



# The South African executive remuneration landscape 2026

Strategic insights for leadership

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# Editor's note



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As South Africa's regulatory environment evolves, and global best practices reshape executive remuneration, chief human resource officers (CHROs) and Remuneration Committee (RemCo) members need strategic insights to navigate increasingly complex decisions. This curated collection addresses the most pressing remuneration challenges facing South African organisations today—from upcoming mandatory pay transparency requirements to cybersecurity incentives and skills-based pay frameworks.

This thought leadership should be read in conjunction with our comprehensive **2025 Directors Remuneration and Trends Report**, which provides a definitive annual analysis of executive and non-executive director remuneration across the JSE Top 200 companies. Together, these resources equip leaders with both market intelligence and strategic insights for complex remuneration decisions at hand.

Our latest data shows that the total CEO pay has risen by 8%, CFO remuneration is up 19%, and non-executive director fees are up 12%—yet shareholders endorsed remuneration outcomes at a remarkable 83.8% approval rate.


As I explored in my recent analysis of **executive psychology and economic performance**, South Africa faces a fundamental choice: we can optimise for fairness in the distribution of a shrinking pie and watch our best talent migrate elsewhere, or we can optimise for competitiveness, grow the pie for everyone, and create conditions for broad-based prosperity through sustained growth.

The global context reinforces this urgency. The UK's experience—where restrictive executive pay approaches are thought to have contributed to high-profile companies relocating their primary listings offshore—offers a cautionary tale. Meanwhile, emerging markets that have embraced performance-linked structures are seeing the psychological shift in leadership from custodians of the status quo to architects of transformational change.

South Africa has now entered a new transparency and fairness phase, with the long-anticipated Companies Act amendments creating new voting and reporting requirements for listed and state-owned companies. But as other developed markets have shown, progression moves from transparency through fairness to competitiveness—the recognition that global talent market realities cannot be ignored.

The relatively high shareholder approval rates we see today may not persist as transparency requirements increase and competitive pressures intensify. This creates a window for forward-looking remuneration leaders to anticipate these changes instead of reacting to them. It will be particularly interesting to observe how the new disclosure and voting regime impacts upcoming shareholder voting at AGMs.

This collection brings together diverse perspectives from our team of experts, covering the strategic, psychological, regulatory, and practical dimensions that remuneration leaders must navigate. Each piece is designed to stimulate thinking and provide actionable insights for the complex decisions ahead. The table of contents below sets out the key insights with chapters hyperlinked in the report. Each chapter is self-contained, so you can read them in any order, at your own pace.



**About our expertise:** With a global practice spanning over 75 global territories, our expert teams have access to global market data and research. This allows us to provide proactive and reactive solutions and updates across people related issues, including, but not limited to, remuneration and reward, people analytics, employment tax and benefits, workforce capability, HR strategy and change management.



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# 01 Companies Act Amendments: Remuneration Reporting



Sections 5, 6 and 19 of the Companies Amendment Act 16 of 2024 came into effect on **22 May 2026**, introducing a new remuneration reporting and binding-vote regime for all public companies (listed and unlisted) and state-owned companies.

**No transitional arrangements are provided in the Act, and compliance is immediate.**

## The Amendments

<b>Scope</b>	Sections 30A and 30B apply to every public and state-owned company; s.30(4) requires named, individual disclosure of each director and prescribed officer's remuneration where audited annual financial statements are mandatory.
<b>Binding policy vote</b>	Remuneration policy tabled for shareholder approval by ordinary resolution at the AGM.
<b>Three-year validity</b>	An approved policy lasts three years; any material amendment triggers a fresh vote.
<b>Failed policy vote</b>	A rejected policy should not be implemented, and shareholders must be re-approached at the next AGM or a special meeting.
<b>Remuneration report</b>	Three parts – background statement, (copy of) remuneration policy, implementation report - voted on annually.
<b>Mandatory disclosures</b>	Total remuneration per director / prescribed officer; highest- and lowest-paid employee; average and median employee remuneration; wage-gap ratio (top 5% vs bottom 5%).
<b>Two-strike rule</b>	If the report vote fails, RemCo members stand for re-election to the committee at the next AGM; a second failure disqualifies them from RemCo service for two years, but they may continue to serve on the Board if re-elected at that same AGM.

## Key Considerations

With no transitional arrangements, the pressure to get ready, ahead of the next AGM, is immediate – and a number of practical questions are open to considered judgement.

For example, who should the policy cover? Some interpretations favour limiting this to executives and prescribed officers while others take a broader view. Another area where judgement may be required is the employee populations used for determining the wage gaps. “Employee” is defined widely and includes casual staff, and learners. There is no mention of annualising datapoints for like-for-like comparison, and it is unclear whether foreign subsidiary staff should be included. The outcome of such judgement calls can materially shift the ratio. There are also calls to make on how total remuneration is measured, what counts as a “material” amendment to the policy, and how much detail to include in a document that, once approved, will bind the company.

**Overlaying all of this is the wider governance context:** King V, the JSE Listings Requirements currently under revision, and the intensified shareholder and public scrutiny that greater transparency inevitably invites.

These are the types of judgement calls we are currently navigating with our clients. Should you need support to address any of these considerations in the context of your own reporting, please get in touch with our team.



# 02

## AI, pay, and the case for skills-based pay



AI is creating a productivity divide in the workforce—and our pay systems have not adapted. While some workers leverage AI to become dramatically more productive, others fall behind, yet traditional title-based pay fails to capture this reality.

The scale of this mismatch is staggering: according to the World Economic Forum’s “Putting Skills First” report<sup>1</sup>, across 18 major economies, more than 100 million people are currently under-utilising their existing skills —trapped in remuneration structures that do not reflect their actual capabilities or contributions.

### What the data says

According to our research<sup>2</sup>, about **64%** of workers in Africa say they’ve used AI in the past year—outpacing the global average of 54%—yet only 17% use generative AI daily. Most workers have never used AI agents, with only a small percentage regularly using agentic AI, systems that can autonomously plan and execute tasks.

The divide becomes even more evident when comparing job types: around 19% of office workers use generative AI daily, while only 5% of manual workers do. This divide shapes who captures productivity gains—and who gets left behind.

For those already using AI, the results are encouraging. Globally, three quarters of employees report higher productivity and better quality.

1 World Economic Forum, Putting Skills First: A Framework for Action, 2023. [https://www3.weforum.org/docs/WEF\\_CNES\\_Putting\\_Skills\\_First\\_2023.pdf](https://www3.weforum.org/docs/WEF_CNES_Putting_Skills_First_2023.pdf)

2 PwC 2025 Hopes and Fears Survey. <https://www.pwc.com/gx/en/issues/workforce/hopes-and-fears.html>.  
Africa: <https://www.pwc.co.za/en/publications/global-workforce-hopes-and-fears-survey.html>

Daily users are even more positive:

- 90% say work quality has improved
- 82% report enhanced creativity
- Nine in ten expect further advantages

However, they also see disruption coming. Around 70% of daily users anticipate significant changes to their jobs within three years, while the broader workforce expects less than half will experience major disruption.

In Africa, optimism about AI runs higher than global norms, **76% report improved work quality and 72% expect productivity gains over the next three years**—compared to 60% and 61% globally. Yet only 35% of African workers believe their current skills will remain relevant in three years—highlighting the urgency of the skills-pay mismatch.

## Can linking pay to skills allow more agility in how we pay?

The call for AI governance, oversight, and regulation is growing just as the demand for AI literacy, cybersecurity, cloud computing, green energy expertise, and analytical thinking rises.

The urgency is real: the World Economic Forum reported that a 66%<sup>3</sup> increase in green roles will be needed to progress energy transitions by 2030, while almost 4 million<sup>4</sup> cybersecurity roles remain unfilled globally.

Meanwhile, roles in basic data entry, routine administrative tasks, traditional customer service, and legacy programming are on the decline. This shift isn't just about technical skills. Human abilities like creative thinking, agility, analytical reasoning, and social influence are becoming essential in today's work environment.

Scarce skills command higher pay, until the market catches up. Early adopters benefit the most. As bootcamps, degree programmes, and on-the-job training increase the talent pool, wages stabilise. Those who don't adapt risk becoming obsolete—particularly critical given that IBM estimates half of any skill learned becomes obsolete in just five years.<sup>5</sup>

This evolving landscape complicates pay structures. Tying pay to titles misses the real changes. Instead, linking pay to skills allows for targeted premiums that create value and can be adjusted as the market evolves.

