



# EU PAY TRANSPARENCY DIRECTIVE

Navigating the journey to compliance





## THE GLOBAL RISE OF PAY TRANSPARENCY

Pay transparency has rapidly emerged as a major theme in the global conversation about fairness, equality, and corporate responsibility. What was once considered a private matter between employers and employees is now a key issue that organisations across the world must address. The growing demand for transparency around pay has been driven by various factors: increasing concerns about pay inequality, heightened employee expectations for fairness, and societal movements advocating for greater corporate accountability with a focus on equality in the workplace.

Regulatory frameworks have responded accordingly, with several regions introducing stricter pay transparency laws aimed at narrowing gender pay gaps and promoting equality. The United States has seen states such as California, Massachusetts and New York introduce pay transparency requirements, while countries like Germany, Finland and Sweden have previously led the charge in Mainland Europe, shedding light on salary discrepancies.

The EU Pay Transparency Directive (EPTD) is part of this global momentum. Announced in 2021, the Directive aims to increase transparency in pay structures and address the persistent gender pay gap across EU member states. As the deadline for compliance draws closer, organisations are facing the dual challenge of meeting new regulatory requirements while navigating the cultural and operational shifts that transparency demands.

## THE EU PAY TRANSPARENCY DIRECTIVE: TURNING COMPLIANCE INTO OPPORTUNITY

Organisations with operations across the EU now face a watershed moment. Pay transparency, once considered a future concern, is now front and centre on the HR and leadership agenda, bringing with it promises to reshape reward practices across Europe.

But how ready are organisations for compliance with the Directive's requirements at this stage? A&M decided to explore this through a pulse survey of HR and Reward Leaders from across a diverse range of European and UK-headquartered organisations.

While the Directive's immediate objective is to ensure fairness and address gender pay gaps, its implications stretch far beyond compliance. For forward-thinking organisations, we believe that pay transparency offers a strategic opportunity to enhance employee trust, drive engagement, and strengthen competitive positioning in the talent market. To reflect this, our hypothesis was that for organisations already well progressed in their pay transparency and EPTD-readiness journey, pay transparency effectiveness would not be dictated simply by a compliance target but would be woven into the strategic and cultural fabric of the organisation.



**Pay transparency offers a strategic opportunity to enhance employee trust, drive engagement, and strengthen competitive positioning in the talent market.**

Initially, we set out to understand where organisations are on their journey towards compliance and readiness. However, we didn't stop at surface-level readiness; we dug deeper to gauge the strategic and cultural alignment necessary for true pay transparency. Are organisations merely preparing to tick the compliance box, or are they positioning themselves to harness this as a strategic advantage? Are leadership teams and management aligned in their understanding and approach, or is there a disconnect that could undermine efforts?

The results present an interesting snapshot of where companies are today with their readiness for the Directive, and our findings tell a compelling story: while many companies are making progress, the majority still have a long way to go to turn a legal requirement into a strategic advantage. However, by reframing pay transparency as an opportunity, rather than a compliance exercise, organisations can position themselves as leaders in the market — driving equity, boosting engagement, and ultimately creating a more sustainable and inclusive workplace. This report provides actionable steps and strategic insights to help organisations achieve this goal.

The road to compliance begins with strategic alignment and ends with leveraging transparency as a powerful muscle within your organisation. So, buckle up and let's dive in.

## EPTD OVERVIEW: WHAT YOU NEED TO KNOW

### EPTD implementation timeline: key dates



#### June 2023:

Entry into force: Member states have three years from the entry into force date to transpose the Directive into national law.



#### June 2026:

Deadline for member states to transpose the Directive into national law.



#### 2026 / 27:

Compliance requirements become enforceable (effective date subject to each national transposition date)



#### 2027:

Initial review by the European Commission with possible amendments or additional measures to be considered. By 2027, member states must establish penalties for non-compliance, including fines and sanctions. The European Commission is expected to start publishing national-level gender pay gaps.



**THE ROAD TO COMPLIANCE BEGINS WITH STRATEGIC ALIGNMENT AND ENDS WITH LEVERAGING TRANSPARENCY AS A POWERFUL MUSCLE WITHIN YOUR ORGANISATION. SO, BUCKLE UP AND LET'S DIVE IN.**



The EU Pay Transparency Directive sets forth several requirements for employers within the European Union, with specific obligations that vary depending on the size of the company. While the Directive sets the baseline, post-transposition requirements in each member state may also vary across the EU.

### 1. Pre-employment pay transparency measures

#### *Job postings and descriptions:*

Employers must provide clear information about the initial pay level or pay range for a position in all job advertisements or before the first interview. This ensures candidates have a clear understanding of the potential pay before engaging in negotiations, reducing pay discrimination risk.

#### *Pay transparency in interviews:*

Employers cannot ask prospective employees about their pay history. This measure aims to prevent any past pay discrimination from affecting future earnings.

### 2. Right to information for employees

Employees have the right to request and receive information on their pay level and the average pay levels, broken down by sex, for employees performing the same work or work of equal value. This right applies to all employees, regardless of company size.

### 3. Pay reporting requirements

#### *Large companies (250+ employees):*

Annual reporting: Companies with 250 or more employees are required to publish an annual report on the gender pay gap within their organisation. The report must include:

- The gender pay gap for the entire organisation.
- The median and mean pay differences between male and female employees.
- Pay differences for different categories of employees (e.g., full-time, part-time, etc.).
- Pay differences for categories of employees doing the same work or work of equal value.

#### *Medium-sized companies (100 to 249 employees):*

Triennial reporting: Companies with workforces in this range must report the gender pay gap data every three years. The reporting requirements are similar to those for large companies, focusing on the gender pay gap, median and mean pay differences, and other relevant pay data.

#### *Small companies (Less than 100 employees):*

No mandatory reporting: There are no mandatory pay reporting requirements for companies with fewer than 100 employees under the Directive. However, companies are still subject to general pay transparency and anti-discrimination requirements. Member States may choose to apply certain aspects of the Directive to smaller companies if they wish.

### 4. Pay gap action plan when the gender pay gap exceeds 5%

If the reported data reveals a gender pay gap of more than 5% that cannot be justified by objective gender-neutral factors, companies must conduct a joint pay assessment:

- The assessment must be conducted in cooperation with employee representatives.
- It must identify the pay gap causes and develop measures to address and close the gap.
- Results and any remedial actions must be reported to employees and their representatives.

### 5. Pay structures and job evaluations

Employers must ensure that their pay structures are gender-neutral, ensuring that job evaluations and classifications are free from gender bias and establishing transparent criteria for setting pay levels to ensure that jobs of equal value receive equal pay. This includes any performance management to reward linkages for variable pay.

### 6. Protection against pay discrimination

Employers are prohibited from retaliating against employees who exercise their rights under the Directive, such as requesting pay information or participating in pay assessments. Employers must establish procedures to handle complaints about pay discrimination.

### 7. Transparency in collective bargaining

Employers involved in collective bargaining processes must include pay transparency as a key topic of negotiation. This ensures that pay equality is addressed collectively, involving both employers and employee representatives.

### 8. Communication and awareness

Employers must communicate clearly to all employees about their rights under the Directive. This includes providing information on how employees can request pay information, the procedures for reporting suspected pay discrimination, and the protections available to them.

### 9. Penalties for non-compliance

Member States are required to establish penalties for employers who fail to comply with the Directive which may include fines, compensation for affected employees, and other sanctions as determined by national law.

### 10. Implementation and monitoring

Employers must maintain records of their compliance efforts and make these available to labour inspectors and other relevant authorities upon request. Regular monitoring and audits may be conducted to ensure ongoing compliance with the Directive.



