

OCTANE RESEARCH, JANUARY 2013



GO GREEN

**BY MINISTRY OF CORPORATE AFFAIRS
INITIATIVE IN CORPORATE
GOVERNANCE: HOW EFFECTIVE?**



GO GREEN - INITIATIVE IN CORPORATE GOVERNANCE

In 2011 the Ministry of Corporate Affairs (MCA), Government of India announced its Green Initiative which made it official for companies in India to use electronic communications to share and distribute information to their shareholders.

It is in this context that we were keen to find out how companies in India have adopted electronic communication like email for shareholder communications and implemented the **Go Green** Initiative- What have been the experiences, the highlights and the challenges during this journey? We reached to the community of Company Secretaries in India to get their views, opinions and ideas. We received feedback and active participation of about 300 CS teams in India.

In the following pages, we hope you will find information and insights that may be useful for the **Go Green** Initiatives of your company for 2013 and beyond.

We at Octane acknowledge the support of **The Institute of Company Secretaries of India (ICSI)** and thank them for the participation in this research project.

Digvijay Bhandari
Co-Founder and CEO
Octane Marketing India
digvijay@octane.in

Contents

- 01 Introduction to Green Initiatives
- 02 Benefits & Impact of **Go Green** Initiative
- 03 Research Methodology
- 04 Participants Profile
 - Cross Industry Mix
 - Diverse Background of Respondents
 - Turnover of Participants
- 05 Key Findings
- 06 Top 8 Challenges Faced as reported by Companies in India implementing the 'Go Green' Initiatives
- 07 Participants' Speak
- 08 How can Octane Help You?

Executive Summary

Ministry of Corporate Affairs (MCA) has announced Green Initiative in Corporate Governance which allows and encourages businesses in India to send various reports, documents and ballot papers to their shareholders via electronic means. Paper based communication between businesses and shareholders takes place at the cost of a large number of trees. According to an estimate, one tree is sacrificed for printing just 132 Annual Reports. In these times of electronic communication and global environmental concerns, usage of paper can be and should be avoided to help save our precious trees.

We spent months researching how companies in India have acted towards the **Go Green** Initiative of the MCA. Our exhaustive study was conducted with 298 companies in India from cross-industry-domains. Respondents from these companies were also from a variety of backgrounds which allowed us to study the implementation process at various levels. Ranging from multinational corporations to small and medium enterprises, participating companies belonged to the entire spectrum of annual turnover.

This report presents our research findings encompassing the degree of success with which the companies have implemented the **Go Green** Initiative; the challenges faced by those who have worked on the implementation and the benefits that companies are expecting to draw from this initiative.

Our research reveals that while most of the companies are aware of the **Go Green** Initiative, not all of them have been able to implement it with an equal measure of success. Lack of investors' email ids or addresses in the databases of companies and lack of an IT infrastructure to send mass email communication have turned out to be the biggest hurdles in the path of its implementation.

Also, while cost cutting and saving trees is reported to be the primary benefit, companies in India are adopting electronic communications not only to increase the speed of communication to shareholders but also the frequency of such updates.

Introduction to the Green Initiative

In the past 40 years, global paper consumption has risen 400%, with more than 35% of all the harvested trees being used only for paper production. Paper manufacturing mills also emit large amounts of nitrogen dioxide (NO₂), sulphur dioxide (SO₂) and carbon dioxide (CO₂). These gases greatly contribute to a few of the modern world's biggest problems such as acid rains and global warming. Paper manufacturing also adds its share to waste production and water pollution. Production of one ton of printing paper costs our planet nearly 24 trees. Back of the envelope calculations indicate that we sacrifice one tree for printing just 132 Annual Reports.

