



Pay Transparency Readiness Study 2025

**A&O SHEARMAN'S INSIGHTS FROM LEADING EMPLOYERS ON THE
IMPLEMENTATION OF THE EU PAY TRANSPARENCY DIRECTIVE**



1. LEGAL BACKGROUND AND MOTIVATION FOR THE SURVEY

The Pay Transparency Directive (EU) 2023/970 (**EU Pay Transparency Directive**), adopted in May 2023, must be transposed into national law by all EU Member States by 7 June 2026. While the deadline may appear distant, the practical and structural requirements of the Directive – particularly the need to ensure pay structures are based on objective, gender-neutral criteria – are substantial.

Our experience across jurisdictions suggests that legislative implementation is progressing slowly. As of mid-2025, most EU Member States have not yet published draft legislation, and employers cannot currently rely on national laws to guide their compliance efforts. This regulatory gap poses a significant challenge for multinational organisations, which are nonetheless expected to begin preparations for full compliance by 2026.

A central obligation under the EU Pay Transparency Directive is found in Article 4: Employers must ensure that any system used to determine pay levels – including grading, job evaluation, and classification systems – is based on the following objective criteria:

- ♦ Skills
- ♦ Effort
- ♦ Responsibility
- ♦ Working conditions

Aligning existing compensation structures with these new requirements can be complex, particularly in decentralised or legacy systems.

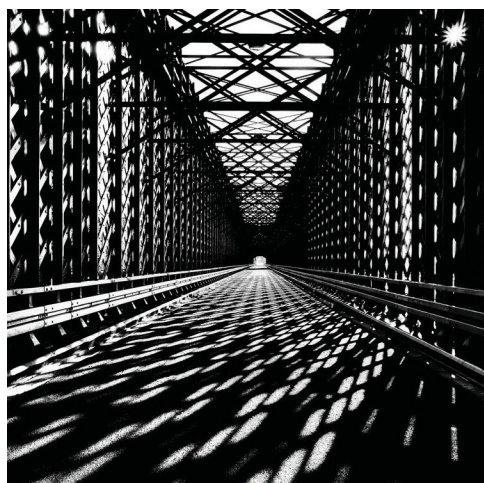
‘To define “work of equal value” within the meaning of Article 157 TFEU has always been a sensitive issue. With the obligations following from Article 4(4) of the Pay Transparency Directive, it becomes a resource-intensive and even more complex task.’

Gilles Dall’Agnol, Partner, A&O Shearman Luxembourg

‘The EU Pay Transparency Directive’s approach mirrors established UK practice, where courts and tribunals are used to assessing whether different roles – even in separate functions – are of equal value under the Equality Act 2010. Recent group actions, such as the “Next” case, have highlighted these principles, with the Employment Tribunal finding store and warehouse staff performed work of equal value and dismissing market-based pay justifications.’

Sarah Henchoz, Partner, A&O Shearman London

To better understand the state of preparation among our clients and peer companies, we conducted an anonymous survey among HR and legal professionals in large, multinational organisations across Europe. This report summarises the key trends and takeaways from the survey.



2. PARTICIPANT PROFILES

The survey was completed by HR and legal professionals from a broad cross-section of companies operating across the European Union. Participants included representatives from over 50 large and internationally active corporate groups, many of which are major employers with thousands of employees across multiple jurisdictions, for example, in Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Spain and other EU Member States. Furthermore, the respondent organisations span a wide variety of industries, from finance and PE to manufacturing, technology and consumer goods.

