European Banking Authority

REPORT

ON THE APPLICATION OF GENDER-NEUTRAL REMUNERATION POLICIES BY INSTITUTIONS AND INVESTMENT FIRMS

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1. Executive summary

1. Article 74(3) of Directive 2013/36/EU and Article 26(4) of Directive (EU) 2019/2034 provide mandates to the EBA to issue a report within two years of the date of publication of the Guidelines based on the information collected by the competent authorities on the application of gender-neutral remuneration policies by institutions and investment firms. The EBA issued Guidelines on gender-neutral remuneration policies for institutions[1] and investment firms[2] on 31 December 2021 and 30 April 2022 respectively (Guidelines).
2. To perform the review, the EBA has collected information from institutions, investment firms and competent authorities.
3. The management body of the institution or investment firm is responsible for adopting a gender-neutral remuneration policy, where applicable, based on the advice of the remuneration committee. Most institutions and a majority of investment firms have adopted remuneration policies that are explicitly gender-neutral.
4. Some entities still lacked a gender-neutral remuneration policy, did not conduct annual policy reviews, did not monitor whether the remuneration policy is indeed applied in a gender-neutral way and did not calculate the gender pay gap or did not provide such information to the public, falling short of supervisory expectations.
5. The review shows that already 85.0% of institutions but only 62.6% of investment firms monitor the representation of women and that already 79.9% of institutions but only 60.6% of investment firms regularly review the gender pay gap. This should change as this monitoring is required under the EBA Guidelines; measures to ensure compliance need to be taken.
6. Competent authorities are supervising the application of gender-neutral remuneration policies to a large extent as part of the annual Supervisory Review and Evaluation Process (SREP) or other reviews performed, including in smaller institutions. The scope of authorities' actions on gender-neutral remuneration in investment firms is generally not as wide as for credit institutions, considering the principle of proportionality. Many competent authorities pointed to a lower number of female staff in management or high salary grades and stated that this is a main contributor to the gender pay gap. The low representation of women in more senior positions requires further action. Improving diversity means incorporating a broader range of views, opinions, experiences, perceptions, values and backgrounds and reducing the phenomena of 'group think' and 'herd behaviour'. Better gender balance in senior positions would also

[1] Guidelines on sound remuneration policies | European Banking Authority (europa.eu).

[2] https://www.eba.europa.eu/regulation-and-policy/investment-firms/guidelines-remuneration-policies-investment-firms.

contribute to closing the gender pay gap and creating a gender balanced pool of candidates for positions within the management bodies.

7. Also, the observations made by institutions and investment firms point to the persistence of a gender pay gap. The existence of a gender pay gap does not indicate that there is a violation of the principle of equal pay for equal work or work of equal value. The persistence of a gender pay gap indicates that further work is needed to ensure 'equal opportunities' and that there are biases that require further attention, e.g. the gender balance in more senior positions.

8. Overall, remuneration levels follow general market conditions, e.g. those derived from benchmarking results or observed salary corridors. In general, pay levels are based on responsibilities, experience, skills and market salaries and are independent of gender.

9. According to the information provided, many institutions and investment firms have encountered minimal to no practical challenges in implementing gender-neutral remuneration policies, but several pointed to challenges caused by the General Data Protection Regulation when collecting gender-relevant data. Any concerns in that area could be solved by introducing a clear and explicit legal basis for collecting gender-specific data.

10. Institutions use a wide range of indicators to monitor the application of their gender-neutral remuneration policies. While adopting gender-neutral remuneration policies and the monitoring of internal developments are important, other measures are needed to solve an unconscious remuneration bias that might still exist, e.g. with the allocation of specific remuneration amounts within a predefined range of acceptable remuneration levels. Also, defining what qualifies as an 'equal position' or 'equal career level' has proven to be a complex task, particularly when considering multiple units or functions.

11. Overall, the Capital Requirements Directive (CRD) and the Investment Firms Directive (IFD), but also the EU Charter of Fundamental Rights, the EU Treaty and Directive 2006/54/EC provide for a suitable legal framework to ensure gender-neutral remuneration policies and equal opportunities. Competent authorities have not identified needed changes to this framework. The remaining weakness in the area of the application of gender-neutral remuneration policy can be addressed by the ongoing supervision of institutions and investment firms.

12. However, based on the findings included in the report, the level of transparency on gender-neutral remuneration and diversity metrics could be improved. While there are already some disclosure requirements in this area, additional transparency could support the needed effort to reduce the gender pay gap, by requiring the disclosure of more quantitative indicators on the gender neutrality of remuneration policies and gender representation at different seniority levels, in addition to the already required qualitative disclosures on remuneration policies. The same holds true for disclosures in the area of diversity requirements for the management body.

13. In particular, it is seen as good practice to publish the monitoring performed by institutions on gender representations and gender pay gaps. Also, combining gender-neutral remuneration policies with the measures taken to ensure equal opportunities seems to serve more effectively the objectives of pursuing equal pay, reducing the gender pay gap and fostering diversity.

14. The EBA will consider the extent to which the findings of this report may need to be reflected in the future review of the relevant EBA policy products.

2. Background and legal basis

15. Article 74(3) of Directive 2013/36/EU (CRD) and Article 26(4) of Directive (EU) 2019/2034 (IFD) provide mandates to the EBA to issue a report within two years of the date of publication of the Guidelines, based on the information collected by the competent authorities on the application of gender-neutral remuneration policies by institutions and investment firms. The requirement applies on an individual and consolidated basis, equally for institutions and investment firms, while the practical implementation may differ to some extent following the principle of proportionality.

16. Institutions and investment firms have extensive experience with remuneration policies and their implementation. However, the explicit requirement within their sector-specific legislation that these policies must be gender-neutral only came into force following updates to the CRD and the IFD for institutions in 2020 and for investment firms in 2021.

