



**Companies Amendment Act
- Remuneration Provisions
NOW IN EFFECT**



Remchannel is a South African remuneration and reward advisory business that provides employers with market-leading data, research, analytics and consulting solutions to help them design fair, competitive and defensible remuneration, incentive and employee benefits strategies. Through its proprietary survey data, reward tools and specialist advisory expertise, Remchannel supports organisations in attracting, retaining and rewarding talent while strengthening governance, compliance and long-term business sustainability.

Companies Amendment Act 16 of 2024 — Sections 30A & 30B

Key Changes · Legislative Objectives · Implications for Organisations, Boards & RemCos

Effective: 22 May 2026 Authority: Proclamation Notice 313 of 2026 Government Gazette: No. 54722

1. INTRODUCTION

South Africa has long operated on a voluntary remuneration governance model anchored in the King Codes and the JSE Listings Requirements. King V, launched in April 2026 as the latest iteration of the King Code of Corporate Governance, continues to advance the comply and explain principle, but sections 30A and 30B of the Companies Amendment Act now shift the remuneration governance paradigm fundamentally: from voluntary best practice to statutory obligation with shareholder-binding consequences. The change is significant and aims to contribute towards addressing income inequality in South Africa, which is among the highest in the world.

2. KEY CHANGES AND IMPLICATIONS FOR ORGANISATIONS AND OVRSIGHT COMMITTEES

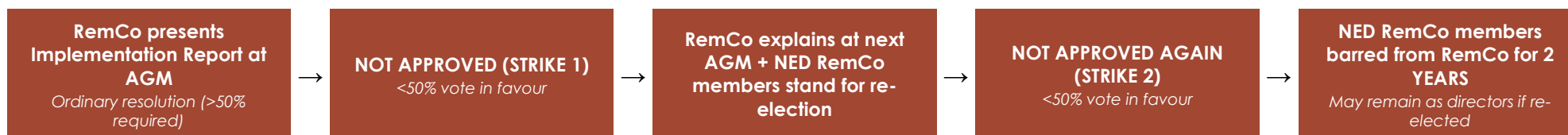
Section	Key Change	Legislative Objective	Implications for Organisations	Implications for Boards & RemCos
30(a) & 30(4A)	<p>ENHANCED DISCLOSURE</p> <ul style="list-style-type: none"> Remuneration of each director and prescribed officer must be disclosed by name in the annual financial statements (AFS) Director remuneration report must now be independently audited, previously unaudited 	<ul style="list-style-type: none"> Ensure factual accuracy and verifiability of all executive pay disclosures Elevate accountability by subjecting remuneration data to independent audit scrutiny 	<ul style="list-style-type: none"> Remuneration data must be audit-ready, meaning that increased rigour in record-keeping is now required Errors or inconsistencies previously undetected may now surface 	<ul style="list-style-type: none"> Directors bear greater personal accountability for accuracy of disclosed remuneration Audit committees must ensure the Remuneration Report is included as part of their audit scope
30A	<p>NOW BINDING</p> <ul style="list-style-type: none"> All public and state-owned companies must prepare a formal Remuneration Policy 	<ul style="list-style-type: none"> Formalise and institutionalise pay governance Give shareholders meaningful input into the framework governing executive pay 	<ul style="list-style-type: none"> Organisations without a formal policy must develop one immediately Existing policies must be reviewed for statutory compliance and be shareholder-tested 	<ul style="list-style-type: none"> RemCo now accountable for a statutory deliverable Boards must have a shareholder engagement strategy in place ahead of AGM votes

