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India

Checklist for Disclosures to Government of Executive Pay Levels Issued

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A checklist of the documents a company is required to file with the Central Government at the time of making an application relating to appointment and remuneration of senior level employee(s)/executive(s) in Indian public companies has been released by the Indian Ministry of Corporate Affairs.

Remuneration payable to directors and managers by a public company or by a private company which is a subsidiary of a public company in any financial year should not exceed 11% of the net profits of the company in that financial year, under the Companies Act, 1956. The purpose of issuance of the checklist appears to be to ensure that all the requisite information/documents are submitted by the companies at the time of filing the application, which would in turn help the authorities to process the application in an expedited manner. In addition, the checklist is also expected to help ensure accurate disclosure of salaries being paid to senior level executives and thereby keep a check on the quantum of salaries being paid to top-tier employees.

In the recent past, owing to concerns about the very large salaries being paid to top level executives, the Securities and Exchange Board of India, India's securities regulator, issued a consultative paper¹ on corporate governance proposing to put additional restrictions on payment of salaries to top-tier executives/employees.

¹Consultative Paper on review of Corporate Governance Norms in India issued on January 4, 2013 available at http://www.sebi.gov.in/cms/sebi_data/attachdocs/1357290354602.pdf