17. The EBA issued Guidelines on gender-neutral remuneration policies for institutions[3] and investment firms[4] in 2021. The EBA Guidelines are consistent with the principle of equal pay for equal work or work of equal value. The principle is encoded in Article 157 of the Treaty on the Functioning of the European Union and institutions are required to comply with this principle. It also ensures that all other areas of remuneration policies are gender-neutral and that the gender pay gap is monitored over time. The Guidelines in this area entered into force only several months after their initial publication on 31 December 2021 and 30 April 2022, respectively.

18. Most staff in institutions that are in the sample are subject to remuneration levels that are subject to collective bargaining. A margin of negotiation when recruiting staff may also occur based on staff seniority or the applicable payment category, leading to differences in pay within the defined set of payment levels that are not solely based on objective criteria, but an outcome of the individual negotiation process.

19. Individually negotiated contracts create challenges when ensuring gender-neutral remuneration policies, as their overall number is limited in many firms, in particular in smaller firms, and as the different positions may have different responsibilities and tasks, making it more difficult to determine if they are of equal value. Therefore, it is important to document the different positions and their responsibilities and apply a job classification system, so that firms and supervisors can review compliance with the requirement to apply gender-neutral remuneration policies.

3 https://www.eba.europa.eu/regulation-and-policy/remuneration/guidelines-on-sound-remuneration-policies-second-revision.

4 https://www.eba.europa.eu/regulation-and-policy/investment-firms/guidelines-remuneration-policies-investment-firms.

20.The EBA review aims to identify the state of play for the implementation and application of gender-neutral remuneration policies in institutions and investment firms, as well as supervisory activities performed or planned in this context and the potential need for legislative changes.

21.To perform the review, the EBA has collected information up to 15 December 2023 from institutions and investment firms via the competent authorities. The data presented in this report is the data submitted by competent authorities; the EBA does not have the means to validate the data on the application of remuneration policies by institutions and investment firms.

22.The information collected from institutions and investment firms concerns the adoption and content of the remuneration policy on its gender neutrality, its implementation and communication within the organisation, the ongoing monitoring of its application, including the indicators monitored, its review, and transparency via internal communication and external disclosure. Competent authorities also provided information on their own observations on the application of gender-neutral remuneration policies, supervisory practices and findings.

3. Sample of institutions and investment firms

23.The data collected covers 254 institutions and 99 investment firms all together having 1 107 497 staff members. Institutions have been grouped into three categories for the analysis based on their total assets: institutions with total assets of under EUR 1 billion (45), institutions with total assets of between EUR 1 billion and under EUR 15 billion (105), and institutions with total assets of EUR 15 billion or above (104).

4. Implementation of gender-neutral remuneration policies

24.The management body of the institution or investment firm is responsible for adopting a gender-neutral remuneration policy, where applicable, based on the advice of the remuneration committee. The practical implementation and application are usually driven by the human resources (HR) function or unit, but also often involve other parts of the organisation as further detailed in Section 4.1 of this report.

25.Nearly all institutions responded that they had adopted a remuneration policy that is explicitly gender-neutral. Only 12 institutions (4.72%) reported that they do not yet have in place remuneration policies that are explicitly gender-neutral. However, 19 investment firms (19.19%) stated that they have not yet adopted a remuneration policy that is explicitly gender-neutral.

While the absence of a specific explicit policy poses a risk of non-compliance with the underlying requirements to have gender-neutral remuneration policies, the absence of specific, explicit measures is not hard evidence that there is in fact a violation of the principle of equal pay for equal work or work of equal value.

Figure 1: Number of institutions in the sample, in different size categories based on total assets, and investment firms (IFs), and percentage of such entities that have adopted a remuneration policy that is explicitly gender-neutral

Member State	Institutions <EUR 1 bn	% with explicit policy	Institutions EUR 1 bn to <15 bn	% with explicit policy	Institutions >=EUR 15 bn	% with explicit policy	IFs	% with explicit policy
AT	5	60.00%	4	100.00%	6	100.00%	2	100.00%
BE	1	100.00%	0	-	4	100.00%	3	0.00%
BG	3	100.00%	14	92.86%	0	-	9	100.00%
CY	1	100.00%	2	100.00%	2	100.00%	4	75.00%
CZ	0	-	0	-	5	100.00%	3	100.00%
DE	0	-	2	100.00%	15	86.67%	5	60.00%
DK	2	100.00%	5	100.00%	6	100.00%	5	60.00%
EE	3	66.67%	3	100.00%	0	-	3	100.00%
ES	1	0.00%	4	100.00%	8	100.00%	3	66.67%
FI	5	100.00%	4	100.00%	2	100.00%	3	100.00%
FR	0	-	0	-	6	100.00%	3	100.00%
GR	1	0.00%	2	100.00%	2	100.00%	3	100.00%
HR	2	100.00%	1	100.00%	2	100.00%	3	100.00%
HU	1	100.00%	4	100.00%	2	100.00%	3	66.67%
IE	0	-	1	100.00%	3	100.00%	8	87.50%
IS	1	100.00%	4	100.00%	0	-	0	-
IT	0	-	4	100.00%	5	100.00%	3	100.00%
LI	1	100.00%	3	100.00%	2	100.00%	0	-
LT	3	100.00%	2	100.00%	1	100.00%	3	100.00%
LU	2	100.00%	8	100.00%	5	100.00%	5	80.00%
LV	2	100.00%	3	100.00%	0	-	3	100.00%
MT	1	0.00%	5	80.00%	0	-!	3	100.00%
NL	0	-	1	100.00%	4	100.00%	3	33.33%
NO	0	-	3	100.00%	2	100.00%	0	-
PL	3	100.00%	5	100.00%	7	100.00%	3	0.00%
PT	0	-	2	50.00%	6	100.00%	3	100.00%
RO	0	-	3	100.00%	2	100.00%	0	-
SE	3	100.00%	2	100.00%	4	100.00%	5	60.00%
SI	2	100.00%	10	90.00%	0	-	3	100.00%
SK	2	100.00%	4	100.00%	3	100.00%	4	100.00%
Total	45	86.67%	105	96.19%	104	98.08%	98	80.61%

