for depreciation and in accordance with the relevant provisions and rules.[35] Dividends may be of two types—interim and final. The dividend declared in the middle of the year (out of surplus in the profit and loss account) is termed as interim, and the dividend declared out of the profits of the complete year is termed as final. The company is prohibited from declaring dividend from any reserves apart from its free reserves.

### Company Obligations/Best Practices

The dividend must be paid within 30 days of the date of declaration. Even though it is not mandated by law, companies should clearly explain the rationale behind choosing the quantum of dividend to be paid for the year. Best practices suggest that companies communicate a comprehensive dividend policy to shareholders, with detailed disclosures on the following:

- estimated dividend payout (dividend/profits) range for the next three years,
- usage plans for retained earnings in the next three years, and
- usage plans for surplus cash available due to sale of assets/businesses.

### Guidelines for Shareholders

Shareholders should try to analyze whether

- the growth in dividend is commensurate with the financial health of the company,
- the growth in dividend is commensurate with the growth in managerial remuneration, and
- the dividend payout ratio is comparable to that of peers.

If shareholders believe that the company has enough reserves to increase the quantum of dividend, they should engage with the company and seek clarification on how management intends to use the idle cash on its books.

In some circumstances, higher dividends may not be in the best interests of shareholders, including when borrowing levels are high or when the company has been paying dividends from retained earnings consistently over a period of time.

## Board and Independent Director Appointment

### Regulatory Provisions

| Resolution Type | Provision in the Companies Act, 2013 |
|---|---|
| Ordinary | Sections 149, 150 |

[35]See Section 123 of the Companies Act, 2013.

The appointment of independent director should be approved by the company in its general meeting.[36] In its notice to shareholders, the company should explain its rationale for choosing the appointee.

Regulatory provisions regarding the eligibility, tenure, and other board memberships of independent directors follow.

## Eligibility

An independent director is a director[37]

- who, in the opinion of the board, is a person of integrity and possesses relevant expertise and experience;
- who is not an employee or promoter (or relative of a promoter) of the company or its holding, subsidiary, or associate companies;
- who has not had any significant association or pecuniary relationship with the company or its holding, subsidiary, or associate companies or their promoters or directors in the last two financial years or the current financial year;
- whose relatives have not had any significant association or pecuniary relationship with the company or its holding, subsidiary, or associate companies or their promoters or directors amounting to 2% or more of its gross turnover or total income or 5,000,000 Indian rupees (whichever is lower) in the last two financial years or the current financial year;
- who (or whose relatives) has not been an employee or a key managerial personnel of the company or its holding, subsidiary, or associate companies in the preceding three financial years;
- who (or whose relatives) has not been an employee, proprietor, or partner in any firm of auditors, practicing company secretaries, or cost auditors of the company or its holding, subsidiary, or associate companies in the preceding three financial years;
- who (or whose relatives) has not been an employee, proprietor, or partner at any legal firm or consulting firm that has had material transactions with the company or its holding, subsidiary, or associate companies (amounting to 10% or more of gross turnover of the firm) in the preceding three financial years;
- who (or whose relatives) is not a director/CEO of any non-profit organization that receives more than 25% of its receipts from the company or its holding, subsidiary, or associate companies;
- who (or whose relatives) is not a director/CEO of any non-profit organization that holds 2% or more of the total voting power of the company;

[36]See Section 150 of the Companies Act, 2013.
[37]As per the Companies Act, 2013, and the SEBI circular dated 17 April 2014.

- who holds (together with his or her relatives) less than 2% of the voting capital of the company;
- who (or whose relatives) is not a material supplier, service provider, customer, or lessor or lessee of the company; and
- who is at least 21 years of age.

## Tenure

As per the Companies Act, 2013, and Listing Agreement, the tenure of an independent director can be a maximum of two consecutive terms of 5 years each (aggregate tenure of 10 years). These directors are eligible for reappointment only after a cooling-off period of three years.[38]

An independent director who resigns or is removed from the board shall be replaced by a new independent director at the earliest date possible, but not later than the immediate next board meeting or three months from the date of such vacancy, whichever is later.

## Number of Other Directorships

The Companies Act, 2013, restricts the total number of directorships for any director to 20. Of this, a maximum of 10 can be public limited companies.[39]

As per the Listing Agreement, a person shall not serve as an independent director in more than seven listed companies. Further, any person who is serving as a whole-time director in any listed company shall serve as an independent director in not more than three listed companies.

Further, a director shall not be a member in more than 10 committees[40] or act as chairperson of more than 5 committees across all companies in which he or she is a director.

