SARA
SOUTH AFRICAN REWARD ASSOCIATION

COMPANIES AMENDMENT ACT 16 OF 2024

GUIDANCE NOTES TO SECTIONS 30A & 30B

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Developed by SARA; endorsed by the IoDSA Remco Forum

INSTITUTE OF DIRECTORS SOUTH AFRICA

NPO 106738

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INTRODUCTION:

The Companies Amendment Act 16 of 2024 (**CAA**) introduces, *inter alia*, new sections 30A and 30B into the Companies Act 71 of 2008 (**Companies Act**).

On 22 May 2026, the President published Proclamation 313 of 2026 (GG54722, R 313 dated 22 May 2026) which implemented these sections with immediate effect.

These sections have significant implications for voting on the remuneration policy (policy) and the remuneration report (implementation report) by shareholders of public and state-owned companies at their annual general meetings (**AGM**) and introduce pay disclosure requirements for remuneration reports.
In the absence of further regulations, these sections are likely to be subject to different interpretations.

This document aims to provide guidance to encourage consistency in their interpretation and application, in the absence of any specific Companies Act regulations or clarifying application requirements by the Department of Trade Industry and Competition. These guidance notes were developed by a group of reward professionals based on their collective professional knowledge and expertise. Practical considerations are provided to support adherence to the objectives of these sections.

These guidance notes should be read with, and are complementary to, the IoDSA King V Report on Corporate Governance™ for South Africa 2025 (**King V™**)[1] and the King V Disclosure Framework[2]. Their scope is limited to the amendments introduced by sections 30A and 30B, while further guidance on the substantive content of the remuneration report is addressed in King V and the SARA Guidance Notes to King V Principle 11 and Recommended Practices (**Principle 11 Guidance Notes**). King V applies to organisations' financial years commencing on or after 1 January 2026, with early adoption encouraged.

For purposes of these guidance notes:

- the King IV Report on Corporate Governance™ for South Africa 2016 (**King IV™**)[3], Principle 14, and supporting recommended practices, previously referred to the term "Single Total Figure" of remuneration in relation to the disclosure of remuneration for executive directors and prescribed officers in the implementation report. In SARA's **Principle 11 Guidance Notes**, this term has been replaced by the term "Total Earned Remuneration" to accord with the wording in the new CAA sections; and

- executive directors and prescribed officers are collectively referred to as **Disclosed Officers.**

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CAA Reference	Guidance Notes
"Amendment of section 30 of Act 71 of 2008, as amended by section 20 of Act 3 of 2011 **5.** Section 30 of the principal Act is hereby amended - *(a)* by the substitution in subsection (4) for paragraph *(a)* of the following paragraph: "*(a)* the remuneration, as defined in sub section (6), and benefits received by each individual director, **[, or]** and **[individual holding any prescribed office]** prescribed officer in the company, both of whom must be named;"; and	The disclosure of remuneration paid/awarded to Disclosed Officers in the Annual Financial Statements (AFS), may be sourced from the remuneration team, but it should be noted that the definition of remuneration in section 30(6) includes other elements which do not form part of the "Total Remuneration" definition under section 30(B). For example, *inter alia*, remuneration for services as a Disclosed Officer (which could be different from the salary paid as a director); compensation in respect of loss of office as Disclosed Officer; expense allowances, to the extent that the Disclosed Officer is not required to account for the allowance; financial assistance to a director, past director or future director, or person related to any of them, for the subscription of options or securities, or the purchase of securities, as contemplated in section 44; and with respect to any loan or other financial assistance by the company to a director, past director or future director, or a person related to any of them, or any loan made by a third party to any such person, as contemplated in section 45, if the company is a guarantor of that loan, the value of: (i) any interest deferred, waived or forgiven; or (ii) the difference in value between: (aa) the interest that would reasonably be charged in comparable circumstances at fair market rates in an arm's length transaction; and (bb) the interest actually charged to the borrower, if less. It is a legal requirement to disclose Total Earned Remuneration of Disclosed Officers on a 'by name' basis. The details of service contracts of Disclosed Officers must also form part of the disclosures in the AFS under section 30. The remuneration-related disclosures required under section 30(4) must be audited as part of the audit of the annual financial statements. Audit standards must be consulted to ensure full compliance.