26.In many institutions the risk of gender discrimination in pay levels should be limited as, on average, most staff (63.9%) are under contracts subject to collective bargaining. However, for investment firms, on average, a larger proportion of staff is subject to individually negotiated contracts (79%), while only 21% of contracts are collectively renegotiated (see Figure 2). The percentages differ significantly between Member States and individual institutions and investment firms, with 156 of them overall indicating that they are only using individually negotiated contracts.

Figure 2: Number of staff (rounded) and percentage of staff who have contracts that are subject to collective bargaining per size category of institutions and for investment firms

Member State	Institutions <EUR 1 bn		Institutions EUR 1 bn to <15 bn		Institutions >=EUR 15 bn		Investment firms	
AT	520	74.1%	1 710	99.1%	11 970	97.2%	70	0.0%
BE	7 360	95.0%	-	-	29 330	90.7%	140	69.4%
BG	850	0.0%	27 070	17.3%	-	-	450	0.0%
CY	130	0.0%	940	50.4%	4 560	98.5%	320	46.3%
CZ	-	-	--	-	30 570	65.6%	430	0.0%
DE	-	-	1 000	84.5%	53 890	52.5%	810	0.1%
DK	240	94.9%	2 950	86.5%	20 430	84.7%	140	8.8%
EE	450	19.3%	2 290	0.9%	-	-	130	0.0%
ES	120	100.0%	480	53.5%	110 970	83.8%	240	31.2%
FI	2 460	93.8%	1 240	41.5%	32 420	70.2%	570	51.6%
FR		--	-	-	193 330	2.0%	1 670	46.1%
GR	230	70.9%	1 030	80.4%	14 580	93.0%	120	72.5%
HR	440	82.4%	1 700	100.0%	6 800	50.7%	50	0.0%
HU	280	100.0%	6 000	55.9%	15 370	0.0%	380	0.0%
IE	-	--	310	0.0%	1 830	1.2%	1 400	2.6%
IS	30	28.0%	2 600	97.0%	-	-	-	-
IT	-	-	4 250	86.5%	155 230	93.9%	120	54.4%
LI	30	0.0%	980	0.0%	1 280	0.0%	-	-
LT	330	12.9%	2 160	61.9%	1 450	0.0%	90	0.0%
LU	410	67.6%	1 360	67.9%	7 550	71.3%	750	24.3%
LV	400	54.5%	3 390	22.6%	--	-	210	0.0%
MT	50	0.0%	3 130	83.4%	-	-	70	0.0%
NL	-	-	190	0.0%	116 780	75.4%	50	0.0%
NO	-	-	640	67.2%	11 200	95.3%	-	-
PL	760	0.0%	8 410	58.7%	67 750	74.7%	970	0.0%
PT	-	-	2 080	96.9%	28 190	99.8%	60	0.0%
RO	--	-	16 240	73.2%	15 540	99.9%	-	-
SE	500	27.7%	500	14.2%	34 230	99.6%	1 020	39.8%
SI	160	39.3%	7 710	95.9%	--		40	0.0%
SK	370	0.0%	4 740	76.0%	10 730	68.1%	100	0.0%
Total	16 120	72.4%	105 100	56.2%	975 980	64.6%	10 400	21.0%

27.Despite the implementation of gender-neutral remuneration policies, the observations made by institutions, investment firms and competent authorities point to the persistence of a gender pay gap. Statistics from Eurostat[5] and the EBA[6] identify a gender pay gap. For the economy as a whole, in 2022, Eurostat calculated that women's gross hourly earnings were on average 12.7% below those of men in the EU. Data from the EBA's diversity benchmarking report shows that, at the end of 2021, female members of the management body in the management function earned on average 11.83% less than their male counterparts, even if the CEO as the highest paid position is not taken into account. For the supervisory function, the respective average is at 9.43%. However, in more than 20% of institutions the pay difference at the end of 2021 was above 30% for both functions[7]. In addition, those statistics point to an under-representation of women in higher paid positions (see also Figure 3). Further actions need to be taken by institutions and investment firms to change the current situation, which cannot be accepted in the longer run as it also hinders diversity and a fair representation of genders. Competent authorities need to ensure compliance with requirements around the calculation and disclosure of the gender pay gap and gender-neutral remuneration policies.

28.Other factors that contribute to the measured gender pay gap, including the length of experience of staff or different educational backgrounds, cannot be fully eliminated by those statistics. Therefore, the existence of a gender pay gap cannot be seen as an indicator for a violation of the principle of equal pay for equal work or work of equal value. The persistence of a gender pay gap indicates that further work is needed to ensure equal opportunities and a more balanced representation of genders in employment in general, and that there are other biases that require further attention, e.g. the gender balance in more senior and higher paid positions.

Figure 3: Staff earning more than EUR 1 million in institutions and investment firms by gender[8]

Year	Total number of high earners	Male	% male	Female	% female	Other genders
2022 Institutions	2 018	1 834	90.88	183	9.12	1
2022 Investment firms	325	314	96.62	11	3.38	0

29.Many institutions already deal within one policy not only with the aspect of gender-neutral remuneration, but also with the broader concept of 'equal opportunities'. Such a wider

[5] Gender pay gap in finance and insurance activities https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender_pay_gap_statistics#Highest_gender_pay_gap_in_financial_and_insurance_activities .