Taking notice of these glaring facts and to help in conserving the greenery of planet earth, The Ministry of Corporate Affairs (MCA) of the Government of India, has taken a much required step by announcing "Green Initiative in the Corporate Governance". Under this initiative, the MCA is now allowing paperless compliance by companies in India. Through its Circulars No. 17/2011 dated 21 April 2011 and No. 18/2011 dated 29 April 2011, the MCA has provided that the service of notices/ documents by a company to its shareholders can now be made electronically. In accordance with these circulars, companies can now send various notices and documents, including Annual Reports, to the registered e-mail addresses of the shareholders.

Compliance will be deemed to have been done where service of documents has been made through electronic mode. If a shareholder has not registered an email address with the company, documents will have to be served by other modes of service.

This initiative is the latest among several major steps taken by the government to make corporate governance more environmentally friendly. Recently, the government had also allowed paperless compliances for various filings. Companies can also use audio-visual transmission for holding general meetings of shareholders. It will be an obligation on the company to ensure provision of required video conferencing equipment and other facilities. The company would also need to ensure that only shareholders can attend the meeting, minutes of meeting are duly prepared and the integrity of proceedings through video conference is properly safeguarded. Companies would also be responsible for providing conference connectivity for general meetings at least at five centres so that it covers top five cities. Similarly, board meetings could also be held via the electronic mode.

Benefits & Impact of Go Green Initiative

- Technology can save companies from doing the tedious job of sending the annual & quarterly communication to shareholders via traditional postal way.
- Electronic communication is:
 - **Faster:** you can send one million emails in a much lesser time than what it takes to dispatch one million printed documents by post.
 - **Cheaper:** if you send emails, you save a lot of money that would otherwise be spent on paper, printing, envelopes and postal charges.
 - **More engaging:** it is easier and quicker for a shareholder to reply an email than to fill a paper form or to write a postal letter.
- Use of technology can help us measure processes more accurately.
- Such communication will become more effective & efficient and will also help in increasing communication between shareholders and companies.
- The **Go Green Initiative** will help in saving trees and protect the environment.

Research Methodology

Raw data for the research was collected through a survey that was conducted for a period of 2 months from August to September 2012. Our survey solicited views and opinions of leading companies across various domains and industry verticals from all over India. Opinions of the companies were captured using a predesigned questionnaire delivered through telephonic interviews, face to face interviews and the web.

We ensured that companies doing business in a variety of industry sectors took part in the survey; that the questionnaire respondents were chosen from a variety of background and that companies of all sizes were included. Questions in the survey were mainly on the following lines:

- Awareness of green initiatives
- Extent of success in implementation of green initiatives
- Problems faced during implementation
- Expected benefits of implementation

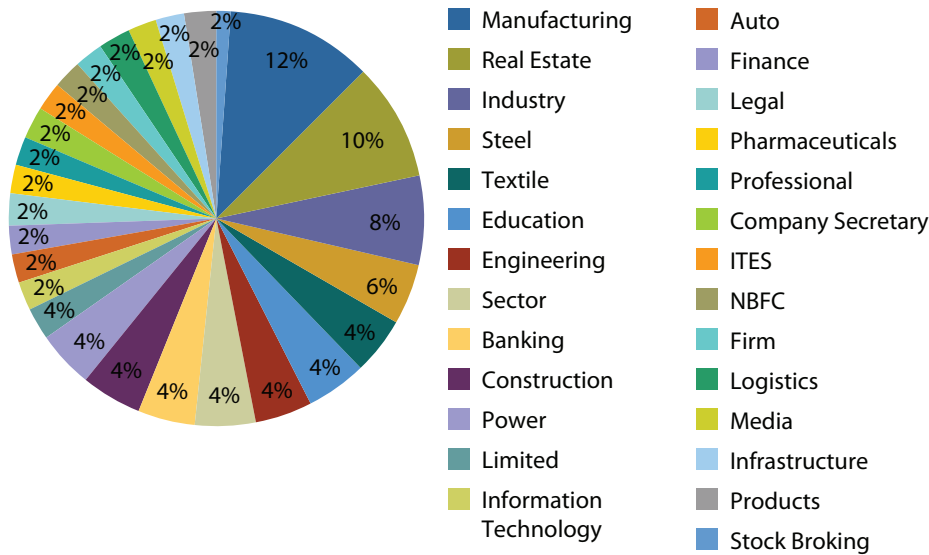


Participants Profile

Cross Industry Mix

In order to gain accurate cross-industry opinions, efforts were made to have representation from various sectors of the Indian industry. The exhibit (Figure 1) given below summarizes the cross-industry mix of participant sectors.