CAA Reference	Guidance Notes
New Section 30(4A) *(b)* by the insertion after subsection (4) of the following subsection: "(4A) Where any provisions of the directors' remuneration report, as contemplated in section 30B, becomes subject to an audit in terms of this section, any company policies or the background statement of the remuneration report must not be made subject to such audit."	Section 30(4) of the Companies Act outlines the requirements for the disclosure of Disclosed Officers' remuneration. In addition, the new section 30B requires all public companies and state-owned companies to prepare a remuneration report (which consists of the following parts: background statement, the remuneration policy and the implementation report) in respect of the previous financial year for presentation and approval by shareholders at the AGM. The newly inserted section 30(4A) provides that, "Where any provisions of the directors' remuneration report, as contemplated in section 30B, becomes subject to an audit in terms of this section, any company policies or the background statement of the remuneration report must not be made subject to such audit". For the reasons set out below, we do not believe that this subsection prescribes that the implementation report must also be incorporated into the annual financial statements or disclosed as part of the remuneration disclosures in section 30(4). It is also not a requirement to have the implementation report audited. **Auditor's Responsibilities Regarding Other Information** Section 30(2) of the Companies Act requires the annual financial statements of public companies to be audited, and other profit or non-profit companies to be audited where prescribed by regulations of the Companies Act. In our view, the scope of an audit in accordance with the provisions of the Companies Act is limited to information that forms part of and is contained in a company's annual financial statements. International Standard on Auditing 720 (Revised), *The Auditor's Responsibilities Relating to Other Information,* governs the requirements on the auditor regarding "other information". "Other information" is defined in ISA 720 (Revised) as "financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report". "Annual Report" is defined in ISA 720 (Revised) as "a document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements. An annual report contains or accompanies the financial statements and the auditor's report thereon and usually includes information about the entity's developments, its future outlook and risks and uncertainties, a statement by the entity's governing body, and reports covering governance matters." We acknowledge that, in practice, companies present several reports, such as the implementation report, as part of its *annual report*, as defined in ISA 720 (Revised). These documents are classified as "other information" rather than forming part of the financial statements, and only the financial statements are within the scope of an audit engagement. In terms of ISA 720 (Revised), auditors are required to read the "other information" and consider whether it contains

	material inconsistencies with the audited financial statements. This process does not involve performing audit procedures on other information, such as the implementation report.

CAA Reference	Guidance Notes
Insertion of sections 30A and 30B in Act 71 of 2008 (new) **6.** The following sections are hereby inserted in the principal Act after section 30: "**Duty to prepare and present company's remuneration policy** **30A.** (1) All public companies and state-owned companies must prepare and present for approval a remuneration policy as contemplated in subsection (2). (2) The remuneration policy (a) must be presented to and approved by shareholders at the annual general meeting by an ordinary resolution and if not approved must be presented at the next annual general meeting or at a shareholders meeting called for such purpose;	The remuneration policy should state the salient features of the remuneration structures offered to the following categories of employees and office bearers: • Disclosed Officers; • other employees; and • subject to what is set out below, non-executive directors (**NEDs**) The Act is silent on the detailed policy disclosures required for the different categories of employees. It is, however, our interpretation that the extent that the remuneration policy applies to employees below Disclosed Officers, , should at least provide stakeholders with an understanding of the composition and makeup of Total Earned Remuneration which goes into the determination of the pay gap disclosure requirements under section 30B and supporting detail informing fair pay principles as well as the setting of entry level wages. Principle 11, Recommended Practice 115 of the King V Code introduces a requirement that the criteria applied to determine non-executive director fees should be outlined in a policy suitable for submission to shareholders when voting on directors' fees under section 66 of the Companies Act. In practice, companies will need to ensure coherence between three components: • the prospective section 66 special resolution approving fee quantum; • a principles-based NED fee policy setting out the criteria and governance for fee determination; and • the retrospective implementation report disclosing what was actually paid. The interplay between these components raises structural questions - in particular, whether the NED fee policy should be embedded within the remuneration policy or maintained as a standalone document. Companies should give careful consideration to the implications of each approach, particularly in light of the three-year remuneration policy approval cycle contemplated by section 30B. Embedding the NED fee policy within the remuneration policy may inadvertently constrain a company's ability to update fee principles and criteria independently of that cycle, notwithstanding that the section 66 resolution and associated fee quantum remain refreshable on a more frequent basis. A standalone NED fee policy, summarised on a high-level basis in the remuneration policy, is therefore recommended. The NED fee policy should set out, *inter alia*, the main criteria that inform and govern NED fee determination, including, *inter alia,* the basis for setting and increasing fees, market alignment and benchmarking, the frequency and nature of payments, and related matters such as ad hoc meetings which are paid for, travel and accommodation costs, spousal accompaniment for business-related travel, etc. The quantum of the NED fees would be set out in the section 66 resolution (forward-looking) and the implementation report (backward looking).