## Why skills-based pay earns its place

Titles often lag behind the work. Job hierarchies change slowly, while technology and tasks evolve rapidly. This mismatch can trap people in roles that no longer reflect their capabilities.

Skills-based pay rewards individuals for their abilities and how they apply them, rather than for tenure or outdated titles. This creates clearer connections between what people can do and what they earn. Unlike job titles—skills transfer across teams and companies. And as AI reshapes work, people can adapt by developing relevant capabilities rather than clinging to roles that may disappear.

3 World Economic Forum, Putting Skills First: A Framework for Action 2023. [https://www3.weforum.org/docs/WEF\\_CNES\\_Putting\\_Skills\\_First\\_2023.pdf](https://www3.weforum.org/docs/WEF_CNES_Putting_Skills_First_2023.pdf)

4 World Economic Forum, Putting Skills First: A Framework for Action, 2024 [https://www3.weforum.org/docs/WEF\\_Putting\\_Skills\\_First\\_2024.pdf](https://www3.weforum.org/docs/WEF_Putting_Skills_First_2024.pdf)

5 <https://www.ibm.com/new/training/skills-transformation-2021-workplace>



The potential is enormous. LinkedIn research cited in the World Economic Forum report<sup>6</sup> shows that the pool of potential candidates can increase by nearly ten times when using a skills-first approach. Companies like Unilever estimated that a skills-based approach can unleash 50% trapped capacity in their current workforce model.<sup>7</sup>

Skills-based pay can also address workplace inequities. Traditional title-based systems often reflect historical biases in hiring and promotion. By focusing on demonstrable abilities rather than job titles, organisations can create more objective compensation, though this only works if the skills assessments themselves are designed fairly.

## The business case

A skills-focused approach boosts attraction and retention. When employees have clarity on the skills they need to grow—and see a direct link between those skills and how they're paid—performance sharpens and productivity rises. For organisations where compensation is the largest expense category, even small improvements in how those funds are allocated—rewarding the skills that drive value—can deliver meaningful financial returns.

Adaptability increases as skills become central to planning, allowing quicker redeployment when work shifts. Strategy alignment is stronger when capability building ties directly to business goals. Organisations that execute effectively see measurable improvements in retention, engagement, productivity, and adaptability.

When teams recognise the key capabilities and see a fair link to pay, they invest in developing employees, enabling organisations to respond swiftly to change.

## Learning from successful implementation

### IBM's practical approach to skills-based transformation

Most organisations are familiar with IBM's skills-based hiring transformation, but the implementation details reveal the real value. When facing critical shortages in cloud computing and AI roles, IBM recognised that traditional recruitment approaches were insufficient for the pace of technological change.

Their approach was methodical. Rather than requiring specific degree credentials or years of experience in emerging technologies, IBM deconstructed roles into component skills and competencies. They discovered that mainframe developers possessed strong system thinking and optimisation capabilities—foundational skills that could be built upon for cloud architecture roles through targeted development programmes.

Similarly, experienced project managers with data analysis backgrounds could transition into AI implementation roles more efficiently than external candidates starting from zero.

The World Economic Forum report<sup>8</sup> also highlights how Siemens leverages “My Skills,” a decentralised navigator tool for personalised skills development that integrates 2,000 skills defined across 1,100 roles. This example demonstrates how skills-based systems work at enterprise scale.

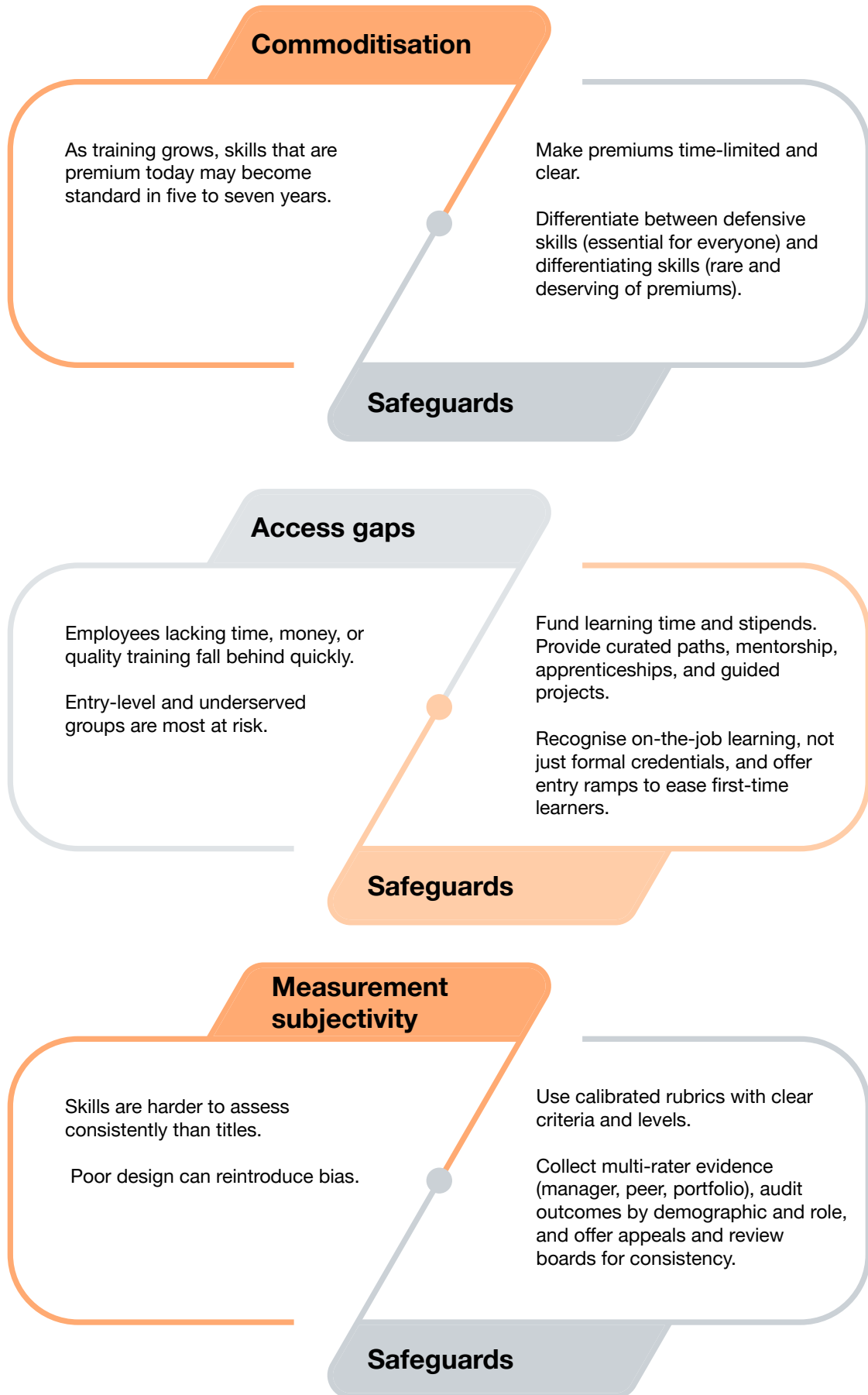
6 World Economic Forum, Putting Skills First: A Framework for Action, 2023 [https://www3.weforum.org/docs/WEF\\_CNES\\_Putting\\_Skills\\_First\\_2023.pdf](https://www3.weforum.org/docs/WEF_CNES_Putting_Skills_First_2023.pdf)

7 World Economic Forum, Putting Skills First: A Framework for Action, 2023 [https://www3.weforum.org/docs/WEF\\_CNES\\_Putting\\_Skills\\_First\\_2023.pdf](https://www3.weforum.org/docs/WEF_CNES_Putting_Skills_First_2023.pdf)

8 World Economic Forum, Putting Skills First: A Framework for Action, 2024, [https://www3.weforum.org/docs/WEF\\_Putting\\_Skills\\_First\\_2024.pdf](https://www3.weforum.org/docs/WEF_Putting_Skills_First_2024.pdf)

# Risks and how to manage them

Skills-based pay has real potential, but organisations should be aware of a few key challenges:



## Conclusion: Trust, shared burden, and the choice ahead

A convergence of financial strain, digital fatigue, and workforce uncertainty is creating significant business pressure. This environment exposes a critical vulnerability: traditional systems for valuing employee contribution are no longer fit for purpose. The World Economic Forum confirms this gap, revealing that only 54% of workers find their qualifications relevant to their jobs—a clear signal that organisations are failing to capture, and act on, true capability.