## SURVEY METHODOLOGY: OVERVIEW OF OUR APPROACH

A&M's survey aimed to assess organisational preparation progress for the EU Pay Transparency Directive, covering levels of understanding, and strategic, cultural and operational readiness. The goal was to uncover pay transparency sentiment, an insight into current readiness levels, and identification of any actionable insights for consideration. HR and Reward Leaders from across multiple industries and countries were invited to submit data via an online questionnaire during July and August 2024. Our survey was designed to explore several key areas:

### 1. Readiness for compliance

Evaluating how prepared organisations are to meet the Directive's requirements



### 2. Management alignment

Assessing the perceived level of understanding and strategic alignment among management



### 3. Integration into strategic planning

Measuring how deeply pay transparency is integrated into strategic goals



### 4. Cultural readiness

Gauging readiness for the cultural shifts required by the Directive



### 5. Communication

Reviewing stakeholder engagement activity and planning



While participants were able to opt to receive a copy of this report and the summary results, the survey is committed to anonymity within our analysis, results, and commentary to encourage radically honest feedback and input.

To generate the most insightful information on key issues relating to readiness for the EU Pay Transparency Directive, the data was collected, analysed, and segmented by various factors, and included multi-dimensional analysis focusing on critical dimensions such as:

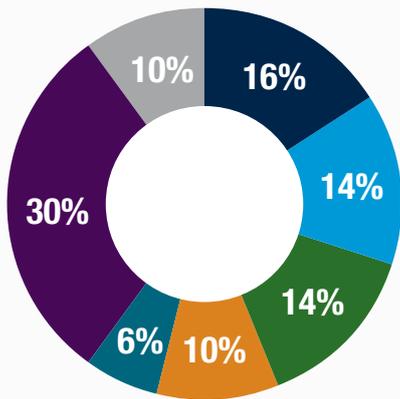
- The impact of transparency on employee morale;
- Alignment on pay transparency strategies;
- Current pay transparency culture; and
- The extent of any anticipated cultural shift resulting from the new Directive.

This survey provides a concise, actionable understanding of how organisations are preparing for the EU Pay Transparency Directive.

## SURVEY DEMOGRAPHIC DATA

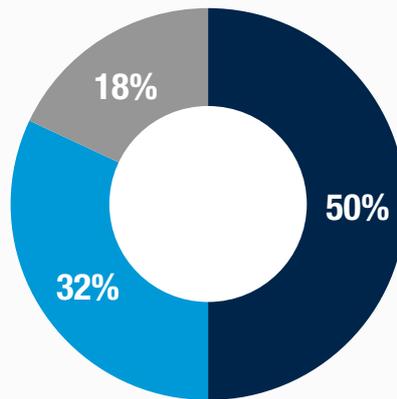
We received input from many organisations from across multiple sectors and spanning a wide geographical footprint.

### Industry mix



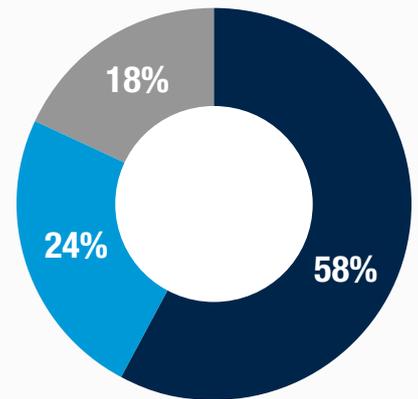
- Manufacturing, Automotive, Industrial
- Financial Services
- Technology and Telecoms
- FMCG
- Pharma, Life Sciences or BioTech
- Professional services, Media, Entertainment, Energy, Other
- Retail or E-commerce

### Location of company headquarters



- United Kingdom
- Mainland Europe
- Other

### Company size



- 5001+
- 1001-5000
- <1000



## CURRENT READINESS: WHERE DO ORGANISATIONS STAND TODAY?

Let's start with perceptions of the overall readiness for compliance with the EU Pay Transparency Directive. Our findings highlight that while many organisations have begun preparing for this shift, readiness levels vary significantly. Some are taking a reactive approach, focusing narrowly on meeting the minimum compliance requirements, while others are seizing the opportunity to embed transparency at the heart of their workforce and reward strategies. There is also a significant proportion of organisations that are still at the planning stage, with little action taken to meet the Directive's requirements.



**Only one-third of companies** report that they perceive their organisation to be either somewhat ready (28%) or fully ready (4%) for compliance at the time of the survey.



**32% of companies** state that they are either "not very ready" or "not ready at all."

Some of these organisations are struggling with where to begin. Others are facing significant challenges such as gathering and analysing the necessary data – no small feat for larger organisations with complex, multi-country operations, reviewing pay structures, and identifying disparities. For many, this complexity is compounded by the lack of a coherent reward infrastructure bringing challenges around, for example, job-architecture redesign or a performance management review.

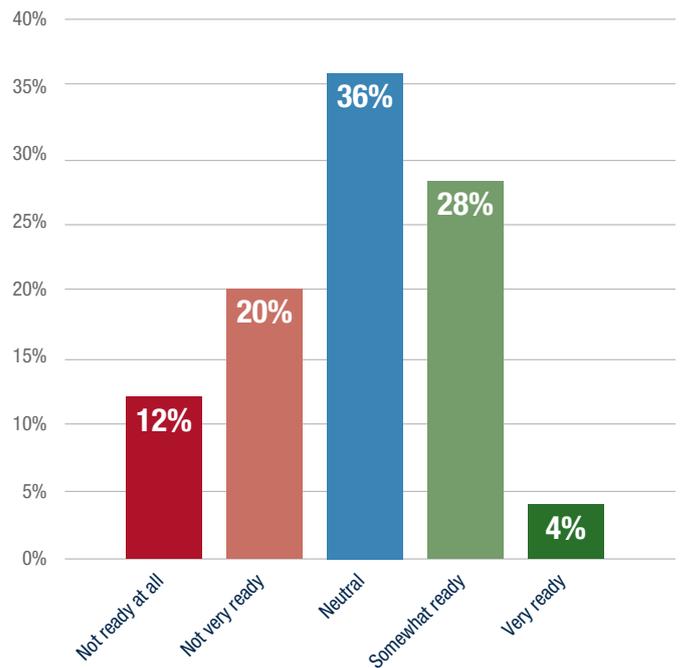


### KEY INSIGHT: THE READINESS GAP

The gap between awareness and full readiness poses a significant risk of non-compliance, especially as the Directive's deadlines approach. Organisations that fail to comply with the Directive not only risk non-compliance fines but could also erode trust among employees who may feel that the company isn't committed to transparency.

The reality is that preparing for pay transparency is a road of complexity that also requires a deep dive into company culture, reward infrastructure, data and systems, communication strategies, and leadership alignment.

## Organisational rating of overall readiness for the EPTD



For the organisations that deem themselves not ready – are they underestimating the level of effort required to meet the Directive's requirements? Or, are the low levels of readiness actually indicating that many businesses are facing operational, strategic, and/or cultural challenges in meeting the Directive's requirements.

## THE BENEFITS OF PLANNING AND EARLY ACTION



**Only 38% of organisations** report having a clear plan for implementing the requirements of the directive, highlighting a significant gap between awareness and action.

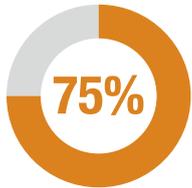
Our analyses discovered an interesting relationship between the current level of readiness for compliance and the sentiment towards the perceived impact of pay transparency on employees.



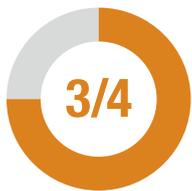
## “Action relieves anxiety”

Organisations that are either somewhat or fully ready for compliance are **3x more likely** to perceive that pay transparency will have a positive impact on employee morale and engagement in their workforce.

We decided to unpack this further to identify any key drivers impacting this positive sentiment.



75% of the organisations that are further progressed with their readiness journey (being either somewhat or fully ready) consider that pay transparency will have a positive impact on workforce morale.



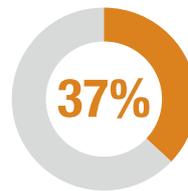
3/4's of companies that have invested in the development of an implementation roadmap believe that pay transparency will have a positive impact on workforce morale.



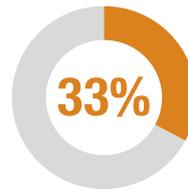
61% of respondents that feel well-prepared to handle potential cultural shifts resulting from pay transparency foresee either a neutral or positive impact on employee engagement.