CAA Reference	Guidance Notes
…..(2) The remuneration policy (a) must be presented to and approved by shareholders at the annual general meeting by an ordinary resolution and if not approved must be presented at the next annual general meeting or at a shareholders meeting called for such purpose;	The remuneration policy that is tabled for a vote by shareholders will be a separate section in the remuneration report and is a forward-looking policy applicable to the next financial year(s). It must be specifically tabled for a binding ordinary resolution at the AGM, at least once every three years. An ordinary resolution requires at least 50% + 1 votes in favour of passing the resolution from the shareholders voting in order for the policy to be approved; the outcome of the vote is binding on the company. If the ordinary resolution is not passed, the company will revert to the previously approved remuneration policy and should not implement any of the material changes proposed in the remuneration policy which failed to pass the shareholder vote, pertaining to the coming year. This does not mean, in terms of our interpretation/understanding of the intention of the clause, that any payments made under the previously approved remuneration policy must be recovered/repaid. Furthermore, if the remuneration policy does not pass the vote, any employees and Disclosed Officers can still be paid in accordance with the previous remuneration policy which passed the vote. If the remuneration policy does not pass the vote the first time it is tabled at the AGM, the company will continue to implement the previous (or previously approved) remuneration policy until such time that the new policy passes the vote. In the event of a failed vote on the remuneration policy, the company should engage shareholders swiftly to understand and address the concerns raised. Whether an Extraordinary or Special General Meeting (EGM/SGM) should be convened will depend on the materiality of the proposed policy changes, the nature of shareholder concerns, and the urgency of implementation. A failed ordinary resolution is a significant governance signal and should prompt timely consideration of an appropriate response.
(b) will remain in force for a period of three years from approval and must be approved every three years thereafter; and	The effect of this statement is that an approved remuneration policy will remain in force for a maximum period of three years from the date of shareholder approval, but a revised or new remuneration policy may be presented to shareholders prior to the end of a three-year cycle should a company have a need to do so. Any material changes to the remuneration policy within the three-year period will require that the policy is again tabled for approval by shareholders through an ordinary resolution before the changes may be implemented. It is recommended that the policy, as part of the remuneration report, states that it will be tabled for approval by shareholders through an ordinary resolution and that it includes the last date on which it was approved. Any minor changes to the remuneration policy within the three year cycle should be highlighted in the background statement of the remuneration report and updated in the policy section published for the year under review. Despite the fact that a shareholder approved remuneration policy will remain in force for three years, a company is free to seek more frequent approvals. This could occur if, for example, certain shareholders provide approval on condition that certain elements of the remuneration policy are amended in the coming years.