AI and skills-based pay are positioned as solutions, but they are powerful tools, not a silver bullet. Deploying these tools without first establishing a foundation of trust is a strategic misstep. An approach perceived as merely shifting risk onto workers will inevitably create backlash and undermine strategic goals.

The primary challenge, therefore, is not technological but cultural. Success depends on co-creating the future with employees through transparent communication on skill requirements, tangible investment in learning, and clear progression paths. When managed strategically, AI becomes an engine for opportunity, and skills-based pay becomes a credible tool for rewarding verifiable contribution.

This presents a fundamental leadership choice. A successful model requires a shared adaptation burden: employers invest in capability to drive the business forward, while employees invest in skills because they see clear opportunities for career progression.

The question for every Remuneration Committee and board is no longer whether AI will reshape work, but how their organisation will respond. Will pay practices lag behind, amplifying inequity and risk? Or will they be reshaped to keep pace, building a more resilient and capable organisation? The decision to use this moment to create competitive advantage is yours.

## Ready to explore this further?

Moving from conventional pay systems to skills-based approaches can feel daunting—we suggest starting with a simple test to explore the potential of this for your company:

Start with one role where you're struggling to fill positions or retain talent. Look at the skills already listed in your job profile, then ask: are we actually paying for these capabilities, or just the job title? Map your highest performers against these skills versus your pay bands. This simple exercise will show you whether your pay reflects the value-driving capabilities you have already identified, without overhauling your entire system. If you find a disconnect, there is a business case for change.

# 03

## Reward's new mandate: Pay transparency as the catalyst for Net Positive Pay in South Africa



South African RemCos face a strategic choice: treat pay transparency as a compliance burden, or harness it to accelerate sustainability outcomes and competitive advantage.

### **Pay is no longer just HR**

In South Africa, where historic inequalities intersect with urgent climate and social challenges, pay practices directly impact ESG performance, social licence to operate, and just transition commitments. The Companies Amendment Act, Fair Pay Bill, and King V are codifying this shift—placing binding accountability on boards to prove that remuneration aligns with sustainable business strategy.

### **The leadership mandate**

For companies ready to lead, the mandate is clear: move beyond data disclosure and architect a Net Positive Pay ecosystem that embeds sustainability at its core.

# The Net Positive Pay framework

Think Net Positive Pay – Remuneration that gives more than it takes.

Net Positive Pay operates across four dimensions:

01

## Equity

- Pay gap analysis across gender and race
- Defensible pay structures
- Accountability to close gaps, not just report them



02

## Sufficiency

- Living wage commitment
- Financial resilience for employees
- Context-specific approaches for different regions, roles, and labour markets



03

## Sustainability alignment

- ESG metrics
- Long-term value, just transition, and human capital outcomes
- Real consequences when targets are missed



04

## Systemic impact

- Pay practices that support inclusion, social stability, and just transition
- Consideration of contractors, suppliers, and high-risk parts of the value chain
- Transparent reporting



## Tax transparency: The credibility test

Net Positive Pay demands tax transparency as its credibility anchor. Companies cannot credibly advance just transition while pursuing aggressive tax minimisation that undermines the public resources needed for that transition. In South Africa, where tax revenue directly funds social infrastructure, executive pay structures designed primarily for tax efficiency—rather than performance alignment—send conflicting messages to all stakeholders.

For RemCos, the implication is clear: pay transparency and tax transparency are complementary signals of governance integrity. Both prove your sustainability values extend beyond rhetoric to your fundamental relationship with society.

## The three pillars of strategic implementation

Three pillars distinguish leaders from laggards:

### Pillar one: Governance and assurance – Building the foundation for sustainable trust

To build sustainable trust, transparency must be backed by rigour. This means ensuring pay data is not just available, but is also defensible and directly supportive of your sustainability reporting.

RemCos should ensure that they:

- **Align your data story with your remuneration story**

Make sure your pay transparency doesn't contradict your ESG commitments. When investors see gender pay gaps in your remuneration report, they should also see credible targets and executive accountability in executive KPIs and sustainability disclosures.

- **Design structures that support your values**

Review whether your job levels, pay ranges, and bonuses actually reward ESG performance—not just financial metrics. Ensure pay exceptions don't undermine your stated sustainability commitments.

- **Explain your decisions**

Clearly communicate how pay decisions connect to sustainability goals and board oversight. This strengthens stakeholder trust and prepares you for shareholder scrutiny.

### Pillar two: Social equity – Address the real issues

Pay strategy becomes a powerful lever for addressing South Africa's critical equity challenges. By using transparency to drive meaningful action, companies can strengthen social cohesion and build long-term business resilience.

RemCos should:

- **Close pay gaps, don't just report them:** Analyse pay disparities across gender, race, and their intersections. Set targets, assign accountability, and link progress to executive incentives: moral obligation and business resilience go hand in hand.
- **Commit to living wages:** Integrate living wage thresholds into your lowest pay bands as part of your formal sustainability strategy. This strengthens your standing with employees, unions, and ESG investors while ensuring your workforce can sustain decent living standards.
- **Plan for transition:** Map roles at risk from decarbonisation and automation. Establish clear reskilling pathways with transparent progression. When employees see credible futures, they become partners in transformation, not casualties of change.

**Leading companies understand that pay is a message. A transparent, strategic approach to compensation does more than just reward employees, it signals your commitment to performance, attracts values-aligned talent, and builds a distinct competitive edge.**

RemCos should:

- Make ESG performance financially material by paying (30%-40%) to audited sustainability metrics—emissions reduction, safety performance, and diversity milestones. Ensure real consequences when targets are missed, not token weightings.
- Become a talent magnet. Transparent, equitable pay attracts skilled professionals who increasingly choose employers based on values alignment. **PwC research shows 82% of workers actively seek alternatives when they perceive better value alignment—and they quickly identify when stated values don't match practices<sup>9</sup>.** In a scarce talent market, authentic pay transparency is competitive advantage.
- Reward green skills development. Create transparent frameworks where acquiring sustainability capabilities leads to clear progression and reward. Align personal ambition with climate objectives to accelerate capability building.

## The choice: Compliance or catalyst?

Pay transparency regulation is coming whether you're ready or not. The Fair Pay Bill and King V will force disclosure. The question is whether you'll scramble to comply or use transparency strategically.

## RemCo members: Your Monday actions

- **Run the numbers now:** Conduct intersectional pay gap analysis across gender and race. Quantify gaps before they're publicly disclosed and create action plans with timelines.
- **Audit your incentive structures:** How do your incentive structures support your sustainability strategy? What percentage of your incentives are linked to tangible ESG goals?
- **Board agenda next meeting:** Add standing agenda item: "Pay Equity and ESG Incentive Progress". Review monthly data, not annual summaries.
- **Legal compliance check:** Map your readiness against Fair Pay Bill requirements and King V governance expectations. Identify gaps and resource needs now.

**The bottom line: Transparent, equitable pay is becoming table stakes. Get ahead of regulation or spend the next two years explaining why you didn't.**



9 PwC, "The Gen Z Paradox: Spending Less, Expecting More," October 2025. Available at: <https://www.pwc.com/us/en/industries/consumer-markets/library/gen-z-consumer-trends.html>

# 04

## Calibrating incentives across unit life cycle and performance



Most organisations treat incentive design like a static blueprint—set it once and forget about it. The reality: different business units need different incentives. Your cash-generating division, growth investment team, and struggling regional office all require different behaviours to succeed—yet most companies use uniform schemes.

### **The portfolio reality**

Consider a financial services group: the retail banking arm focuses on operational efficiency, wealth management prioritises customer acquisition, whilst a fintech venture requires milestone-driven development. Yet most companies apply identical incentive structures across all three.

This creates the “cross-subsidy dilemma”: high performers fund struggling units’ incentives, driving away top talent.



## Early warning signs: When incentives stop working

Our experience in analysing incentive performance across multiple business cycles informs two key insights:

- 1) Intervene during early underperformance, not crisis.
- 2) Use a targeted approach, not one-size-fits-all solutions.