50% of EU-headquartered vs. 36% of UK-headquartered organisations either agree or strongly agree that their organisation has or is already progressing with a clear plan for EPTD implementation.



37% of EU-headquartered vs. 32% of UK-headquartered organisations believe that they are either somewhat or fully ready for the EPTD.



33% of EU-headquartered vs. 25% of UK-headquartered organisations foresee a positive impact of the pay transparency required under the Directive on employee morale.

Interestingly, EU-headquartered organisations appear marginally ahead with their progress over companies with UK headquarters, and view the Directive more positively.

We can only hypothesise on the reasoning behind the gaps. Perhaps UK Boards and Management with European-based workforces have not been prioritising this matter as much as European counterparts? Or, did EU-headquartered companies simply start sooner?



**For companies that are just starting their planning or readiness journeys, the good news is that, while the window is closing fast, you still have time to act.**

We can learn a lot from the progress made to date by the 32% of organisations leading the pack, and what has driven their success, where perhaps others are lagging. The path to compliance requires a structured approach – one that involves reviewing current pay structures, updating HR systems and reward infrastructure, and building a cohesive communication strategy. Those that take proactive steps now will not only meet the Directive's requirements, but will also position themselves as forward-thinking employers in a competitive talent market.



# LAYING THE FOUNDATIONS FOR TRANSPARENCY

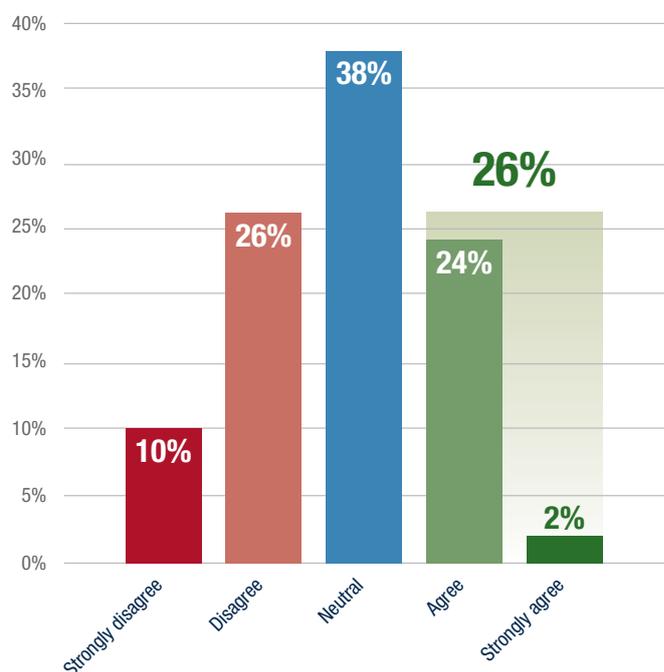
Our research revealed that embedding pay transparency within an organisation requires a solid foundation. Without this, transparency risks being reduced to a burdensome compliance exercise, losing its transformative potential. We found that organisations that are already ahead in their readiness didn't simply dive into data audits or widespread reward infrastructure changes. They also put in place three critical foundations for transparency.

## 1. A clear definition of pay transparency

A shared definition of pay transparency is essential for an effective journey towards compliance with the Directive. Nearly two-thirds (63%) of organisations well-advanced in their readiness journey have intentionally defined what pay transparency means for their business. This definition goes beyond compliance; it serves as the guiding compass for how rewards are perceived, distributed, and communicated. When pay transparency is embedded into your reward philosophy, it ensures that all stakeholders, from leadership to employees, understand the organisation's intent and commitment to fairness and equity in reward. It helps align the organisation's goals with employee expectations, fostering trust and enhancing the overall effectiveness of the reward strategy. Without such clarity, there's a risk of misalignment, confusion, and ultimately, mistrust among employees.

## 2. Aligned leadership: one clear path

Strategic alignment across critical stakeholder groups, decision-makers, and your architects of transparency is equally vital. For pay transparency to succeed, there needs to be a unified vision, where everyone from the top down understands, and buys into, not only the legal requirements but also the strategic benefits of transparency. However, our survey reveals that only 26% of respondents believe their leadership groups – spanning the Board, Management, and the People Function – are strategically aligned on pay transparency. This low level of alignment is concerning.



Why does this matter? Because without unified leadership on this issue, organisations risk fragmented efforts, where different functions may be pushing in conflicting directions. For instance, if the Board views transparency solely as a compliance issue while the HR team sees it as a driver of cultural change, friction is likely. The result? Missed opportunities to leverage pay transparency for building trust, improving retention, and strengthening culture. It's essential for leadership teams to collectively define what pay transparency will look like and how it aligns with the company's long-term business and people strategies. Only then can a clear roadmap for success be created.



**This alignment isn't just about strategy – it's also about commitment.**

Leadership needs not only to understand the Directive but also fully support the necessary changes. When the Board and Management champion transparency initiatives, employees are more likely to trust that the organisation’s efforts are genuine. Without visible leadership buy-in, employees may perceive transparency efforts as superficial, merely ticking a compliance box rather than driving real change. This disconnect can erode trust and engagement, leaving your workforce feeling cynical rather than empowered.

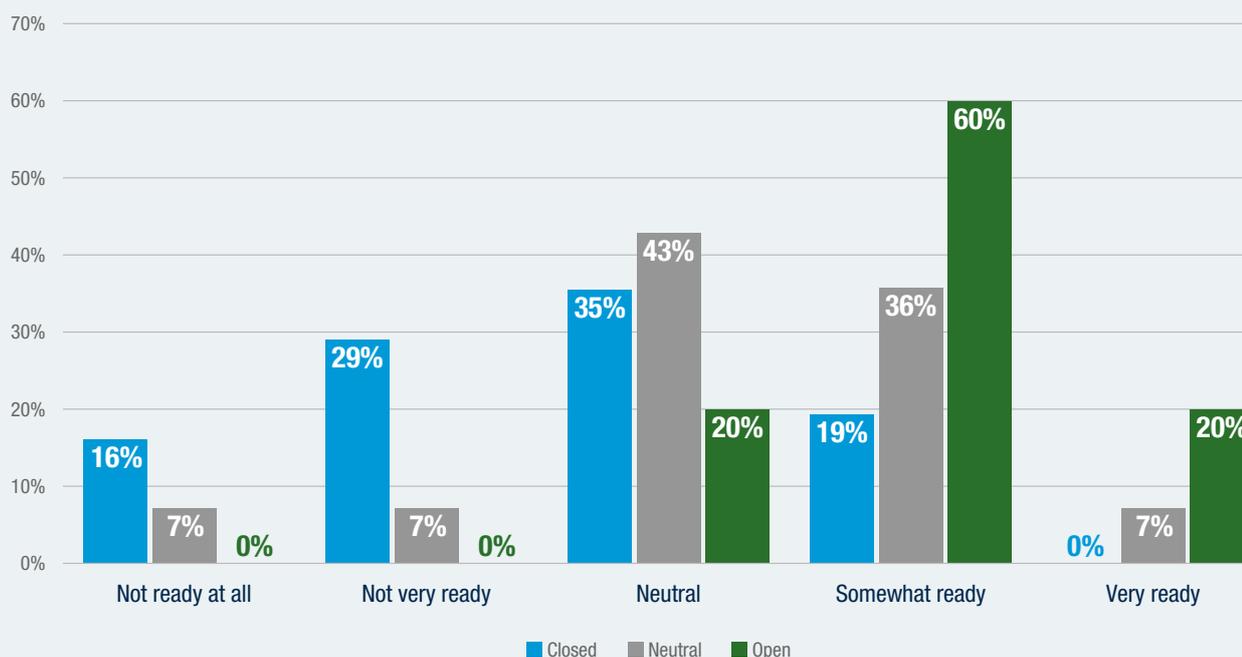
Conversely, a clear and consistent message from leadership about the value of transparency can help frame the initiative as a positive move for the entire organisation. And as we all know, when leadership speaks with one voice, the organisation is more likely to follow.

