# PensionsEurope Newsletter 2025/02



## 1. Omnibus Simplification Package

On 26 February 2025, the EC published the first Omnibus package on sustainability.

The first package includes proposals to amend the following legislation:
- Directive (EU) 2024/1760 (Corporate Sustainability Due Diligence Directive);
- Directive (EU) 2022/2464 (Corporate Sustainability Reporting Directive);
- Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings;
- Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

Content

The EC aims at a far-reaching simplification in the fields of sustainable finance reporting, sustainability due diligence, EU Taxonomy, carbon border adjustment mechanism, and European investment programmes. The main changes proposed are the following:
- Remove around 80% of companies from the scope of CSRD, focusing the sustainability reporting obligations on the largest companies which are more likely to have the biggest impacts on people and the environment.
- Clause to review concerning financial services will be deleted.
- Ensure that sustainability reporting requirements on large companies do not burden smaller companies in their value chains.

- Postpone by two years (until 2028) the reporting requirements for companies currently in the scope of CSRD and which are required to report as of 2026 or 2027.
- Reduce the burden of the EU Taxonomy reporting obligations and limit it to the largest companies (corresponding to the scope of the CSDDD).
- Give companies more time to prepare to comply with the new requirements by postponing the application of the sustainability due diligence requirements for the largest companies by one year (to 26 July 2028), while advancing the adoption of the guidelines by one year (to July 2026);
- Exempt small importers from CBAM obligations, mostly SMEs and individuals.
- New legislative proposal on the scope extension of CBAM in early 2026.
- Increase the EU's investment capacity through the use of returns from past investments, as well as optimised use of funds still available.

PensionsEurope's first reaction

PensionsEurope published a press release with our first thoughts on the proposal. We emphasised that transparency and good reporting by companies on their sustainability impact are important to pension funds as investors; however, not all information is equally useful, and removing unnecessary rules and burdens for companies is necessary. Moreover, we insisted that the Omnibus proposal changes must be included in the revision of the SFDR to achieve the necessary harmonisation and to avoid the unnecessary burden of double reporting. Finally, we mentioned that the specificities of our sector need to be understood, and proportionality always needs to be considered.

Our LTSI WG will evaluate in detail the content of the proposal and study its consequences for our sector.

Next steps

The legislative proposals will now be submitted to the Parliament and the Council for their consideration and adoption. The changes on the CSRD, CSDDD, and CBAM will enter into force once the co-legislators have reached an agreement on the proposals and after publication in the EU Official Journal.

The draft Delegated Act amending the current delegated acts under the Taxonomy Regulation will be adopted after public feedback and will apply at the end of the scrutiny period by the European Parliament and the Council.

## 2. CMU/SIU position paper

Background

The Secretariat has prepared a position paper on the CMU/ SIU. The paper draws on reports—including Letta, Draghi, and Noyer—as well as proposals from EIOPA, ESMA, and other stakeholders. The paper evaluates these potential proposals and their related impacts on our sector.

Ahead of the EC's Communication on the SIU, scheduled for 19 March 2025, the EC has launched a call for evidence on the topic of the CMU/SIU. We will submit our position paper as an answer to this consultation.

Content

- **CMU & SIU Development:** Pension funds, as key institutional investors, would benefit from deeper, less fragmented capital markets. We support initiatives addressing this.
- **Economic Contribution:** Pension funds' fiduciary duty should not be compromised for political objectives, but attractive EU/national investment products in areas for growth, e.g., infrastructure and seed financing, could facilitate investments from pension funds in these sectors.
- **Coverage & Auto-Enrolment:** A proven tool for expanding coverage in occupational pensions, the EC could encourage MSs to develop auto-enrolment, for instance, through the country-specific recommendations of the European Semester.
- **Long-Term Savings:** Instead of fixing the PEPP, leveraging for national products (as proposed by Noyer) seems to be a more viable solution given the diversity of social, labour, and tax laws amongst MSs on which the EU has no direct competences.
- **PEPP Review:** We provide input on EIOPA's staff paper on PEPP, including potential reforms like merging second and third pillars in PEPP or including auto-enrolment with PEPP.
- **Tax Incentives:** The EC should encourage MSs to implement good tax incentives for second- and/ or third-pillar pensions, for instance, in the country-specific recommendations of the European Semester.
- **Pension Tracking Systems & Dashboards:** The EC should encourage MSs to develop national PTSs. Regarding the EIOPA's proposed pension dashboard, it would be difficult to create an EU-wide dashboard covering all three pillars as the EU has no competences on first pillar pensions. The EC could instead encourage MSs to develop such dashboards at the national level.
- **Regulatory Simplification:** We support the EC's simplification agenda outlined in their 2025 Work Programme. We stress the significant regulatory burden placed on pension funds, especially coming from horizontal regulations.