## Board Size

The board of every public company shall include at least 3 and no more than 15 directors.[41] However, a company may appoint more than 15 directors after passing a special resolution.

[38]While the Companies Act will compute the tenure on a prospective basis from 1 April 2014, the Listing Agreement stipulates that an independent director whose tenure has exceeded five years in a company as of 1 October 2014 shall be eligible for appointment, on completion of his or her present term, for one more term of up to five years only.
[39]For the purpose of computing the maximum limit of directorships, private companies that are holding companies or subsidiaries of public companies are also to be included.
[40]Examples of committees are audit committee and stakeholder relationship committees. Private, charitable, and foreign companies are excluded from the computation of a director's total number of committee memberships.
[41]See Section 149 of the Companies Act, 2013.

### Board Mix Criteria

At least one-third of the total number of directors of every listed public company shall be independent directors.[42]

As per Clause 49 of the Listing Agreement, 50% of the board should be independent directors if the chairperson of the board is an executive director. Otherwise, 33% of the board should be composed of independent directors.

The board of directors of a listed company should have at least one woman director.

## Company Obligations/Best Practices

The company should ensure compliance with all these provisions. The company should create a code of conduct for the board members and should impart training to its board members in the business model of the company and about their roles and responsibilities as directors. The details of such training should be disclosed in the annual report.

There should be a mechanism for periodic performance evaluation of independent directors, with criteria being disclosed in the annual report. The independent directors should hold one meeting a year without the attendance of other directors.

If the independence of a director is compromised, the company must appoint additional independent directors to the board to maintain the right board mix.

The details of appointment and a detailed profile of all directors should be disclosed on the website of the company and to the stock exchanges.

The company should disclose the letter of resignation along with the detailed reasons for resignation provided by a director of the company on its website no later than one working day from the date of receipt of the letter of resignation. This information should also be forwarded to the stock exchanges for dissemination.

## Guidelines for Shareholders

The board of a company acts as the primary interface between the company management and its shareholders. Hence, shareholders should carefully review the profiles of the board of directors, especially of those seeking appointment (which includes reappointment). Before approving any candidate, shareholders must ensure that

- the director, if nominated as an independent director, is truly independent and not merely a representative of company management or promoters;

[42]See Section 149(4) of the Companies Act, 2013.

- the director satisfies the other eligibility criteria laid down in the Companies Act, 2013, and the Listing Agreement, and has not been on the board for more than 10 years (only applies to independent directors); and
- the director has relevant professional qualifications and/or business experience so as to add value to the company and its board.

Shareholders can also

- check the number of boards an independent director is serving on and raise questions as to whether the director is contributing meaningfully to company matters and
- check whether directors regularly attend board meetings/general meetings of the company.

**Global best practice:**

In order to provide minority shareholders with a greater say in electing their representative directors on the board, such countries as the United States, Italy, Russia, and China have started following the cumulative voting process. Cumulative voting allows shareholders to cast all of their votes for a single nominee when the company has multiple openings on its board. This way, they can get their preferred candidates elected even if they only make up a small share of the population.

Section 163 of the Companies Act, 2013, allows Indian companies to adopt cumulative voting practices, but it is a non-mandatory provision.

# Director Remuneration

## *Regulatory Provisions*

| Resolution Type | Provision in the Companies Act, 2013 |
|---|---|
| Ordinary/special | Sections 196, 197, Schedule V |

The total remuneration payable to the directors of a company with respect to any financial year should not exceed 11% of the net profits of the company for that financial year. The breakdown of this limit is subject to a cap of 5% to one whole-time director or managing director; if there is more than one such director, then the cap is 10% of profits to all such directors taken together.

The remuneration payable to directors who are neither managing directors nor whole-time directors shall not exceed

- 1% of the net profits of the company if there is a managing or whole-time director or
- 3% of the net profits in any other case.

These limits can be exceeded with shareholder approval in the general meeting and with the approval of central government. Further, the remuneration is exclusive of any fees paid to the directors to attend the meeting.

All fees/compensation, if any, paid to non-executive directors, including independent directors, shall be fixed by the board of directors and shall require previous approval of shareholders in the general meeting. Independent directors will not be eligible for any stock options.

## Company Obligations/Best Practices

Companies should ensure that the level of remuneration is reasonable and sufficient to attract, retain, and motivate directors of the quality required to run the company successfully. Incentive schemes should be designed around appropriate performance benchmarks and provide rewards for improved company performance.