CAA Reference	Guidance Notes
(c) may be amended prior to the end of the three-year period provided that any material amendment can only be implemented after it is approved by the shareholders by an ordinary resolution at a shareholders <u>meeting called for this purpose or at an annual general meeting.</u>	The remuneration policy should include the interpretation by the Remuneration Committee (**Remco**) of what changes would be deemed as "**material**" and would require the remuneration policy to be tabled again for a shareholder vote. Material changes to the remuneration policy would typically refer to changes in benchmarking principles and criteria (e.g. changing the methodology of identifying peer groups or pay positioning from the median to the upper quartile), variable remuneration plan rules and design principles, pay mix, weightings attached to metrics, and percentage of long-term incentive (**LTI**) awards that are time-based vs performance based etc. The Companies Act (Section 1 Definitions) provides a definition of "material" as follows: ***"material", when used as an adjective, means significant in the circumstances of a particular matter, to a degree that is-*** ***(a)*** *of consequence in determining the matter; or* ***(b)*** *might reasonably affect a person's judgement or decision-making in the matter*. In the context of this document, the IFRS definition of "material" may also be a useful reference which states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of the remuneration report make on the report". Primary users generally refer to institutional and retail investors, suppliers, lenders, employees, and proxy advisors. Annual salary increases and changes in the annual variable remuneration plan(s) specific targets or metrics, would typically not be seen as a material change in policy. The basis for determining salary increases as well as the principles which determine the entry level salary, should be stated in the remuneration policy (e.g. benchmarking, Consumer Price Index (CPI), role changes, collective bargaining agreements etc,), but not the actual increase percentages nor the entry level wage amount, which should form part of the implementation report. Similarly, variable remuneration plan specific targets or metrics are not typically included in the remuneration policy as it would then require an annual shareholder vote; however, "KPI buckets" or general criteria can be an optional disclosure in the remuneration policy e.g. a mix of financial and non-financial elements etc., with the specific targets or metrics being disclosed annually in the implementation report.
30B. (1) In this section— (a) "**total remuneration**" means 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	There are likely many different methodologies on which total remuneration can be compiled, and the CAA is not prescriptive on this matter. Amongst the many alternatives considered, the following two are the most preferred options: i. data obtained solely from payroll in terms of what was processed through the payroll in the financial year under review (which could / could not be augmented by amounts processed through the financial statements in respect of benefits in kind e.g. uniforms, transportation between workplaces etc); and ii. data based on the Total Earned Remuneration reporting standard which is the standard for the disclosure of remuneration for Disclosed Officers in the tables in the implementation report. There are broadly three elements of remuneration which comprise total remuneration, and suggestions of the different data required under each of the two options described above are included in the next table. This table is not intended to be exhaustive but to provide illustrative examples, noting that all values are to be on a pre-tax basis.

<table>
<tr><th>CAA Reference</th><th>Guidance notes</th></tr>
<tr><td></td><td>
<table>
<tr><th></th><th>Total Cash Remuneration (payroll data)</th><th>Total Earned Remuneration[1]Remuneration[4]</th></tr>
<tr><td>Basic salary and fringe benefits</td><td>• Sum of all monthly salary and benefits paid to employees over the financial year (i.e. all amounts that have flowed through the payroll
excluding amounts accrued for etc).</td><td>• Same as for payroll data</td></tr>
<tr><td rowspan="3">Variable remuneration (STI and LTI)</td><td>• For cash STI, the sum of all amounts paid over the financial year largely related to the performance in the financial period under review and incentives paid which relate to prior year performance.
• For deferred STIs, the sum of all deferred amounts (or shares, as appropriate) settled/paid to employees in the reporting financial year, which may include deferrals from more than one prior year.</td><td>• For cash STI the total amount accrued (awarded) for performance in the financial year under review, but which will be paid in the coming year.
• For deferred STI the total amount accrued (awarded) for performance in the reporting financial year, but which will be deferred (or awarded or settled in shares as appropriate) in
• the coming or a future year.</td></tr>
<tr><td>• The value of shares/cash settled/paid during the financial year under review where performance targets were concluded at the end of the prior financial year under review and vesting date passed during the financial year under review.
• This would include any dividends or dividend equivalents which are settled/paid in shares during the year.</td><td>• Per the definition of Total Earned Remuneration reporting which represents the sum of share values which will be settled in the coming financial year where performance conditions were concluded at the end of the financial reporting period.</td></tr>
<tr><td colspan="2">• Sum of all dividends paid in cash to employees over the financial year under review (this will include BBBEE/ ESOP schemes).</td></tr>
<tr><td>Other</td><td colspan="2">• Any other allowances, sign-on or buy-out payments etc not elsewhere included.</td></tr>
</table>
The company should state the method applied in the section 30B disclosure, the reason for choosing it, and be consistent in its application year on year.
Should the company change its method in a subsequent year then justification for the change should be provided together with a restatement of the prior financial year's data and ratios on the basis of the new method.
</td></tr>
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4 Further guidance on Total Earned Remuneration is set out in the SARA Principle 11 Guidance Notes. King_V_Principle_11_Guidance_Notes.pdf