Next steps

The end of the consultation is on 7 March 2025.

## 3. FIDA

Background

As both the Council and the Parliament validated in December 2024 their positioning on FIDA, the trilogues can start. However, the new priorities of the current EC as regards simplification and political pressure from Member States, including France to reassess the text delayed the start of the trilogues.

Recent developments

On 11 February 2025, the 2025 Commission working programme indicated FIDA as a pending file, while previous leaks on a draft work programme showed FIDA to be withdrawn as the text would go against the simplification agenda of the Commission. The withdrawal was pushed by the EC president and her cabinet, while DG FISMA and Commission Albuquerque defended the text.

On 18 February 2025, Andrzej Domański, the Polish Ministry of Finance, indicated during the ECOFIN meeting that FIDA would be examined through the simplification agenda angle. He also highlighted *"the need to find a proper balance between the objectives of open finance, the need to reduce unnecessary burdens, increase competitiveness of EU financial markets and simplification priorities."*

Commissioner Albuquerque highlighted during the same meeting that "*we should certainly look at cost and administrative burdens seriously and work hard to minimize them. But this should not prevent us from being ambitious in the pace of our work. A political agreement during your presidency is within reach. Fida will benefit consumers, foster innovation, and strengthen the EU digital financial ecosystem.''*

PensionsEurope's position and next steps

PensionsEurope is working on a new paper on FIDA to reflect on the Council and EP positionings. On the 3rd of March 2025, the final version was sent to the Board. To recall, PensionsEurope has already published three papers on FIDA since the publication of the text by the EC in June 2023.

Most likely, the trilogues will start in early April 2025. We will engage with the EC and the colegislators with our new position paper.

## 4. DORA levels 2/3 and implementation

Background

On 17 January 2025, DORA became applicable. PensionsEurope's idea for ESAs action letters given the lack of finalised level 2 texts didn't succeed as the ESAs highlighted the need for a timely application. As there is no phase-in period in the level 1 legislation, IORPs, and other financial entities under the scope of DORA are dealing with all related requirements.

Recent developments

- Text adopted by the EC: On 13 February 2025, the EC adopted the RTS on threat-led penetration tests (TLPT). This text does not substantially change the draft RTS sent by the ESAs last July 2024.
    - Considering the criteria used to assess whether financial entities should perform such a test that are related among other things to the risk profile and the degree of systemic nature of the entities, we don't expect IORPs to be required to perform TLPT, but it can vary across TLPT authorities that have a certain degree of flexibility.
    - In our answer (March 2024) to the ESAs consultation, we indicated that "the systemic nature of IORPs is lower compared to other financial entities and should therefore lead to a more cautious approach for IORPs regarding TLPT processes".
    - The texts are now under a three-month scrutiny period.

- FAQ on the reporting under the Register of information (RoI): On 14 February 2025, the ESAs published an FAQ to address the questions under the reporting arising from the ITS on the RoI. This document should address some of the issues that IORPs are facing (the consolidation level of reporting, the process of the reporting through the NCAs or the data model used and technical aspects etc.. ) but not all considering that the NCAs may develop different technical solutions for reporting transmission from the IORPs to their NCAs.

  - NCAs have until 30 April 2025 to report to the ESAs on the RoI reporting. NCAs have set up their own deadline, but for instance, in Ireland, the deadline for IORPs to report is on the first week of April 2025.

- ESAs roadmap towards the designation of Critical ICT Third Party Providers (CTTPs) under DORA: On 18 February 2025, the ESAs published this roadmap highlighting that based on the reporting under the RoI transmitted by the financial entities, they will designate the CTPPs by July 2025.

- Texts published at the OJEU: On 20 February 2025, both the RTS and the ITS on major incident reporting were published at the OJEU following the end of the scrutiny period for the RTS.

Other levels 2 texts less relevant for our sector have been either published at the OJEU, such as the RTS on oversight harmonisation (on 13 February 2025) or adopted by the EC, such as the RTS on joint examination teams (JET) (on 16 December 2024). The guidelines on oversight cooperation were published on 6 November 2024.

PensionsEurope support and next steps

PensionsEurope is coordinating with members about DORA implementation, especially regarding the reporting under the RoI.

Furthermore, following the rejection letter (published end of January 2025) by the EC on the draft RTS on subcontracting which was motivated by the ESAs going beyond their level 1 mandate, we are waiting for a revised RTS that should come out in March as the ESAs have 6 weeks to submit a revised text.

