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Fair and Responsible Pay:
South Africa's Pay Equity Imperative

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South African organisations are navigating a fundamental shift in how pay is governed, disclosed and defended. What was once managed as a technical HR function has become a **board-level priority** - shaped by **converging governance standards, legislative reform, shareholder scrutiny** and a broader social expectation that organisations can demonstrate that their **pay practices are genuinely fair.**

The macro shift: Pay equity, board scrutiny and legislative pressure

Boards, Remuneration Committees and executives are expected to demonstrate that pay is fair, responsible and transparent. Organisations that continue to treat remuneration governance as an administrative process **risk regulatory exposure, reputational damage and loss of stakeholder trust.** The central question is no longer whether organisations should act, but whether they are acting with sufficient urgency, rigour and transparency.

The shift is being driven by three connected forces: **stronger governance expectations under King V,** new statutory remuneration **disclosure requirements under the Companies Amendment Act** and the growing momentum behind **pay transparency through Employment Equity reporting** and the proposed **Fair Pay Bill.**

King V: Fair, responsible and transparent remuneration

King V, published by the Institute of Directors in South Africa on 31 October 2025 and effective for financial years beginning on or after 1 January 2026, reinforces remuneration as a governance priority. Principle 11 places accountability on the governing body to ensure fair, responsible and transparent remuneration at all levels of the organisation.

- **Fair pay** means remuneration is free from discrimination, based on objective criteria and aligned to equal pay for work of equal value across race, gender and other protected characteristics.
- **Responsible pay** means remuneration structures support sustainable value creation and are defensible within the organisation's broader economic, social and environmental context.
- **Transparent pay** means the rationale, process and criteria behind pay decisions can withstand scrutiny from shareholders, employees, regulators and the public.

King V also aligns remuneration governance with recent Companies Act amendments, reflecting the convergence of voluntary governance codes and binding statutory obligations.

Legislative framework: Three pillars of urgency

South Africa's pay equity framework is now shaped by three mutually reinforcing legislative pillars. Together, they require organisations to move beyond ad hoc benchmarking and build a structured, auditable and defensible approach to remuneration governance.

Companies Amendment Act 16 of 2024: vertical pay gap disclosure

The Companies Amendment Act, signed into law in July 2024 with Sections 30A and 30B coming into effect on 22 May 2026, introduces groundbreaking remuneration disclosure requirements for public and state-owned companies.

These provisions require **a remuneration policy to be presented for binding shareholder approval and a remuneration report to disclose key pay metrics,** including the remuneration of each individual director and prescribed officer by name, highest- and lowest-paid employee remuneration, average and median employee remuneration and the ratio between the top 5% and bottom 5% of earners.

The practical implication is significant: **remuneration outcomes will be more visible, shareholder accountability will be stronger and boards will need to explain both the size and drivers of vertical pay gaps in a South African context marked by deep economic inequality.** Importantly, a failed remuneration vote will no longer be merely an advisory signal; **because the remuneration policy is now subject to a binding ordinary shareholder resolution and will fail if more than 50% of votes cast are against it,** it creates a stronger governance consequence and requires more decisive board engagement, remediation and accountability.

The Act introduces a **two-strike rule** with precise implications for remuneration committee members: at the **first strike,** non-executive directors serving on the RemCo must stand for re-election as committee members at the next AGM; at the **second strike,** they must stand for re-election to the board itself and are precluded from serving on the RemCo for two years, though they may remain on the board if re-elected by shareholders. Directors who served on the RemCo for fewer than 12 months in the year under review are exempt. This materially changes the personal accountability profile for RemCo members and creates direct consequences for remuneration outcomes at director level.

Employment Equity Act and EEA4 reporting: horizontal pay gap disclosure

The Employment Equity Act 55 of 1998 expressly prohibits unfair discrimination in employment policies and practices, with sections 6(4) and 6(5) extending this protection to differences in terms and conditions of employment, including remuneration, where employees perform the same work, substantially the same work or work of equal value. Under the EEA Regulations, work is considered to be of equal value where jobs are identical or substantially similar, where employees could reasonably be interchanged to perform the work, or where the overall value of the roles to the employer is equivalent when assessed against objective factors such as skills, qualifications, responsibility and effort. This makes clean job architecture, consistent job evaluation and robust grading, essential to determining whether employees are being compared on a like-for-like or equal-value basis.