### 3. Prioritisation: pay transparency is positioned as not only a strategic, but also cultural imperative

Our survey revealed that for transparency to gain traction within your organisation, it should be treated as a cultural priority.

- 80% of organisations that perceive themselves to have an open reward transparency culture are either “somewhat” or “very ready” for compliance with the Directive
- Strikingly, not a single organisation with an open transparency pay culture considers themselves to be ‘not ready’ for the EPTD
- 100% of organisations with an open pay culture agree that they have a clear strategic intent on what pay transparency means for their organisation
- 100% of these organisations are confident in their ability to operationalise the requirements of the EU Pay Transparency effectively by the relevant compliance deadlines

Rate of overall readiness for the EU Pay Transparency Directive





Simply put, open pay culture organisations are significantly more progressed with the preparatory activities undertaken on their EPTD readiness journey at this point in time than those with closed pay cultures:

Activity undertaken to date	% OF ORGANISATIONS (BY PAY CULTURE TYPE)	
	Open pay culture	Closed pay culture
Established a pay transparency task force	60%	23%
Conducted pay audits	60%	52%
Updated or revised workforce reward strategy and / or philosophy	60%	45%
Implemented new pay policies	60%	29%
Trained HR and Management on the EPTD	60%	23%
Developed a communications plan for the workforce and wider stakeholders	20%	13%

At one level, you would be forgiven for thinking we are stating the blindingly obvious here. However, digging a bit deeper reveals that organisations that prioritise transparency as part of their culture are better positioned to meet the EPTD’s requirements because they have already established the necessary foundations – such as strong leadership commitment; equitable pay structures; they have visibility to their internal reward practice data; and for the most part, they have invested in robust reward infrastructure development, where needed.

Our survey reveals some stark findings demonstrating the gap between open vs. closed culture companies.

- Companies with an open pay culture are 2X as likely to anticipate no significant impact from EPTD implementation on their reward structures than those with a closed pay culture
- Closed pay culture organisations are >60% more likely to require changes to their reward practices or pay levels in response to pay audit findings at this stage than open pay culture companies
- 19% of closed pay culture companies have not yet reviewed their pay practices for compliance with the Directive but there are zero open pay culture organisations in the same category



**Embedding pay transparency into organisational culture is critical for fostering a workplace environment grounded in trust, fairness, and equity.**

We know from experience that when transparency is embedded into their reward philosophy, organisations often find themselves better equipped to navigate the complexities of the Directive. Embedding pay transparency into organisational culture is critical for fostering a workplace environment grounded in trust, fairness, and equity. This cultural shift ensures that employees understand how pay decisions are made, why they are made, and how these decisions align with broader organisational values. As a result, transparency enhances employee engagement, reduces turnover, and builds a sense of belonging, as employees feel valued and fairly treated. It therefore naturally follows that a culture embracing transparency inherently encourages open dialogue, allowing for continuous feedback and improvement, which in turn drives better decision-making and strengthens the overall reward strategy.

# SHAPING YOUR THINKING

## PAY TRANSPARENCY AS A SPECTRUM: A STRATEGIC APPROACH



**Our survey indicates that 56% of the organisations not ready for the Directive lack a shared and intentional definition of pay transparency.**

Without a clear stance, organisations may struggle with slower progress, inconsistent practices, mixed messages, and increased risks of non-compliance.

However, pay transparency is not a one-size-fits-all solution; We see it as a multi-dimensional spectrum or pathway. While the Directive sets the minimum requirements, our experience shows that pay transparency doesn't mean the same to all organisations, even with the compliance stake now firmly in the ground.

Think of it like market pay positioning for base salaries. You target a position in the market based on your organisational and talent needs of your business, underpinned by the guiding principles of your reward philosophy. You do what makes most



sense for your business. The same can be said of transparency. Be intentional, be consistent, and ensure it is aligned with your wider reward thinking and strategy.

So, what does this mean for you? Tools such as A&M's Pay Transparency Pathway can help you assess your current position and set future ambitions. By identifying critical gaps, planning effectively, and prioritising actions, you can confidently navigate this journey.

*Extract from A&M's Pay Transparency Pathway: a tool to help you define and achieve your organisation's pay transparency goals:*

	 <b>1. CLOSED</b>	 <b>2. AWARE</b>	 <b>3. ADVANCED</b>	 <b>4. EMBEDDED</b>	 <b>5. PIONEER</b>
<b>Overview of strategic and cultural position on pay transparency</b>	Minimal or no pay transparency. The organisation is beginning to recognise its importance, but it has not been a strategic or cultural priority. Often, compliance is treated as a tick-box exercise, with efforts focused solely on meeting the minimum requirements.	Growing awareness and understanding of pay transparency, primarily within HR and management. Early steps towards implementation have been taken, but the organisation remains in the planning or exploratory phase.	A strong understanding of pay transparency exists, and the organisation fully complies with all regulatory requirements. Transparency is an operational priority, and formal practices are in place to ensure fairness. However, further engagement with employees and leadership may still be needed to embed transparency into the culture.	Pay transparency is fully integrated into the organisation's culture. It is central to reward decision-making and a key strategic priority, supported by strong leadership and open dialogue at all levels.	A leader in pay transparency, setting industry standards beyond compliance. The organisation drives the conversation on pay equity and uses transparency as a competitive advantage and a driver of trust, innovation, and equitable pay practices.



To guide your journey, this tool assesses your current state across six key dimensions:

**01 AWARENESS**  
Your organisation’s knowledge of the pay transparency landscape.

**02 STRATEGIC PRIORITISATION**  
How leadership views pay transparency – whether as a compliance task or a key driver of trust, engagement, and success.

**03 CULTURAL INTEGRATION**  
The extent to which pay transparency is engrained in the way people operate and think within the organisation.

**04 DATA AND REWARD INFRASTRUCTURE**  
The readiness of systems, tools, and data to support reward management and compliance practices.

**05 OPERATIONAL PRACTICES AND COMPLIANCE**  
The effectiveness of processes in meeting regulatory requirements.

**06 EMPLOYEE COMMUNICATION AND ENGAGEMENT**  
The degree to which your organisation communicates pay information and involves employees in the process.

By evaluating your organisation across these dimensions, you can shape a pay transparency profile that is both strategic and unique to your business. This approach helps you quickly identify the gaps that need bridging and guides your planning, investment, and next steps.

**Current state vs. future ambition profile**



We advocate for organisations to proactively decide where they want to position themselves on the pay transparency spectrum. Thoughtfully considering each dimension (and the underlying detailed criteria for each) – and where you are today versus your aspirations – will help you prioritise actions and shape your pay transparency roadmap for success.



**Considering pay transparency as a spectrum allows organisations to position themselves in a way that best aligns with their culture, values, and strategic objectives.**

By intentionally anchoring a positioning on the transparency spectrum, you will create a strong foundation for EPTD compliance, supporting organisational coherence, fairness, and long-term success. Your organisation will be better equipped to manage implementation complexities, communicate effectively with employees, and ensure that your reward strategy aligns with broader goals while mitigating risks such as employee dissatisfaction, confusion, or mistrust.

# EMBEDDING PAY TRANSPARENCY SUCCESSFULLY IN YOUR ORGANISATION

The EPTD requires more than just data collection and reporting. It compels organisations to rethink their entire reward infrastructure, including the systems, processes, and structures that underpin fair and equitable reward decisions.



**The need to develop or refresh the underlying reward infrastructure required to be compliant with the Directive continues to be a widespread challenge for progress with the readiness journey.**

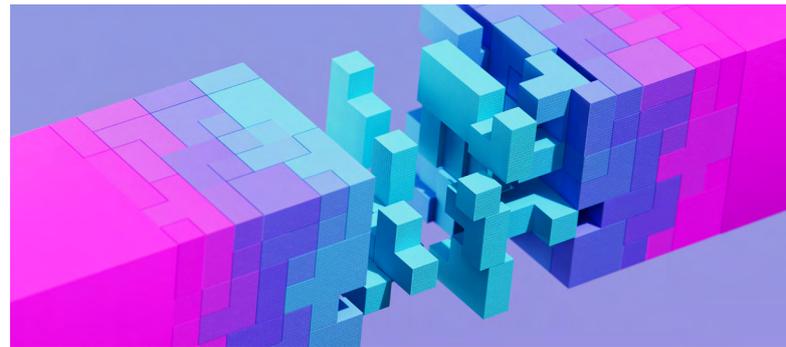
Our findings reveal that many organisations are facing significant challenges with redevelopment of the underlying infrastructure needed to meet the Directive's demands. While a necessity, this has been resource-consuming and a barrier to accelerated readiness for the Directive. Some organisations are operating with unintegrated HR systems across different countries, fragmented job architectures, and/or inconsistent performance management practices that do not align with the requirements of the Directive. These gaps create barriers to efficiently gathering and analysing data, as well as addressing potential disparities in both pay and performance-related reward outcomes.