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	<ul style="list-style-type: none"> Approval by ordinary resolution at AGM — more than 50% of votes cast by shareholders present and voting Policy valid for 3 years; material amendments require fresh shareholder approval before implementation If not approved: must be re-presented at the next AGM or a specially convened meeting Failure to obtain approval renders the policy legally ineffective — exposing directors to potential fiduciary liability 	<ul style="list-style-type: none"> Create a stable, predictable remuneration framework reviewed on a defined 3-year cycle 	<ul style="list-style-type: none"> Policy design must be defensible - appropriately benchmarked, strategy-aligned, with fair and responsible pay principles, and clearly articulated for understanding by all key stakeholders HR, Reward, Legal and Company secretarial functions must work in close alignment to support business leaders and oversight committees 	<ul style="list-style-type: none"> Directors could face personal liability exposure if obligations are not met
30B	<p>NOW BINDING TWO-STRIKE RULE</p> <ul style="list-style-type: none"> Annual Remuneration Report required covering implementation of the remuneration policy in the prior financial year Approved by ordinary resolution (more than 50% of votes cast) at each AGM 'Total remuneration' is defined in the Act as "all salary and benefits received including any employer contributions to benefit funds and any short-term or long-term incentives including share options and incentive awards" Applies to all employees as defined by the Labour Relations Act (LRA) <p>Mandatory pay gap measures (s30B(3)(c)):</p> <ul style="list-style-type: none"> Total remuneration of the highest-paid employee Total remuneration of the lowest-paid employee Average total remuneration of all employees Median total remuneration of all employees Pay gap ratio: top 5% highest-paid vs bottom 5% lowest-paid employees <ul style="list-style-type: none"> Two-strike rule activates if implementation report is not approved 	<ul style="list-style-type: none"> Create transparency and accountability around actual pay outcomes, not just policy intent Quantify and make visible the gap between executive and lower-paid employee remuneration Give shareholders a meaningful annual accountability mechanism with real consequences Address South Africa's acute income inequality through market-level disclosure 	<ul style="list-style-type: none"> All five pay gap metrics as defined must be calculated and disclosed. This requires robust, auditable payroll data across the full workforce According to Remchannel's April 2026 Salary and Wage Movements Report 85.7% (up from 80% in 2024) of organisations already conduct fair pay analysis annually, but only a few disclose this information externally Organisations with wide pay gaps face reputational and shareholder pressure. A credible narrative on context and remediation is essential to ensure understanding and to manage perceptions LRA definition of 'employee' is broad — all workers including temps and seasonal staff must be included and this may distort wage gaps. Clear distinction of the gap references by employee category is encouraged HR and payroll systems must be capable of producing average, median, highest, lowest and top/bottom 5% metrics effectively every year 	<ul style="list-style-type: none"> Strike 1: RemCo must explain at next AGM how shareholder concerns were addressed; all NED RemCo members must stand for re-election Strike 2: NED RemCo members barred from serving on RemCo for 2 years (may remain as directors if re-elected) Exception: NEDs who served less than 12 months on RemCo in the year under review are exempt (s30B(6)) Proactive internal and especially external engagement with institutional investors and proxy advisors is now essential Implementation report narrative must be candid, contextualised and forward-looking RemCo chairs must be prepared to engage publicly on pay gap ratios and the organisation's equity journey

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	by ordinary resolution			
166	ADR MECHANISM <ul style="list-style-type: none"> Alternate Dispute Resolution (mediation, conciliation, arbitration) now formally available as an alternative to court proceedings under the Companies Act 	<ul style="list-style-type: none"> Reduce cost and time burden of corporate disputes Provide a structured, less adversarial route for resolving shareholder and governance disputes 	<ul style="list-style-type: none"> Disputes — including those arising from remuneration votes — may be channelled through ADR rather than litigation 	<ul style="list-style-type: none"> Boards should be aware of ADR as a mechanism when remuneration disputes escalate May reduce litigation risk but requires readiness for structured dispute processes

3. THE TWO-STRIKE RULE EXPLAINED — SECTION 30B

Both the remuneration policy (s30A) and remuneration report (s30B) require approval by ordinary resolution — meaning more than 50% of votes cast by shareholders present and voting. The two-strike mechanism below applies specifically to the remuneration report (implementation report).



Note: NEDs who served less than 12 months on RemCo in the year under review are exempt from strike consequences (s30B(6)).