At the same time, not every pay difference is unlawful or inappropriate. Pay differentiation may be permissible where it is fair, rational and based on objective criteria such as seniority, length of service, qualifications, competence, performance assessed through a robust and consistently applied system, scarce skills, market value, temporary training arrangements or legitimate salary protection following demotion or organisational change. **The governance challenge is therefore to distinguish explained and defensible differences from unexplained gaps that may indicate systemic bias or require remediation while ensuring that explained gaps are supported by a robust framework and process that makes it defensible.**

This cannot be achieved through static reporting alone. Good reporting, supported by interactive dashboards and analytics, is crucial to give management and the Remuneration Committee a live view of comparable roles, protected characteristics, pay positioning, outliers, permissible differentiators and remediation progress. Done well, dashboarding turns equal pay compliance into an evidence-based management discipline: allowing organisations to track a baseline over time, identify emerging risks early, reduce manual reporting burden and demonstrate that pay equity decisions are objective, auditable and capable of withstanding scrutiny.

Fair Pay Bill: transparency at the point of entry

The proposed Fair Pay Bill, introduced by Build One South Africa and updated for introduction to the National Assembly in April 2026, signals the next stage of pay transparency. Although not yet enacted, it would materially affect recruitment, promotion and pay communication practices.

- Employers would be prohibited from asking about or relying on a candidate's current or previous remuneration when setting pay.
- Job advertisements, transfers and promotion listings would need to disclose the salary or salary range upfront.
- Employees would be permitted to discuss remuneration, limiting pay secrecy practices that can mask inequity.

Organisations should not wait for final enactment before preparing. The direction of travel is clear: pay-setting practices will need to be more objective, transparent and less dependent on historic remuneration patterns.

Why this moment is different

What makes the current environment categorically different from previous waves of governance reform is the simultaneous convergence of multiple forces that have historically moved independently. Shareholders and proxy advisors are scrutinising pay gap ratios with increasing sophistication. ESG-focused investors are embedding fair pay metrics into investment frameworks. Employees, particularly in a younger, more digitally connected workforce, are more willing to surface pay inequities publicly. And media and civil society commentary on remuneration governance has moved from the financial pages into mainstream public discourse.

As remuneration data becomes more visible, the gap between organisations that have done the structural work and those that have not will become starkly apparent. Disclosure alone will not be enough. Organisations will need to be able to explain not just what their pay ratios show, but why gaps exist, how decisions were made and what is being done to address inequities that cannot be justified on objective grounds.

The three sections that follow set out how organisations can respond. Section 2 establishes the job architecture as the diagnostic foundation that makes meaningful pay equity analysis possible. Section 3 addresses the governance solution that connects reward strategy, pay structures and remediation into a coherent system. Section 4 describes how boards and remuneration committees can move from technical compliance to genuine stakeholder confidence — supported by the implementation roadmap that follows.

The diagnostic foundation: How clean job architecture maps the data

Job architecture is the practical foundation that enables the fair, responsible and transparent pay principles that King V identifies. By defining roles, levels, grades and salary bands, it reduces subjective pay decisions, supports consistent market benchmarking and ensures variable pay opportunities are calibrated to responsibility and accountability.

Linking that architecture to HRIS, payroll and performance systems creates the auditable trail that the Companies' act requires for various pay disclosures. This integration enables clear, reconciled pay-gap analysis, supports named disclosures where required, and makes targeted remediation of identified inequities possible – turning assessment into action rather than assertion.

Good governance and clear disclosure are essential complements to job architecture. The Board and Remuneration Committee should approve the framework, embed its maintenance in committee terms of reference, and require regular monitoring, independent assurance and public reporting that explains both policy-driven outcomes and any discretionary adjustments. Using four simple indicators – the percentage of roles mapped to the job architecture; pay distribution by evaluated job value (median and range by grade); median pay gaps between demographic groups within the same grade or cohort; and the status and impact of remediation actions – makes oversight straightforward and evidence-based. Together, these steps improve perceptions of fairness, reduce legal and reputational risk and build stakeholder trust in the organisation's commitment to fair pay.