Unit-level warning signals:

- Persistent budget overruns despite stable corporate metrics
- Rising voluntary departure rates in critical roles
- Declining unit revenue whilst other divisions perform well
- Slipping operational KPIs not aligned with company-wide results

Incentive misalignment appears at business unit level before it shows in company results.

## Three practical approaches

- **Ring-fencing high performers:** Create separate incentive pools for top-performing units, for example, maintain profitable teams on margin incentives while growth units get equity-heavy rewards.
- **Graduated intervention:** Apply different performance thresholds and payout structures based on each unit's strategic objectives. Mature units focus on efficiency metrics, growth units on top-line targets.
- **Selective investment:** Concentrate premium incentives on units most critical to strategic objectives, accepting that resource allocation will be uneven. Underperforming units get recovery metrics with short-term cash incentives; high performers continue existing schemes.

## Design framework: The performance matrix

Effective segmentation requires designing incentives across two dimensions: A company's life cycle stage and each unit's performance state.

Examples by business unit type:

- **Growth investment unit:** Equity-heavy packages with vesting tied to milestone achievement, resulting in minimal cash impact.
- **Cash-generating unit:** Margin emphasis, profit-sharing, return-based long-term incentives.
- **Declining product line:** Margin improvement metrics, cost-reduction milestones, hurdle-based vesting tied to profitability recovery.
- **Underperforming regional unit:** Recovery scorecard, short-term cash incentives, retention awards for critical roles.

## Technical precision and timing

Different performance phases require adjustments:

- **Early underperformance:** Recalibrate metrics towards margin protection and operational efficiency. Introduce short-term cash tied to recovery milestones.
- **Systemic underperformance:** Compress long-term incentive horizons, shift to risk-adjusted instruments, introduce gatekeepers for payouts for operational achievements and cash outcomes.
- **Distress/survival mode:** Balanced equity and cash approaches to preserve cash and restore viability. Consider retention-focused awards to protect key talent and milestone-based structures that align with strategic investment timelines.

## Building your implementation framework

Four core capabilities:

- **Diagnostic precision:** Develop unit-level dashboards using leading indicators beyond headline financials, for example, customer concentration, working capital velocity, margin trends.
- **Segmentation discipline:** Create clear rules for differentiating incentives whilst avoiding administrative complexity.
- **Stakeholder communication:** Explain that effective portfolio management requires differentiated treatment, not uniform approaches. Provide transparent frameworks so leaders and employees understand the rationale behind varied allocation.
- **Technical flexibility:** Design structures that can adapt as conditions change, including pre-approved adjustment mechanisms, and governance triggers that prompt incentive review when performance thresholds are crossed.

## The strategic imperative

One-size-fits-all incentive structures don't work. Waiting for company-wide problems before adjusting incentives consistently fails. By then, trust has eroded and intervention windows have closed. Companies that master unit-specific incentive design have a competitive advantage and build more resilient organisations.

## RemCo members: Your Monday morning actions

- **Audit your current approach:** Do you use identical incentive structures across all business units? Map which units are at different performance phases.
- **Identify warning signs:** Review unit-level metrics for budget overruns, departure rates, and declining performance while company metrics remain stable.
- **Design unit-specific pools:** Create separate incentive approaches for high performers, growth units, and underperforming divisions.
- **Build flexibility:** Establish governance triggers that prompt incentive review when unit performance crosses defined thresholds.

The takeaway is simple: one-size-fits-all incentives fail. Tailored, performance-sensitive designs build healthier portfolios, better decisions, and more resilient teams. Companies that treat incentive design as a dynamic governance capability—not a static template—outperform those that don't.



# 05

## Rethinking executive pay: Harnessing the psychology of incentives to transform leadership and performance



When discussing executive pay, the conversation often narrows to numbers and benchmarks. But executive pay is more than just a figure in a remuneration report; it signals what the organisation values most, whether it's short-term profits, long-term sustainability, innovation, or social responsibility. This alignment guides leaders in making decisions that shape the company's strategic direction and external impact.

In South Africa, executive pay has long been driven by external pressures: global economic shifts, evolving regulations, compliance mandates, and governance frameworks. This compliance-focused mindset has, in many cases, resulted in “cookie-cutter” approaches that often miss the mark when it comes to truly engaging and inspiring executives. If incentives do not resonate with leaders' deeper motivations and principles, can they ever drive the meaningful impact organisations seek?

Therefore, it's time to go beyond governance formalities and design executive pay programmes that resonate deeply and drive real, lasting impact.

## Complexity versus clarity: Why sophisticated models risk losing impact

Modern executive remuneration has evolved into highly complex structures: multiple performance targets and metrics, deferrals, clawbacks, shareholding requirements, plus intricate tax and legal considerations. While these sophisticated designs aim to align executives' interests with shareholders and encourage long-term value creation, increasing complexity raises a critical question: does complexity itself truly motivate executives and drive superior leadership outcomes?

Despite organisations investing millions annually in complex incentive programmes, little research examines whether they deliver meaningful returns in leadership impact and sustained organisational success. Few companies assess whether their frameworks genuinely motivate executives or drive desired behaviours. Without this understanding, complexity risks creating confusion and reducing incentive effectiveness.

## What the PwC 2024 global study on the psychology of incentives reveals

PwC set out to answer these critical questions. Back in 2012, in partnership with the London School of Economics, PwC conducted a survey exploring how executives perceive the value of incentive awards. The findings showed that many executives considerably undervalue long-term incentive plans relative to their economic value and the costs borne by employers.

To understand how executive views have evolved, PwC repeated the research in 2024. This latest study captures the opinions of 157 UK executives across the top three tiers of management, including board-level participants, providing fresh insights into the shifting landscape of executive incentives and the effectiveness thereof.

The study reveals seven key insights that challenge conventional wisdom about executive motivation:

- **Remuneration remains vital for attracting and retaining talent**, yet only 41% of executives find long-term incentive plans (LTIPs) effective (down from 60% in 2012).
- **Risk aversion matters**: Most executives prefer the security of fixed pay over riskier bonuses, even if the potential upside is greater.
- **Deferred pay is discounted**: Executives typically value deferred remuneration at about half its economic worth over a normal three-year period, diminishing its motivating power.
- **Fairness counts**: Incentive plans based on multiple performance metrics are preferred; executives see these as fairer and more representative of their total effort than single-metric plans.
- **Pay positioning carries weight**: While competitive market pay is important, many executives would accept lower absolute pay if they are paid more than their peers.
- **Recognition trumps size**: Frequent, smaller awards and ongoing performance recognition often motivate more than infrequent, large payouts.
- **Values influence decisions**: Many executives are willing to accept significant pay cuts to work for organisations whose values align closely with their own, highlighting the power of culture and purpose beyond pure compensation.

These insights underscore that executive incentives depend as much on psychology and perception as on monetary value.

## Insights from South African executives: Bridging the disconnect

Based on the PwC UK study, we conducted a local survey targeting the same cohort of executives to validate and explore these insights within a South African context. Three key findings emerged:

- **Pay is valued but often undervalued:** Nearly all executives agree that remuneration plays a crucial role in attracting and retaining talent. However, only about one-third reported genuine satisfaction with their pay. This is a surprising result, especially in light of the **PwC 2025 Directors Remuneration and Trends Report**, which highlights that executive directors saw a notable increase in total remuneration, with CEOs and CFOs receiving 8% and 19% more, respectively. This is driven by higher guaranteed pay and improved variable incentives—contrasting with the previous year’s decline in incentives. These findings lead to a number of thought-provoking questions that will be explored in more detail, for example:
  - Why do executives remain dissatisfied with their pay despite notable increases in total remuneration?
  - What factors beyond remuneration might influence executive satisfaction with their remuneration?
  - Are current incentive structures effectively aligned with executive performance and company goals?
  - Does the increase in executive pay correlate with improvements in retention and performance?
- **The incentive mismatch:** Our survey uncovers a significant disconnect between the perceived effectiveness of short-term versus long-term incentives. **While an overwhelming 77% of participants agree that short-term incentives are effective motivators, only 39% feel the same about long-term incentives (LTI), despite them often comprising the largest portion of executive compensation packages.** This disparity highlights a critical challenge for organisations: many executives find long-term incentives confusing, overly complex, or too distant in their impact to meaningfully influence daily behaviours and motivation. The complexity and lack of clarity surrounding LTIs weaken their ability to align executive efforts with long-term strategic goals. This gap represents a major opportunity for companies to rethink their incentive structures: by simplifying LTI design, enhancing transparency, and actively engaging executives in understanding these rewards, organisations can better harness LTIs to drive sustained performance and long-term value creation.
- **The perceived risk behind reward is real:** Our findings reveal that, much like the wider workforce and general population, **executives tend to be notably risk-averse; especially when it comes to their own compensation.** This cautious attitude toward risk has significant implications for how incentive programmes are designed and received at the executive level. Some of the key insights include:
  - Executives generally avoid high-stakes rewards: only 26% would risk their entire bonus to double it.
  - Opportunity to recover increases willingness to take risks: 48% would risk their bonus if given three attempts to double it.
  - Social influence impacts risk behaviour: 53% would follow peers in risking everything.