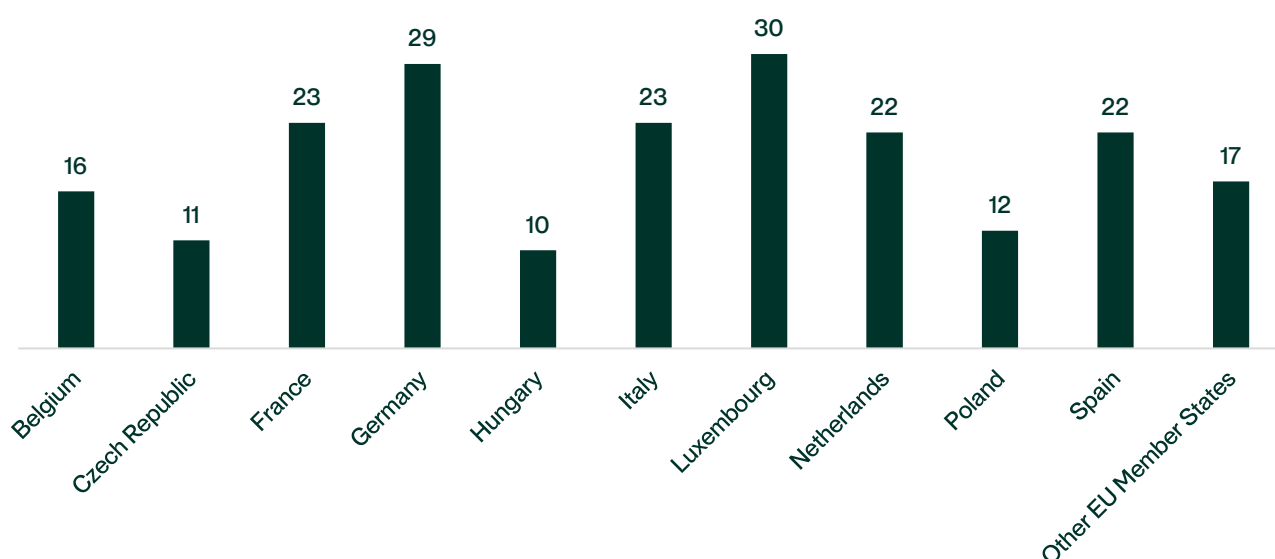
While responses were submitted anonymously, we are aware that a number of Europe's most prominent employers took part in the survey. The findings thus reflect the internal practices and strategic priorities of companies with substantial employee populations – far beyond the minimum thresholds contemplated under the Directive. A significant portion of respondents reported EU workforces in the high hundreds or mid-thousands, with a strong representation of companies subject to co-determination or collective bargaining regimes.

Others operate in only one or two EU Member States and without employee representation. Compensation systems varied accordingly: Some companies rely on globally harmonised frameworks, while others use country-specific or (usually co-determined) entity-level approaches.

Given the scale and diversity of the participating organisations, we believe that the survey provides a meaningful snapshot of how companies are currently positioning themselves in light of the EU Pay Transparency Directive. While we do not claim that the results are 'scientifically' representative, the combination of cross-sectoral coverage, multinational structures and internal HR sophistication among the respondents allowed for trends and practical challenges to be identified with a reasonable degree of confidence.

In our view, the results offer a valuable benchmark – particularly for companies that, like many of the participants, are navigating the tension between global pay structures and local compliance requirements. As always, individual interpretations and strategies will vary, but we hope that the insights presented in this report can support informed decision-making and constructive dialogue in the lead-up to full implementation in June 2026.

In which EU Member State(s) does your organisation operate?



3. SURVEY FOCUS AND RATIONALE

The survey was designed to assess how companies are preparing for the key requirements of the EU Pay Transparency Directive, with a particular focus on operational and structural changes. Our aim was not only to collect descriptive data but also to gain insight into where practical implementation hurdles may arise. The questions covered three main areas:

- ♦ **Governance and accountability:** We asked whether internal responsibility for compliance has already been allocated and, if so, to which functions (e.g. HR, Legal, Compensation Committee).
- ♦ **Job classification and pay structure design:** We asked whether companies have adopted a formal methodology for assessing 'equal work or work of equal value', and what type of grading or job evaluation systems they currently use or plan to introduce. This was coupled with questions on the status of job description reviews and how positions are grouped for the purpose of pay transparency reporting.
- ♦ **Gender pay gap analysis:** A major operational challenge lies in tracking (and potentially explaining) gender-based pay differences. We asked whether companies' current systems are technically capable of detecting pay gaps, whether such analyses have already been performed, and how organisations have responded to identified gaps. These questions are particularly relevant for those employers, who will be required to conduct such analyses regularly under Article 9 of the EU Pay Transparency Directive and – in some cases – engage in joint pay assessments with employee representatives under Article 10 of the EU Pay Transparency Directive.

'For many clients, the real turning point comes when the results need to be reported to and discussed with employee representatives – that's where technical findings become industrial relation issues.'

Arnold Keizer, Partner, A&O Shearman Amsterdam

4. KEY PATTERNS AND PRACTICAL OBSERVATIONS

The survey responses reveal clear patterns in how organisations of different sizes and footprints approach the EU Pay Transparency Directive. While certain trends may come as no surprise, they nonetheless shed light on the current realities.