Figure 1 : Sector wise break-up of participant industries

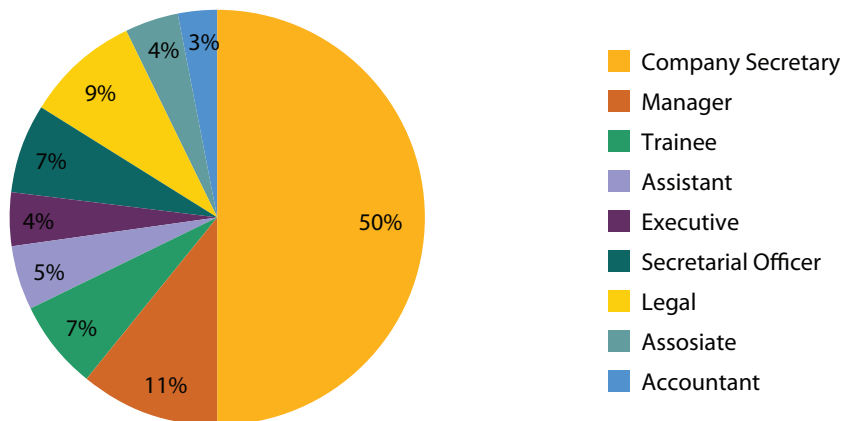


Diverse Background of Respondents

We ensured that our research should not only be cross-industry but also take into account the opinions of people who actually take part in the implementation of corporate governance in businesses. The following exhibit shows the professional profiles of people who we interacted with. Half of all the respondents are working at the Company Secretary level.

Diversity in the backgrounds of respondents ensured that the responses we got were insightful as well as interesting. Such diversity also ensured that we touched every aspect of the implementation process.

Figure 2 : Profiles of participants

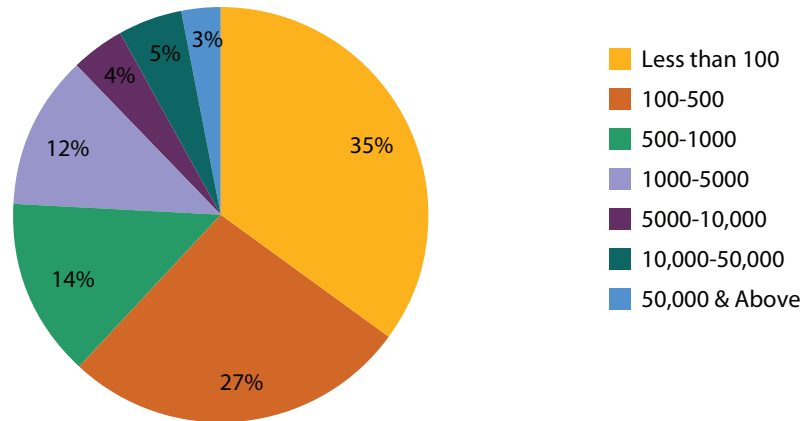


Please refer to Annexure I for the list of companies that participated in this survey.

Turnover of Participants

To assess the sentiments of smaller as well as bigger firms towards the implementation of green initiatives, we ensured that firms on all levels of the turnover spectrum are included in the survey. The following exhibit shows the annual turnover of participant companies in crores of rupees.