Many organisations, however, begin their fair pay journey with salary benchmarking but that is the wrong starting point. The logical sequence runs from job architecture through job evaluation and grading, to market benchmarking, then salary bands, pay decisions, pay equity analysis and finally pay transparency.

Benchmarking a role before determining its relative organisational value is like pricing a house before knowing its size, location and condition.

The OECD's Pay Transparency in Progress report (2026) stresses that gender-neutral job evaluation and classification systems are essential mechanisms for operationalising equal pay for work of equal value – and to ensure pay transparency exposes fairness rather than merely mechanical disclosures. This distinction matters. **Pay transparency does not create fairness; it exposes it.**

Organisations that have done the structural work will find that transparency validates their approach; those that have not will find that disclosure surfaces the inconsistencies that discretion and opacity previously obscured.

What job architecture makes possible

The practical value of a clean job architecture is that it creates the common language organisations need to ask and answer the core questions of pay fairness: **which jobs are comparable, what is the relative value of a role, and which pay differences are explained by job value rather than by historical practice, managerial discretion or systemic bias.**
Consider two roles: a procurement specialist and an HR specialist. They perform different work, but if the skill requirements, accountability, complexity and organisational impact are equivalent, they may constitute work of equal value under the Employment Equity Act. **Without a consistent job evaluation methodology and a defensible approach to grouping roles within the overarching architecture,
that equivalence is impossible to establish, document or defend.**

A clean, well-governed job architecture achieves several things simultaneously.

- It maps every employee to a job with a standardised title, description and evaluation score.
- It groups roles into grades (which should be reviewed at least every three years) associated with salary bands and positioning rules.
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- It links job records to payroll, HRIS and performance data, enabling every pay outcome to be analysed against an evaluated job value.
- It transforms a pay gap analysis from a headline percentage into something that can be interrogated, explained and defended; distinguishing pay variance driven by legitimate factors such as job value, market positioning, tenure or performance from unexplained gaps that require remediation.

Common failure modes

Poorly designed or **neglected job architecture does not simply fail to solve equity problems; it can actively compound them.** Embedding historical bias into grading frameworks, applying evaluation standards inconsistently across functions, or over-relying on market data that already reflects existing pay inequities all reduce the proportion of pay variance that can be legitimately explained. Each failure **increases legal, financial and reputational exposure precisely when transparency requirements make those gaps visible.** A job architecture that has not been reviewed or updated as the organisation evolved is particularly vulnerable to challenge under EPWEV obligations, where the question is not only whether pay is consistent today but whether the framework used to set it was free from gender bias at the point of design.

A typical pitfall seen on a regular basis is where companies claim an excessive number of "unique" jobs relative to a small workforce – for 500 job variants in an employee population of only 1,000 to 2,000, This increases costs, fragments career paths, complicates reporting and prevents meaningful identification and remediation of pay inequities. Section 3 sets out the governance solution that sits above this diagnostic foundation – connecting reward strategy, remuneration philosophy, pay frameworks and remediation planning into a coherent and explainable system.

Pay equity when job equity is done right

When job architecture is clean and integrated, organisations can produce a meaningful set of diagnostic outputs:

- The percentage of employees mapped to unique job ID's
- Match rates between HR titles and unique roles
- The share of pay variance explained by job value in regression models
- Median pay position pay within grades and residual unexplained pay gaps by protected characteristic after controlling for job value, tenure and performance
- Identified prioritised roles for gap remediation with clear governance ownership and audit trails

These outputs enable targeted remediation, objective disclosures and board-level assurance beyond pay governance.

Job architecture is the diagnostic core that make spay transparency meaningful and pay equity defensible. Organisations that invest in a clean, governed architecture convert fragmented HR data into evidence-backed decisions, reduce legal and reputational risk, and provide boards and stakeholders with credible assurance that pay practices are fair. Section 3 sets out the governance solution that builds on this foundation.

