EU Pay Transparency Virtual Masterclass Series

Workshop 5 – Performance, Contribution, and Benefits

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Chatham House Rules

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Please submit questions through the Q & A option

The Series

- Past Workshops – Available Online:
  - ***Session 1* – Everything You Need to Know and When You Need to Know It**
  - ***Session 2* – Key Pay Reporting and Analyses Concepts in the Directive and Practical Implications**
  - ***Session 3 – Data Simulation and Decision-Making***
  - ***Session 4* – Worker Categories, Worker Representatives & Practical Compliance Challenges**
- Future Workshops:
  - ***Session 6* – The Future of Global Pay Equity and Transparency**
- White Paper
- Employer Compliance List
- Session Recaps / Q & As

Session 5 Summary for Reference

Session Focus

Examine how performance ratings, contribution assessments, and benefits decisions interact with pay transparency requirements, and where bias and compliance risk may arise.

Agenda

01

Legal Update

Status of Member State Implementation

02

EUPTD: Definition of “Pay” & Pay Reporting

03

What forms of compensation and benefits are included / excluded?

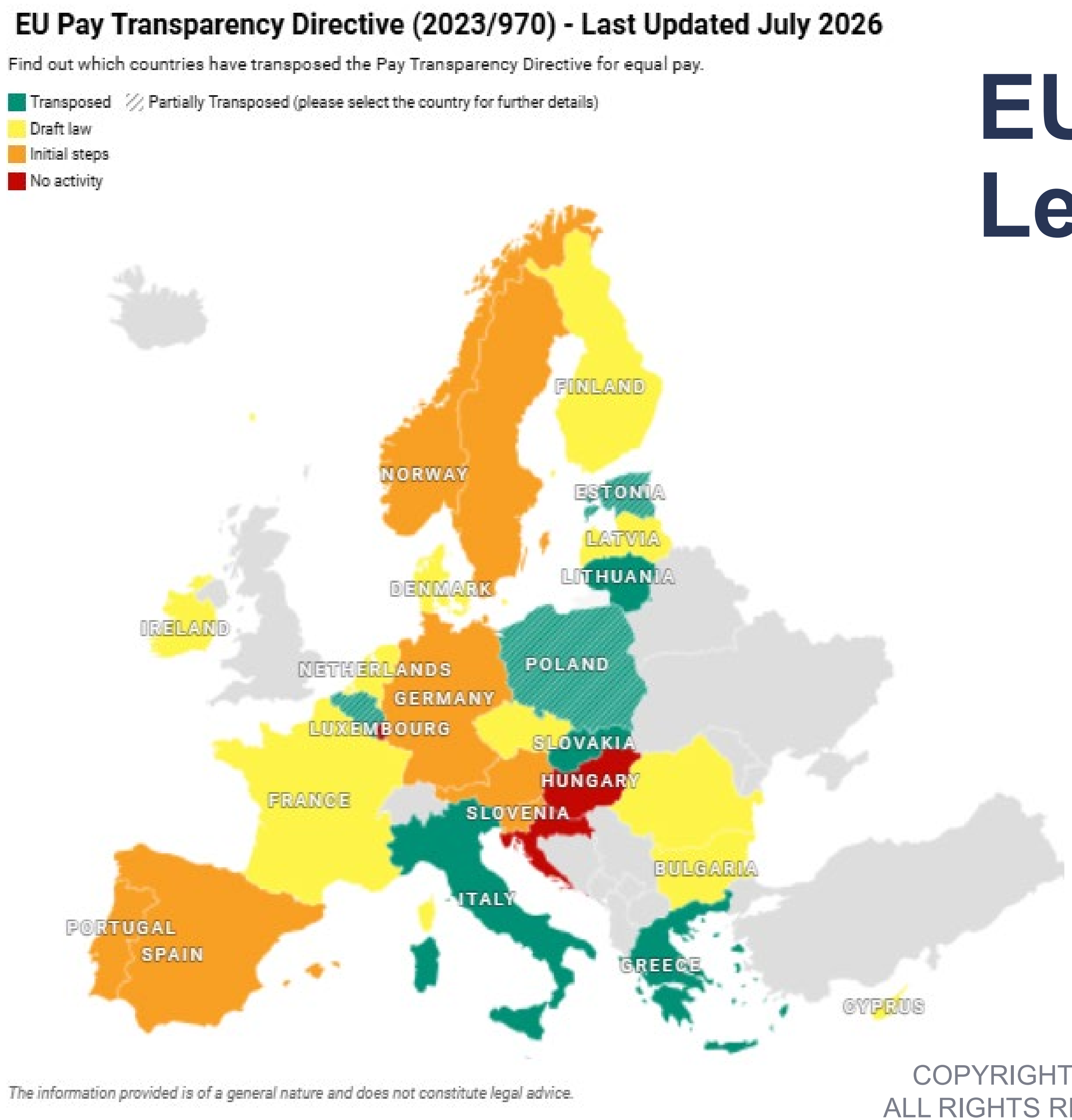
04

Considerations When Developing Pay Gap Analyses

Legal Update

Status of Member State Implementation

EU Pay Transparency – Legal Update



June 7, 2026

Transposition Deadline

- Transposed
- Draft law
- Initial steps
- No activity
- Partial Transposition (please select the country for further details)

https://iuslaboris.com/insights/eu-pay-transparency-directive-which-countries-have-implemented/

Implementation Date

Dec 24, 2025	Jun 7, 2026	By the end of CY 2026	Jan 2027	Date TBC
Poland Pre-hiring only	Italy	Bulgaria	Czech Rep	Finland
	Slovakia	Greece	Denmark	France
		Romania	Poland Full transposition	Ireland
			Netherlands	Sweden
				Austria
				Belgium
				Germany
				Norway
				Spain
				Switzerland
				Hungary
				Portugal

HPE EMEA

Legend: Full transposition | Draft published | Pending (Initial steps announced) | None (No activity)

Reporting*

2027		2031
Annual	3-year cycle	3-year cycle
>=250 workers	150–249 workers	100–149 workers

Annual, >=250 workers (2027):
- Bulgaria
- Czechia
- Germany
- Poland
- Romania
- Slovakia
- France
- Spain
- Italy
- Ireland