Implementation of job classification and pay structure requirements

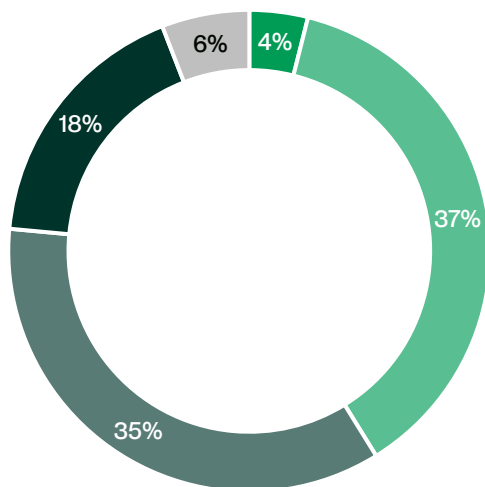
A key element of the EU Pay Transparency Directive – as its name, with focus on 'just' transparency, might *not* suggest – lies in its requirement for employers to align their pay structures with a set of objective and gender-neutral criteria. While the political intention may be clear, the operational implications are extensive – and, in parts, remarkably granular. Against this backdrop, we asked companies to what extent they have already taken steps to implement core structural requirements under the Directive, including the introduction of formal job evaluation methodologies, grading systems, updated job descriptions, and structured position groupings for pay transparency reporting.

- ♦ Nearly all respondents indicated that they had recognised the need to establish a formal methodology for assessing 'equal work or work of equal value'.
 - ♦ Only 4%¹ reported full alignment.
 - ♦ Although around 37% have already adopted such a methodology, most rely on internal job descriptions and are not yet fully aligned with the four Article 4 criteria (skills, effort, responsibility and working conditions).
 - ♦ Another 35% are in the process of developing a methodology, with 18% planning to start but not yet underway.
 - ♦ A small minority, around 6%, indicated that no methodology has been planned.
- ♦ As for grading systems, 37% reported using a globally harmonised approach, and another 12% applied a consistent system across all European Union entities/branches of the group. By contrast: 12% rely on country-specific structures; 15% use local or entity-based systems (most of which are not represented in more than one EU

¹ Where necessary, percentages have been rounded for readability.

Member State) and 10% operate with an internal, non-formalised shadow system; and – notably – 14% currently lack any form of grading system – a finding that may reflect the still-evolving nature of this requirement and that highlights a potential area of exposure.

Has your organisation adopted a formal methodology for defining and assessing equal work/work of equal value?



- Yes – based on all four Article 4 Pay Transparency Directive criteria (skills, effort, responsibility, working conditions)
- Yes – but based on internal job descriptions without full alignment with Article 4 Pay Transparency Directive
- In development
- Planned but not yet started
- Not planned

‘Choosing between a global, EU-wide or local approach to pay structuring goes to the heart of how multinationals balance consistency with local compliance expectations. Coordination with works councils or trade unions often leads to fragmentation – yet automated assessments are hardly feasible without a standardised model.’

Peter Wehner, Partner, A&O Shearman Frankfurt

- ♦ When it comes to job descriptions, a foundational element of objective pay comparisons, progress remains uneven, underscoring the practical challenge of embedding pay transparency requirements into day-to-day HR documentation: Only 4% of companies (unsurprisingly, those that declared full alignment with the methodology) have fully reviewed and updated all job descriptions to reflect the new standards, while 45% are currently doing so. An additional 8% have made partial updates. However, 31% have not yet begun the review process, and 8% say updates are planned but have not been started.

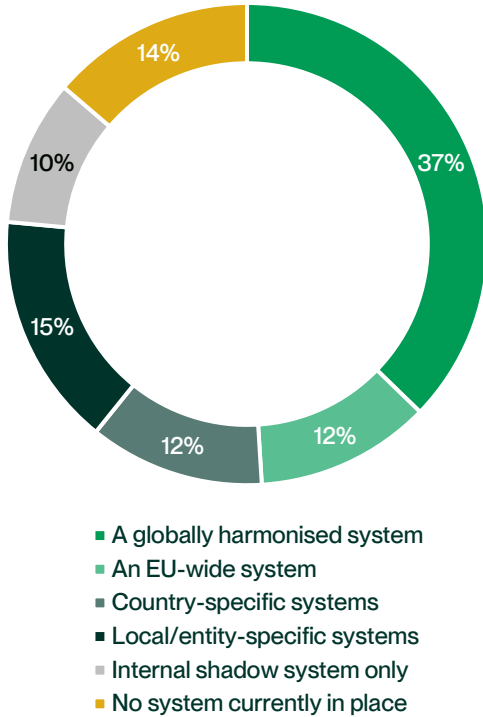
‘Aligning job descriptions as a reliable foundation of the later assessment sounds simple on paper – but in practice, it often triggers complex debates around standardisation and documentation for evaluating the skills, efforts, responsibilities and working conditions associated with a position.’