## Practical solutions

When designing effective reward solutions, it's essential to consider executive perceptions, but this cannot be done in isolation. True success comes from marrying executives' perspectives with those of all other stakeholders, including shareholders, and employees to create balanced, impactful, and trusted pay frameworks. We have included some suggested actions for this complex balancing act:

### 1. **Crafting reward frameworks that balance impact and integrity**

Building reward frameworks that truly work is challenging because 'fit for purpose' means different things to stakeholders: shareholders seek growth and alignment, executives want meaningful, motivating rewards, employees expect fairness, and regulators demand transparency and compliance.

Balancing these competing priorities requires a shift in mindset from designing pay structures to meet checklists or fit the "best practice mould", to creating frameworks that build connection, trust, and motivation.

At its core, effective incentive design must deliver impact; it should motivate leaders to drive performance, innovation, and long-term success. But this impact cannot come at the expense of fairness or integrity toward other stakeholders, including employees, shareholders, and the broader society. The bottom line? Executive incentives must be powerful enough to shape behaviour yet delivered with transparency and integrity to preserve trust and legitimacy across all stakeholder groups.



## **2. Look beyond the pay cheque**

Without recognising purpose and culture, financial rewards alone will not create lasting commitment or engagement. Executives prefer to work for organisations whose values resonate with their own, even at the cost of lower pay. Recognition and culture therefore emerge as critical motivators, often more powerful than raw financial reward. Without embedding these elements into reward design, organisations risk paying for performance without inspiring genuine commitment and engagement.

## **3. Define and communicate the purpose of different elements of pay**

Each component of pay: base salary and benefits, bonuses and long-term incentives have a unique motivational role. Not all elements are designed for retention or performance, so it is crucial for companies to clearly define and communicate the purpose behind each element of pay. For example: base salary provides security and attracts talent; bonuses drive annual performance and long-term incentives ensure long-term commitment. When executives don't understand these distinctions, motivation and trust decline. And finally, complex or unclear pay structures kill motivation. Transparent, consistent communication—paired with a clear link between pay and purpose does more than inform; it builds trust and keeps executives genuinely engaged.

## **4. Assessing the return on people investment**

Pay is one of the largest costs for any organisation, yet many still fail to clearly understand the return on this massive investment. In today's environment of rising employment costs, it's critical for organisations to understand the perceived value of their total reward offerings and measure the true return on investment from their people spend. With a workforce that is increasingly diverse in needs, wants, and expectations, companies must strike a careful balance between what employees seek and what the business requires. Rethinking and tailoring total reward strategies is essential not only to meet this balance but also to differentiate organisations in their ability to attract, engage, and retain top talent in a competitive market.

## **Final reflection: Impactful pay delivered with integrity is the real measure of success**

Rethinking executive pay is about asking the hard questions: How can incentives genuinely motivate excellence while reinforcing organisational values? And crucially, how can rewards be delivered with integrity to sustain stakeholder trust?

Effective executive pay hinges on truly understanding human psychology, simplifying complexity, aligning incentives with values, and communicating with clarity and authenticity. It's time to move beyond compliance and start designing pay systems that connect deeply with the people they aim to motivate. That's how we unlock real leadership potential and sustainable performance.

# 06

## Securing success: How executive incentives can drive proactive cybersecurity leadership



### The cybersecurity imperative: When disciplinary action isn't enough

Cybersecurity incidents are escalating at an alarming pace. **PwC's 2026 Global Digital Trust Insights survey** reveals that organisations worldwide are grappling with an expanded attack surface and novel threats<sup>10</sup>. **In South Africa, specifically, only 8% of organisations surveyed reported no high-impact data breaches over the past three years, significantly lower than the global average of 18%**<sup>11</sup>. This means that we are more exposed as more of our organisations are reporting higher impact breaches.

The financial and operational impact extends well beyond immediate losses, with organisations facing prolonged recovery periods that affect operations, customer trust, and competitive positioning. Yet only a fraction of South African executives express confidence in their cyber defences<sup>11</sup>, while the prevalent response to a security breach remains reactive—punitive action (e.g. disciplinary action or clawback of incentive awards), after the damage is done<sup>12</sup>.

10 PwC 2026 Global Digital Trust Insights: C-suite playbook and findings (<https://www.PwC.com/us/en/services/consulting/cybersecurity-risk-regulatory/library/global-digital-trust-insights.html>)

11 PwC Digital Trust Insights Survey 2026: South Africa Report (<https://www.PwC.co.za/en/publications/digital-trust-insights.html>)

12 Fortinet 2024 Cybersecurity Skills Gap Global Research Report (<https://www.fortinet.com/content/dam/fortinet/assets/reports/2024-cybersecurity-skills-gap-report.pdf>)

## From reactive penalties to proactive incentives

The shift from punishment to prevention reflects a broader understanding that cybersecurity requires sustained leadership attention. Our Global Digital Trust Insights Survey shows that 60%<sup>13</sup> of business and tech leaders—and 63% in South Africa<sup>14</sup>—now rank cybersecurity risk investment in their top three strategic priorities in response to geopolitical uncertainty.

However, this heightened awareness has not consistently translated into remuneration structures that reward proactive cyber leadership. Our research shows a critical gap: only 24% of organisations globally spend significantly more on proactive measures (monitoring, assessments, testing, controls) than reactive measures (incident response, fines, recovery)<sup>15</sup>. Most companies generally spend equal amounts on both categories, which proves more costly and risky.

Executive incentive schemes should reflect competitive market realities, but they should also reward the behaviours that prevent breaches rather than merely penalising failures after the fact. Embedding cybersecurity metrics in incentive design gives executives a direct stake in proactive risk management, not just crisis response. Minimum shareholding requirements can reinforce this further: when executives hold meaningful equity, the consequences of a cyber event are personal, not abstract.

Microsoft is a good example of where cybersecurity was incorporated into a company's incentive design, following a major security breach (in 2023). In its 2025 proxy statement Microsoft disclosed that it was adding a new category (Security) to its 2025 annual incentive plan to “emphasize the criticality of the contributions of our Senior Leadership Team members relating to cybersecurity”. This new security category makes up one-third of the weighting of the operational component of the bonus (the performance assessment applicable to the bonus is split into 70% financial and 30% operational)<sup>16</sup>.



- 13 PwC 2026 Global Digital Trust Insights: C-suite playbook and findings (<https://www.pwc.com/us/en/services/consulting/cybersecurity-risk-regulatory/library/global-digital-trust-insights.html>)
- 14 PwC Digital Trust Insights Survey 2026: South Africa Report (<https://www.PwC.co.za/en/publications/digital-trust-insights.html>)
- 15 PwC 2026 Global Digital Trust Insights: C-suite playbook and findings (<https://www.pwc.com/us/en/services/consulting/cybersecurity-risk-regulatory/library/global-digital-trust-insights.html>)
- 16 Microsoft Notice of Annual Shareholders Meeting and Proxy Statement 2025 ([https://view.officeapps.live.com/op/view.aspx?src=https://cdn-dynmedia-1.microsoft.com/is/content/microsoftcorp/2025\\_ProxyStatement.docx](https://view.officeapps.live.com/op/view.aspx?src=https://cdn-dynmedia-1.microsoft.com/is/content/microsoftcorp/2025_ProxyStatement.docx))

# Leading indicators: Building cybersecurity into executive scorecards

Effective cybersecurity metrics must translate cybersecurity risk into business language: financial impact, risk quantification, and strategic alignment.