Figure 3 : Turnover of partipant companies (in crore rupees)



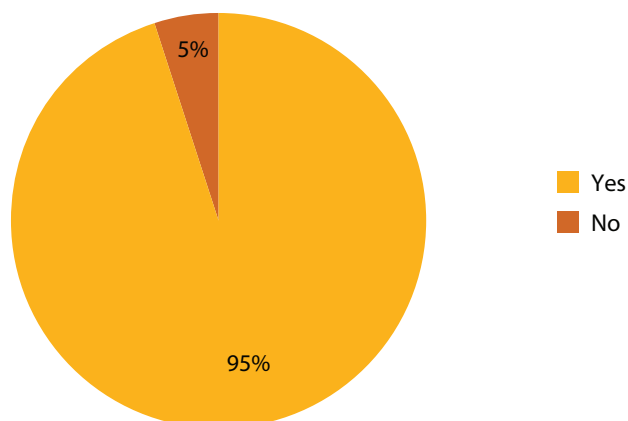
Key Findings

- A remarkable 95% of the respondents said that they were aware of the **Go Green** Initiative.
- 81% of the respondents said that they have already completed implementation at their respective companies.
- Going Green saves you money. More than 85% of the respondents said that they are expecting to save 20% or more on communication cost by adopting electronic means to communicate with shareholders.
- It is clear that the industry is happy with the **Go Green** Initiative and wants the MCA to promote this even further. 73% respondents feel that all possible measures should be taken by the MCA for the furtherment of the **Go Green** Initiative.
- 91% of the respondents feel that making registration of email ids compulsory at various stages of share purchase would help in solving one of the biggest hurdles of not having adequate details of shareholders.



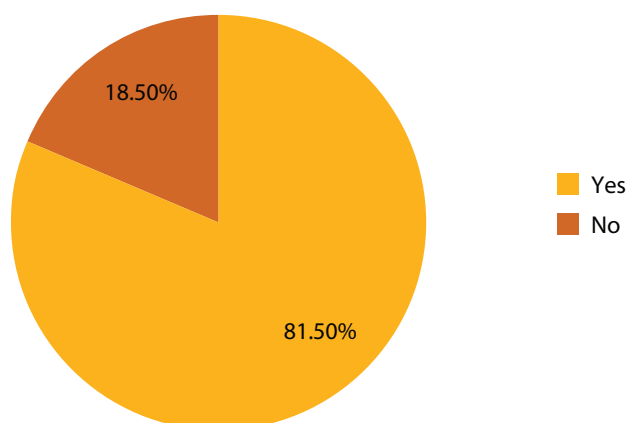
Analysis of Survey

Q 1. Have you heard about the 'Go Green' Initiative by the MCA?



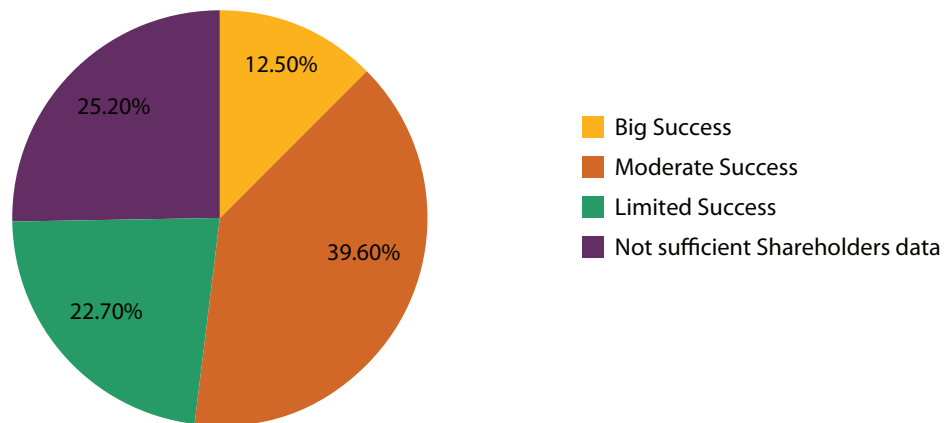
With 95% of the respondents well-aware of the **Go Green** Initiatives, it indicates that companies keep a keen eye of the new initiatives being taken by the Ministry of Corporate Affairs (MCA). This is also a sign that the MCA has been successful in adequately promoting green initiatives.