Reward infrastructure, at its core, is the foundation upon which all pay and performance decisions are made. Without a robust foundation, efforts to comply with the Directive and ensure fairness in performance-related pay risk being superficial or incomplete.



## THE INFRASTRUCTURE CHALLENGE: WHERE ARE THE GAPS?

Many organisations today find themselves managing reward and performance systems that have evolved over time, often without a clear, consistent framework. Job roles may have been created in silos, with no cohesive approach to evaluation or grading. Pay structures often differ across countries or business units, and HR systems may not be equipped to handle the level of analysis and reporting required under the Directive. Additionally, the link between performance management and reward outcomes may be weak, inconsistently applied, or even managed through different models, all of which can undermine efforts to ensure fairness and equity.



Organisations operating across multiple jurisdictions face particular challenges, with pay and performance data often existing in silos, making it difficult to align reward outcomes with performance consistently. This complexity is often further exacerbated by legacy systems that are not equipped to support the level of integration needed for both pay transparency and fair performance management.

The consequences of these gaps are significant. Without a clear job architecture, consistent performance management processes, and integrated systems, it becomes nearly impossible to conduct meaningful pay equity analyses. Worse still, applying a new transparency framework on top of outdated or fragmented systems risks increasing inconsistencies in reward outcomes and inaccuracies in performance-based pay reporting.

On the one hand, this creates a big headache for HR and Reward leaders. However, we have also seen some organisations welcome the spotlight that this creates as these have been areas targeted for change for some time but have not necessarily gained sufficient traction for budget-allocation. However, the Directive has now provided the necessary momentum behind the business case for investment and change, that has previously not been available.

## THE BACKBONE FOR REWARD TRANSPARENCY: WHAT'S NEEDED?

To address these gaps, we would encourage organisations to focus on four key areas:

### 1. INTEGRATED DATA ACCESS

Without integrated HR and payroll systems, gathering the necessary data for compliance becomes a significant challenge. Companies that have invested in modernising their HR systems to consolidate data into a single platform – or at least ensuring that systems are able to talk to each other or have the ability to access and interrogate data across multiple sources – are better positioned to meet the Directive's requirements.



### 2. JOB ARCHITECTURE REDESIGN

A coherent job architecture is essential for pay transparency. Organisations need a structured approach to job evaluation and grading across the business that captures the criteria outlined within the Directive. This framework not only supports fair pay decisions but also ensures that performance expectations and outcomes are clearly defined for each role, enabling fair and consistent reward decisions. Organisations that are ahead in their readiness journey have tackled this head on with a job architecture review and redesign. But clearly, this represents a sizeable investment for most organisations.



### 3. FAIR AND CONSISTENT PERFORMANCE MANAGEMENT

It is not uncommon for variable pay management to come under scrutiny in pay transparency discussions. We all need to ensure that performance-based rewards are fair, equitable, and applied consistently across our organisations. While there is still time, it is prudent to review your performance management processes to ensure that they are robust, enable transparency, and are aligned with both the organisation's values and reward strategy – both in terms of policy but also practice. This will help mitigate any risks of perceived unfairness in reward outcomes, particularly when pay transparency highlights performance-based discrepancies – a likely area of future scrutiny.



### 4. REWARD STRUCTURE ALIGNMENT

Organisations early in their readiness journey will need to assess whether their reward structures are still fit for purpose. This includes reviewing base pay, bonuses, and any other performance-linked incentives to ensure that:

- i. They align sufficiently with both market benchmarks and internal grading or levelling structures; and
- ii. You have the necessary intelligence and clarity around any pay discrepancies and the basis of these. Some of these may be justified by material factors and therefore potentially defensible; others may need some remedial action in advance of inaugural disclosure.





## ACTIONABLE STEPS FOR CONSIDERATION

These big-ticket items take time and are not interventions that many organisations seek to change or update frequently so will need careful consideration.

The road to compliance may seem daunting, but ensuring the right infrastructure for reward is in place will help mitigate a lot of future risks within your approach to pay transparency. However, while there is still time in advance of the Directive's deadlines, we recommend the following immediate actions:

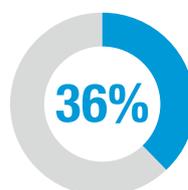
- Conduct a comprehensive review of your job architecture, grading frameworks and approach to work-leveilling. Ensure they are consistent and robust, aligned with your reward strategy, and meet the requirements of the Directive.
- Assess whether your current HR systems can support both the data analysis and reporting needed for pay transparency and the integration of performance management outcomes. If not, consider investing in upgrades that will streamline these processes.
- Review your overall reward structures to ensure that pay, bonuses, and performance-linked rewards are competitive, aligned with market benchmarks, and applied fairly across the business – undertake an internal and external equity assessment to ensure you are clear on both where the strengths lie and where there are any gaps to investigate further.
- Ensure that your performance management framework and processes are transparent, robust, and aligned with your organisation's goals, to enable reward outcomes to be perceived as fair and consistent across the workforce.



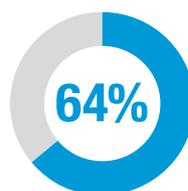
## MANAGEMENT UNDERSTANDING: BRIDGING THE KNOWLEDGE GAP

While the technical requirements of pay reporting are clear, our research shows that many organisations are still underestimating the broader implications of this shift, particularly at the leadership level. The Directive requires senior management not only to grasp the regulatory requirements but also to understand how pay transparency will impact the organisation's culture, performance management, and long-term talent strategy.

Our survey revealed a worrying knowledge gap among leadership teams.



Only **36% of respondents** reported that they are “confident” or “very confident” that their leadership fully understands the scope of the Directive's requirements and its potential impact on the business.



Alarminglly, **64%** expressed varying levels of uncertainty, with **24% admitting they are “not confident at all”** in their leadership's comprehension of what's required.



**This knowledge gap is not just an operational hurdle – it presents a significant strategic risk.**

Without a solid understanding from the top, organisations are unlikely to successfully implement pay transparency in a way that benefits compliance, culture, and organisational reputation.

While straight-forward in principle, the Directive is complex and far-reaching in terms of implications. Misinterpretation of the Directive's requirements could lead to incomplete or inaccurate pay reporting, which can damage employee trust and attract unwanted scrutiny from regulators.

**THE CHALLENGE HERE IS THAT IF MANAGEMENT FAILS TO UNDERSTAND THE FULL SCOPE OF THE DIRECTIVE, IT CAN LEAD TO A SERIES OF OPERATIONAL AND STRATEGIC RISKS, INCLUDING:**



### COMPLIANCE FAILURES

Misinterpretation of the Directive's requirements could result in incomplete or inaccurate pay reporting, which may attract scrutiny from regulators and erode trust within the organisation.



### CULTURAL MISALIGNMENT

Leaders who regard pay transparency as a compliance exercise, rather than a cultural opportunity, may fail to align their organisation's values with the expectations of employees. This misalignment can foster cynicism and disengagement, particularly in a world where fairness and equity are increasingly valued by talent.



### DISENGAGEMENT AND REPUTATIONAL RISK

Pay transparency shines a light on disparities in pay, performance management, and career progression. Without strong management understanding, organisations risk damaging employee trust and, by extension, their employer brand.