[6] EBA diversity benchmarking report: https://www.eba.europa.eu/sites/default/files/document_library/Publications/Reports/2023/Diversity%20benchmarking/1052569/Report%20on%20the%20benchmarking%20of%20diversity%20practices.pdf.

[7] Figures 35 and 36 of the EBA diversity benchmarking report (EBA/REP/20023/07).

[8] EBA Report on High Earners 2024 (2022 data).

approach reflects the requirements within Directive 2006/54/EC[9] and the EBA Guidelines on sound remuneration policies and internal governance that also embrace the concept of equal opportunities, and is considered good practice.

30. The vast majority of institutions (242 institutions, 95.28%) and most investment firms (84 IFs, 84.85%) make the full remuneration policy transparent to staff. All such 242 institutions and overall 93 investment firms stated that they clearly communicate to staff on pay rises and the determination of the bonuses.

31. The vast majority of entities (229 institutions (90.16%) and 86 investment firms (86.87%)) stated that they would perform regular reviews of the remuneration policy to ensure that it is indeed gender-neutral. Nearly all of them perform this review annually, but eight institutions and eight investment firms stated that they perform the review only every two or three years. In most cases, the management body and/or, where established, the remuneration committee are involved in the review. In most cases, the review also involves the HR, remuneration, compliance and/or audit function. The practices do not differ significantly between institutions and investment firms of different sizes.

32. The level of compliance with the requirements on the adoption of gender-neutral remuneration policies and their regular reviews is satisfying overall. Some supervisory findings exist and are being addressed by competent authorities.

4.1 Organisational units involved in the implementation and application of gender-neutral remuneration policies

33. In general, the HR function ensures the application and implementation of gender-neutral remuneration policies, but so do the business units which are usually actively involved in the selection of staff and naturally play a significant role in the practical application of such policies, e.g. by contributing to job descriptions or providing input into the job classification systems.

34. Most institutions (234 or 92.13%) and investment firms (61 or 61.62%) stated that the HR function is also responsible for monitoring the gender-neutral remuneration policies. In addition, 64 institutions (27.35%) and 14 investment firms (14.14%) have set up a gender equality team. 44 institutions (17.96%) and 7 investment firms (7.07%) involve an external service provider, and 93 institutions (37.96%) and 12 investment firms (12.12%) involve their internal audit function.

35. Most institutions and investment firms mentioned that the workers' council is involved in setting the remuneration policy or in ensuring that the remuneration policies are gender-neutral.

36. Some institutions mentioned additional functions being involved and pointed to the responsibility of the remuneration officer and the remuneration committee for implementing and overseeing gender-neutral remuneration policies. Similarly, some institutions have

[9] Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (OJ L 204, 26.7.2006, p. 23-36).

remuneration boards that often include the management body, internal control functions and remuneration functions. Many institutions responded that they involve the risk management and compliance function or the legal unit directly.

37. Many institutions added that there are additional functions involved in the application of gender-neutral remuneration policies. These often include committees involved in diversity and inclusion, and committees involved in overarching social welfare and responsibility measures. The business units are also directly involved. A few institutions referred directly to the involvement of the internal audit function. Very few institutions mentioned the involvement of the environmental, social and governance risk team or independent reviews by external auditors.

4.2 Practical challenges when implementing gender-neutral remuneration policies

38. According to the information provided, many institutions and investment firms have encountered minimal to no practical challenges in implementing gender-neutral remuneration policies, but some pointed to challenges caused by the General Data Protection Regulation.

39. Ensuring compliance with stringent GDPR rules emerged as a key practical challenge during the implementation of gender-neutral remuneration policies that was raised by some institutions and investment firms, including with regard to information on the remuneration and gender of staff. Indicators used and calculating gender pay gaps require the collection and processing of personal data.

40. A few specified their respective concerns and pointed to legal concerns when applying gender-neutral remuneration policies and specifically to potential conflicts between the need for gender pay data collection and requirements related to anonymity and contractual secrecy, especially within small management and supervisory boards or when tasking third parties with analysing gender pay gap figures. In addition, one institution pointed specifically to the national labour law that it says prevents institutions from collecting information on gender. Another institution stated that it would not collect gender information on staff due to data protection requirements and another institution highlighted the sensitivity of inquiring about employees' gender identity from both a data-protection and sustainable-employer perspective.

41. Practical challenges in this context were also raised about the ability to achieve an appropriate gender balance in the workforce. This issue depends very much on the region and professional background needed and can affect the ability of institutions and investment firms to recruit men or women. However, the aspect is not directly relevant for the application of gender-neutral remuneration policies, but to some extent for the calculation and persistence of the gender pay gap.

4.3 Individual and collectively negotiated contracts

42.The EBA has asked competent authorities to collect information from institutions and investment firms on how they would ensure gender neutrality, in particular for individually negotiated contracts. Ensuring gender neutrality appears to be more challenging under such contracts compared to contracts that have been subject to collective bargaining. For the latter, some leeway still exists as it is not always possible to allocate the salary grade under such arrangements and determine the length of relevant experience, so to some extent the exact remuneration level is often still subject to some negotiation between staff and the employer and may also be influenced by unconscious biases in the assessment of staff's knowledge and experience made by the employer. In addition, conditions on the labour markets change over time for specific talent, making it difficult to ensure equal payment for equal work between newly recruited and existing staff. It is important to note that in more than two thirds of institutions (173 or 70.61%) most staff are subject to contracts that are based on collective bargaining. In such cases most often 95% to 99% of the staff are on contracts subject to collective bargaining. In smaller institutions, sometimes all staff, with the exception of the management body and senior management, are subject to contracts that are based on collective bargaining. On the other hand, in 81 institutions all staff members have individual contracts. The same applies to most investment firms (80 or 80.81%). In the other 19 investment firms on average 44.78% of staff has contracts based on collective bargaining.