Per the Listing Agreement, a company should disclose the following information in its annual report:

- remuneration policy,
- transactions/relationship between non-executive director and the company,
- all elements of remuneration package of directors,
- stock options details,
- service contracts, and
- notice period.

The disclosures contained in the explanatory statement within the shareholder notice seeking approval for the remuneration should clearly highlight:

- a detailed breakdown of all the remuneration components, including stock options, retirement benefits, and other perquisites and allowances;
- new performance benchmarks/criteria;
- the extent of fulfillment of previously set performance benchmarks; and
- the ratio of managerial remuneration to average/median employee remuneration.

## Guidelines for Shareholders

For the purpose of evaluation, shareholders should analyze the relevant information from the annual report. In addition, they can consider the following issues:

- any increase in remuneration versus increase in profitability,

- whether the remuneration level is higher than that of comparable industry peers,
- whether there is a low proportion of variable pay (commissions) in the overall salary (shareholders should question management under such circumstances), and
- whether promoters are awarding inexperienced family members with high salaries that are not justified by their role and position in the company (shareholders should seek an explanation from the independent directors regarding their agreement with such a decision).

# Employee Stock Option Plans

## *Regulatory Provisions*

| Resolution Type | Provision in the Companies Act, 2013 | Provision in SEBI Guidelines |
|---|---|---|
| Special | Section 62 | Clause 6.1 |

All employee stock option plans (ESOPs) have to be approved by shareholders by passing a special resolution in the general meeting. Further, independent directors cannot be granted stock options.

SEBI (Employee Stock Option Scheme and Employee Stock Purchase scheme) Guidelines also contain a similar provision and prohibit the following persons from participating in the ESOPs:

- members of the promoter group and
- directors who, along with their associates, hold more than a 10% stake in the company.

## *Company Obligations/Best Practices*

The company needs to constitute a compensation committee for administration of the ESOP.[43] In addition, the following disclosures need to be made in the notice to shareholders:

- the total number of options to be granted,
- classes of employees entitled to participate in the ESOP scheme,
- the vesting period,
- exercise price or pricing formula,
- exercise period,
- the appraisal process for determining the eligibility of employees to take part in the ESOP scheme,

[43]As per SEBI guidelines.

- the maximum number of options to be issued per employee and in aggregate, and
- the accounting method the company shall use to value its options—fair value or intrinsic value.

### Guidelines for Shareholders

Shareholders need to be mindful of the following aspects while voting on ESOP schemes.

- Dilution: The conversion of ESOPs into equity shares will raise the issued capital of the company, which may dilute the interests of minority shareholders. Although moderate dilution (less than 5%) will not significantly affect them, shareholders should question the company further if the proposed grant would lead to a higher level of dilution.
- Exercise price: Companies are free to determine the exercise price at which ESOPs will be converted into shares. If the exercise price is at a discount to the market price, the company will have to bear this cost in its profit and loss statement. Shareholders should thus ensure that the exercise price fixed by the company is close to the market price and question the management otherwise.
- Resetting exercise price: Sometimes companies revise the exercise price downward after a significant fall in market price. ESOPs are incentive measures to ensure active participation of company employees in the growth of the company. If the company is not able to grow at its anticipated pace, such revisions should be questioned and carefully evaluated.
- Accounting method: The current accounting guidelines provide for both intrinsic-value and fair-value accounting for ESOPs. Intrinsic value is the difference between the market price of the stock and the exercise price of the option. Fair value is the market value of the option, generally computed using an option pricing model. Even though ESOP-related costs are only notional (because there is no actual cash outflow), shareholders should check for wide disparity between the intrinsic and fair values. The higher the cost, the greater the impact on profitability.

## Related-Party Transactions

### Regulatory Provisions

| Resolution Type | Provision in the Companies Act, 2013 |
|---|---|
| Special | Section 188 |

A related-party[44] transaction is a transfer of resources, services, or obligations between a company and a related party, regardless of whether a price is charged.

[44]See the Glossary.

Related-party transactions (RPTs) require board approval through a resolution as well as approval of the shareholders (by special resolution).[45] The Companies Act, 2013, prohibits interested/related parties from voting on such resolutions. However, transactions that are entered into by the company in its ordinary course of business and are at arm's-length pricing are exempt from this requirement.

But for listed companies, SEBI has stepped up the RPT regulations, which can be summarized as follows:

- All related-party transactions shall require prior approval of the audit committee.
- All material related-party transactions shall require approval of the shareholders through special resolution, and the related parties shall abstain from voting on such resolutions.
- As per the Listing Agreement, companies are free to formulate their own policies/thresholds on what constitutes a material RPT.