4. NO TRANSITION PERIOD: WHAT ARE THE ORGANISATIONAL COMPLICATIONS OF IMMEDIATE (22 MAY) COMMENCEMENT?

Area of Complication	The Challenge	Practical Implication for Affected Organisations
Immediate legal effect: no grace period	Sections 30A and 30B came into force on 22 May 2026 with no transitional provisions, no phased implementation, and no grace period. Any company with an AGM scheduled on or after this date is immediately obligated to comply.	Companies whose AGMs fall within weeks of commencement — before a compliant Remuneration Policy could realistically be drafted, benchmarked, and board-approved, face a genuine compliance gap.
Remuneration Policy: drafting & approval timeline	A statutory Remuneration Policy must be substantive, strategy-linked, and benchmarked. Developing a credible policy from scratch typically requires 6–12 weeks of HR, Reward, Legal, and Board input. Companies that had no formal policy at all, are starting from zero.	Boards that present an underdeveloped or cosmetic policy risk shareholder rejection. A failed vote at the first AGM triggers the re-presentation obligation and creates an immediate governance optics problem, particularly for JSE-listed entities under media and institutional investor scrutiny.
Pay gap data: systems & payroll readiness	The five statutory pay gap metrics under s30B(3)(c) require clean, auditable payroll data across the full workforce — including all LRA-defined employees (temporary, seasonal, internship staff). Many organisations' payroll systems were not configured to produce these metrics, and historical data may not have been captured in a format that enables retrospective calculation.	The 'previous financial year' requirement means organisations must report on data that was generated before the law was in force. This creates an immediate data integrity risk and potential audit qualification risk if the figures cannot be verified.
Audit of the remuneration report (s30(4A))	Section 30(4A) requires the director remuneration report to be audited. Audit scoping, evidence gathering, and sign-off processes may not have been in place for financial years that closed before commencement. Auditors may need to retrofit audit procedures to existing financial statements.	Companies finalising their AFS for financial years ending after 22 May 2026 face immediate audit scope expansion. Audit committees must engage their external auditors to agree a methodology and timeline.
Shareholder engagement: no runway	Institutional investors, proxy advisors (including ISS and Glass Lewis), and activist shareholders will now scrutinise the new disclosures. Companies that have not proactively engaged major shareholders on their remuneration report before the first binding vote are exposed to a surprise rejection.	A first-year rejection of either the Remuneration Policy or the Implementation Report creates board-level reputational damage and triggers statutory consequences, with no cushion to course-correct quietly. The absence of a transition period eliminates the 'preparatory year' that most governance reforms allow.
'Material amendment' definition gap	Section 30A requires fresh shareholder approval before any 'material amendment' to the Remuneration Policy is implemented — but the Act does not define what constitutes a material amendment. Companies making routine annual adjustments to executive pay structures must now decide in real time whether shareholder approval is required, without regulatory guidance or market precedent.	A conservative interpretation may require calling shareholder meetings for any significant policy adjustment, adding cost and administrative burden. An aggressive interpretation risks shareholder challenge and potential legal exposure. This ambiguity is unresolved.
Two-strike rule: retroactive exposure for incumbent RemCo members	Non-executive directors currently serving on RemCos may have had no notice that their continued service on the committee and potentially their directorship, could be placed at risk by a shareholder vote. The two-strike consequences apply from the first vote post-commencement, with no phase-in protection for current incumbents.	RemCo members who were appointed under the King regime, now face statutory exposure without having been recruited or contracted on that basis. This may affect the willingness of qualified NEDs to serve on RemCos, particularly at companies with historically contentious remuneration policy and implementation report vote outcomes.

5. BALANCED CONSIDERATIONS

The Case For These Provisions

- South Africa has a Gini coefficient of 63.0, the highest of any country in a 156-nation dataset (World Inequality Database, 2024).
- Voluntary disclosure under the King Codes and JSE framework has not produced sufficient transparency at the lower end of the pay spectrum hence King V acknowledges the need for greater remuneration accountability
- Binding shareholder votes give institutional investors, including pension funds acting on behalf of ordinary South Africans, a meaningful accountability tool
- Audited disclosure reduces the risk of incomplete remuneration data entering the public domain
- Aligns SA with international practice — **UK, EU and Australia all have binding or semi-binding remuneration vote frameworks**

Some of the Key Concerns & Complexities

- No formal transition period creates an immediate compliance gap as in scope companies with near-term AGMs face statutory obligations they cannot realistically meet in time
- The definition of 'material amendment' under s30A is undefined meaning companies must make consequential decisions without regulatory guidance
- Pay gap ratios without context (industry, geography, workforce composition etc) can be misleading, be easily misinterpreted or even lead to unintended consequences, **hence context, explanations and clear narrative framing is essential.**
- The two-strike rule's personal consequences for RemCo members may not have been foreseeable when most incumbents accepted their appointments.

REMCHANNEL'S HIGH LEVEL GUIDANCE ON WHAT GOOD PRACTICE SHOULD LOOK LIKE

- A clear, strategy-aligned and legally compliant **Remuneration Policy** should be in place, supported by appropriate benchmarking, fair and responsible pay principles, and drafted in a manner that is robust enough and enables meaningful shareholder engagement and support.
- A candid, well-structured **Implementation Report** should explain how actual pay outcomes align with the approved Remuneration Policy, provide appropriate context for disclosed pay gap ratios, and set out practical actions to address identified concerns. This should include commentary on both vertical pay gaps and horizontal pay gaps, such as unjustified differences in pay between employees performing the same or similar work at the same level.
- Proactive stakeholder engagement is essential — internally with e.g. line managers and employees, and externally with shareholders, institutional investors and proxy advisors ahead of the first binding AGM vote.
- Robust, auditable payroll and data infrastructure must be in place to produce all five section 30B(3)(c) metrics accurately, consistently and on a total remuneration basis across the full LRA-defined workforce. Where workforce composition may materially influence outcomes, organisations should clearly distinguish and explain results by employee category to support appropriate interpretation.
- RemCo and Board-level readiness for public accountability is now critical. RemCo chairs, Boards and relevant executives should be equipped to engage transparently and confidently on pay outcomes, pay gap disclosures, the organisation's remuneration philosophy, and the broader equity journey, not only through formal reporting, but also through direct stakeholder engagement.

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