

# EU Pay Transparency Directive Webinar

## Session Summary & Key Takeaways

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Hosted by Level 20

Legal guidance: Linklaters

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## OVERVIEW

This document summarises the Level 20 webinar on the EU Pay Transparency Directive, held on 26 February 2026. Legal guidance was provided by Simon Kerr-Davis and Jennifer Granado of Linklaters, with Fiona Robinson of Level 20 providing industry context. The session was attended by Level 20 sponsors, and covered the five key implementation themes firms are navigating ahead of the June 2026 compliance deadline.

The session included five interactive audience polls revealing peer approaches, a detailed Q&A, and closing reflections from each speaker. This summary captures the substantive legal and practical guidance shared, along with key takeaways for PE firms at various stages of preparation. Supporting materials are available and please contact Linklaters or level 20 if you have any questions.

### Why this matters for Level 20's mission

Pay transparency is central to increasing the representation of women in private equity. Fair reward and transparent pay criteria are consistently identified in Level 20's research as critical to attracting and retaining senior women in the industry. The Directive creates a legal framework that, if implemented thoughtfully, can help embed those principles permanently into firms' processes - going beyond compliance to deliver lasting cultural change.

## SUMMARY: KEY TAKEAWAYS

### Do not wait for local transposition

The Directive itself provides sufficient guidance to begin work now. Firms waiting for national law to be finalised risk running out of time. The majority of member states are transposing late, but June 2026 remains the compliance target for those that are on track.

### Analyse your pay data as a first step

Until you understand the shape of your existing pay data - across base, variable, and benefits - you cannot make informed decisions about categories, scope, or risk. This analysis should be the immediate priority for any firm that has not yet started.

### Your category architecture is your most consequential decision

Everything flows from how you define worker categories. Job family plus level is the most common approach and offers a workable balance. But it must be tailored to your firm's structure and validated by (local) legal counsel, in particular when using job family as this does carry some risk.

### Engage employee reps early - especially in the Netherlands, Belgium, and Poland

In the Netherlands and Poland, works councils have a veto right. In France their involvement is substantive. These are not consultations that can be done in a hurry. Firms with operations in these jurisdictions should already be in dialogue or actively planning for this.

### Build or automate your right-to-request process now

The right to request is one of the first tangible moments employees will experience the Directive. An ad hoc or inconsistent response process creates both legal and reputational risk. When employees start requesting pay comparisons, the experience will reflect directly on your firm's culture. Design the process, agree the methodology, and train whoever will be handling requests before June 2026.

### Review carried interest plans for gender neutrality

Separate from the question of whether carried interest is in scope for transparency purposes, firms should review their carry plan design and participation criteria for gender neutrality. This is both a compliance question and a cultural one - and Level 20's mission is directly served by getting it right.

## THE DIRECTIVE: WHAT IT REQUIRES

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The EU Pay Transparency Directive was adopted to close the gender pay gap by exposing pay in a structured, meaningful way. Unlike previous frameworks, it uniquely equips employees with the tools to bring equal pay claims - meaning the primary risk for firms is not regulatory fines but litigation. Every employer with EU operations needs to take it seriously.

### Two Main Pillars

- ▶ **Pay Transparency Requirements:** Disclose pay ranges to candidates before or at point of hire; do not ask about prior salary; provide pay criteria in writing and explain how pay is determined. Applies to all employers regardless of size from June 2026 (except in case of delayed transposition/entry into force at local level).
- ▶ **Pay Gap Reporting:** Firms with 100+ employees must report on the gender pay gap from 2027. Some member states (including France) are lowering this threshold to 50 employees with simplified reporting.

### Implementation Timeline

- ▶ For details on timings please refer to the slide deck which provides a view by country.

#### Audience readiness poll

When asked about their state of preparation, the audience response revealed a wide spread: a significant proportion had started but were still in early stages; some were well progressed; some firms were still waiting for local transposition before acting; and no respondents considered themselves fully ready. Linklaters' strong advice: do not wait for local transposition. Much can and should be done now using the Directive text itself.

## THEME 1: DEFINING "PAY"

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The Directive uses a deliberately broad definition of "pay" - covering base salary, variable pay, and benefits in kind. Decisions taken now about what is in or out of scope will have significant downstream implications for transparency obligations and potential equal pay claims. This was one of the most actively debated topics in the session.

### What must be included

- ▶ Base salary - always in scope
- ▶ Variable pay (bonuses, performance pay) - always in scope
- ▶ Pension contributions - must be included; significant given their link to variable pay in PE
- ▶ Benefits in kind - guidance emerging that minor perks available equally to all (gym membership, meal vouchers) may be excludable in some jurisdictions (Germany, Netherlands), but this is not settled law

### The carried interest question

This is the issue most specific to private equity, and there is no definitive answer yet. Linklaters' view is that carried interest is likely excludable - it is typically taxed as capital gains rather than income and is structured as an investment return rather than employment remuneration. The UK's existing gender pay gap reporting framework also excludes carried interest.