## Company Obligations/Best Practices

Companies should disclose details of all material transactions with related parties on a quarterly basis along with the compliance report on corporate governance. The company must also disclose the policy on dealing with RPTs on its website and in the annual report.

In addition, while seeking shareholder approval for any RPT, the company should clearly state the following in the meeting notice:

- parties to the RPT;
- the level, degree, and nature of association with related parties;
- the pricing and financial arrangements;
- the terms of the contract;
- the economic benefit for all interested related parties; and
- any other relevant or important information.

[45]For companies having paid-up capital of more than 100 million (10 crore) Indian rupees, shareholder approval for RPTs is mandatory. For companies with a paid-up capital of less than 100 million (10 crore) Indian rupees, shareholder approval will be required only if the aggregate related-party transactions exceed the limits specified in the rules for the Companies Act, 2013, issued by MCA. These rules are available here for reference: www.mca.gov.in/Ministry/pdf/NCARules_Chapter12.pdf.

### Guidelines for Shareholders

The interests of minority shareholders should be protected before voting on a RPT. Shareholders should analyze the following:

- the rationale for the transactions and
- whether an independent opinion has been obtained on the valuation/pricing aspects.

They should closely analyze the information provided by the company and seek clarification from the management if they are unsure about the full implications of the transaction.

## Charitable Donations

### Regulatory Provisions

| Resolution Type | Provision in the Companies Act, 2013 |
|---|---|
| Ordinary | Sections 135, 181 |

Some companies[46] are required to spend at least 2% of their average net profits of the three immediately preceding financial years on various corporate social responsibility (CSR) activities.

Prior permission of shareholders in the general meeting will be required for charitable contributions that exceed 5% of the average net profits for the three immediately preceding financial years.[47]

### Company Obligations/Best Practices

Companies should ensure that all their philanthropic and CSR initiatives are aligned with their overall business model so that they can fully claim the long-term benefits that may be derived from such activities in the form of increased reputation, recognition, credibility, and goodwill. In addition, companies should monitor and disclose the outcome of such charitable initiatives to shareholders.

### Guidelines for Shareholders

When voting on CSR proposals, shareholders should analyze the following:

- operational cash flows of the company,

[46]CSR provisions are applicable to a company having a net worth of at least 5 billion (500 crore) Indian rupees, a turnover of 10 billion (1,000 crore) Indian rupees in a year, or net profit of 50 million (5 crore) Indian rupees in a year.
[47]See Section 181 of the Companies Act, 2013.

- financial performance in the last three financial years,
- source of funds for the donation,
- dividends paid to shareholders,
- nature and exact amount of proposed contributions,
- the intended recipient charities/trusts, and
- association between the recipient charities and the company management/board (if any).

# Approval for Sale of Undertaking (Slump Sale)

## Regulatory Provisions

| Resolution Type | Provision in the Companies Act, 2013 |
|---|---|
| Special | Section 180(A) |

A company cannot sell, lease, or dispose of any of its undertaking or substantially the whole of any undertaking[48] without getting prior approval from shareholders through a special resolution.

## Company Obligations/Best Practices

Companies should clearly disclose the following:

- rationale for the sale,
- use of sale proceeds,
- market value of aggregate assets to be disposed—ideally accompanied by a valuation report from an independent third party,
- expected price, and
- details of the buyer.

## Guidelines for Shareholders

Shareholders should only approve such proposals if the transaction is not detrimental to their interests.

[48]Undertaking refers to an asset of the company in which the investment of the company exceeds 20% of its net worth as per the audited balance sheet of the preceding financial year or that has generated 20% of the total income of the company during the previous financial year. "Substantially the whole" of any undertaking refers to 20% or more of the value of the undertaking as per the audited balance sheet of the preceding financial year.

They should analyze the following:

- expected impact on sales/profits for the next three years,
- value of assets to be disposed,
- independent fairness opinion on the valuation, and
- involvement of related parties.

# Approval for Increase in Borrowing Limit

## Regulatory Provisions

| Resolution Type | Provision in the Companies Act, 2013 |
|---|---|
| Special | Section 180(C) |

A company can borrow money only with prior approval of shareholders via special resolution when the money to be borrowed, together with the money already borrowed by the company, will exceed the aggregate of its paid-up share capital and free reserves. Temporary loans obtained from banks in the ordinary course of business are exempt from the computation of the overall borrowings.

