



Pay Equity and Transparency for Executives

By Heine Zahll Larsen

March 2025

What does the EU directive on Pay Transparency mean for Boards and Executive Teams?

Over the past year and a half, discussions about pay transparency and the upcoming EU directive have gained momentum as the implementation date draws nearer.

Many might say, "No need to worry just yet!" And for publicly traded companies that already publish annual remuneration reports—including gender pay equity disclosures—this may largely hold true.

Similarly, smaller companies may be able to wait a little longer, benefiting from the experiences of larger firms due to the directive's proportionality principle.

However, a significant number of Danish companies will soon need to report on pay equity using various methods and adjust their approach to pay transparency altogether.

Even companies that already publish annual remuneration reports should take note, as the EU directive introduces new regulatory and reporting requirements.

Is Pay Equity even on the Leadership Agenda?

It should be. For years, discussions have focused on increasing the number of women in executive positions and ensuring they receive equal pay for equal work. There's also growing awareness of how parental leave contributes to the widening pay gap.

Yet, when companies address these topics, references to the EU Pay Transparency Directive are surprisingly absent—even though it represents one of the most significant political measures ever introduced to ensure equal pay and fair working conditions. That's worth thinking about.

Two main factors have kept the directive off many leadership agendas:

Companies face an ever-growing list of regulations and reporting obligations. Even though a "stop-clock" decision is expected on the CSRD implementation, the pay transparency directive adds another layer of administrative complexity.

Discussions on this topic largely remain within HR, often handled by compensation and benefits specialists. While these specialists are essential for implementing the directive, the responsibility must be anchored in top management and the board, with a clear mandate for HR leaders.

Currently, most companies are only aware of the directive's broader implications—issues typically managed by HR or briefly mentioned in remuneration reports, if at all.

A Quick Overview of the EU Transparency Directive

Closing the Gender Pay Gap

The directive aims to reduce the gender pay gap by making sure that men and women are paid the same for similar jobs.

Fair Pay Practices

Companies must make sure that salary decisions are based on clear, objective criteria that can be explained and challenged. For example, job ads must include the salary range, while it is no longer allowed to ask candidates about their current salary.

Employees' Rights to Pay Transparency

Employees must have easy access to information on how their employer decides on pay level for a role; and if differing from similar roles, the reasons must be explained. Employees can request the pay level for comparable positions, so they know their relative pay. If employees feel not being paid fairly, they can seek compensation, possibly with retroactive effect.

Public Reporting on the Gender Pay Gap

Companies must disclose the gender pay gap in publicly available reporting formats. This should include a breakdown of the pay gap and factors that explain it. They must also disclose how salary levels and adjustments are decided.

Action Plan for Gender Pay Gaps

If a company has a gender pay gap of 5% or more, they must create a plan to reduce the gap.

How should Boards and Executive Management approach the Directive?

A key challenge is, in most countries local guidelines have yet to be published. However, the directive sets a minimum standard, meaning requirements or timelines will not be eased. With this in mind, companies can confidently refer to the current EU directive as a framework, paying attention to local legislation, regulation or soft law already in place. Consequently, the implementation will vary between countries.

First and foremost, businesses should align the directive's requirements with their own values and strategic principles and on this basis apply the EU directive. A "check-the-box" approach might ensure compliance, but it also risks negative public scrutiny—ranging from employee lawsuits and unfavorable media coverage to issues raised by proxy advisors and due diligence reviews.

While most advisory services currently focus on HR, the actual implementation must be owned by the board and executive management. Ensuring HR has the right tools and structures is crucial, but it's only part of the solution.

Keep in mind, leadership discussions must differ from those held within HR. Relevant topics could be as listed here. See further details on next page.

Considerations for Board and Executive levels

1. Are our pay structures genuinely fair and justifiable?
2. How well prepared are we for reporting and disclosing our pay gaps?
3. Do we have the right governance structure in place?
4. What are the legal and reputational risks – and how can we mitigate them?
5. Do the board and executive team have the appropriate expertise available?

Not all questions are relevant to your specific situation. Use them to spark relevant discussions or even as a checklist to assess your readiness for implementation. Either way, working through these topics will put your organization in a strong position.

Key questions for HR

1. Is our HR strategy aligned with policies on pay and equal opportunities?
2. Do processes in recruitment, promotions, and annual evaluations need adjustments?
3. Are our pay structures fair, consistent and explainable?
4. Is our HR data ready for compliance and reporting?
5. How do we use the directive as a catalyst for cultural change?

If you need help facilitating these discussions or have additional questions, feel free to reach out.

Good luck with the implementation!

Detailed questions for Boards, Executives and HR Leaders

Considerations for Board and Executive levels

Are our pay structures genuinely fair and justifiable?

- Can we confidently explain any pay differences across the organization?
- Are performance metrics and variable pay components fair and gender-neutral?

How well prepared are we for reporting and disclosing our pay gaps?

- Do we actively monitor pay equity to identify and address disparities?
- Do we have a communication strategy for handling pay gap disclosures internally and externally?
- Are employee board representatives involved in discussions about pay strategy?

Do we have the right governance structure in place?

- Are the board, executive team, and HR collaborating effectively to oversee pay equity?
- Do we have a clear culture of ownership around our pay strategy principles?

What are the legal and reputational risks – and how can we mitigate them?

- Are we aware of the directive's legal requirements and potential sanctions?
- Do we have a proactive PR and communication strategy for addressing potential issues?
- Do we have multiple country activities with different requirements to meet?

Do the board and executive team have the appropriate expertise available?

- How will pay transparency impact executive remuneration?
- How should we handle expats, talents, and high performers in a transparent pay environment?
- How does pay equity align with other diversity and inclusion initiatives?

Key questions for HR

Is our HR strategy aligned with policies on pay and equal opportunities?

- Is equal pay and opportunities a core part of our HR priorities?
- How do we communicate the benefits of pay transparency to employees and management?

Do processes in recruitment, promotions, and annual evaluations need adjustments?

- Are managers trained to discuss equal pay and opportunities without bias?
- Do we publish salary ranges in job postings and avoid asking about salary history?
- Are promotion decisions well-documented and based on clear, objective criteria?

Are our pay structures fair, consistent and explainable?

- Do we have clear, gender-neutral criteria for setting and adjusting salaries?
- Can we justify pay differences with objective, measurable factors?
- Do employees on parental leave lack career and salary progression?

Is our HR data ready for compliance and reporting?

- Do we have reliable systems to analyze and report pay across employee groups?
- Can we generate required reports easily and with confidence in our results?
- How do we ensure compliance with GDPR requirements?

How do we use the directive as a catalyst for cultural change?

- Can pay transparency help building trust and employee engagement?
- How do we integrate long-term pay equity into our broader DEI and people strategy?
- Can we make pay transparency a competitive advantage for attracting and retaining talent?



For more information

Heine Zahll Larsen
Executive advisor
hzl@zahll-executive.dk

Zahll Executive ApS
CVR 41 86 79 81
www.zahll-executive.dk

This material is provided to you for information purposes only. Zahll Executive has taken all reasonable care to ensure that the information contained in this document is reliable but no guarantees, warranties or representations are made as to the accuracy or completeness of the information contained in this information document.

Copyright © 2025 Zahll Executive ApS. All rights reserved.