Q 2. If yes, have you implemented the 'Go Green' Initiative?



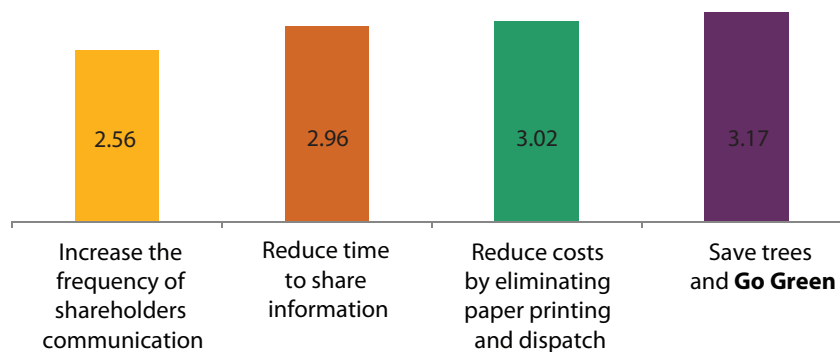
As the above exhibit shows, a vast majority of the companies said that they have already implemented the **Go Green** Initiative. Only about 18% of the respondents said that they were yet to do an implementation. A primary reason cited for this delay was the lack of interest from investors in rural areas. Investors in these areas still prefer to receive communications on hard copy mainly because many of them don't use email. Some companies were also disheartened by the unfavorable responses they received to the mailers sent to shareholders for seeking their consent to participate in this initiative. Also, many of the participant companies did not have infrastructure to deliver such huge volumes of emails.

Q 3. Over the last 12 months, what has been your experience with the 'Go Green' Initiative at your company?



Nearly a quarter of participants are yet to implement the **Go Green** Initiative because they do not have email ids of their investors. Of those who have implemented the initiative, more than 50% of the companies have seen high to moderate success rates. The remaining companies tasted only limited success predominantly due to a lack of IT infrastructure for sending email communications.

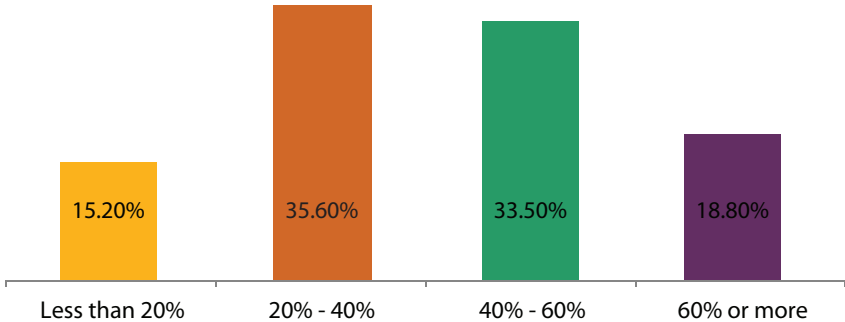
Q 4. What are the benefits that you plan to realize or have realized from the 'Go Green' Initiative?



Companies that reported 'limited success in implementation' felt that the increased frequency of communication with the shareholders would be the least beneficial aspect of the green initiative. Interestingly, "increased frequency of shareholders communication" is overall the least important benefit for companies. They believe that protection of trees is the most important goal that would be realized.