There is no pan-European case law confirming this position, firms should take local legal advice jurisdiction by jurisdiction and document their reasoning carefully. There was a further reminder that the risk of getting this wrong is not just regulatory - it is litigation exposure.

### Peer approaches (poll results)

The poll on pay scope showed that the majority of firms are planning to include base pay plus variable pay as a minimum. A minority are including benefits. Very few are limiting scope to base pay only - Linklaters noted this approach is legally aggressive and not recommended.

#### Watch point: performance-based pay

Performance-based differences in base pay are a valid objective justification under the Directive - but only if well-documented and free from discriminatory tainting. The burden of proof sits with the employer. As performance increments accumulate year-on-year, governance over the justification trail becomes increasingly difficult to maintain (especially if performance is linked to base pay) and increasingly important to get right.

## THEME 2: WORKER CATEGORIES

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One of the most consequential decisions firms must make is how to define their "worker categories" - the groups of employees who are deemed to perform work of equal value. This is the lens through which equal pay comparisons will be made. The architecture of categories shapes the entire compliance framework.

### The "equal value" framework

The Directive requires comparisons between employees doing "work of equal value", assessed by reference to skill, effort, responsibility, and decision-making. This is not the same as same job title, and it is not revenue generation. Linklaters were clear: using revenue as a primary justification for pay differences is risky because it may be indirectly gender-discriminatory. Any justification must be both objective AND gender-neutral.

Firms with experience of US-style pay transparency should note that the European approach is fundamentally different. There is no standard "acceptable" percentage differential - any gap must be justified on its specific merits. This will require cultural relearning for firms accustomed to the US framework.

### Category design options

- ▶ **Job level / grade only:** Simple but creates large, heterogeneous groups with wide pay ranges. Justifying differentials within broad categories is harder when ranges are wide.
- ▶ **Job family + level:** Most common approach observed in practice. Balances category size with sufficient specificity to manage the justification burden. However, the use of job families carries risk as focusing heavily on "type of work" which is not aligned with the equal value concept. Whether use of job family is justified for worker categorization has not been tested in case law.
- ▶ **Job family + level + desk:** More granular but risks exposing near-individual pay data in small PE teams.
- ▶ **Collective bargaining agreements:** Viable where sectoral bargaining exists but not easily replicable across Europe - Italy's approach.

The poll showed the majority of firms were gravitating toward job family + level or more granular approaches. Very few were considering job level only. Simon and Jen noted that, across sectors, firms are generally keeping categories large enough to avoid near-individual disclosure, which is particularly acute in small PE teams.

### Works council involvement

Worker representatives must be involved in approving category decisions, this involvement will vary by jurisdiction. Firms should map their jurisdictions now and begin engagement early - category approval cannot be rushed.

#### Data privacy note

Even in small categories of three to five people, disclosure is still required under the Directive. Data privacy legislation does not prevent an employer sharing pay information - it governs how it is shared and protected. Routing disclosures via works councils or equality bodies (as some jurisdictions require) can provide a degree of practical protection without breaching the Directive.

## THEME 3: RIGHT TO REQUEST

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From June 2026 (where transposed on time), employees will have the right to request information about their own pay compared with the average pay of colleagues doing work of equal value within the same worker category. Crucially, this is disclosed as absolute figures - not just as a percentage - meaning employees will be able to identify meaningful pay differentials clearly.

### What must be disclosed

- ▶ The employee's own pay figure
- ▶ The average pay of colleagues in the same worker category, broken down by sex
- ▶ A single combined pay figure is required, though many firms are considering providing a breakdown of base vs. variable pay to aid understanding and manage the conversation
- ▶ No threshold exists below which disclosure can be refused

## How firms are approaching the pay period (poll results)

The audience was closely split on the reference pay period. Most were using the prior calendar year but no single approach has emerged as a clear standard. Firms should document their chosen methodology carefully so it can withstand scrutiny and follow up on local implementation.

### Process design

- ▶ Automate where possible - consistency is critical when responses may later be subject to legal scrutiny
- ▶ If managers are involved in the disclosure process, structured training is essential before go-live
- ▶ Netherlands and Sweden require direct disclosure to the employee; other jurisdictions require routing via works councils, labour inspectorates, or equality bodies
- ▶ Responses must be provided within the timeframes set by local law – firms should begin designing the process now, not in May 2026

## THEME 4: TRANSPARENCY AT HIRE

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The obligation to disclose pay ranges to candidates before or at the point of hire is one of the most practically immediate requirements - and in some jurisdictions, is already in force. Firms that have not yet reviewed their recruitment processes and candidate communications need to do so urgently.