CAA Reference	Guidance Notes

(b) "**employee**" means an employee as defined in section 213 of the Labour Relations Act, 1995 (Act No. 66 of 1995); and	The Labour Relations Act 66 of 1995 (**LRA**) definition of "employee" is intended to afford important labour law protections to as many categories of workers as possible, with the exclusion of independent contractors.
	
	Under this broad LRA definition, permanent full-time employees are scoped in for purposes of the pay gap disclosures under section 30B, along with part-time and fixed-term/seasonal workers, and learners/trainees/apprentices.
	
	While disclosing the remuneration associated with all categories of employees is legally required under section 30B, it is unlikely to provide sustainable and meaningful reporting over a long period of time due to, *inter alia,* the fluctuating fixed term workforce and the fact that learners/apprentices/trainees are usually paid a stipend or nominal salary with the main benefit being the training and working experience they receive. The inclusion of these categories of employees risks artificially inflating the reported pay gap and may ultimately discourage employers from hiring learners/apprentices/trainees. It also may not accurately reflect the company's "live" remuneration philosophy, policy, and practices.
	
	The recommendation is accordingly to provide two types of disclosures in the implementation report:
	
	• a "statutory" disclosure pertaining to all categories of employees prepared in compliance with section 30B including:
	  ○ permanent full-time employees;
	  ○ fixed-term employees (i.e., employees who only work for the company for a fixed period of time or for a specific purpose such as, *inter alia*, completing a project or replacing another employee who is temporarily absent);
	  ○ part-time employees who render services to the company on a reduced-time basis (i.e., half day or not a full working week);
	  ○ learners/trainees/apprentices;
	  ○ foreign nationals who are employed by the local South African entity; and
	• a "policy-based" disclosure for permanent full-time employees only, which will provide a more accurate and meaningful comparison of remuneration within the company's core workforce, reflective of its remuneration philosophy and policy.
	
	Both types of disclosures would be made in accordance with the company's reporting obligations. However, the "policy-based" disclosure would be presented as the primary measure for purposes of stakeholder communications, with the "statutory" disclosure included for purposes of complying with the requirements of section 30B.
	
	The data used for this purpose could vary based on one or more of the following methodologies:
	
	• statutory disclosure: Total Cash Remuneration or Total Earned Remuneration (refer to previous

	paragraph for details); • policy-based disclosure: Target remuneration (for additional / supplementary data sets); • additional optional disclosures: Awarded remuneration (for additional / supplementary data sets).
(c) "**committee**" means the remuneration committee of the company or any other committee of the company responsible for remuneration matters.	The Remco is not a statutory committee elected by shareholders; it is appointed by the board of directors (**Board**). The Board therefore always takes ultimate accountability for the remuneration report which includes the remuneration policy and the implementation report in terms of related remuneration decisions. It is thus important that an appointed committee with delegated responsibility for remuneration related matters has clear and unambiguous Terms of Reference (and delegated authority under the Board Charter) to reflect this requirement.
(2) Each year all public companies and state-owned companies must prepare a remuneration report in respect of the previous financial year for presentation and approval at the annual general meeting	Private companies (and foreign issuers), are excluded from this requirement under section 30(B). It is, however, worth noting that where a public holding company has private operating companies in South Africa through which the majority of employees are employed, it would be prudent and aligned with the spirit of the disclosure requirements to include employees of such operating entities in the section 30B disclosures. Adoption of disclosure standards by private companies would be done on a voluntary basis.
(3) The remuneration report must consist of the following parts:	The structural contents of the remuneration report are now set out in section 30B and not in King V. The remuneration report contains: • background statement (Remco chairperson's letter); • remuneration policy; and • implementation report.
(a) Background statement;	Since an approved remuneration policy remains in effect for a period of three years unless there are material changes, small and immaterial changes to the remuneration policy for the coming reporting year should be specifically highlighted in the background statement with the reasons for those changes. Additional information recommended by King V, the King V Disclosure Framework, and the SARA King V Principle 11 Guidance Notes should be included.