Pay transparency touches every part of the business, from how reward decisions are made to how employees perceive fairness and equity. It becomes a cultural thread. Organisations that fail to bridge this knowledge gap will struggle to navigate the broader cultural shifts that come with pay transparency, potentially leading to internal resistance and disengagement.

It is critical to ensure that leadership teams appreciate how transparency will reshape the way the organisation operates, communicates, and rewards its people.



## FROM COMPLIANCE BURDEN TO STRATEGIC OPPORTUNITY



What's needed is a  
shift in mindset.

Organisations that view pay transparency solely as a regulatory burden are missing a vital opportunity to differentiate themselves in the market. Pay transparency offers a powerful tool to enhance trust, drive engagement, and position the organisation as a leader in fairness and equity. However, this requires comprehensive education and alignment across the leadership team. All leaders – from the board to management – need to understand both the risks of non-compliance and the strategic opportunities of getting pay transparency right.

The good news is that organisations further along their readiness journey have found ways to bridge this knowledge gap. They have invested in educating their leadership teams, ensuring that everyone understands not just the Directive's requirements but also its broader impact on organisational culture and are also fully prepared to support its implementation effectively.

Here are some example initiatives to consider in your action planning:



### 1. LEADERSHIP EDUCATION PROGRAMS

Several leading organisations have developed targeted education programs for their leadership teams. These programs go beyond the basics of the Directive and focus on the long-term strategic benefits of pay transparency. For example, workshops can help leaders understand how transparency aligns with the company's reward philosophy and how it can enhance performance management and employee engagement.



### 2. CROSS-FUNCTIONAL COLLABORATION

Pay transparency is not just an HR issue. It requires alignment across multiple functions – finance, legal, operations, and management. Some organisations have established cross-functional teams to ensure all departments understand their role in implementing and sustaining pay transparency. This holistic approach helps foster a unified understanding and reduces the risk of siloed thinking.



### 3. LINKING TRANSPARENCY TO PERFORMANCE AND REWARD OUTCOMES

Transparent pay reporting without a robust and transparent performance management system can cause more harm than good. Organisations need to ensure that leadership understands how pay transparency connects to performance management, ensuring that reward outcomes are perceived as fair, equitable, and based on consistent criteria across the business.



### 4. GENERATING VISIBLE LEADERSHIP COMMITMENT

Pay transparency initiatives are most successful when visibly championed by senior leaders. When leadership publicly supports and advocates for transparency, it sends a powerful message to employees that the organisation is committed to fairness and equity. This helps to build trust and ensures that employees view transparency initiatives as genuine, rather than merely a compliance exercise.

By investing in leadership education and alignment, organisations can turn pay transparency into a powerful strategic tool – one that drives engagement, improves retention, and strengthens trust both internally and externally.

## INTEGRATING A COMMUNICATION STRATEGY INTO YOUR APPROACH: TRANSPARENCY BEGINS WITH TRUST

How organisations communicate pay transparency initiatives can make or break their success. For HR and Reward leaders, building a clear, consistent, and honest communication strategy is essential for navigating the complexities of transparency.



**Our findings show that 38% of organisations have no clear communication plan in place for pay transparency.**

This risks being a significant oversight given the potential for misunderstandings or mistrust if the initiative is poorly communicated. Transparency is a cultural shift for most, and it begins with trust. Without a well-structured communication strategy, even the most well-intentioned transparency initiatives can backfire, leading to confusion, misaligned expectations, and decreased morale. The stakes are high – how you communicate about pay transparency internally and externally matters. It will likely directly impact employee engagement, trust, and your organisation's broader employer brand and reputation.

## COMMUNICATION – ARE WE MISSING A TRICK?

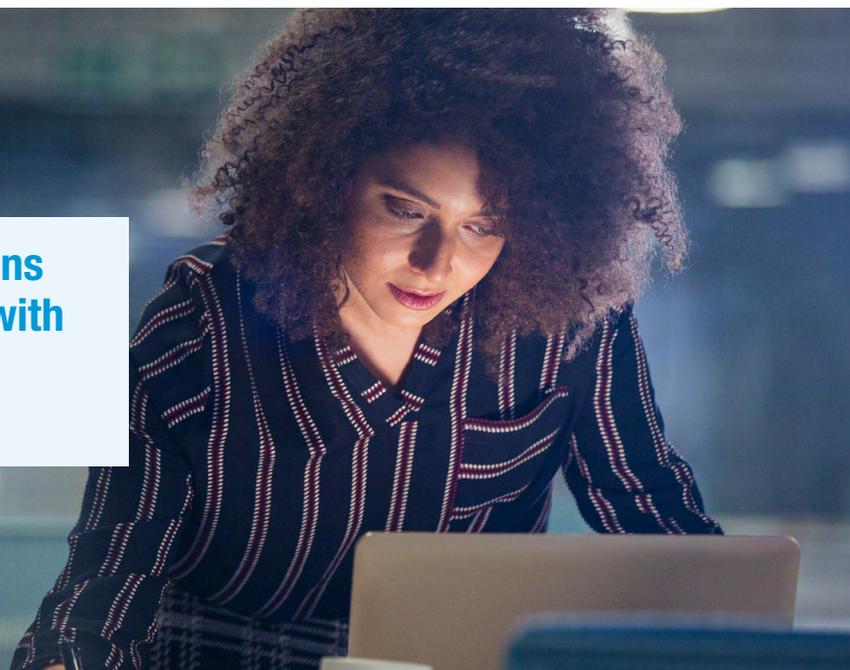
Our survey highlights a striking gap: Only 15% of organisations have actively engaged with their employees on pay transparency so far. This presents a significant risk. Pay transparency introduces new conversations around pay equity, performance, and fairness – emotive topics that employees are likely to feel strongly about. Without a structured communication plan, there's a risk that these conversations will spiral into misinformation, misinterpretation, or mistrust.

When communication is absent or unclear, employees may interpret pay transparency measures negatively. They might question why certain pay decisions have been made, whether they are being treated fairly, or if their contributions are being properly recognised. This can lead to a range of challenges, including:

- **Decreased morale:** If employees do not understand the rationale behind pay structures and their relative positioning within them, or feel that transparency is being imposed without explanation, their engagement and trust in the organisation may suffer.
- **Internal misalignment:** Conflicting messages from leadership or different departments can create confusion about the organisation's intentions with transparency, potentially leading to internal friction.
- **Reputation risk:** Pay transparency isn't just an internal matter. How you communicate your transparency efforts to external stakeholders, such as prospective employees and investors, will affect your employer brand. Organisations that fail to communicate effectively risk being perceived as disingenuous or non-committed to fairness and equity.



**Only 15% of organisations have actively engaged with their employees on pay transparency so far.**



## THE FOUNDATION OF EFFECTIVE COMMUNICATION

To ensure that pay transparency fosters trust and engagement, organisations need to build a solid communication strategy. Effective reward communication around pay transparency is grounded in three key principles:



**Transparency demands a movement, not just a message.**



### 1. CLARITY

Employees need to understand what pay transparency means for them personally and for the organisation as a whole. This includes clear messaging around how pay decisions are made, what factors influence reward outcomes, and how transparency will contribute to a fairer workplace.



### 2. CONSISTENCY

Mixed messages can create confusion and mistrust. All communication – whether from HR, senior leadership, or line managers – needs to be consistent, both in tone and content. Organisations must ensure that messaging is aligned across teams to avoid confusion.



### 3. HONESTY

Pay transparency is a sensitive issue, and employees will likely have questions, concerns, or even frustrations. Addressing these openly and honestly, rather than avoiding them, is critical. An honest approach – even if it's not the answer that employees want to hear – helps build trust and shows that the organisation is genuinely committed to fairness.



## INTERNAL COMMUNICATION: WORKFORCE ENGAGEMENT

Internally, the goal of a communication strategy is to engage employees, explain the rationale behind pay transparency, and address any concerns they might have. Our survey found that 60% of organisations that have started engaging with employees have heard a wide range of concerns, from questions about pay equity to worries about how transparency will impact their own compensation. These concerns need to be addressed head-on.

Here are some steps to consider to inform your internal communication plan:



### 1. START EARLY

Communication should begin well before any major transparency initiatives are rolled out. This gives employees time to process the information, ask questions, and understand the implications.