- Netherlands

3-year cycle, 150–249 workers (2027):
- Austria
- Belgium
- Sweden

3-year cycle, 100–149 workers (2031):
- Denmark
- Finland
- Greece
- Portugal

* Reporting cycle subject to change based on local national law

Overview of EUPTD

Definition of "Pay" & Pay Reporting Requirements

What is being measured?

"Pay" Under the Directive

- the ordinary basic or minimum wage or salary; and

- any other consideration, whether in cash or in kind, which a worker receives directly or indirectly (complementary or variable components)

Pay Reporting – Pay Gap

Reports to Member States:

a) the gender pay gap;

b) the gender pay gap in complementary or variable components;

c) the median gender pay gap;

d) the median gender pay gap in complementary or variable components;

e) the proportion of female and male workers receiving complementary or variable components;

f) the proportion of female and male workers in each quartile pay band; and,

g) the gender pay gap between workers by categories of workers broken down by ordinary basic wage or salary and complementary or variable components.

Must provide to workers and workers' representatives

&

Triggers Joint Pay Assessment

Example Reporting

Proportion Receiving Complementary / Variable Pay

Gender	% Receiving Any Complementary Pay
Female	45%
Male	55%

Gender Pay Gap in Complementary / Variable Pay

Metric	Female-to-Male Ratio	Pay Gap
Sum Complementary / Variable Pay (Mean)	€0.82: €1.00	18%
Sum Complementary / Variable Pay (Median)	€0.85: €1.00	15%

Gender Pay Ratio by Category of Workers

Category 1: Managers
Category 2: Analysts

	Category of Worker	Female-to-Male Ratio	Gap
Sum Complementary / Variable Pay (Median)	Managers	€0.90 : €1.00	10%
Sum Complementary / Variable Pay (Median)	Analysts	€1.01 : €1.00	- 1%

Complimentary & Variable Components

What forms of compensation and benefits are included / excluded?

Types of Complementary or Variable Pay

What is it?

In the US, what is included in an employee's total compensation package?

- Base Pay
- Bonus
- LTI / Stock
- Professional Development Funds
- Relocation Expenses
- Overtime
- Benefits

EU PAY TRANSPARENCY DIRECTIVE

Benefits Scope Under EUPTD

EUPTD requires gender pay gap reporting on total remuneration, not just base salary, and EUPTD defines pay broadly — monetizable benefits tied to work are in scope.