CAA Reference	Guidance Notes
(b) a copy of the company's remuneration policy as contemplated in section 30A(2); and	This is the remuneration policy either previously approved, or being tabled for approval (forward looking policy included either by reference or by copy thereof). The remuneration policy should outline the principles applicable to all categories of employees. It can generically be considered that the remuneration policy will cover the following three categories: • Disclosed Officers • other employees; and • subject to the King V requirements (discussed above), NEDs (as the approval of NED remuneration is done through a separate resolution). More emphasis should be placed on the Disclosed Officer section of the remuneration policy as that is where the shareholder attention is typically focused. Sufficient substance in the policy for the other employees is required to inform the outcomes included in the implementation report. This includes 'fair pay principles' and how the entry level or minimum wage is set. The remuneration policy should align with the company's strategic objectives and address the matters contemplated in Principle 11, Recommended Practice 114(a) to (g) of King V. As indicated, the standalone NED fee policy can be summarised in high-level in the remuneration policy but ought to be excluded from the binding shareholder resolution requirement since the proposed NED fees payable are separately voted on by special resolution, on a prospective basis, at least once every two years in accordance with section 66 of the Companies Act.
(c) an implementation report containing details of:	The implementation report reflects on the financial year under review and how the outcomes of remuneration for the year are related to the remuneration policy applicable to the various plans and processes in operation. King V no longer sets out what the contents of the implementation report should be. It is suggested that the implementation report should at least contain the disclosure requirements detailed in the King V Disclosure Framework and be informed by the SARA Principle 11 Guidance Notes. Any deviation to, or changes from the originally approved remuneration policy needs to be specifically explained, and the effect of such changes quantified.
(i) the total remuneration received by each director and prescribed officer in the company;	Further guidance on this is provided in the SARA Principle 11 Guidance Notes guiding how Total Earned Remuneration is determined.
(ii) the total remuneration in respect of the employee with the highest total remuneration;	This value will be determined based on the data selected per sections 30B(1)(a) and 30B(1) (b), and disclosure is not on a "by name" basis. It is suggested that, where this amount differs from any of the Total Earned Remuneration disclosure amount contained in section 30(B)(3)(c)(i), an explanation be provided. Although the CEO Total Earned Remuneration will normally be the highest, it may not always be the case, and it can be a different employee every year depending on circumstances.

CAA Reference	Guidance Notes
(iii) the total remuneration in respect of the employee with the lowest total remuneration in the company; and	This value will be determined based on the data selected per sections 30B(1)(a) and 30B(1)(b), and disclosure is not on a "by name" basis. An explanation providing context to the amount would be useful, especially in cases where earnings are below the minimum or, where applicable, the company's prescribed living wage. This is particularly relevant in the cases of employees who are learners/trainees/apprentices.
(iv) 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 five per cent highest paid employees and the total remuneration of the bottom five per cent lowest paid employees of the company.	These values will be determined based on the data selected per section 30B(1)(a) and 30B(1)(b), and disclosure is not on a "by name" basis. To enhance the disclosure, the highest and lowest 5% should be disclosed as averages, together with the resulting ratio of these two averages.
(4) If at the annual general meeting the remuneration report is not approved by ordinary resolution as contemplated in subsection (2)—	The following should be highlighted in the remuneration report: • whilst there is a binding shareholder vote by way of ordinary resolution on the entire remuneration report the focus of this vote is on the implementation report since there is a separate binding shareholder vote by way of ordinary resolution on the remuneration policy; • a failure of the binding vote on the remuneration report would not invalidate the passing of a binding vote on the remuneration policy since a separate vote is passed on the remuneration policy; The first AGM at which the remuneration report is not approved by shareholders, can be regarded as the date of the "first strike". Approval of a remuneration report by shareholders at any subsequent AGM resets all prior strikes and the clock is effectively reset. The concept of "two strikes" requires two consecutive failed shareholder votes on the remuneration report.