## Executive-specific leading indicators:

<b>CEO leadership:</b>	<ul style="list-style-type: none"> <li>• Cyber risk investment prioritisation (currently 63% of South African leaders rank this in top three priorities<sup>17</sup>)</li> <li>• Integration of cybersecurity considerations into strategic decision-making</li> <li>• Progress on making cybersecurity a shared organisational responsibility</li> </ul>
<b>CFO financial stewardship:</b>	<ul style="list-style-type: none"> <li>• Customer trust and revenue protection measures linked to cybersecurity resilience</li> <li>• Strategic balance between proactive and reactive cybersecurity spending (targeting improved ratios beyond the current 28% who prioritise this by investing significantly more on proactive measures<sup>17</sup>)</li> <li>• Cybersecurity risk quantification implementation (currently only 25% of South African organisations measure financial impact significantly<sup>17</sup>)</li> <li>• ROI demonstration for managed security services and emerging threat preparation</li> </ul>
<b>CIO/CTO technology leadership:</b>	<ul style="list-style-type: none"> <li>• Successful deployment of AI security capabilities (with 72% of South African organisations prioritising AI and machine learning tools to close capability gaps<sup>17</sup>)</li> <li>• Implementation of quantum-resistant security measures (currently 25% of South African organisations are piloting/testing, 25% implementing<sup>17</sup>)</li> <li>• Third-party risk management effectiveness across platforms and integrations</li> </ul>

## Lagging indicators: When accountability mechanisms should trigger

While leading indicators drive proactive behaviour, lagging indicators provide necessary accountability when prevention fails. This accountability can take multiple forms: performance-based downward modifiers that reduce annual bonuses, malus provisions that reduce or eliminate unvested long-term incentive awards, and clawback mechanisms that require executives to repay previously received incentives when cybersecurity failures come to light. If a cybersecurity breach is deemed a governance failing, it may even form part of a wider ESG downward modifier, similar to how safety incidents feature as a downward modifier in certain mining companies' incentive plans.

In September 2025, a major international airline demonstrated how cybersecurity accountability was applied to executive remuneration. Following a July cyberattack that exposed personal data of 5.7 million customers, the airline's board cut the executive team's bonuses by 15%, including a significant reduction to the CEO's bonus.<sup>18</sup> The airline's board indicated that the pay reduction "reflects [the executive team's] shared accountability, while acknowledging the ongoing efforts to support customers and put in place additional protections for customers". This represents a fundamental shift from treating cybersecurity as an IT problem to recognising it as a strategic business risk warranting executive accountability.

When considering accountability, the impact of cybersecurity breach and whether it constitutes a (preventable) governance failure should be assessed.

### Material impact:

- Data breaches resulting in financial losses exceeding predetermined amounts
- Operational disruptions exceeding defined recovery timeframes
- Regulatory fines or sanctions specifically related to cybersecurity governance failures

17 PwC Digital Trust Insights Survey 2026: South Africa Report (<https://www.PwC.co.za/en/publications/digital-trust-insights.html>)

18 Media release: Release of the Qantas Group Annual Report and Sustainability Report. (5 September 2025). Qantas Airways Limited (<https://www.qantasnewsroom.com.au/media-releases/release-of-the-qantas-group-annual-report-and-sustainability-report-2>)

## Governance failure indicators:

- Non-compliance with board-mandated cybersecurity improvements or approved strategic plans, after reasonable implementation periods
- Failure to achieve minimum cybersecurity training completion rates across executive teams, general staff or IT staff
- Non-adherence to industry-specific cybersecurity standards and frameworks

However, the use of cybersecurity modifiers, or malus/clawback provisions specifically addressing cybersecurity, in incentives remains uncommon in the global market, and we have not yet seen any South African companies considering the incorporation of similar mechanisms in its incentives.

## Stepping up: Good governance and King V:

King V<sup>19</sup> explicitly mandates cybersecurity as a board-level responsibility, creating a clear regulatory foundation for linking executive accountability to cybersecurity governance outcomes. Principle 10 requires that “the governing body should govern data, information, and technology in a way that sustains and optimises the organisation’s strategy and objectives”.

Specifically, King V mandates that boards oversee “effective cybersecurity strategies and practices to protect technology assets, resources, products, and services” and ensure “effective management of the risks associated with the acquisition and utilisation of outsourced technologies and services.” This creates direct accountability for cybersecurity governance at the executive level.

The code’s emphasis on human oversight for AI systems, requiring “clear accountability for decisions, actions, outputs, and outcomes”, further reinforces the case for executive-level cybersecurity metrics in remuneration structures. King V’s outcomes-based approach, judging governance primarily on consequences rather than mere implementation of practices, aligns with linking cybersecurity performance to executive pay outcomes.

## Conclusion: The choice ahead

The escalation in cybersecurity incidents demands a fundamental shift in how organisations approach cybersecurity governance. Our research shows that the majority of South African leaders already prioritise cybersecurity risk investment; the challenge lies in translating this priority into effective incentive structures.

By embedding cybersecurity performance into executive remuneration, either through leading indicators that drive proactive action, lagging indicators that ensure accountability, or both, organisations can drive genuine cultural change at the leadership level.

The question isn’t whether cybersecurity should influence executive pay, but how thoughtfully organisations can design these links to drive meaningful protection of stakeholder value in an era where cybersecurity resilience has become a competitive necessity.

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19 King V Code on Corporate Governance for South Africa 2025, Institute of Directors in South Africa ([https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/927F0970-C1E9-4F30-803C-D74BF386A2B6/King\\_V\\_Code.pdf](https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/927F0970-C1E9-4F30-803C-D74BF386A2B6/King_V_Code.pdf))

# 07 The ambit of Remuneration Committee discretion in South Africa: A comprehensive guide



An important but paradoxical governance principle is that the best remuneration policies are designed to provide firm guidance while allowing for exceptions to be made—but only under exceptional circumstances.

Robust incentive schemes should feature clearly calibrated targets aligned with future strategy and stakeholder value creation. Yet even well-designed formulas can produce the wrong outcome. Consider two scenarios. In the first, a CEO receives a maximum bonus in a year of collapsing shareholder value. In the second, a mining executive receives no incentive despite demonstrating exemplary leadership throughout an unprecedented crisis. In both cases, the maths is correct but the result is substantively wrong. The formula has worked exactly as designed, yet the outcome violates core principles of fairness and good governance.

This is where a RemCo's discretion becomes indispensable. But discretion carries weight. It attracts scrutiny, demands judgement, and exposes committees to reputational risk and shareholder dissent. Today, South African RemCos operate in an environment of materially heightened accountability.



The King V Code on Corporate Governance has raised expectations by explicitly requiring fair, responsible and transparent remuneration at all levels, and by mandating that remuneration policies articulate how responsible and transparent discretion will be applied.

This article examines the full scope of RemCo discretion in South Africa, drawing on King V's stakeholder-inclusive philosophy and informed by global best practice.

## Part one: The framework

### When rules fall short: Why discretion matters

Remuneration formulas are essential. They provide objectivity, predictability, and protection against arbitrary decision-making. Yet they are built on assumptions about the future that rarely unfold exactly as anticipated.

The COVID-19 pandemic made this clearer than ever. Companies that set three-year long-term incentive targets in 2019 for the 2019–2022 performance period could not have anticipated: global lockdowns, supply-chain collapse, unprecedented fiscal and monetary stimulus, accelerated digital transformation, or extreme sectoral divergence such as the devastation of tourism and the expansion of e-commerce.

Some executives navigated these conditions with distinction, pivoting business models, preserving employment, and protecting balance sheets—yet still missed formulaic targets through no fault of their own. Others benefited from favourable tailwinds. In both cases, rigid application of the incentive formula would have produced outcomes that were technically correct, but substantively unjust.

Beyond global shocks, South African RemCos face persistent local factors that routinely distort formulaic outcomes. These include:

- **Energy instability:** Despite periods of improved supply, load-shedding remains a material operational risk. Many businesses face constraints no level of management excellence can fully offset, while some companies' business models or capabilities are aligned in a way that turns energy grid instability and changing regulations into opportunities for growth or profitability.
- **Currency movements:** Although the rand has shown improved stability, historical volatility has frequently rewarded exporters for depreciation rather than execution, while penalising importers irrespective of operational performance.
- **Commodity price cycles:** Mining executives operate in an environment where volatility in the commodity prices can either reward or penalise them due to global forces entirely outside of management's control.
- **Political, regulatory and social instability:** Persistent inequality, unemployment and governance failures continue to drive social unrest and policy uncertainty, particularly in the new era of coalition politics.