43.Several institutions provided answers that stressed that remuneration levels follow general market conditions, e.g. are derived from benchmarking results or observed salary corridors. In general, pay levels are based on responsibilities, experience, skills and market salaries.

44.The vast majority of senior positions correspond to preset ranges of remuneration, but some of the contracts are negotiated individually, in particular for most senior positions. Sometimes only the variable remuneration factors are subject to individual negotiation.

45.Institutions involve their remuneration committee, where established, to determine the remuneration of the most senior positions. Otherwise, such positions are captured within regular remuneration reviews, monitoring tools, remuneration audits or other control activities.

4.4 Measures implemented to ensure gender-neutral remuneration policies

46.Where gender-neutral remuneration policies are set by institutions and investment firms, many of them stated that they require that positions and the corresponding remuneration be allocated independently of the gender of the candidate.

47.Most financial institutions across the EU point to proactive steps they are taking to ensure the application of gender-neutral remuneration policies by implementing supplementary initiatives, thus reinforcing their commitment to achieving parity in compensation. Measures taken range from recruitment and career development to ongoing monitoring of gender-neutral remuneration policies, gender ratios and auditing of such processes.

48.To provide more detail, steps taken encompass strategies like introducing the six eyes principle during candidate selection and applying market data to calculate internal midpoints for job grades. Some institutions have adopted specific policies for determining gender-neutral remuneration levels, e.g. based on internal remuneration benchmarking and specifying appropriate remuneration levels or corridors for positions. Many use job evaluation systems that link positions to remuneration levels, e.g. 'Hay approaches'. Such approaches are based on the knowledge and skills needed, the problem-solving capacity needed and job experience, and determine the appropriate and gender-neutral remuneration level for senior positions.

49.Several institutions stated that HR monitors the remuneration regime, ensuring that there are gender-neutral pay levels. In larger institutions, the remuneration committee is involved in such activities. This monitoring sometimes involves the staff committee. These monitoring mechanisms often involve analysing aggregated remuneration information broken down by country, legal entity, corporate title and business unit, with larger institutions using more granular approaches than smaller ones.

50.Most institutions use standard indicators for monitoring gender neutrality, including the gender pay gap, as required under the EBA Guidelines (EBA/GL/2021/04) on sound remuneration policies, and the representation of genders within staff and management. Most institutions and investment firms monitor the gender pay gap and the representation of genders at different hierarchical levels over time.

Figure 4: Percentage of institutions by size and investment firms monitoring gender pay gap and gender representation indicators and complaints about ensuring equal pay for all genders

Indicator	Institutions <EUR 1 bn	Institutions EUR 1-15 bn	Institutions >EUR 15 bn	Investment firms
Gender pay gap all staff	62.2%	80.0%	87.5%	60.6%
Gender pay gap managers	44.4%	61.9%	59.6%	36.4%
Gender pay gap per hierarchical level	35.6%	54.3%	53.8%	24.2%
Gender pay gap identified staff	33.3%	45.7%	40.4%	25.3%
Gender representation all staff	71.1%	80.0%	96.2%	62.6%
Gender representation managers	62.2%	79.0%	86.5%	51.5%
Gender representation identified staff	44.4%	53.3%	39.4%	30.3%
Complaints about equal pay application	22.2%	29.5%	16.3%	35.4%

Figure 5: Percentage of institutions that monitor indicators internally with a given frequency

Indicator/frequency	Less than annually	Annually	Longer periods than annually
Gender pay gap all staff	12.2%	59.6%	11.0%
Gender pay gap managers	7.8%	45.3%	6.9%
Gender pay gap managers per level	6.9%	41.2%	4.5%
Gender pay gap identified staff	6.1%	36.3%	0.0%
Gender representation all staff	33.5%	54.3%	0.0%
Gender representation managers	23.7%	49.8%	2.4%
Gender representation identified staff	2.0%	38.8%	3.3%
Complaints of staff regarding equal pay	5.7%	13.9%	1.6%

Figure 6: Percentage of investment firms that monitor indicators internally with a given frequency

Indicator/frequency	Less than annually	Annually	Longer periods than annually
Gender pay gap all staff	4.0%	47.5%	9.1%
Gender pay gap managers	2.0%	30.3%	4.0%
Gender pay gap managers per level	1.0%	18.2%	5.1%
Gender pay gap identified staff	7.1%	18.2%	0.0%
Gender representation all staff	22.2%	40.4%	0.0%
Gender representation managers	11.1%	31.3%	3.0%
Gender representation identified staff	1.0%	24.2%	3.0%
Complaints of staff regarding equal pay	8.1%	26.3%	1.0%

Figure 7: Common additional indicators monitored by institutions and investment firms

Indicator monitored	% of institutions	% of investment firms
Number of men/women being promoted	61.4%	84.8%
Number of men/women receiving salary increases	64.2%	93.9%
Representation of men/women in internally set payment brackets	44.5%	59.6%

51. While there is already a good level of compliance, in particular in large firms, in principle all institutions and investment firms, excluding the ones with fewer than 50 staff members, should monitor and calculate at least the overall gender representation and gender pay gap annually.

52. While most calculate the gender pay gap only on a legal entity level or even group level, around one third of mainly larger institutions also perform the calculation on the business line or even more granular level. Where the gender pay gap is calculated, with a few exceptions, entities calculate it on an annual basis.

