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A New Era of Remuneration Governance in South Africa: The Practical Impact of Sections 30A and 30B

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INTRODUCTION

Public and state-owned companies are now subject to sections 30A and 30B of the Companies Act No. 71 of 2008, which came into effect on 22 May 2026.

For many years there have been questions surrounding executive salaries, the growing pay disparities and the disconnect between company performance and director remuneration.

These provisions require shareholder approval of remuneration policies and remuneration reports. This represents a important step in the strengthening of shareholder oversight of board remuneration.

SECTION 30A: REMUNERATION POLICIES

Section 30A requires that both public and state-owned companies prepare and present a remuneration policy for shareholder approval by ordinary resolution at the annual general meeting.

The remuneration policy ought to set out the principles and framework governing the remuneration of directors and prescribed officers, detailing fixed remuneration, incentives, bonuses, and other benefits.

If approved, the remuneration policy will remain in force for 3 (three) years and must be re-approved every 3 (years).

Any material amendment to the remuneration policy prior to the expiry of the 3 (three) year period will require prior shareholder approval before it is implemented.

If the remuneration policy is not approved, it must be presented again at the next annual general meeting or at a shareholders' meeting.

SECTION 30B: REMUNERATION REPORTS

Section 30B requires that public and state-owned companies also prepare an annual remuneration report in respect of the previous financial year for presentation and shareholder approval at the annual general meeting.

The remuneration report must contain a background statement, a copy of the remuneration policy and an implementation report detailing:

- the total remuneration received by each director and prescribed offer;
- the total remuneration in respect of the highest and lowest paid employee; and
- the average total remuneration of all employees, median remuneration of all employees and the remuneration gap reflecting the ratio between the total remuneration of the top 5% (five percent) highest paid employees and the total remuneration of the bottom 5% (five percent) lowest paid employees.

If the remuneration report is not approved, the remuneration committee must address how shareholder concerns have been addressed at the next annual general meeting, and non-executive directors (serving 12 months or more) must stand for re-election as committee members.

If at the next annual general meeting the remuneration report is again not approved, the non-executive directors (serving 12 months or more) are disqualified from serving on the remuneration committee for a period of 2 (two) years. These directors can remain as directors on the board provided, they are re-elected.

WHAT THINGS LOOK LIKE NOW

The introduction of these amendments brings forth a reform in corporate governance with respect to board remuneration.

The amendments move remuneration governance from a largely voluntary or listings-based framework to a statutory regime. They give shareholders meaningful control over remuneration policy, require detailed disclosure of pay inequality and hold remuneration committee members personally accountable, through re-election and committee disqualification, where shareholders repeatedly reject the company's remuneration outcomes.

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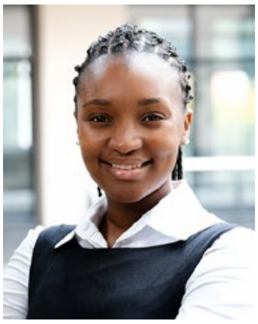

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