The governance solution: Benchmarking policy and remediation

With the diagnostic foundation established, the next task is building a governance solution that connects reward strategy, remuneration philosophy, pay frameworks and remediation planning into one coherent and explainable system. Pay levels need to be anchored in the reward strategy and philosophy, which in turn must reflect the organisation's strategic direction, its talent priorities, industry norms and best practice. This creates a traceable line of sight from what the organisation is trying to achieve, through how it chooses to reward people, to how pay outcomes are governed, tested and corrected when gaps arise.

BUSINESS STRATEGY AND IMPERATIVES
Defines the value drivers, talent priorities, affordability parameters and behaviours required for sustainable performance.

REWARD STRATEGY AND PHILOSOPHY
Translates strategy into reward principles, including fairness, competitiveness, performance alignment, differentiation, total rewards and compliance.

PAY FRAMEWORK AND STRUCTURES
Sets the practical architecture: job grades, pay ranges, market positioning, benefits, incentives, recognition and differentiated treatment for scarce or specialist skills.

GOVERNANCE AND REMEDIATION
Monitors outcomes through benchmarking, pay equity dashboards, ratio testing, outlier management, policy controls and targeted remediation.

Best practice requires the remuneration framework to make explicit how each reward component works together and why it exists. This includes competitive base pay, pay-for-performance, total rewards, benefits, recognition, skills-based pay or contribution premiums and governance controls. The framework should also define the role of external benchmarking, comparator groups, internal job architecture and performance management in determining pay outcomes, so that the organisation can explain both the principles and the mechanics behind remuneration decisions.

Defensible pay scales are the mechanism that converts philosophy into practice. Today's pay scale frameworks are converging around five core principles: they are market-anchored, commonly targeting the lower to mid quartiles for general roles and higher positioning for scarce, complex or specialist job families; internally calibrated to reflect the organisation's actual salary distribution; structurally sound, with appropriate range width, slope and overlap; actively governed through performance linkage and outlier monitoring; and dynamically adjusted through phased, affordability-led implementation.

Key trends include a stronger move toward median market alignment for sustainability, recalibration of the full pay range rather than only midpoint movement, upward adjustment of minimum salaries where employees are below market and scenario-based approaches that balance conservative and ideal outcomes against affordability.

Organisations are also reducing outliers above band maximums, applying more differentiated benchmarks for executive and specialist roles and implementing changes gradually so that eligibility, performance and affordability remain central to pay progression.

Vertical pay gaps should be interpreted with judgement. The Companies Act requires disclosure of the highest- and lowest-paid employees, average and median employee remuneration, and the ratio between the top 5% and bottom 5% of earners; however, there is no inherently "right" or "wrong" ratio.

Our approach: Board and stakeholder readiness

Moving from compliance readiness to genuine board and stakeholder confidence requires more than accurate data. It requires a structured methodology, a clear disclosure approach and a narrative that boards, remuneration committees and management can articulate and defend under scrutiny.

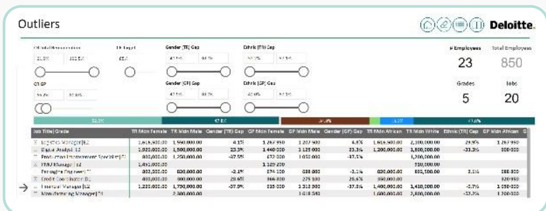
Board and stakeholder readiness rests on five integrated workstreams:

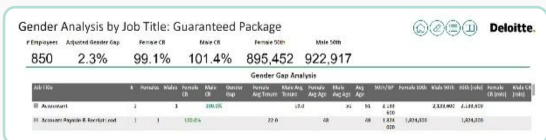
Job architecture provides the enabling foundation: without a defensible view of roles, levels, grades and job families, organisations cannot credibly benchmark pay, test gaps or explain why pay differentiation is justified. A well-designed architecture also supports clearer remuneration policy drafting, consistent application of pay ranges and reliable reporting for both vertical and horizontal pay equity disclosures.

Policy readiness ensures the remuneration policy clearly describes the principles, structures and governance applicable to disclosed officers, other employees and non-executive directors.

Data readiness confirms the population, remuneration definitions and methodology used for both statutory and policy-based disclosures.