Inge Vanderreken, Partner, A&O Shearman Brussels

- ♦ Regarding the grouping of positions for pay comparison purposes, roughly two-thirds of respondents rely on existing job families or grading systems. Some of the two-thirds are complementing their systems with broad categories such as administrative, production or management roles. Around 10% only group employees by broad categories, while 6% take a case-by-case approach. 18% stated that no grouping methodology has been implemented to date.

None of these results are particularly surprising. In many ways, the findings confirm what practitioners might already suspect: Larger organisations, with dedicated HR infrastructures and in-house legal and/or compensation experts, are naturally more advanced in implementing the EU Pay Transparency Directive’s requirements.

What kind of grading or job evaluation system do you plan to use following the implementation of the Pay Transparency Directive?

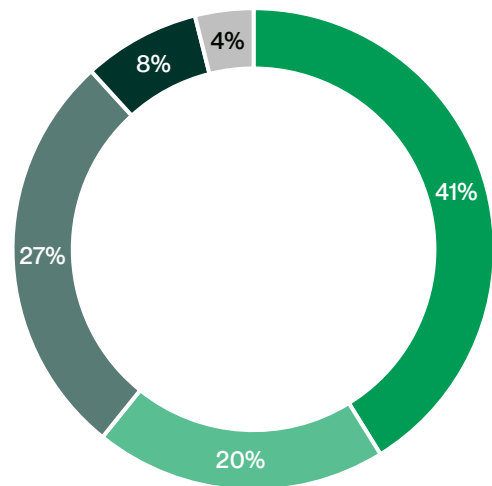


- Employers with more than 500 employees, especially those with more than 2,000 employees, consistently reported higher levels of preparedness. Smaller employers, by contrast, are more likely to be at the very beginning of their compliance journey or to have deferred action altogether. For many mid-sized or smaller companies, the implementation of the EU Pay Transparency Directive appears to be just one of many compliance challenges competing for attention and resources. Unlike large multinationals, they often lack the capacity to dedicate internal specialists to the task or to engage external consultants. This practical gap is not easily resolved and highlights the broader compliance burden introduced by the EU Pay Transparency Directive.
- Geographic footprints also play a role. Companies operating solely in one jurisdiction tend to report lower implementation progress – of course, correlating with the size of the group or company. None reported full alignment with the Article 4 methodology criteria – a path to compliance that may be more complex and resource-intensive than initially anticipated.

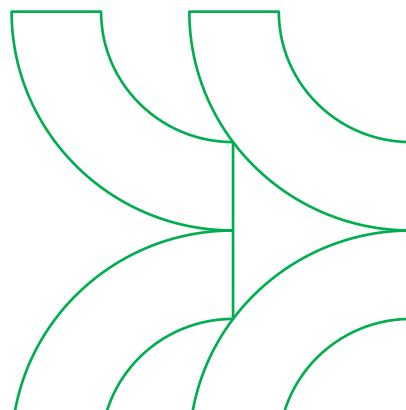
Accountability for pay transparency

When asked whether responsibility for pay transparency compliance is clearly assigned within the organisation, most respondents noted at least some efforts to define accountability; 41% of the companies stated that clear accountability has been assigned to a specific role or function. Another 20% said responsibility is only defined to some extent (shared between multiple functions). Meanwhile, 27% are still in the process of defining who is accountable or having discussions about it. A small minority either has no plans to assign this responsibility (8%) or doesn't yet know who will take charge (4%).

Has your organisation assigned internal accountability for Pay Transparency Directive compliance (e.g. to HR, Legal and/or the Compensation Committee)?



- Yes – clearly assigned
- To some extent – this is shared between functions
- In progress/under discussion
- Not planned
- I don't know



Gender-neutral pay assessment

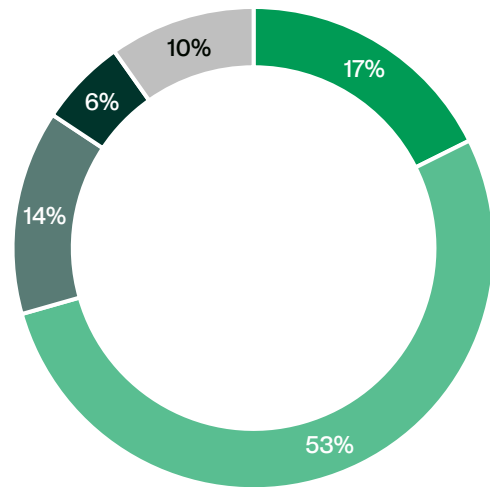
Companies were asked about the status of analysing gender pay gaps in light of the EU Pay Transparency Directive's reporting requirements.