## 5. AI Act implementation

Background

The Artificial Intelligence (AI) Act was published at the OJEU on 12 July 2024 and entered into force in August 2024. The IA Act creates a classification system regarding AI systems between 4 levels: 1) Minimal risk, 2) Limited risk, 3) High risk, and 4) Unacceptable risk, under the supervision of the newly established European AI Office.

PensionsEurope submitted on 13 September 2024 its answer to the Commission consultation on AI in the financial sector. We indicated that there are fewer AI use cases in our sector than in the others as the IORPs landscape is very heterogeneous, with many small entities but also very big in some cases.

Recent developments

On 4th February 2025, the EC published its guidelines on the prohibited AI practices under the AI Act.

The provisions regarding prohibited practices of the AI Act (Article 5 of the IA Act) have been applicable since 2 February 2025 (even if they were put in place before that date).

However, sanctions for non-compliance in article 5 “*will not apply before 2 August 2025*”. The document outlines several practices that can categorised in that category of prohibited practices including, among others, social scoring, manipulative or deceptive techniques.

On 7 February 2025, the EC published guidelines on the definition of an AI system established by the AI Act (Article 3 (1)). As the risk-based approach of the regulation applies to such systems matching that definition, the guidelines are important to apprehend the scope of the IA Act.

The definition has seven different components:

- machine-based system;
- that is designed to operate with varying levels of autonomy;
- that may exhibit adaptiveness after deployment;
- and that, for explicit or implicit objectives;
- infers, from the input it receives, how to generate outputs;
- such as predictions, content, recommendations, or decisions;
- that can influence physical or virtual environments.

The guidelines elaborate in depth about what should be understood for those key elements of the AI Act and didn’t introduce an exhaustive definition for obvious reasons, as it is not feasible given the fast changes in that sector. These components are detailed and try to explain, for instance, to what extent you would need a certain degree of autonomy to consider that the machine-based system would fall under the definition of an AI Act.

Those guidelines should reassure some financial entities using some mathematical/statistical tools for risk assessment, but the guidelines exclude explicitly 1) systems for improving mathematical optimization, 2) basic data processing, 3) systems based on classical heuristics, and 4) simple prediction systems.

It remains to be seen how those guidelines will help NCAs enforce the AI Act, as we heard from some that it is going to be extremely difficult to set up a methodology to supervise financial entities based on the new requirements introduced by the AI Act.

Next steps and PensionsEurope support

The EC should soon circulate a final code of practice for providers of GPAI models.
The application timeline of the AI act is the following:

- For high-risk AI systems: Application from 2 August 2026 or 2 August 2027 if the high-risk AI system is already regulated by other European legislation
- For limited risk AI systems: Application from 2 August 2026.
- For minimal risk AI systems: Application from 2 August 2026.

In addition, general-purpose (GPAI) AI models must be compliant with the AI Act from 2 August 2025.

PensionsEurope will continue inviting AI experts to its WG meetings as it did during last December's FMR WG meeting.

## 6. IORP 2025 Stress test exercise

Background

EIOPA BOS adopted by consensus during its 26-27 June 2024 meeting, the proposal for "*the launch of the 2025 Institutions for Occupational Retirement Provision (IORP) stress test exercise*" with a "*proposed exercise*" aiming "*at testing the liquidity position of IORPs against a scenario characterised by the prolongation/exacerbation of geopolitical tensions*.''

The exercise will focus on the impact of derivatives in an asset-only exercise, without a capital component (i.e., no funding ratio tested). The reference date for this exercise will be the end of 2024.

PensionsEurope advocacy

On 12 February 2025, PensionsEurope and AEIP had a meeting with EIOPA to discuss the upcoming draft technical specifications and the related templates. EIOPA indicated that the templates differ from the standard IORP reporting because they focus specifically on liquidity risks. EIOPA also recommended looking at the templates used for the 2024 insurance stress testing exercise as it also had a liquidity component and also on the IORPs risk dashboard to have a better understanding of what could be the stress test exercise and the related templates.

Next steps and PensionsEurope advocacy:

On 6 March 2025, EIOPA will present the draft technical specifications (in a meeting attended by PensionsEurope/AEIP) that will be under an informal consultation for 10 days. We will discuss those draft technical specifications during our 11 March joint PensionsEurope/AEIP WG meeting. The stress test exercise will start on 7 April 2025, and the final report will be published in December 2025.

## 7. PensionsEurope Annual Conference 2025

The PensionsEurope Annual Conference will take place on **10 April 2025** at the National Bank of Romania in Bucharest. The conference is organised with the support of our Romanian member APAPR.

This year's theme is ''The Way to Better Pensions.'' We secured high-level speakers from EIOPA and OECD. The programme is available here.

We sent our invitations to all our members. We kindly ask you to register on our website here, should you wish to participate.