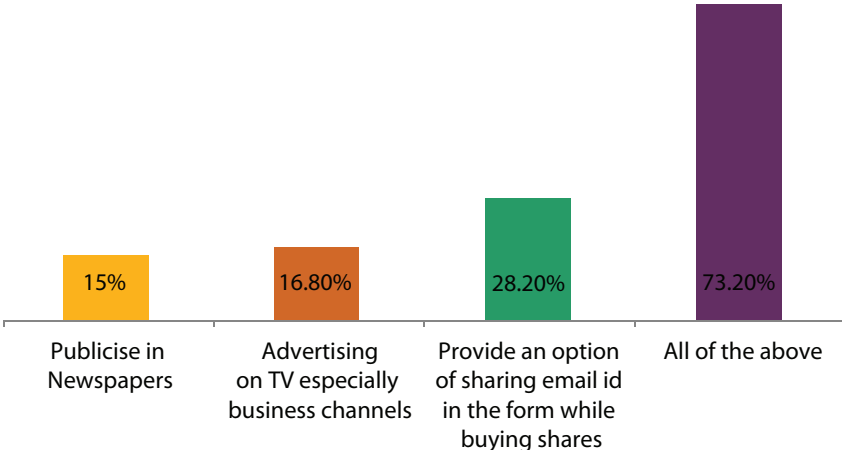
Most of the companies believe that "Save trees and **Go Green**" would be the most important benefit. More than 55% companies who reported 'big success' with the **Go Green** initiatives feel that the time saved in sharing information would be the key benefit. More than 60% of the companies which reported 'big success' feel that cost reduction (by eliminating paper printing & dispatch) would be a major benefit. More than 65% of the companies that reported 'moderate success' feel that saving trees & going green would be the benefit they would realize the most.

Q 5. What cost savings do you expect by implementing the 'Go Green' Initiative when compared to the traditional print and courier dispatch?



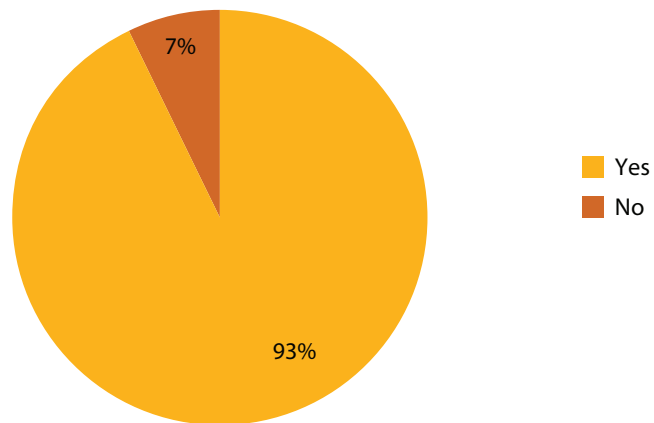
Most of the companies reporting 'big success rate' in implementation saved 40% or more on communication costs whereas for most of the moderately successful companies, savings range from 20% and above. Most companies which reported 'limited success' saved from 20% to 40% on communication costs. Overall, most of the companies believe that significant amount of money can be saved through the **Go Green** Initiative. Companies also believe that if hurdles in implementing this initiative could be removed, the percentage of cost saving can go further up & make this initiative more successful.

Q 6. What steps do you feel the Ministry of Corporate Affairs (MCA) should take to promote the green initiative even further?



The majority of respondents feel that all possible measures should be used by the Ministry of Corporate Affairs (MCA) to promote the **Go Green** Initiative further. If the MCA backs this initiative by eliminating loopholes in the processes involved; the initiative can become even more effective and successful. Companies also believe that merely introducing the **Go Green** Initiative would not help. The MCA would have to provide the desired help to the companies in order to overcome the lack of email ids in the company databases. Most of the companies desire that the email ids of investors should be taken on the form when he/she purchases shares.

Q 7. Do you think that making submission of email address necessary for shareholders but the MCA, will help raise awareness of the 'Go Green' Initiative?



Response to this question reaffirms that most of the companies want shareholders to register their email addresses so as to be able to receive electronic communication from them.



Top 8 Challenges Faced by Companies in India implementing the 'Go Green' Initiative.