- ♦ A substantial portion (39%) have not yet analysed their pay gaps but plan to do so by the 7 June 2027 deadline (which applies to employers with 150 or more workers).
- ♦ Another 4% (two companies) indicated that they will analyse their pay gaps by the 7 June 2031 deadline (which applies to employers with 100–149 workers).
- ♦ 20% of respondents have already conducted a pay gap analysis and found gaps above 5% between male and female employees.
- ♦ An equal share (8% each) has either already analysed and found no significant gaps or considers the requirement not applicable because the company does not meet the 100-employee threshold.
- ♦ About 16% admitted that they have neither analysed their pay differentials nor made concrete plans to do so. The remaining 6% were unsure about their status.

'It's encouraging to see that a growing number of companies are already conducting pay gap analyses well before they are legally required to do so. At the same time, it's a smart move – phased implementation of an updated compensation system is a lot easier than rushed adjustments when the deadline is close.'

Livio Bossotto, Partner, A&O Shearman Milan

Are your current compensation systems technically capable of tracking gender-based pay differences?



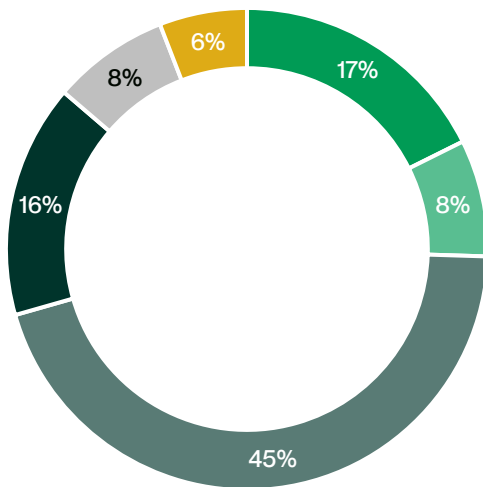
- Yes, fully
- Partially – some limitations
- No – changes required
- Not assessed yet
- I don't know



Actions (to be) taken if >5% pay gaps found

For those companies that identified gender pay gaps above 5%, the survey gathered how they responded (multiple answers were allowed for this question).²

Have you conducted a gender pay gap analysis as will be required under the Directive? If yes, have any pay gaps above 5% been identified for employees performing equal work or work of equal value?



- Yes – pay gaps above 5% have been identified
- Yes – no pay gaps above 5% have been identified
- Not yet analysed, but planned before 7 June 2031 (applicable for employers with \geq 100 workers)
- Not yet analysed and not planned so far
- Not applicable – the minimum threshold of 100 workers is not met
- I don't know

- ♦ 50% of the respondents believe that the observed pay gaps can be justified by objective reasons (e.g. due to differences in performance, tenure and roles, and thus that no corrective action is required) while 10% haven't made any changes yet. This indicates that even if gaps were found, no changes have been implemented so far.
- ♦ On a more positive note, a few companies have taken concrete steps: About 10% have already adjusted pay levels to reduce the gaps, and another 10% said that the development of a remediation plan is being discussed with

employee representatives (such as works councils or unions).

- ♦ In addition, 10% provided 'Other' responses describing alternate actions or contexts.

Resources utilised for compliance efforts

We asked which resources or support the company is using to comply with these pay transparency measures (multiple selections possible).³

- ♦ A significant share of respondents are handling the process internally, with roughly 42% of respondents indicating 'internal only' (meaning they rely on internal legal, compensation and HR teams with no outside help).
- ♦ About one-third of companies (32–34%) have engaged external compensation consultants (e.g. Willis Towers Watson and Mercer) to assist in the analysis or compliance process.
- ♦ Around 18% have involved external law firms for legal or advisory support on pay transparency.
- ♦ Few companies (4%) have involved employee representatives such as works councils or trade unions at this stage.