Total Remuneration

Assessments must now be completed based on total pay including benefits, exposing gaps previously hidden in non-base components

Common GPG Drivers

Company car / allowances, pension formulas, and role-based allowances often create unintended gender disparities

In-Scope Benefits

Including allowances (representation, housing, meals, other), company cars (taxable BIK), and employer pension contributions

Out of Scope Benefits

Business expense reimbursements, collective well-being benefits (EAP, canteen), non-cash training, and statutory state benefits

Country Inconsistencies and Gold Plating

Member states may adjust scope via local transposition, impacting centralized governance consistency

Example: CZECH REPUBLIC

Employers providing non-pay monetary benefits must create a **separate documented system**. The system should use objective, non-discriminatory criteria. Above and beyond Directive requirements and effective from 1 January 2027. More information to come on this!

Building a Benefits Inventory

How HPE approach a centralized inventory as the backbone of EUPTD compliance

INVENTORY REQUIREMENTS

Comprehensive Benefits Repository
List all benefits by country including eligibility criteria, participation rules, valuation source, and payroll processing status

Valuation Methodology
Documented approach — taxable values, employer cost, or standardized internal values

Governance Documentation
Maintain thorough documentation by country to minimize compliance risks from undocumented exceptions or legacy practices

Job Architecture Linkage
Demonstrate fairness by linking benefit eligibility to job roles and grades rather than individual discretion

KEY PRINCIPLES

Eliminate Exceptions
Undocumented exceptions, legacy arrangements, or manager-discretion benefits introduce clear compliance risk moving forward

Centralize Governance
Central oversight of the repository is essential, ensuring consistent interpretations — our benefits inventory is evidence under EUPTD

Pensions & EUPTD Compliance

Employer pension contributions are explicitly defined as “pay” under the Directive — they cannot be excluded from transparency reporting. Country legislation continues to remain unclear.

Pay Gap Calculations

Pension values may be included in gender pay gap reporting

5% Threshold & Assessments

Pension gaps count toward the 5% trigger for joint pay reviews

Right to Information

Employees can request pension data under RTI

RISK HOTSPOTS

Key Ambiguity
No country has yet clearly stated whether pensions must be annualized into the GPG or reported separately, and approaches can vary

Closed DB vs Open DC Plans vs Grandfathering
Older male-dominated cohorts in DB schemes or grandfathered plans vs younger, female-skewed DC plans widen reported gaps

Contribution Rate Disparities
Different rates due to pension plan design — by grade, salary, contract type or seniority

Eligibility Waiting Periods
Delayed pension entry disproportionately affecting part-time workers and career returners

WHAT TO DO

Read the Legislation
Each country can be different — try to understand why your requirements are

Establish Governance
Treat pension data as evidence, not just a benefits topic — ensure audit trails and clear ownership

Justifications
Prepare objective, gender-neutral explanations for any pension differentials before regulators ask

Scrutiny
Consider what works councils and equality bodies may scrutinize regarding pension structures during joint pay assessments

Company Cars & Car Allowances

Under the EUPTD, HPE company cars and car cash allowances are treated as “pay” — car eligibility and car value are material reward elements that can create pay gaps even where salaries are aligned

HPE-SPECIFIC RISK AREAS

Status v Tool Eligibility
Leadership roles and job level defaults are high risk under EUPTD and may be difficult to defend unless clearly linked to role responsibility / classifications

Country-Specific Discretion
Exceptions, grandfathering and undefined mileage thresholds weaken consistency

Legacy, M&A and Retention Practices
Keeping higher-value cars after role change perpetuates historical inequity

EUPTD-ALIGNED DIRECTION

Anchor to Job Architecture
Car eligibility must be to job architecture and demonstrable business need (tool-car logic and mileage). How to deal with role/title linkage …

Consistent Valuation
Apply consistent valuation of cars and car allowances as part of total remuneration (TCO v allowance differences)

Document Everything
Ensure car rules and exception justifications are documented, auditable, and explainable in writing to employees, Works Councils, and regulators

Key Takeaways

Legislation at a country level is still unclear and evolving

→

Benefits ARE part of "pay" (broad legal definition)

The Directive defines pay as:
Base salary + any other consideration (cash or in kind)

This clearly captures benefits, including: pension contributions, company car, allowances (housing, meal, relocation, etc.), equity / long-term incentives

→

BUT: No detailed breakdown of benefit types in legislation

Neither the Directive nor most country laws provide a standard taxonomy of benefits or specify valuation rules (e.g., cost vs taxable value)

✅ Result:
Employers must define, classify, and value benefits themselves. This is a major audit and consistency risk.