Analytics readiness tests the required headline metrics — including highest- and lowest-paid employees, average and median remuneration, and top 5% to bottom 5% ratios — alongside explanatory metrics that contextualise what the numbers show. However, systems will be the biggest enabler of sustainable reporting. Organisations need dashboarding and analytics capability that gives management and the Remuneration Committee access to accurate, reconciled pay data at the touch of a button, reducing the manual burden of reporting and enabling trends, outliers and remediation actions to be tracked over time against a clear baseline. Stakeholder readiness prepares the board, RemCo and management to explain the methodology, respond to shareholder feedback, account for material policy changes and articulate how pay gap movements and remediation actions are being managed over time.





In practice, this requires a documented basis for decisions: how material changes to the remuneration policy will be identified, how the remuneration report will distinguish the forward-looking policy from the backward-looking implementation report, how statutory disclosures will be reconciled to more meaningful policy-based workforce views and how exceptions such as learners, fixed-term employees, benefits in kind, sign-on payments, incentive timing and share-based awards will be treated consistently year on year.

FRAMEWORK	COVERAGE	REMUNERATION BASIS	INCLUDED / DISCLOSED	INTERACTION WITH REMUNERATION REPORT	KEY CONSIDERATIONS	WHO NEEDS TO COMPLY
Companies Act Section 30	Directors and prescribed officers' remuneration disclosed individually by name in audited Annual Financial Statements.	Section 30 remuneration and benefits, including items that may differ from section 30B total remuneration.	Individual remuneration, benefits, service contract details and certain allowances or financial assistance items.	May differ from the executive total earned and awarded remuneration used in the implementation report.	Forms part of annual financial statement disclosure and is subject to audit requirements.	All companies required to have their annual financial statements audited under the Companies Act, subject to the public interest score threshold.
Companies Act Sections 30A and 30B	Implementation report must reconcile individual executive disclosures with workforce pay gap metrics. Individual pay narratives must be disclosed alongside pay ratio contexts.	Total remuneration includes salary, benefits, employer contributions, short-term incentives, long-term incentives, share options and incentive awards.	Highest and lowest paid employees, average and median employee remuneration and top 5% to bottom 5% pay ratio.	Executive disclosures may be based on total earned remuneration, while workforce ratios may use payroll or total earned remuneration methodology.	State the methodology, apply it consistently, explain changes and consider statutory and policy-based disclosures.	Public companies and state-owned entities. Private companies are encouraged to adopt these principles voluntarily.
Employment Equity Act / EEA4	Designated employer workforce reported by occupational level, race and gender to the Department of Labour. Not publicly disclosed but must support the broader pay disclosure narrative.	Income differential reporting aligned to prescribed employment equity reporting categories.	Horizontal gaps by occupational level and demographic groupings.	Not an executive single figure disclosure; focuses on workforce-level income differentials. Best practice is to detail out how differentials are calculated, what they are and how they are being addressed.	Requires defensible job evaluation, grading and equal pay for work of equal value analysis.	Designated employers as defined by the Employment Equity Act and any additional designations from the Minister.
King V Principle 11	The governing body must provide context and rationale for remuneration outcomes across all levels. The remuneration report must demonstrate how the reward strategy translates into consistent and defensible decisions from entry-level to C-Suite.	Fair, responsible and transparent remuneration aligned to sustainable value creation.	Policy, implementation report, governance rationale, pay outcomes and stakeholder explanations.	Supports the narrative and governance context for disclosed officer remuneration.	Requires explainability, stakeholder-inclusive decision-making and alignment with strategy, performance and sustainability.	Applies on an apply and explain basis to all organisations. Incorporated into the JSE-listings requirements and aligns with the Companies Act.
Fair Pay Bill	If enacted: pay disclosures will be required in job advertisements and restrictions on requesting candidate salary history will be prohibited. Pay setting approaches and pay ranges will need to be shared with employees.	Focuses on pay-setting transparency rather than annual remuneration disclosure.	Salary range disclosure, salary history restrictions and employee pay discussion protections.	No direct requirement or reporting	Requires clear pay ranges, recruitment governance and manager readiness to explain pay positioning.	When enacted, will apply to all employers without a size or listing threshold.

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