- Lack of shareholder email ids
- Lack of Internet penetration in rural India
- Little response from shareholders
- Companies lack IT infrastructure for sending large volume of emails
- Lack of awareness
- Lack of educated investors
- Conservative approach toward emails
- Investors' preference for hard copy

Participants' Speak

During our research, in addition to using a predesigned questionnaire, we also conducted face to face interviews to better understand the views of participants. Here are a few quotes from them:

"Since many shareholders reside in remote area or many of them does not know about this great initiative, they must be (made) aware by educating them or whenever SEBI or BSE organizes any Investors' meet they (the shareholders) all must be encouraged about this. This topic must be on the part of agenda in every meeting."

"Our Company or our RTA has not yet taken this Initiative. We will go for the same for the current Financial Year."

"The only problem will be with the uneducated investors from rural areas who will not have much access to Internet. India is a country that has huge retail investors from rural areas."

"Shareholders are reluctant to switch to e mode which requires their attention to go through immediately whereas in (case of) printed forms they can do so at their leisure time and it is more beneficial for comparative / analytical purposes which is not convenient in the case of e mode. Just like PAN is being made compulsory for all investments, this also needs to be done gradually (made compulsory). Moreover this can be made mandatory for holdings other than individuals and also for cases holding beyond a certain no of shares."

"**Go Green** Initiative is good as it reduces paper work and allows quick availability of certificates."



How can Octane Help You?

According to a recent report, listed Indian companies spend about Rs. 700-800 crores annually on sending physical printed reports to their shareholders. "Green Initiative in Corporate Governance" by the Ministry of Corporate Affairs (MCA) encourages companies and registrar & transferring agents (RTAs) to share important documents like Annual Reports with shareholders through electronic means like email.



Octane is India's No. 1 provider of permission based email communication. We can help you to engage better with your shareholders by sending the Annual Reports and other documents using our reputed IP addresses, which guarantee improved inbox deliverability. Apart from having high delivery speed, you will also be able to track the email activity in real time.

We believe that we can bring great value in terms of increasing your current email deliverability rates and help address all the pertinent issues like building up email database of shareholders in the quickest possible time.

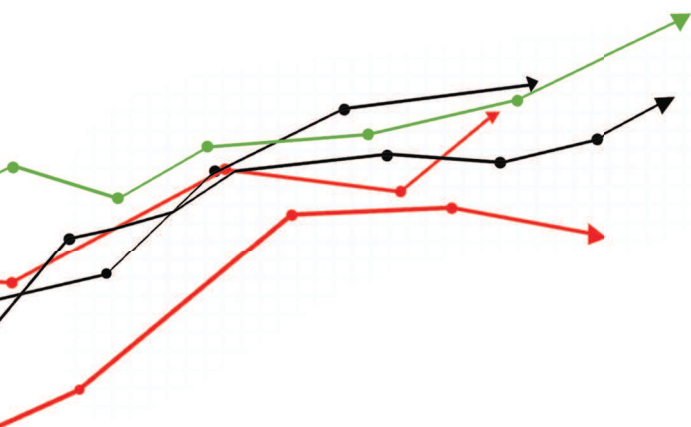
At Octane, we whole-heartedly support this green initiative and we also encourage Indian companies to extend their support and reap great benefits. We would like to invite your organization to try the power of email communications.

We also believe that we can save you money (and save precious trees) by using reliable email solutions for your shareholder communication.

The public image of your company will also benefit if you participate in this drive of making corporate governance more environmentally friendly. The public at large most certainly appreciates companies taking part in such initiatives. Going Green also compliments your Corporate Social Responsibility (CSR) efforts.

About Us

We are a marketing technology company that provides a state-of-the-art email, SMS & web-marketing platform. We help our clients engage better with their customers. We believe that with the right tools, any communication campaign or project can get the desired results and be a success. Therefore, we offer capable software and customized technological solutions to fit your needs. We don't, however, believe in customer alienation and therefore are strong believers of best practices like opt-in lists. Our services and technologies help companies interactively communicate with their audiences online without ever needing to spam them.



Annexure I

Select few of the Companies that participated in this Corporate Governance Report 2012 (in alphabetical order).