### Core requirements

- ▶ Disclose the pay range for the role to candidates before hire
- ▶ Describe variable pay opportunity - if no fixed amount, a qualitative description is sufficient
- ▶ The ban on asking candidates about their prior salary applies across the EU (this could be considered outside of EU too in terms of potential to perpetuate gender pay gaps)
- ▶ Promotion decisions are also covered - employees must be told the pay range for a role before being promoted into it

### Jurisdiction variation on job advert requirement

- ▶ France, Italy, and Ireland require the pay range to appear in the job advert itself
- ▶ Other jurisdictions allow disclosure later in the recruitment process
- ▶ A phased approach is used by some firms: a broad range in the advert, with more detailed information provided to shortlisted candidates

The poll on transparency at hire scope showed the majority of firms planning to include base pay plus variable pay opportunity as a minimum, with a minority including benefits. The consensus was that base pay only is legally insufficient in most jurisdictions.

#### Poland: already in force

Poland transposed transparency at hire provisions into national law in December 2025. Firms with Polish operations should have already updated their recruitment materials and processes. If this has not yet been done, it requires immediate attention.

## THEME 5: WORKER REPRESENTATIVES

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The involvement of worker representatives - whether works councils, trade unions, or specially appointed employee bodies - is a thread running through every aspect of Directive compliance, from category approval to right-to-request delivery. In several jurisdictions, this is not optional engagement: it is a legal requirement with significant procedural weight.

### Jurisdiction overview

- ▶ **Netherlands:** Works councils have formal veto right over worker category decisions. Engagement must begin early and with real intent to negotiate.
- ▶ **Belgium & France:** Strong works council rights; involvement in category approval and may receive pay gap reporting data before employees.
- ▶ **Sweden:** Direct employee engagement required where no standing works council exists.

- ▶ **Ireland:** Firms will likely need to appoint specific representatives for the purposes of Directive compliance.
- ▶ **Spain:** External union involvement may be the relevant route where no internal body exists as is the case of existing remuneration registry rules.

For firms without existing worker representative structures, the key question is whether local law requires them to establish one. In some jurisdictions the answer is no. In others, a body must be set up specifically for this purpose. Firms operating across multiple EU jurisdictions should map this jurisdiction by jurisdiction - the requirements vary considerably.

## Q&A: SELECTED ISSUES

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### Does the Directive apply to the UK?

No - the Directive does not apply to UK entities following Brexit. However, the UK government is consulting on equivalent domestic measures and the direction of travel is clearly towards greater pay transparency. UK employees who work alongside European counterparts covered by the Directive may become aware of an information asymmetry, which firms should consider from a culture and communication perspective.

### What about non-executive directors and contractors?

Non-executive directors and independent contractors are generally outside the scope of the Directive, as it applies to employees and workers under an employment contract. However, the position of temporary agency workers varies - the Netherlands specifically includes them in scope. Secondees are included in the entity where their employment contract sits.

### Can regional differences in pay be justified?

Reporting is done at entity level within a single country, so cross-border regional differences (e.g. a French entity versus a German entity) will not need to be compared. Within a single entity operating across multiple cities, location can be cited as an objective justification - but courts have been demanding on this point. Location alone is not sufficient; firms must demonstrate objective factors such as cost of living, talent scarcity, or specific role demands linked to the location.

### Can revenue generation justify pay differences?

This is a particularly live question for PE firms where deal team compensation is often linked to revenue. The Directive requires justifications to be both objective and gender-neutral. If revenue-based compensation is more likely to benefit one gender than another - which it may well be in predominantly male-led deal teams - then it carries indirect discrimination risk. Firms should take specific legal advice before relying on revenue as a justification.

### What about portfolio companies?

The Directive applies to portfolio companies as employers in their own right, not just to the PE house. Firms are taking varying approaches: some are working actively with portfolio companies and raising the topic at investment committee level; others are leaving portfolio companies to manage compliance independently. Firms should be aware that non-compliance at portfolio level carries reputational as well as legal risk.

## CLOSING REFLECTIONS

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Each speaker chose one theme to reflect on in closing:

- ▶ **Jennifer (Linklaters):** The question of what constitutes "pay" under the Directive will ultimately be resolved jurisdiction by jurisdiction as national laws are transposed and case law develops. But firms that make considered, documented decisions now - rather than waiting for definitive answers - will be far better placed when challenges come. The absence of certainty is not a reason to delay.
- ▶ **Simon (Linklaters):** The cultural dimension of pay transparency is often underestimated. For many employees, the right to request will be the first time they have real comparative pay data. How firms communicate and manage that moment will matter as much as technical compliance. Investment in manager training and clear communication frameworks is as important as legal structuring.
- ▶ **Fiona Robinson (Level 20):** The Directive is an opportunity, not just an obligation. Level 20's research consistently shows that transparent and fair pay structures are among the most important factors in retaining senior women in private equity. Firms that use this moment to genuinely examine and address structural pay inequities will emerge stronger - for their people and their performance.