'While companies often aim to pre-align global systems within the group, it remains essential to consider consultation and negotiation obligations with trade unions and works councils, where applicable. What makes this even more far-reaching is that, unlike, for example, the German Pay Transparency Act (EntgTranspG), the EU Pay Transparency Directive does not provide for any privileged treatment of collective bargaining agreements. Whether and to what extent the fundamental right to collective bargaining under Article 28 of the EU Charter of Fundamental Rights may nevertheless influence the interpretation of the Directive remains to be seen.'

Hendric Stolzenberg, Senior Associate, A&O Shearman Frankfurt

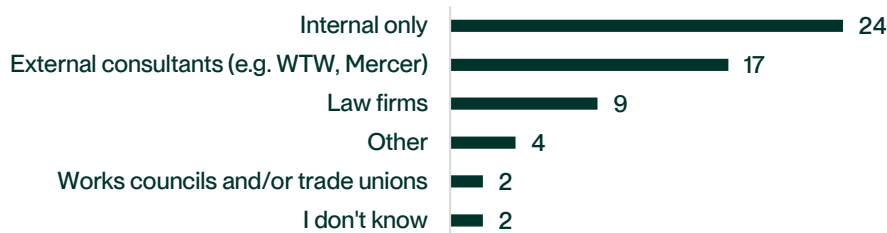
- ♦ Additionally, roughly 8% of companies indicated 'Other' forms of support (e.g. other types of advice or tools), a similar small fraction (4%) answered 'I don't know' regarding what

² Note: Percentages for this question do not sum to 100% because multiple actions could be selected by a single respondent.

³ Ibid.

resources are being used and 4% did not provide any answer.

Have you worked with any external parties during the assessment of pay transparency and/or the implementation process?



Legal disputes regarding equal pay

An overwhelming majority (approximately 84% of respondents) indicated that they have not faced any legal disputes or challenges related to pay discrimination/equal pay. Only 8% of respondents reported having had legal disputes concerning equal pay. Another 8% answered ‘I don’t know’, suggesting some respondents were unsure whether their organisation had faced such legal issues (or that none have been reported to them).

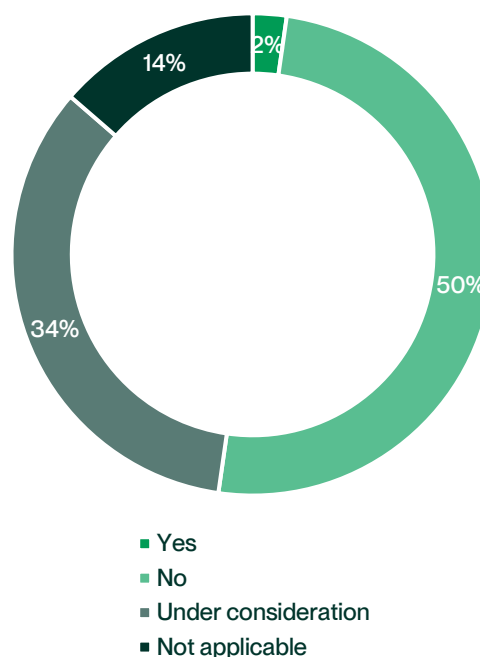
Financial provisions for pay adjustments

Finally, we inquired whether companies have set aside any financial provisions or reserves to address potential pay adjustments (or fines) resulting from the EU Pay Transparency Directive requirements (e.g. from its potential shifts of burden of proof). Most companies have not earmarked funds specifically for this: 43% answered ‘No’ (no provisions made). However, a considerable portion is weighing the possibility; 29% said that setting aside funds is ‘under consideration’. About 14% of respondents were unsure (‘I don’t know’). Interestingly, 12% said the question was ‘not applicable’ to them – likely those who are not subject to the requirements or expect no significant impact (e.g. smaller firms or those confident in their pay equity). Only 2% of companies reported that they have already allocated a budget or provision to cover potential pay equity adjustments or related costs.

‘Few employers have fully factored in the litigation risks that may emerge once employee representatives can bring claims on behalf of individuals under Article 15 of the Directive – including for damages.’

Sebastian Schulz, Partner, A&O Shearman Frankfurt

Have you made financial provision to address any legal challenges based on the Pay Transparency Directive?



5. OUR ADVICE ON IMPLEMENTATION OF COMPLAINT COMPENSATION SYSTEMS

At A&O Shearman, we regularly advise on implementing the EU Pay Transparency Directive – particularly in the context of complex, cross-border organisational structures. Our experience across

industries and jurisdictions has generated a set of practical lessons and strategic insights that may also benefit other companies navigating similar challenges.

If you would like to explore any of the topics raised in this report in more detail, our team would be happy to support you.

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