### 2. TAILOR MESSAGING TO DIFFERENT AUDIENCES

While clarity and consistency are essential, the way you communicate will need to vary depending on the audience. Senior leaders, line managers, and employees will all need different levels of information and engagement. Tailor your messaging to ensure that each group understands their role in the transparency journey. If needed, build some employee personas to help inform a segmented communication plan.



### 3. CREATE OPEN CHANNELS FOR FEEDBACK

Employees need to feel that they can ask questions and express concerns without fear of retribution. This could involve holding town halls, setting up Q&A sessions, or creating dedicated channels for employees to voice their thoughts. Transparency must go both ways – organisations need to be prepared to listen as well as communicate. A two-way dialogue is critical.



### 4. PROVIDE REGULAR UPDATES

Pay transparency is an ongoing journey, and employees should be kept informed about progress, upcoming changes, and what it means for them. Regular updates help ensure that transparency doesn't feel like a one-off initiative but an integral part of the organisation's culture.



### 5. EQUIP MANAGERS WITH THE RIGHT TOOLS

Line managers play a crucial role in how transparency is communicated day-to-day. Ensure they are equipped with the right tools, resources, and training to have open, productive conversations with their teams about pay and performance.



## SUMMARY

In summary, organisations must develop and implement a clear and immediate communication strategy around pay transparency. Failure to communicate effectively will erode trust and engagement, and leave employees confused and sceptical. Start by engaging with employees early, tailoring messages to different audiences, and establishing open feedback channels.

## EXTERNAL COMMUNICATION: TRANSPARENCY AND EMPLOYER BRAND

Externally, beyond the baseline compliance requirements, how your organisation communicates pay transparency can shape its reputation. In an increasingly competitive talent market, pay transparency offers an opportunity to differentiate your organisation as a fair and equitable employer. This is particularly relevant in light of the public disclosure of pay information demanded by the Directive.

Key elements of an external communication strategy include:

- **Align public messaging:** Ensure that your external messaging reflects your organisation's commitment to fairness, equity, and transparency. This could involve public statements, updates to your company's website, or engaging with the media to showcase your organisation's leadership in this area.
- **Get the timing right:** Prioritise your stakeholder groups. Ensure employees don't hear about something for the first time through an external communication. This is '101' but it is amazing to see how many organisations continue to trip themselves up in this way.
- **Use pay transparency to strengthen employer brand:** Pay transparency can be a powerful tool for attracting talent, particularly in a market where employees are increasingly seeking employers that align with their values. Highlighting your organisation's commitment to transparent and fair pay practices can enhance your reputation as a desirable place to work.
- **Prepare for scrutiny:** Transparency comes with accountability. Public disclosures required by the Directive will open your organisation to scrutiny from not only regulators but also employees, prospective talent, and investors. Ensure that your external communication strategy anticipates this scrutiny and positions your organisation as proactive, rather than reactive, in addressing potential concerns.



## ACTIONABLE STEPS FOR CONSIDERATION

For those tasked with building an effective communication strategy, we believe that the following guiding principles are critical:

- **Develop a clear and consistent narrative** around pay transparency that aligns with your organisation's values and long-term strategy. Ensure that this messaging is integrated across all internal and external channels.
- **Engage employees early** by opening channels for dialogue, addressing concerns openly, and ensuring that managers are equipped to discuss pay transparency in a constructive way.
- **Build trust through transparency** by being honest about the challenges and benefits of pay transparency. Don't shy away from difficult conversations – open communication is the foundation of building a culture of trust.
- **Leverage pay transparency to enhance your employer brand** by communicating your commitment to fairness and equity to external stakeholders, including prospective employees and the public.

By developing a thoughtful and comprehensive communication strategy, organisations can turn pay transparency into a powerful tool for building trust, fostering engagement, and strengthening their reputation. In doing so, HR and Reward leaders will be well-positioned to lead their organisations through the cultural shift that pay transparency demands.





## CULTURAL READINESS: SHIFTING MINDSETS FOR SUCCESS

Effective pay transparency represents a major shift in how organisations operate. It requires openness, trust, and accountability at every level, and for many companies, this shift is daunting.



**48% of organisations believe their pay culture will need to change significantly post-disclosure, but only 20% feel prepared for this shift.**

Cultural change is often the hardest part of any organisational transformation, and pay transparency is no exception. The challenge here is not just about meeting regulatory requirements – it's about changing mindsets and building a culture where openness about pay is the norm, not the exception.



**This highlights a significant risk: organisations that focus solely on compliance without addressing the underlying cultural readiness may find themselves facing employee dissatisfaction, internal resistance, and reputational damage.**

## THE CULTURAL CHALLENGE

30% of respondents report either cultural or leadership resistance to pay transparency as their biggest prevailing challenge to successful implementation.

In our experience, this typically stems from deeply engrained practices and mindsets. In many organisations, pay discussions have historically been shrouded in secrecy, with little openness around how pay decisions are made or how pay disparities are addressed. Changing this culture requires going beyond policy change and focusing on a shift in how leaders and employees think about reward, equity, and trust within the workplace.

For many organisations, the introduction of pay transparency will lead to difficult conversations. Employees will naturally compare their reward with their peers or their own position within the pay-bands, potentially leading to questions about fairness or equity. If the organisation is not culturally prepared to handle these conversations, it could lead to a decline in morale, increased disengagement, or an uptick in workforce turnover.

Nearly 80% of respondents in our survey admitted that they are not prepared for any cultural shifts that pay transparency will bring.

## PREPARING FOR CULTURAL CHANGE: ACTIONABLE STEPS FOR CONSIDERATION

To successfully implement pay transparency, organisations must invest in building a culture that embraces openness and fairness. This requires a deliberate effort to shift mindsets, foster trust, and create an environment where pay discussions can happen openly and constructively. Organisations must immediately prepare for the cultural shifts that this will demand. This involves creating a deliberate plan for cultural readiness, from leader training to engaging employees in meaningful dialogue about pay equity. Waiting until compliance is in place is too late – start this transformation now to ensure a smooth and successful implementation.

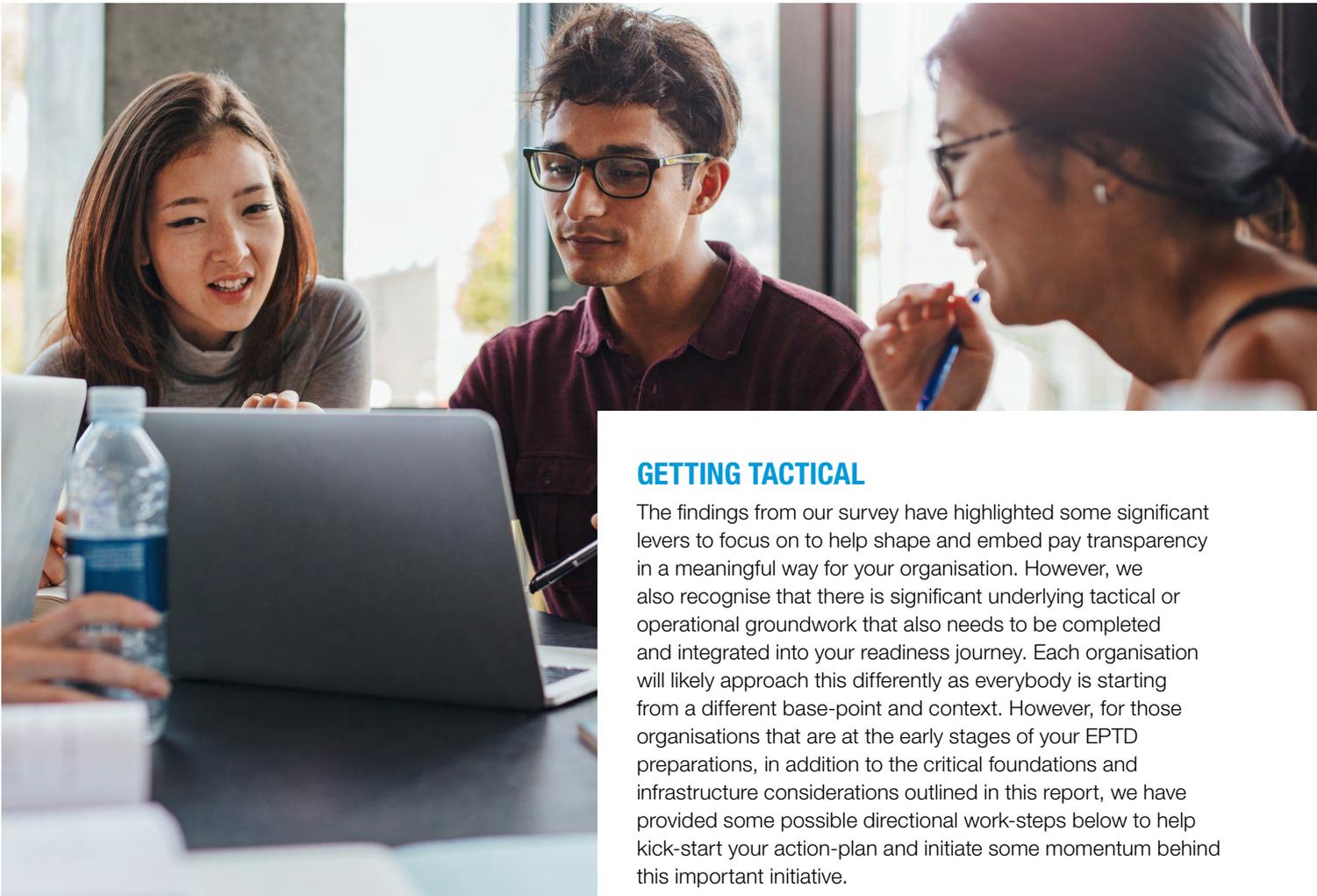
To build cultural readiness for pay transparency, HR and Reward leaders should focus on the following aspects:

- **Develop a comprehensive change management plan** that includes training, workshops, and communication efforts to help shift mindsets around pay transparency.
- **Encourage leaders to model transparency** by having open and honest discussions about pay, reward philosophy, and the organisation's commitment to fairness.

- **Foster a culture of trust** by being transparent about how pay decisions are made and actively addressing any pay disparities that come to light.
- **Promote accountability:** Build trust by holding stakeholders to account for their advocacy and role-modelling of transparency but with empathy to support psychological safety.
- **Engage employees in the process** by creating opportunities for open dialogue and ensuring that their feedback is taken into account in the organisation's transparency efforts. Showing that their feedback leads to meaningful action is key. This is a glaring gap in the prevailing organisational approach to pay transparency readiness currently for the majority, but there's still time to address this.



**By preparing for the cultural shifts that pay transparency will bring, organisations can create an environment where transparency is embraced, trust is strengthened, and reward outcomes are seen as fair and equitable.**



### GETTING TACTICAL

The findings from our survey have highlighted some significant levers to focus on to help shape and embed pay transparency in a meaningful way for your organisation. However, we also recognise that there is significant underlying tactical or operational groundwork that also needs to be completed and integrated into your readiness journey. Each organisation will likely approach this differently as everybody is starting from a different base-point and context. However, for those organisations that are at the early stages of your EPTD preparations, in addition to the critical foundations and infrastructure considerations outlined in this report, we have provided some possible directional work-steps below to help kick-start your action-plan and initiate some momentum behind this important initiative.

## ADVANCING YOUR PAY TRANSPARENCY JOURNEY: KEY ACTIONS TO CONSIDER



For those that haven't already, we recommend organisations to kick-start their pay transparency readiness immediately. Begin by forming cross-functional teams, put a strategic roadmap in place, and start integrating transparency with the existing performance and reward frameworks. Delaying this groundwork will only compound the challenges when regulatory deadlines loom.

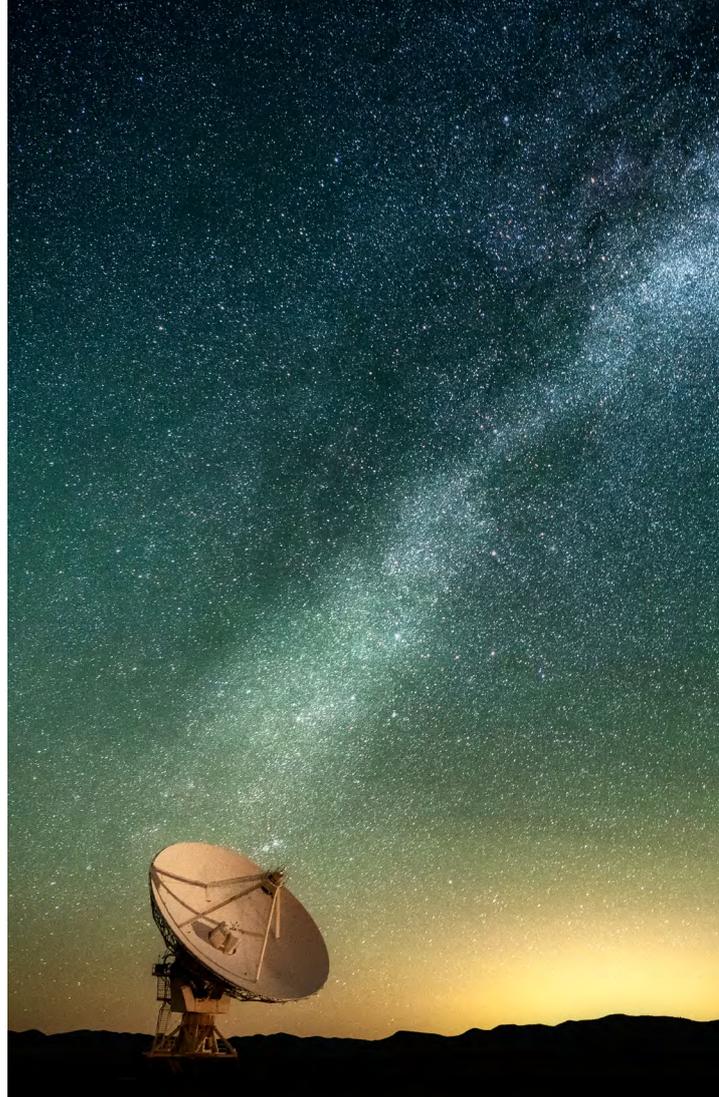
## FINAL WORD

As organisations prepare for the EU Pay Transparency Directive, those that see transparency as more than a compliance requirement will be the ones to thrive. Embedding transparency into both culture and strategy is crucial – not only to meet legal standards but to foster an environment where fairness and trust are core values. Pay transparency, done right, becomes a powerful lever for driving engagement, enhancing employer reputation, and reinforcing organisational equity.

Leadership plays a critical role in this transition. It's not enough for leaders to understand the compliance framework; they must champion transparency across all levels, demonstrating clear alignment with the organisation's long-term goals. By fostering an inclusive, transparent culture, organisations will better position themselves in a competitive market and build sustainable trust with their workforce.

Ultimately, the organisations that succeed will be those that move beyond viewing transparency as a box-ticking exercise. Instead, they will embrace it as a strategic advantage, driving meaningful change throughout their structures.

Begin by forming cross-functional teams, get a strategic roadmap in place, and start integrating transparency with the existing performance and reward frameworks. Waiting until regulatory deadlines approach will only amplify the challenges. Back yourself and grab hold of the opportunity to lead in a new era of trust, fairness, and competitive advantage.



# HOW READY IS YOUR ORGANISATION TO SEIZE THE STRATEGIC POTENTIAL OF PAY TRANSPARENCY?

The time to act is now. With the right alignment, cultural readiness, and leadership support, you can transform compliance into a competitive edge. Start by taking a closer look at your current approach and reach out to explore together how to turn transparency into a lasting asset for your business.



# PEOPLE, REWARD AND PERFORMANCE

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To discuss any matter relating to pay transparency or broader reward and performance issues, please contact A&M's People, Reward and Performance practice.



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