## Company Obligations/Best Practices

Companies should state the rationale and need for additional borrowings. The level of disclosure should be more granular for leveraged companies and those seeking to raise the existing borrowing limits by a significant amount. They should clearly disclose the following:

- current debt level as a percentage of existing borrowing limit,
- the time frame within which the borrowing process is expected to be completed,
- project-level details on areas where the borrowed funds are proposed to be deployed,
- breakdown of long-term and short-term borrowings for the proposed amount, and
- any expected change in credit rating and rating category subsequent to the change.

## Guidelines for Shareholders

Shareholders should vote only after analyzing the following:

- rationale and need for additional borrowings,
- financial performance of the company,

- operating cash flows,
- leverage ratios (debt to equity, interest coverage, and so forth),
- effective interest rates,
- past repayment history, and
- cash balances.

# Scheme of Arrangement

## Regulatory Provisions

| Resolution Type | Provision in the Companies Act, 2013 |
|---|---|
| Special | Sections 230–234 |

Schemes of arrangement for a company refer to the following:

- reorganization of the company's share capital,
- compromise between a company and its creditors or any class of them (e.g., corporate debt restructuring), or
- scheme for the reorganization of the company involving any merger or amalgamation.

Applications for such schemes of arrangement need to be submitted to the court[49] for approval. The court, at its discretion, may direct the company to convene a meeting of its shareholders and creditors and get their approval through a special resolution.[50]

## Company Obligations/Best Practices

The notice of such a meeting must be sent to all interested parties and accompanied by a statement that discloses the details of the arrangement, including

- the draft of the proposed terms of the scheme and
- a third-party valuation report explaining the effects of the arrangement on each class of shareholders, key managerial personnel, promoters, and non-promoter shareholders.

Such notice and other documents shall also be placed on the website of the company. For listed companies, these documents shall be sent to SEBI and the stock exchange where the securities of the companies are listed for inclusion on their websites.

[49]The Companies Act, 2013, requires all applications for the scheme of arrangement to be dealt by the National Company Law Tribunal.
[50]See Section 232 of the Companies Act, 2013.

## Guidelines for Shareholders

Shareholders should vote after analyzing the following:

- the method used to arrive at the valuation and final price,
- the opinion of independent directors on the deal,
- the mode of payment—cash or share swap (and resultant dilution),
- the underlying rationale of the scheme,
- the impact on financial and leverage ratios, and
- the post-merger shareholding pattern.

# 8. Rules of Etiquette at General Meetings

## Ensure Voting Presence

It is the right but not the obligation of every shareholder to attend the company's general meetings. These meetings enable shareholders and management to jointly formulate the key policies and overall strategic direction for the company. By attending and voting in such meetings, shareholders can ensure their voices are heard by the company.

If, for some reason, shareholders are not able to attend, they should appoint a proxy who can vote on their behalf. The procedure to appoint a proxy is discussed in Section 6.

## Encourage Preparation

Every shareholder is entitled to receive a notice (including explanation of the agenda items) before every general meeting. Shareholders should try and familiarize themselves with the notice and read the annual report to be able to participate in a meaningful discussion/debate. This will also help ensure that relevant questions are asked during the meeting.

## Avoid Obstructive Behavior

Shareholders should ensure that they do not obstruct the meeting in any manner because such behavior defeats the purpose of the meeting. Shareholders should not interrupt other shareholders when they are speaking or asking questions. They should also ensure that they do not discuss any question or matter among themselves during the discussion. Personal questions or comments should be avoided. All the relevant questions in the meetings should be directed to the chairperson. When the chairperson calls for comments from the audience, shareholders should show common courtesy by first seeking the chairperson's permission to speak.

## Allow Participation by All Shareholders

Shareholders should keep their comments brief and restrict their queries to only the critical items so that a more broad-based discussion, with wider participation from all shareholders, can take place. If required, shareholders can send some of their questions in advance to the management as described in Section 7.

## Ensure Integrity

Shareholders should not accept any gifts, gift coupons, or cash from company representatives at the meeting. Distribution of such gifts is not permitted by law.[51] If shareholders come across such practices, they should bring it to the notice of the registrar, MCA, or another concerned authority.

*This guide incorporates all the relevant data, information, and clarifications provided through the various rules, regulations, notifications, and circulars issued by the MCA and SEBI through April 2014.*

[51]See www.icsi.edu/WebModules/Publications/SS-2GM.pdf.