53. When data on the gender pay gap is published, slightly more than half of the institutions (135) and one third of investment firms (37) make it available in the annual report. A small number of institutions (57) and investment firms (12) use ad hoc reporting, and 55 institutions and 25 investment firms have a dedicated place on the website. 20 institutions and 5 investment firms use all 3 methods for the publication of the gender pay gap, while 155 institutions and 47 investment firms use at least one of these tools for the publication of the gender pay gap.

Figure 8: Percentage of institutions and investment firms in the sample that make indicators on the pay gap and the representation of genders externally available

Indicator/category	<EUR 1 bn	EUR 1-15 bn	>EUR 15 bn	IFs	Total
Gender pay gap all staff	4.4%	30.5%	51.0%	21.2%	30.6%
Gender pay gap managers	0.0%	13.3%	16.3%	11.1%	11.9%
Gender pay gap managers per hierarchical level	0.0%	8.6%	11.5%	3.0%	6.8%
Gender pay gap identified staff	0.0%	7.6%	4.8%	5.1%	5.1%
Representation of genders all staff	4.4%	38.1%	61.5%	19.2%	35.4%
Representation of genders managers	4.4%	30.5%	47.1%	16.2%	28.0%
Representation of genders identified staff	0.0%	13.3%	5.8%	3.0%	6.5%
Complaints of staff regarding equal pay	0.0%	2.9%	2.9%	5.1%	3.1%

Figure 9: Percentage of institutions that make monitored indicators externally available with a given frequency

Indicator/frequency	Less than annually	Annually	Longer periods than annually
Gender pay gap all staff	0.4%	31.9%	2.4%
Gender pay gap managers	0.0%	11.4%	1.6%
Gender pay gap managers per level	0.0%	8.3%	0.8%
Gender pay gap identified staff	0.0%	5.5%	0.8%
Gender representation all staff	2.0%	40.2%	0.8%
Gender representation managers	1.2%	31.9%	1.2%
Gender representation identified staff	0.4%	7.9%	0.8%
Complaints of staff regarding equal pay	0.0%	2.4%	0.0%

Figure 10: Percentage of investment firms that make monitored indicators externally available

Indicator/frequency	Less than annually	Annually	Longer periods than annually
Gender pay gap all staff	0.0%	23.2%	0.0%
Gender pay gap managers	0.0%	11.1%	0.0%
Gender pay gap managers per level	0.0%	3.0%	0.0%
Gender pay gap identified staff	0.0%	5.1%	0.0%
Gender representation all staff	2.0%	15.2%	1.0%
Gender representation managers	2.0%	14.1%	1.0%
Gender representation identified staff	0.0%	3.0%	1.0%
Complaints of staff regarding equal pay	0.0%	5.1%	0.0%

54. Most institutions (194) and investment firms (50) have implemented regular internal reporting on monitoring results, but only some (62 institutions and 20 investment firms) make monitoring results available to all employees. Good practice would be to increase the internal and external transparency of such indicators.

55. As part of the processes to ensure that positions are correctly remunerated and the principle of equal pay for equal work is observed, nearly all institutions (230) and investment firms (88) stated that they use job descriptions. Most institutions (212) and investment firms (67) stated that they have a job classification system in place. Most institutions (197) and investment firms

(50) are defining pay brackets, grades or levels providing for a specific pay or range of pay, e.g. based on length of experience, and assign them to categories of positions of equal value. Many entities use these measures in parallel. It appears that there is overall a high level of compliance with the EBA Guidelines that require such systems to ensure that gender-neutral remuneration policies are correctly applied.

56. In addition to the above-mentioned methods to monitor gender neutrality, several institutions also use other metrics. Other indicators used for monitoring include:

    a. percentage of women in management body positions;
    b. percentage of women per business/support area;
    c. percentage of women in succession planning for managerial positions;
    d. percentage of women on committees;
    e. ratio of temporary and permanent contracts by gender;
    f. age distribution by gender;
    g. length of service by gender;
    h. ratio of full-time vs part-time positions;
    i. the recruitment percentage of women (new hires);
    j. entries and exits / staff turnover by gender;
    k. days of training by gender;
    l. percentage of women promoted during maternity/parental leave periods or when returning from such periods;
    m. a few institutions combine several indices into an equal opportunity index or scorecard.

57. Achieving gender balance remains a common priority. Efforts to rectify the existing imbalances include training initiatives on bias awareness and setting specific targets for HR and head-hunters. Some institutions pointed, in particular, to awareness programmes on gender equality for decision makers.

58. Several entities stated that they promote cultural changes, support female networking and have launched mentorship programmes, while in some cases direct financial compensation is offered to narrow the gender pay gap. Furthermore, specific measures such as wage increases after maternity leave and promoting co-parental leave to encourage paternity leave are being pursued.

59. Several institutions perform equal pay audits; others involve external consultants to review the application of gender-neutral remuneration policies.

60.While all these considerations and measures might help to safeguard a gender-neutral remuneration policy, alone they might be insufficient to ensure that remuneration levels are fully gender-neutral. Measures taken to ensure equal allocation of remuneration levels to equal positions and indicators monitored often provide for a range of acceptable remuneration levels and might leave room for unconscious biases in remuneration levels, as discussed in many scientific articles around unconscious biases[10] that are currently being tackled with increased transparency on pay[11]. Specifically, some institutions indicated that the gender pay gap alone is not sufficient as an indicator to monitor gender equality in pay, as remuneration is also driven by market conditions and the knowledge, skills and experience of staff, and these are independent of gender.

4.5 Weaknesses of the remuneration policy in its gender neutrality and the measures taken to mitigate those weaknesses

61.Institutions and investment firms were asked about the weakness of their gender-neutral remuneration policies and how they overcame them.