Reference to the Act	Guidance notes
(a) the committee must, at the next annual general meeting, present an explanation on the manner in which the shareholders' concerns have been taken into account; and	All shareholders should be invited to engage with the company, with the company setting the manner of the engagement (i.e. face to face, virtual or electronic communication). Shareholder engagement is necessary to understand the concerns which led to a failed vote on the remuneration policy or remuneration report, particularly where pre-AGM engagements were held, and shareholder concerns were considered. Regular shareholder interactions are in any event highly recommended. The following should be included in the background statement of the remuneration report: • how shareholders' feedback was canvassed; • a summary of main issues; and • how and if these matters were addressed or not and why not. As outlined earlier, the remuneration report contains the remuneration policy. It should be stressed that shareholders not approving the remuneration report for the financial year under review does not mean that the remuneration policy is then also not approved or nullified. Since the remuneration policy requires a separate vote, it is our interpretation that the vote on the remuneration (implementation) report would exclude the remuneration policy section. A failed vote on the remuneration report accordingly does not invalidate the implementation outcomes for Disclosed Officers and other staff.
(b) subject to subsection (6), the directors who are not involved in the day-to-day management of the business of the company and who serve on the committee must stand for re-election as members of the committee at the annual general meeting at which the explanation is presented.	It is understood that this section does not presuppose that the Remco becomes a statutory committee. It also does not imply that shareholders can now appoint Remco members. The Board remains the body which appoints Remco members and shareholders elect Board members. The effect of this statement is that, where the "first strike" vote has failed, but the "second strike" vote is subsequently passed (after having presented an explanation on the manner in which the shareholders' concerns have been taken into account), the Board is still required to confirm the Remco members' continued membership of that committee following the failed "first strike" vote. Such a confirmation by the Board is not permissible should the "second strike" vote also fail as the Remco members may not serve on the committee for a two-year period thereafter. This also does not apply to members who have served for less than 12 months.

Reference to the Act	Guidance notes
(5) Subject to subsection (6), if at the annual general meeting in the year immediately following the year contemplated in subsection (4), the remuneration report in respect of the previous financial year is also not approved by ordinary resolution of shareholders—	The AGM at which the remuneration report is, for the second consecutive time, not approved by shareholders, can be regarded as the date of the "second strike".
(a) the directors who are not involved in the day-to-day management of the business of the company and who serve on the committee may continue to serve as directors provided they successfully stand for re-election at that annual general meeting; and	There are different interpretations of this section. The strict interpretation of this section is that the re-election of members of the committee to the Board should be accelerated i.e. take place at the AGM at which the remuneration report did not pass the shareholder vote for the second consecutive time, as opposed to following the normal course of a director's rotation cycle. Another interpretation is to not accelerate the re-election of directors at that point in time, and that the ordinary directors' rotation cycle should remain in place. However, in accordance with the wording of this section "may continue to serve as directors provided they successfully stand for re-election" i.e. subject to remaining elected directors, the implied effect is that should the "second strike" vote also fail then the members of the Remco have to stand down from the committee (if they served for a period of at least 12 months in the previous reporting period) for a period of at least two years. Subject to being elected, they may remain directors on the Board. The Board needs to consider and develop contingency plans for such an eventuality. This will have consequences for board size, the spread of competencies and cross-committee memberships. The associated risk and potential reputational harm may lead to fee increases for Remco members.
(b) will not be eligible to serve on the committee for a period of two years thereafter.	The two-year period of Remco in-eligibility will begin on the date of the "second strike" vote (excluding those members who have served for a period less than 12 months).
(6) The provisions of subsections (4)(b), (5)(a) and (b) do not apply to members of the committee who have served for a period of less than 12 months in the year under review.''	The "year under review" refers to the recently completed financial year or the reporting period which is tabled at the AGM.

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