# Annexures

## A. List of Common Resolutions

| S.No | Type of resolution | Resolution sub-category | Type of meeting | Section of Companies Act, 2013 |
|---|---|---|---|---|
| 1 | ORDINARY | Approve the financial statements, Board Report, Auditors Report | AGM | 129/134/143 |
| 2 | ORDINARY | Approve the payment of dividend | AGM | 123 |
| 3 | ORDINARY | To appoint & re-appoint auditors of the company and to fix their remuneration | AGM | 139 |
| 4 | SPECIAL/ ORDINARY | To remove an auditor or fill casual vacancy in the office of an auditor caused by resignation | AGM/EGM | 139/140 |
| 5 | ORDINARY | To appoint a director | AGM/EGM | 152/160 |
| 6 | ORDINARY | To re-appoint a director | AGM | 149/152 |
| 7 | SPECIAL | Change board size beyond 15 directors | EGM/PB | 149(1) |
| 8 | ORDINARY | To elect Small Shareholder Director | PB | 151 |
| 9 | ORDINARY | To remove a director and to appoint a director in his place | AGM/EGM | 169 |
| 10 | ORDINARY | Appointment of Managing or Whole time director (Government approval in case not as per Schedule V) | AGM/EGM | 196 |
| 11 | ORDINARY | Approve waiver of recovery of remuneration (only after Central Government approval) | AGM, EGM, PB | 197(10) |
| 12 | SPECIAL | To approve remuneration to a relative of director (Place of profit) | AGM, EGM, PB | 188 |
| 13 | SPECIAL | Alteration to Memorandum of Association<br>Change in name<br>Authorized capital<br>Change in registered office<br>Object clause | AGM/EGM<br>AGM/EGM/PB<br>PB<br>PB | 16, 12, 13, 61 |

# B. Sample Notice

Dear Shareholder,

**Sub: Notice of 27th Annual General Meeting of *** Limited and Annual Report for the financial year ended December 31, 20****

**Ref.:** Folio/DP Id & Client Id No: IN*****

The 27th Annual General Meeting of *** Limited is scheduled to be held on Thursday, *****, 20**, at 3.30 p.m. at ******, to transact the businesses as detailed in the Notice of the Annual General Meeting.

We are pleased to enclose the Annual Report of *** comprising Directors' Report, Auditors' Report and Audited Financial Statements for the year ended December 31, 20**.

## *Ordinary Business*

1. Adoption of Accounts

   To receive, consider and adopt the audited Profit & Loss Account of the Company for the year ended December 31, 20** and the Balance Sheet as at that date, together with the Report of the Board of Directors and the Auditors thereon.

2. Declaration of Dividend

   To confirm the payment of interim dividends on the equity shares for the year ended December 31, 20**, and declare the final dividend and special dividend for the year 20** on equity shares

3. Appointment of Auditors

   To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED THAT M/S ***, Chartered Accountants, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be decided by the Board of Directors."

## *Special Business*

To consider, and if thought fit, to pass the following resolution, with or without modification, as an

Ordinary Resolution:

"RESOLVED THAT Mr. ***, who was appointed as an Additional Director of the Company with effect from **** by the Board of Directors of the Company pursuant to Section 161(1) of the Companies Act, 20**, and the Articles of Association of the Company and in respect of whom, the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By order of the Board

For *** Limited

Company Secretary

Place: ******

Date: ******

# C. Sample Explanatory Statement

**Item No. 7**

Mr. ***

Mr. *** who has been appointed as an Additional Director of the Company under Section 161(1) of the Companies Act, 2013, effective January 14, 2014, holds office up to the date of this Annual General Meeting, and is eligible for appointment as Director as provided under Article 129 of the Articles of Association of the Company. The Company has received notice under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose the candidature of Mr. *** for the office of Director.

Mr. **** does not hold any shares in the Company. The Board of Directors considers it in the interest of the Company to appoint Mr. *** as a Director. None of the Directors and Key Managerial Personnel of the Company or their relatives, except Mr. ****, is in any way, interested or concerned in this resolution.