↓

Multilayer Treatment of Benefits

Legal definition of pay ✅ Included

Right to Information (RTI) ✅ Included

Total remuneration reporting ✅ Included

Gender pay gap metric (%) ⚠️ Included / Excluded or Unclear

→

Under EUPTD, benefits are part of pay, can materially impact gender pay gaps, and must be **documented** to withstand employee and regulator scrutiny under RTI and joint pay assessment rules.

→

Build traceability and be able to explain:

Why an employee receives a benefit

How it is valued

How it compares across peers

Complimentary & Variable Components

Considerations When Developing Pay Gap Analyses

Questions

Is there employer discretion?

Are there eligibility criteria?

What factors determine allocation or amount?

Are there standard, consistently applied policies and practices?

Performance Measure Analysis

Where Performance Measures influence the allocation and / or amount of complementary or variable pay, the evaluation of gender differences in these measures may be valuable.

e.g., Bonus, LTI or Stock

Setting Up a Study

- Understand the performance process
  - Documents
  - Interviews
- Identify measures of interest
  (i.e., how does performance measure influence pay?)
- Form appropriate comparison groups
- Define the type of analysis
- Obtain the required data
- Perform the statistical analysis

Types of Studies

- Testing the entire distribution of ratings
  - Do females receive disproportionately lower ratings than their peers?
  - Appropriate where pay is linearly related to the performance measure
- Testing the assignment of high ratings
  - Do females receive disproportionately few high ratings (such as Greatly Exceeds Expectations)?
  - Appropriate where eligibility depends on a specific rating or employees with a ‘high’ rating get xxx pay
- The studies above can be conducted on preliminary or final ratings

Example #1

- IT Software & Systems Company
- Four-point rating scale
  - NP = Not meeting performance expectations
  - DP = Developing performance
  - SP = Successful performance
  - EP = Exceptional performance
- For each subsequently higher rating, an employee gets an extra 1% bonus
- Test the entire distribution of ratings assigned to Senior Engineers
- Utilize a rank sum model

ID	Sex	Title	Rating	Ranks	Female Rank Sum
E729224	F	Engineer Sr	NP	1.5	1.5
E146081	F	Engineer Sr	NP	1.5	1.5
E718981	F	Engineer Sr	DP	4.0	4.0
H134819	M	Engineer Sr	DP	4.0	
E719152	F	Engineer Sr	DP	4.0	4.0
E382122	M	Engineer Sr	SP	9.0	
E562904	M	Engineer Sr	SP	9.0	
E732185	F	Engineer Sr	SP	9.0	9.0
E721519	M	Engineer Sr	SP	9.0	
E294957	M	Engineer Sr	SP	9.0	
E162507	M	Engineer Sr	SP	9.0	
E334836	F	Engineer Sr	SP	9.0	9.0
E037380	M	Engineer Sr	EP	13.5	
E145673	M	Engineer Sr	EP	13.5	
					29.0

29.0	Observed Female Rank Sum
45.0	Expected Female Rank Sum
-16.0	Disparity
51.8242	Rank Sum Variance
-2.223	Number of Standard Deviations
-0.594	Effect Size (large)

Example #1: Rank Sum Test

Example #2

- IT Software & Systems Company
- Four-point rating scale
  - NP = Not meeting performance expectations
  - DP = Developing performance
  - SP = Successful performance
  - EP = Exceptional performance
- Test the assignment of high ratings (SP, EP) for Engineer II
- Only employees with a high rating are eligible for a bonus
- Utilize Fisher's Exact Test

Example #2: Fisher's Exact Test

	High SP, EP	Low NP, DP	Total
F	2	7	9
M	22	8	30
Total	24	15	39

2.0	Observed # of Females with High Rating
5.5	Expected # of Females with High Rating
-3.5	Disparity
0.009	Probability of 2 or Fewer Females with High Rating
-2.360	Number of Standard Deviations
-0.378	Effect Size (medium)

Next Steps

- Where disparities are found, can you justify the measures?
  - Additional performance measures
  - Documentation
- Evaluation of the policies and practices related to the type of pay
- If you find significant disparities that cannot be justified:
  - Change rating
  - Train / educate raters
  - Monitor
  - Exercise caution when considering use of ratings to justify other employment decisions
- Note that ratingless systems but policies and practices that indicate performance as a factor may result in that type of pay being a proxy of performance

Follow Ups

- Break down by type of complementary or variable pay
- Statistical analyses controlling for appropriate factors
- Evaluation of underlying policies and practices


final
thoughts