- Aditya Birla Nuvo Limited
- Airtel Limited
- Ajay Natavarlal Group
- Apte Amalgamations Limited
- Aqua Logistics
- Autolite (India) Ltd
- Bharat Heavy Electricals Limited
- Bill Power Limited
- Bourn Hall Clinic India
- CEBBCO Ltd
- Coastal Projects Limited
- DDD.com
- Delta Legal Service
- Dena Bank
- Dhunseri Tea and Industries Limited
- DCM Shriram Consolidated Limited
- Ester Industries Limited
- Gati Limited
- Glenmark Pharmaceuticals Limited
- Goodyear India Limited
- Gravita India Limited
- Gujarat Ambuja Exports Limited
- HCC Limited
- Hindustan Paper Corporation Limited
- Hindustan Petroleum Corporation Limited
- Hindustan Zinc Limited
- Housing & Urban Development Corporation of India
- Indo Alusys Industries Limited
- Institute of Company Secretary of India (ICSI)
- Institute of Cost Accountants of India
- Interlink Petroleum Limited
- JTL Infra Limited
- Jubilant FoodWorks Limited
- Jyoti Limited
- KPIT Cummins
- Kilburn Engg. Limited
- Larsen & Toubro (L&T) Limited
- Lloyds Limited
- Madhusudan Auto Limited
- Maharashtra Scooters Limited
- MBL Infrastructures Ltd
- NIIT Limited
- NSDL
- NTPC Ltd
- Ostwal Group of Industries
- P&G India
- Piramal Enterprises
- Ponni Sugars
- Rajvir Industries Limited
- RR Financial Consultants Limited
- Ruchi Infrastructure Limited
- S. E. Investments Ltd
- Saluja Constructions
- Sayaji Hotel
- Shirpur Gold Refinery Limited
- Shriram Chits Pvt Ltd
- Siemens India
- Spicejet Limited
- Steel Authority of India limited
- Sudargarments Limited
- Sundaram Clayton Limited
- Talwalkars Better Value Fitness Limited
- Tata capital
- Tata Steel Limited
- TCI Group
- The Nimbus Group
- Vardhman Group
- WeP Solutions Limited
- Yash Papers Limited
- YES Bank
- Zydus Wellness Limited

NOTES:

NOTES:



Octane Marketing Offices

Delhi Office:

Level 4, Rectangle 1,
Commercial Complex,
D-4, Saket,
New Delhi - 110 017, India

Mumbai Office:

Levels Ground & 1,
Trade Centre,
Bandra Kurla Complex,
Bandra (E),
Mumbai - 400 051, India

Bangalore Office:

Level 14 & 15,
Concorde Towers, UB City
1 Vittal Mallya Road
Bangalore - 560 001, India

United States Office:

1 Embarcadero Center,
Suite 500,
San Francisco, CA 94111,
United States

Contact Details

Email: support@octane.in | Call Us: +91-11-324 34 436 (India), +1-415-230-2875 (USA)

Twitter: [@octanein](https://twitter.com/octanein)

To subscribe to our Newsletters & updates:
engage@octane.in

Research Team:

Mrigesh Wadhera | Punit Modhgil



Octane Marketing Pvt. Ltd.

Octane.in is India's first multi-channel platform for integrated campaigns. For more information about our organization, please visit www.octane.in

Octane Marketing Pvt. Ltd. is a company registered in India under the Companies Act, 1956.
Company Registration No.: "U51101DL2007PTC158669"

© 2013 Octane Marketing Pvt. Ltd.
All Rights Reserved.

Report Designed by Hemant Sharma and Ankita Popli.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute of professional judgement. Neither Octane Marketing Pvt. Ltd. or any member of this organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Report Published: January 2013
Report Reference No: MCA2013

Please quote this report reference no. for any queries or correspondence. Please feel free to quote from this research report by acknowledging the source as 'Octane India Ministry of Corporate Affairs 2013 Research'.