In this context, discretion is not a governance weakness, it is a governance requirement.

## The King V standard: Responsible and transparent discretion

King V acknowledges the need for downward (in instances such as unanticipated windfall gains) and upward (in instances where outcomes are unfairly punitive) discretion; but it requires it to be structured, principled, and disclosed.

King V acknowledges that formulas can misfire and obliges RemCos to establish pre-determined frameworks to address discretion. The emphasis on responsible and transparent is deliberate: discretion must be reasoned, documented, and explainable, not ad hoc or opaque.

### The balance: Discretion as the exception, not the rule

The paradox of discretion is straightforward: it must be readily available but used sparingly. When discretion is applied routinely, the problem lies not with the outcomes but with the policy design.

Effective discretion should be:

- **Exceptional:** Triggered by genuinely unusual circumstances
- **Symmetrical:** Appropriately applied both upward and downward
- **Consistent:** Grounded in stable principles that are applied uniformly across similar cases to maintain fairness and avoid perceptions of bias or favouritism
- **Transparent:** Disclosed with clear, specific rationale

UK investors and proxy advisors consistently caution against routine discretionary overrides. ISS (Institutional Shareholder Services), for example, has indicated that open-ended flexibility or discretion operating outside defined limits will attract adverse voting recommendations. RemCos are therefore expected to correct flawed design rather than rely on repeated discretionary intervention.

## Part two: The stakeholder inclusive approach

### King V's stakeholder mandate

King V embeds stakeholder inclusivity rooted in the Ubuntu-Botho principle of "I am because we are" as a governance obligation. Practice 113 requires remuneration policies to promote fair executive pay relative to employees and to support positive outcomes while minimising negative impacts on the organisation's broader economic, social, and environmental context.

When exercising discretion, committees should therefore assess decisions through multiple lenses, including employees, shareholders, customers, communities, and the environment. This moves remuneration governance beyond narrow shareholder alignment toward sustainable value creation.

### The internal equity challenge

South Africa's extreme inequality and unemployment sharpen scrutiny of executive pay. RemCos must balance the need to attract globally mobile talent with the need to demonstrate fairness within local socio-economic realities.

Practical responses include: enhanced pay-ratio disclosure, linkage between executive and employee increases, profit-sharing mechanisms, living-wage commitments, and sustained investment in workforce development. Under King V, granting extraordinary executive rewards during periods of wage restraint or retrenchment may be formulaically defensible but socially and ethically indefensible.

## Part three: Transparency and process

### Discretion disclosure: Why transparency is non-negotiable

King V's requirement for transparent and meaningful disclosure is the foundation of legitimacy for discretionary decisions. Vague statements such as “the committee exercised appropriate discretion” do not reduce scrutiny, they invite it.

Specific, quantified disclosure explaining what was adjusted, why, and by how much builds trust, even when stakeholders disagree with the outcome. King V's disclosure framework is designed to enable informed disagreement rather than suspicion.

### The two-way street: When positive discretion is justified

Upward (positive) discretion is controversial, but sometimes necessary. Where applied, it should meet a higher governance threshold with strong RemCo consensus, early shareholder engagement, independent validation, enhanced disclosure, clear quantum caps, and strict limits on frequency.

Fair and responsible remuneration requires fairness in both directions.

## Practical guidance for RemCos

To achieve the expected levels of transparency and accountability when exercising discretion, a robust framework should be developed:

### 1. Set clear discretion guidelines

The remuneration policy should clearly explain:

- **When discretion can be used:** Define the situations where upward or downward adjustments to pay can be made, and what justifies those choices.
- **How decisions will be made:** Outline who needs to be involved, what information the committee needs to exercise such discretion, and the approach for deciding if discretion is appropriate.
- **Approval rules:** Set clear requirements for approval (e.g. input from independent advisors for major changes).

### 2. Keep thorough records of decisions

When discretion is applied:

- **Explain why:** Go beyond simply stating discretion was used. Clearly document the reasons and how they relate to the policy's criteria.
- **Show what was considered:** Provide evidence of a full review, including financial performance, strategic objectives, governance issues, and how stakeholders are affected. Importantly, consider previous cases of discretion.
- **Capture the discussion:** Note differing opinions, alternative views that were debated, and how the committee reached its decision.
- **Prepare clear disclosures:** Make sure there's enough documentation to communicate openly with shareholders and other stakeholders.

### 3. Consider multiple factors in the assessment

Look at:

- **Financial results:** Not just whether targets were hit, but the quality and sustainability of earnings—distinguishing between real performance and luck.
- **Risk alignment:** Confirm that outcomes came from responsible risk-taking, aligned with the company’s risk appetite.
- **Shareholder outcomes:** Review shareholder returns, dividends, and capital use compared to peers and the market.

### 4. Engage stakeholders early and often, and ensure disclosures are transparent

Before finalising the decision, make sure to:

- **Talk to major shareholders:** Share the reasons behind proposed changes, get their feedback, and address any concerns early.
- **Think about broader stakeholder views:** Consider how other stakeholders might see the decision.
- **Disclose the decision:** Disclose in a clear manner in the remuneration report.

## Conclusion

A RemCo’s discretion sits at the intersection of analysis and judgement.

Analysis requires rigour, quantifying windfalls, deconstructing performance drivers, benchmarking peers, and modelling scenarios. Judgement requires wisdom, integrating context, balancing stakeholder interests, anticipating perceptions of fairness, and applying the Ubuntu-Botho philosophy to difficult trade-offs.

The ultimate test of discretion is not universal agreement. It is whether informed reasonable stakeholders can say, “I understand how and why that decision was reached, even if I might have decided differently.” That is the hallmark of governance maturity, it is principled, transparent, and accountable.

As King V’s stakeholder-inclusive era takes hold, RemCos that master disciplined discretion will do more than meet governance obligations. They will earn the trust that sustains organisational legitimacy in an age of unprecedented scrutiny.

## Key takeaways

This collection highlights a step-change in the RemCo's mandate: to move beyond compliance and towards value creation through transparent, fair and effective reward. Pay transparency is more than disclosure; used well, it is a lever for Net Positive Pay—remuneration that is sufficient, equitable, and aligned to sustainable performance—strengthening trust with stakeholders while sharpening strategic focus.

Against a shifting regulatory backdrop, RemCos need to be clear on the rules of the road and disciplined in how they exercise judgement. A robust understanding of emerging requirements across jurisdictions, combined with a well-governed approach to discretion under King V and global best practice, enables boards to navigate complexity credibly and consistently.

Looking ahead, the future of work will demand new approaches. AI is accelerating a shift towards skills-based pay, requiring clearer taxonomies, better data and renewed attention to fairness and progression. And while technical design matters, the human element is essential. For boards and RemCos, the priorities are clear: build the capabilities to use data and judgement well; design with purpose and proportionality; communicate with candour; and keep learning as the context evolves. Done well, reward becomes a strategic asset—supporting performance today and resilience tomorrow.



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# Appendix



# Global update: Key regulatory changes impacting remuneration



The regulatory landscape for executive and wider workforce remuneration has undergone significant transformation over the past three years, with jurisdictions across South Africa, the US, UK, and EU implementing substantial reforms. These developments reflect a coordinated shift towards enhanced disclosure transparency, workforce-wide pay equity, and strengthened risk alignment mechanisms. The changes outlined below will have material implications for remuneration governance frameworks, disclosure obligations, and stakeholder engagement strategies across affected organisations.

## South Africa

### Companies Act remuneration amendments (effective)

The Companies Act was amended during 2024 to include various remuneration-related disclosures and introduce binding shareholder voting on remuneration reports for public and state-owned companies and these provisions came into operation on 22 May 2026.

#### Key remuneration provisions include:

- All public and state-owned companies must prepare annual remuneration reports in a prescribed format comprising a background statement, a copy of the remuneration policy, and an implementation report. The implementation report must include total remuneration received for each director and prescribed officer, the total remuneration in respect of the highest paid and lowest paid employees, as well as detailed wage gap ratios covering average and median employee remuneration and pay gaps between the highest-paid and lowest-paid 5% of employees.