62.Some of the entities mentioned that remuneration policies do not contain gender-biased or unfavourable clauses, but cannot resolve other imbalances, e.g. an unbalanced gender representation. Indeed, most entities recognise that women continue to be under-represented in management positions, partly due to historical patterns. Additionally, certain fields such as information technology and sales are often perceived as predominantly male. Some have observed that reduced female representation in senior positions leads to a decrease in the number of female applicants, perpetuating the existing imbalances.

63.In some institutions and investment firms in the past, discretionary bonus pools did not consider gender-neutral remuneration principles. To mitigate such issues, they changed their bonus allocation, and applicable gender-neutral principles were developed to guide remuneration decisions on bonuses, ensuring equal treatment regardless of gender.

64.Some institutions and investment firms stated that women often take parental leave and request more flexible work arrangements (e.g. reduced hours, leave of absence) and that employees on parental/maternity leave were not automatically included in the yearly salary increase. Such practices raise concerns if they contribute to differences in remuneration levels as remuneration for part-time positions must comply with the principle of equal pay for equal work, which is based in principle on hourly payments. While it may be argued that the length of experience may differ due to such absences, such practices still raise some concerns about the measures taken by the institutions or investment firms to ensure equal opportunities.

65.Defining what qualifies as an ‘equal position’ or ‘equal career level’ has proven to be a complex task, particularly when considering multiple units or functions. Comparing functions and

[10] Impact Assessment of the Commission on the Directive of the European Parliament and of the Council to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SWD:2021:0041:FIN:EN:PDF.

11 Pay transparency in the EU: https://www.consilium.europa.eu/en/policies/pay-transparency/.

remuneration levels is seen as difficult and the low representation of women in senior positions that contributed to the pay gap was often identified.

66.Some institutions mentioned the following measures that were employed to tackle the issue of imbalances in remuneration and the existence of a gender pay gap:

a. defining an objective and thus gender-neutral salary scale by means of specifying seniority levels of employees in the respective categories (e.g. senior fund manager);

b. using a systematic approach to monitor and analyse gender pay disparities and mitigate them;

c. reviewing salaries upon employees' return from maternity leave;

d. implementing co-parental leave to encourage paternity leave;

e. mitigating or closing the pay gap by allocating dedicated diversity pay to compensate for differences, or minimisation of the pay gap by pay adjustments;

f. incorporation of the reduction of the gender pay gap into annual individual management goals;

g. under equal conditions, giving preference to women in positions where they are under-represented;

h. including specific ratios on the percentage of women in managerial positions;

i. focussing on improved targeting of female candidates: improving frameworks for work-life balance and refining the language of job offers to promote gender equality;

j. offering talent development programmes, workshops for women, and co-leadership opportunities are also mentioned;

k. implementing a portal encouraging staff to report any issues related to remuneration;

l. conducting audits to ensure equal pay for positions of equal value;

m. implementing additional provisions to promote gender neutrality across processes, policies, company culture, performance results and employee behaviour were suggested for inclusion in remuneration policies.

4.6 Supervisory reviews of gender-neutral remuneration policies

67.Competent authorities were asked about their supervisory experience with gender-neutral remuneration policies. Almost all indicated that they review the application of gender-neutral remuneration policies notably as part of the annual SREP assessment for large institutions, or as part of the EBA-mandated diversity benchmarking exercise, or as part of the ECB LSI review on internal governance, and as part of regular discussions between supervisors and supervised entities, which also includes small institutions and investment firms.

68. In addition, several competent authorities stated that they have performed or plan to perform horizontal reviews on either remuneration policies or diversity policies, which includes compliance with gender-neutral requirements. Several authorities also conducted 'deep dive' assessments on diversity issues on a sample of institutions. These deep dives provide a comprehensive look at the implementation of such policies that overlap with gender-neutral remuneration policies for the monitoring of the gender pay gap.

    The scope of authorities' actions on gender-neutral remuneration in investment firms is generally not as wide as for credit institutions, considering the principle of proportionality. This is due in part to the reduced market size in some countries or to the relatively short time span for which requirements have been applicable to investment firms under Directive 2019/2034/EU that came into force in 2021.

5. Summary of the main findings of supervisory reviews

69. Competent authorities found that the principle of gender neutrality was in most cases formally acknowledged in the remuneration policies of credit institutions, and, albeit to a lesser extent, investment firms. They also found that the remuneration policies were generally made transparent to all employees.

70. Most authorities indicated that the supervisory reviews yielded a satisfactory situation or progress with gender-neutral remuneration. Good practices identified by some authorities include close involvement of the management body, in addition to the remuneration committee, in the annual review of remuneration policies, aiming to ensure compliance with gender neutrality requirements.

71. Nevertheless, some competent authorities reported findings of out-of-date remuneration policies and requested the concerned entities to update them to match the current standards of gender neutrality. Many less significant institutions did not have explicit gender-neutral remuneration policies.

72. In addition, even in the case where gender neutrality was formally included in the remuneration policies, several competent authorities also noted that compliance with this principle in the application of the policies was not always documented, which could be indicative of the existence of discrepancies between the policy and its implementation or a lack of monitoring.

73. Shortcomings were also identified by several competent authorities in institutions that failed to calculate the gender pay gap for each relevant category of staff or salary grade/band, calculating only an aggregated gender pay gap for all staff, while good practice would be to also look at the

gender pay gap of identified staff and members of the management body, and, in larger institutions, the gender pay gap on different levels of pay bands, i.e. according to the EBA Guidelines, separately per quartile of total remuneration.

74. Some competent authorities pointed to a lower number of female staff in management or high salary grades and stated that this is a main contributor to the gender pay gap. Although this alone is not sufficient evidence for remuneration policies that are not gender-neutral, it does highlight issues about the low representation of women in the most senior positions and how equal opportunities are ensured.