# D. Sample Voting Outcome

Date of the AGM/EGM:
Total number of shareholders on record date:
No. of shareholders present in the meeting either in person or through proxy:
Promoters and Promoter Group:
Public:
No. of Shareholders attended the meeting through Video Conferencing:
Promoters and Promoter Group:
Public:
(Agenda-wise)
Details of the Agenda:
Resolution required: (Ordinary/Special)
Mode of voting: (Show of hands/Poll/Postal ballot/E-voting)
In case of Poll/Postal ballot/E-voting:

| Promoter/ Public | No. of shares held (1) | No. of votes polled (2) | % of votes polled on outstanding shares (3)=(2)/(1)*100 | No. of votes — Favour (4) | No. of votes — Against (5) | % of votes in favour on votes polled (6)=[(4)/(2)]*100 | % of votes against on votes polled (7)=[(5)/(2)]*100 |
|---|---|---|---|---|---|---|---|
| Promoter & Promoter group | | | | | | | |
| Public — Institutional holders | | | | | | | |
| Public — Others | | | | | | | |
| Total | | | | | | | |

# E. Sample Postal Ballot Form

## *Polling Paper*

[Pursuant to Section 109(5) of the Companies Act, 2013, and Rule 21(1)(c) of the Companies (Management and Administration) Rules, 2014]

Name of the company:

Registered office:

Ballot Paper

| S.no | Particulars | Details |
|---|---|---|
| 1. | Name of the first named shareholder | |
| 2. | Postal address | |
| 3. | Registered folio No./*client ID no. (*Applicable to investors holding shares in dematerialized form) | |
| 4. | Class of share | |

I hereby exercise my vote in respect of Ordinary/Special resolution enumerated below by recording my assent or dissent to the said resolution in the following manner:

| S. no | Item no. | No. of shares held by me | I assent to the resolution | I dissent from the resolution |
|---|---|---|---|---|
| | | | | |

Place:

Date: (Signature of the shareholder)

# F. Sample Proxy Form

## *Proxy form*

[Pursuant to section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN:

Name of the company:

Registered office:

Name of the member(s):

Registered address:

E-mail ID:

Folio No/ Client ID:

DP ID:

I/We, being the member(s) of ******* shares of the above named company, hereby appoint

1. Name: *******

   Address:

   E-mail Id:

   Signature: *******, or failing him

2. Name: *******

   Address:

   E-mail Id:

   Signature: *******,

3. Name: *******

   Address:

   E-mail Id:

   Signature: *******,

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the ******* Annual general meeting/ Extraordinary general meeting of the company, to be held on the *** day of ****. At **** a.m./p.m. at ******* (place) and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.

1. *******
2. *******

| Affix Revenue Stamp |
|---|

Signed this **** day of ****, 20**

Signature of shareholder

Signature of Proxy holder(s)

***Notes:*** This form of proxy, in order to be effective, should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

# Glossary

**Board of directors:** A collective body of individuals elected by the shareholders who jointly oversee the activities of the company and make decisions on their behalf.

**Bombay Stock Exchange (BSE):** One of the major stock exchanges of India.

**Companies Act, 2013:** Act that regulates company incorporation, the responsibilities of company directors, and company dissolution. It was passed by the Parliament and received the assent of the president of India on 29 August 2013. The new law is more comprehensive than the earlier Company Act, 1956. It promotes investor protection and transparency by including concepts of insider trading, class action suits and creation of a National Financial Reporting Authority. Of the 470 sections in the new act, 283 sections have been notified by the Ministry of Corporate Affairs (MCA) vide notifications dated 12 September 2013[52] and 26 March 2014[53] and are applicable currently.

The remaining sections—which mostly pertain to the formation of the National Company Law Tribunal (NCLT) and the right of investors to file class action suits against the company/management, among others—are yet to be notified.

**Executive (or whole-time) directors:** Directors in the full-time employment of a company who thus devote all their time and attention to the management of the company.

**Independent directors:** Non-executive directors who do not have any material relationship with the promoters, the company, and/or its stakeholders.[54] Their primary role is to safeguard the interests of public shareholders by providing an independent judgment on critical issues.

**Institute of Company Secretaries of India (ICSI):** The only recognized professional body in India to develop and regulate the profession of company secretaries in India. The ICSI is constituted under the Company Secretaries Act, 1980, and, along with MCA, frames various rules and regulations for managing the corporate sector.

**Listing Agreement:** The agreement between a company that lists its securities for trading and the stock exchange. It is made before the shares are listed. Although the requirements of the Listing Agreement are laid down by SEBI, it is primarily administered by the stock exchanges.

Clause 49 of the Listing Agreement relates to corporate governance of listed companies and is applicable to companies listed on the stock exchanges in India. SEBI has recently amended Clause 49; these amendments, in effect, overhaul the corporate governance framework for listed companies. The new norms, in most places, align the provisions of the Listing Agreement with the Companies Act, 2013. They also factor in recent developments and changes in global best practices in

[52]See www.mca.gov.in/Ministry/pdf/CommencementNotificationOfCA2013.pdf.
[53]See www.mca.gov.in/Ministry/pdf/CompaniesActNotification26March2014.pdf.
[54]See the Companies Act, 2013, for the eligibility requirements for independent directors.

corporate governance. Consequently, some of these norms—especially those pertaining to related-party transactions, tenure and other directorships for independent directors, disclosure of remuneration policies, composition of board committees, succession policies, and performance evaluation of directors—are more stringent than what is provided in the Companies Act, 2013.

