

Parliament to mull over shareholders deciding executive pay

Corporate Affairs Minister Salman Khurshid Thursday said a proposal to allow shareholders decide the salaries of company executives was before parliament.

In an interaction with reporters on the sidelines of the 37th national convention of the Institute of Company Secretaries of India (ICSI) here, Khurshid said the proposal was before the parliamentary standing committee, though it has not been included in the Companies Bill 2009.

'As of now, the proposal is that shareholders will decide the pay. In which manner the shareholders will decide is something the legislation will provide,' the minister said.

'If the shareholder decides how much an executive be paid, then who is the government to question,' he asked.

'The revealing atmosphere around the world from the United States to India is today inclined towards some restrictions (on salaries). Now whether it is necessary to apply legislation or there is any other way of achieving it is something we have to consider,' Khurshid said underlining the need for austerity.

According to him, shareholders should be able to take a decision with freedom, rationality and information and there should be enough disclosures to enable them take a free and transparent decision.

The minister said though the ideal number of directors on a board was 15, the parliamentary standing committee would take a final view after consulting all stakeholders.

Khurshid clarified that the Companies Bill 2009 was not likely to be passed in the coming winter session of parliament, but hoped its report would be available by the budget session.

Maintaining that while the government could intervene to strengthen shareholder's rights, he said it would not try to control corporates. 'Intervention does not mean control. The age of control is gone.'

In answer to another query, Khurshid said the early warning system that his ministry was trying to build to prevent Satyam-like scams was not intended to be a surveillance on the corporate sector.

'There is no question of survey or surveillance. Everything is available to us,' the minister said.

'Everything should not be automatically reported as if we are trying to find fault. It could be something good and in which case we will congratulate them (the company concerned) for doing something good,' he added.

'In the ministry we have digital filing and online filing. We are trying to see whether there is a behaviour pattern that indicates things going wrong. We need to give early warning to the company concerned that something is going wrong, you please watch.'

Describing Satyam as the 'trigger' for early warning system, Khurshid said: 'It is not the first and certainly not the last scam. We want to eliminate (corporate frauds) as much as possible.'

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