5.1 Supervisory actions taken to ensure compliance with gender-neutral remuneration policy requirements

75. Around half of the competent authorities reported that they took supervisory actions because of reviews of remuneration policies and, in particular, the gender neutrality principle.

76. Among the follow-up actions, several competent authorities reported issuing targeted formalised observations or requests, particularly to update the remuneration policies, or targeted recommendations on the monitoring of gender pay gaps. In their supervisory interaction with institutions, several authorities also put increased focus on the need for increased accountability for setting and monitoring objectives on gender-neutral policies and practices, beyond the issue of remuneration policies, and on improving the gender balance of representation in management body positions and other managerial roles. Several authorities have also issued recommendations in the follow-up to the EBA diversity benchmarking report[12].

77. Several competent authorities reported taking actions of a public or sector-wide nature, e.g. by issuing general communications to credit institutions on diversity, including recommendations on gender-neutral remuneration, or giving presentations of its findings to investment firms. Other competent authorities are considering written communications to institutions and investment firms.

78. Competent authorities generally concluded that identified issues were addressed. Where they could not find evidence of an explicit breach of or non-compliance with the requirement of having a gender-neutral remuneration policy, they still acknowledged that further supervisory engagement, particularly data collection, is warranted over a continued period of time in order to better ensure that neutrality enunciated as a principle translates into measurable progress in the reduction of the gender pay gap.

79. Finally, several competent authorities indicated that they have strengthened or intend to strengthen their supervisory methodology for the assessment of gender-neutral remuneration policies. To harmonise such initiatives, the EBA could update the Guidelines on sound remuneration policies or the Guidelines on the supervisory review and evaluation process.

[12] https://www.eba.europa.eu/publications-and-media/press-releases/women’s-representation-on-boards-has-gradually-improved.

6. Legal framework

80.Competent authorities were asked if they saw the need for any additional legislative action in the area of gender-neutral remuneration policies. Most competent authorities considered that no legislative action is needed in addition to the existing framework envisaged under the CRD and the IFD.

81. A few competent authorities (CAs) stressed that the principle of gender-neutral remuneration (and diversity) should be applied in a more proportionate way in the legal requirements. Specifically, one additional CA considers that firms with fewer than 20 employees should be exempted from the application of specific requirements on policy, pay gap calculations and disclosures. Another CA recommends simplifying the data collection for investment firms with a small number of staff or setting up full-time-equivalent limits for data collections. However, regular data collections performed under Guidelines issued by the EBA allow for sufficient flexibility and require the CAs to form the sample of reporting institutions. Finally, one CA stressed that the requirements on gender-neutral remuneration policies should be better adapted to the capabilities of small entities (with total assets below EUR 200 million). One CA stated that it may be efficient to consider additional measures to foster diversity and equal opportunities, without further specifying suggested measures that could be taken by legislators or the EBA.

82.One competent authority has taken some additional measures and extended the reporting requirements on the gender pay gap to a broader scope of institutions but excluding institutions with 50 staff members or fewer on an individual basis and institutions that are considered small and non-complex.

83.Overall, the Capital Requirements Directive (CRD) and the Investment Firms Directive (IFD), as well as the EU Charter of Fundamental Rights, the EU Treaty and Directive 2006/54/EC, provide for a suitable legal framework to ensure gender-neutral remuneration policies and equal opportunities. Competent authorities have not identified needed changes to this framework.

84.However, based on the findings included in the report, the level of transparency on gender-neutral remuneration and diversity metrics could be improved. Considering concerns raised by industry that are caused by the General Data Protection Regulation when collecting data per gender, these concerns could be overcome by introducing a clear and explicit legal basis for collecting gender-specific data.

7. Conclusions

85.While overall most institutions and investment firms apply gender-neutral remuneration policies, take measures to monitor their application and mention additional programmes to improve diversity and equal opportunities, it can still be seen that some entities lacked a gender-neutral remuneration policy, did not conduct annual policy reviews or did not monitor whether the remuneration policy is indeed gender-neutral. Those weaknesses need to be tackled, and competent authorities should also review the appropriate application of gender-neutral remuneration policies in the context of other requirements, including requirements around equal opportunities, and considering diversity at least at the level of the management body. In particular, the low representation of women in more senior positions and the persistent gender pay gap requires further action.

86. The review shows that already 85.0% of institutions but only 62.6% of investment firms monitor the representation of women and that already 79.9% of institutions but only 60.6% of investment firms regularly review the gender pay gap. This should change as this monitoring is required under the EBA Guidelines; measures to ensure compliance need to be taken.

87. Remuneration policies are already subject to supervisory review and competent authorities have taken actions to ensure that institutions and investment firms apply gender-neutral remuneration policies.

88. Based on the findings included in the report and considering that not only the CRD and IFD but also the EU Charter of Fundamental Rights, the EU Treaty and Directive 2006/54/EC provide a suitable framework to ensure gender-neutral remuneration policies and equal opportunities, there is no need for immediate legal action.

89. However, while there are already some disclosure requirements in this area, additional transparency could support the needed effort to reduce the gender pay gap, by requiring the disclosure of more quantitative indicators on the gender neutrality of remuneration policies, in addition to the already required qualitative disclosures on remuneration policies. The same holds true for disclosures in the area of diversity requirements for the management body.

90. Considering concerns raised by industry that are caused by the General Data Protection Regulation when collecting data per gender, these concerns could be overcome by introducing a clear and explicit legal basis for collecting gender-specific data.

91. Remaining weaknesses in the area of the application of gender-neutral remuneration policies can be addressed by the ongoing supervision of institutions and investment firms.

92. The EBA will consider whether and the extent to which the findings of this report need to be reflected in the EBA Guidelines on sound remuneration policies.

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