The revised norms are applicable from 1 October 2014. All references to the Listing Agreement in this guide are based on these revised norms.

**Memorandum of association (MoA):** A document that defines the scope of a company's activities and its relationship with the outside world. The MoA includes, among other details, the name of the company, the state in which the registered office is situated, and the objects (i.e., business activities) for which the company is incorporated.

**Ministry of Corporate Affairs (MCA):** The body that regulates corporate affairs in India through the Bills and Rules of the Companies Act, 2013. Every company in India must register with the MCA. All the important notifications, documents, and notices filed by companies can be found on the MCA website: www.mca.gov.in.

**National Company Law Tribunal (NCLT):** The body that handles all disputes related to the Companies Act, 2013. It is meant to remove hurdles of multiple court jurisdictions and to speed up the proceedings of corporate disputes. In effect, it replaces other bodies like the Company Law Board and Board of Industrial and Financial Reconstruction.

**National Stock Exchange of India (NSE):** One of the major stock exchanges of India.

**Nominee directors:** Directors normally appointed to represent the interest of a financial institution/government that has either invested or extended loans to the company. They are considered to be on par with other directors in most respects, except that their appointment is not directly approved by shareholders.

**Non-executive directors:** Members of the board who are not in the full-time employment of the company. Unlike executive directors, they are not engaged in the day-to-day management of the company but are involved in policy making and strategy. Non-executive directors are further classified into independent and non-independent directors.

**Promoter:** Any person who has been named as such by the company in a prospectus or an annual return. Promoters sometimes have control over the affairs of the company as a director, shareholder, or otherwise or provide advice, instructions, or directions under which the board of the company is accustomed to act, except when the person is acting merely in a professional capacity.

**Quorum:** The presence of the minimum number of shareholders required to commence a meeting. As per the Companies Act, 2013, a minimum of 5 shareholders is required for companies with fewer than 1,000 shareholders; a minimum of 15 shareholders is required for companies with between 1,000 and 5,000 shareholders; and a minimum of 30 shareholders is required for companies with more than 5,000 shareholders. The articles of a company can require a larger quorum than what is stipulated in the Companies Act.

**Registrar of Companies (ROC):** Statutory body appointed under the Companies Act covering the various states and union territories. ROCs are vested with the primary duty of registering companies and ensuring that such companies comply with the statutory requirements of the act. The ROC offices function as registries of records relating to the companies registered with them; these records are available for inspection by members of the public on payment of the prescribed fee.

**Related Party:** A person or entity that is related to the company. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions. Examples include, but are not limited to, the following:

- Any firm/private company in which a director, manager, or relative is a partner;
- Any person (along with his or her relatives) who has control of or significant influence over the company or is a key management personnel of the company or a parent of the company;
- Any public company in which a director or manager is a director or holds, along with his or her relatives, more than 2% of its paid-up share capital;
- Any person/corporate body whose board, managing director, or manager is accustomed to act in accordance with the advice, directions, or instructions of a director or manager (except for advice, directions, or instructions given in a professional capacity);
- Companies within the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others) or associate or joint venture companies; and
- Any entity that monitors the post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

**Resolution:** Every resolution describes a new business item, which is then discussed in a meeting and put to vote. Once the resolution is voted in favor by the requisite majority, it comes into effect immediately and the company is bound to act on it. A sample resolution is provided in Annexure B.

**Securities and Exchange Board of India (SEBI):** The regulator for the securities market in India. It is entrusted with the responsibility to maintain stable and efficient markets by creating and enforcing regulations in the marketplace. Its primary objectives are to protect the interests of investors in securities, to promote the development of securities market, and to regulate the securities market.

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# Resources

Institutional Investor Advisory Services (www.iias.in).

Investors' Protection Fund and NSE, Watch Out Investors (www.watchoutinvestors.com).

SEBI, Investor Awareness and Education (http://investor.sebi.gov.in).

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*Although this guide may have more general applicability, it pertains mainly to companies listed on the stock exchanges in India and incorporated in India. The scope of the guide is restricted to the most common business items typically transacted in a shareholder meeting. It is not meant to be exhaustive and does not constitute legal advice.*

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