- These companies must prepare a remuneration policy requiring binding shareholder approval via ordinary resolution at AGMs, with reapproval every three years thereafter. Policies may be amended mid-cycle, but material amendments will require new shareholder approval.
- Remuneration reports are subject to annual binding shareholder approval. When a policy vote fails, the company must present the policy again at the next shareholder meeting and apply the previously approved policy in the interim.
- Consecutive rejections of remuneration reports carry escalating consequences: after the first failure, the RemCo must provide an explanation and its members must stand for re-election; after a second consecutive rejection, the RemCo members must step down from the committee and will not be eligible to serve on the RemCo for two years.
- Enhanced disclosure requirements mandate detailed remuneration information for each named director and prescribed officer in the annual financial statements for companies required to have audited annual financial statements. This substantially expands public scrutiny across many companies, including subsidiaries.

## King V Code on Corporate Governance (effective)

The updated King V Code on Corporate Governance was published in October 2025. King V consolidates King IV's 17 principles into 13 and applies to financial years beginning on or after 1 January 2026, with early adoption encouraged. Under Principle 11 (Remuneration), the framework streamlines remuneration governance to eliminate duplication with the pending Companies Act amendments. It recommends non-binding shareholder votes on remuneration policies only for companies required to have social and ethics committees where new Act provisions don't apply. The South African Reward Association also recently published its King V Principle 11 Guidance Notes.

### Key changes include:

- King V continues to emphasise alignment between remuneration, sustainable value creation and transparency.
- Remuneration policies must explicitly address responsible discretionary decision-making to avoid unintended consequences such as windfall gains or punitive outcomes.
- Companies are required to establish dedicated non-executive director fee policies to accompany non-executive director proposed fee resolutions for shareholder approval under the Companies Act.

## Listings Requirements – Updated (update in progress)

The JSE streamlined its listings requirements by incorporating plain language and concise regulatory objectives, making them easier for issuers and sponsors to understand and apply. The updated version became effective in January 2026. Following the recent Companies Act remuneration disclosure and voting amendments coming into operation, the JSE published a draft update to the January 2026 Listings Requirements, which is currently open for public comment.



## EU

### **Directive on Pay Transparency (individual EU countries: pending)**

The EU adopted the Directive on Pay Transparency in 2023, which introduces requirements for the access to and transparency of remuneration information.

The Directive introduces four key transparency measures:

- Mandatory gender pay gap reporting with mean and median data across worker categories, triggering joint pay assessments within six months where unexplained gaps exceed 5%.
- Pay range disclosure requirements for job advertisements whilst prohibiting salary history inquiries.
- Enhanced employee rights to request pay information and discuss remuneration.
- Strengthened equal value assessments requiring employers to identify comparable worker categories for reporting purposes.

Member states must incorporate these requirements into their national laws by June 2026. These requirements apply across all workforce levels, significantly influencing remuneration governance and board oversight processes.

### **Directive on Adequate Minimum Wages (effective)**

During 2022, the EU also adopted the Directive on Adequate Minimum Wages, which aims to provide adequate minimum wages for workers in EU member states and support collective bargaining on wages by establishing minimum standards and framework conditions to strengthen worker protection. However, Denmark challenged the Directive, citing that it interfered with their national competences on wage regulation (the so-called “Danish model”). Subsequently, the Directive was retained but two provisions that amounted to direct interference in national wage-setting competences were annulled.

## US

### **Pay versus Performance Rules (effective)**

The Securities and Exchange Commission (SEC) introduced the “Pay versus Performance” (PVP) Rules in 2022, requiring US companies to disclose how executive pay (actual remuneration paid) aligns with the company’s financial performance (including absolute and relative total shareholder return, as well as the most important financial performance measure used by the specific company) over a five-year period. These rules apply to all reporting companies, excluding emerging growth companies, foreign private issuers, and registered investment companies. Smaller reporting companies will be subject to reduced reporting requirements.

### **SEC Clawback Rule (effective)**

The SEC introduced a new rule under the Securities Exchange Act that mandates US stock exchanges to create listing requirements compelling publicly traded companies to implement clawback policies that allow them to recover incentive-based compensation from executive officers in cases where the underlying financial data used to determine such compensation contained material inaccuracies. Contrary to the discretionary approach followed in South Africa, in terms of the new rule, clawback is mandatory once a trigger event has occurred. Companies may also not indemnify any current or former executive officer against the loss of erroneously awarded compensation.

### **Pay transparency legislation (effective in various US states)**

There is a move towards greater pay transparency in the US with at least 16 states adopting pay transparency laws, in the absence of federal laws, aimed at improving remuneration information disclosure by employers, prohibiting salary history requests, and addressing wage gaps.

## UK

### **Companies (Directors' Remuneration and Audit) regulations update (effective)**

The Companies (Directors' Remuneration and Audit) (Amendment) regulations 2025 applies to UK quoted companies and the update aims to remove certain overlapping requirements from the directors' remuneration reporting framework and clarify certain powers of the UK audit regulator. An important change to note is that payments not consistent with a company's remuneration policy must first be approved by shareholders. Under the previous version, the company had to amend its remuneration policy to accommodate any one-off payment, which was burdensome.

### **UK Corporate Governance Code update (effective)**

The Financial Reporting Council (FRC) updated the UK Corporate Governance Code at the beginning of 2024 to apply to financial reporting periods beginning on or after 1 January 2025. The Code is applicable to all companies listed in the commercial companies category or the closed-ended investment funds category, whether incorporated in the UK or elsewhere. Provision 37 mandates that all director contracts and remuneration agreements must include malus and clawback provisions, and companies must provide greater transparency in their annual reports by disclosing when these provisions apply, their timeline and rationale for the selected period, and whether they were actually used during the reporting period with detailed explanations, if used (Provision 38). These updates strengthen corporate accountability and give stakeholders better insight into how companies manage executive compensation risks.

### **UK bankers' remuneration rules updates (effective)**

Following Brexit, UK regulators removed the bankers' bonus cap (restricting bonuses to 100% of fixed salary, or up to 200% with explicit shareholder approval) in October 2023, providing greater flexibility for financial services firms.

The Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) also published substantial reforms in October 2025, including:

- Reduced maximum bonus deferral periods for Material Risk Takers (from eight to four years).
- Faster vesting schedules (allowing partial payments from Year 1 rather than Year 3).
- Increased flexibility in instrument composition to encourage responsible risk-taking (mix between upfront and deferred pay).
- Revised deferral thresholds (easing the restrictions on the proportion of bonuses that must be deferred).

Accompanying these remuneration reforms, the FCA has cut its remuneration handbook rules by 70%, with firms now mostly having to consider PRA rules relating to remuneration for the FY2025/26 bonus cycle onwards. As a result, UK companies are expected to benefit from reduced compliance costs.

### **Investment Association: Principles of Remuneration update (effective)**

The Investment Association (IA), representing UK investment managers, updated its "Principles of Remuneration" (viewed as the industry's guide to best market practice) in 2024 to simplify the principles and provide more flexibility for companies to formulate their own remuneration structures. This includes guidance on hybrid long-term incentive schemes and less strict bonus deferral requirements.

## Australia

### APRA Prudential Standards update (effective)

The Australian Prudential Regulation Authority (APRA) introduced updated remuneration disclosure rules for all financial services companies regulated by it, including banks and insurance companies (local and foreign). These public disclosures will cover remuneration framework, design, governance, and outcomes.

### Australian Sustainability Reporting Standards (effective)

The Australian Accounting Standards Board introduced its Australian Sustainability Reporting Standards (ASRSs) in September 2024, which includes a requirement for selected large companies to disclose the proportion of remuneration received by executives and management linked to climate-related considerations.

## Implications

These regulatory changes represent a fundamental shift towards greater transparency, accountability, and stakeholder alignment in remuneration practices across key jurisdictions. Multinational companies must now navigate increasingly complex disclosure requirements and mandatory risk adjustment mechanisms that extend well beyond traditional executive pay frameworks. Boards and RemCos should reassess their governance structures and stakeholder engagement strategies to ensure compliance whilst maintaining competitive positioning. Those companies that adapt proactively to these evolving standards will be better placed to demonstrate responsible compensation practices and meet heightened regulatory and investor expectations.





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