PENSIONS EUROPE

PensionsEurope Newsletter 2025/09

1. Upcoming Pension Package- PE's relevant meetings

Background

Given the upcoming Pension Package by the EC, the Secretariat organized two meetings to discuss the current state of play and the EIOPA's input. The first meeting was organized with the Insurance and Pension Unit of DG FISMA on 7 October 2025 and on 14 October 2025, a meeting was organized with the Cabinet of the Commissioner Albuquerque. See below the key takeaways of the discussions:

<u>For IORP II Directive:</u>

- The need to enhance cross-border activities was emphasized and the European Court of Auditors (ECA) report was mentioned as a source.
- On the scope, no clear view was expressed and there was no willingness to reveal anything further.
- On the scale issue, the need to have a soft market-driven approach was emphasised. The local regulators and supervisors will have a role to play in the future.
- On the prudent person principle and the fiduciary duty, it was recognized that it is a matter of proper interpretation to some extent, and it was mentioned that risk levels should be maintained at appropriate levels, especially for smaller PFs.
- On the communication issues, the challenges of having harmonized data and the difficulties of developing a European Tracking Service were recognised. It was mentioned that the EC does not desire to disrupt existing well-developed systems.

For PEPP

- The EC emphasized that the workplace PEPP could be important, but the 28th regime is a vague idea that would be difficult to implement.
- The idea of the workplace PEPP is not to circumvent social partners.
- The intention is that the future PEPP will be a product open to being sold and bought by anyone. The UCITS (with EU passporting) and ELTIF were mentioned as examples.
- There is a consensus about removing the fee cap.
- No clarification on the EC preferences for fee cap reforms, whether the EC would follow the EIOPA value for money approach, or not, was provided.

Next steps:

The EC plans to release a relevant communication on 19 November, which will include the IORP and PEPP review proposals in the annex.

2. Omnibus I state of play

The Commission adopted Omnibus I on 26 February 2025. Its proposal reforms the Corporate Sustainability Due Diligence Directive (CSDDD) and adjusts the Corporate Sustainability Reporting Directive (CSRD). The main objectives are to reduce complexity and legal risk for companies while ensuring transparency. Key elements include:

- Restricting due diligence obligations to direct business partners instead of the entire value chain.
- Extending monitoring intervals from one to five years.
- Removing the obligation to terminate business relationships in cases of non-compliance.
- Clarifying liability provisions.

For CSRD, the Commission proposed raising the employee threshold to 1,000 and removing listed SMEs from scope.

Council mandate

On 23 June 2025, Member States adopted their mandate on CSRD and CSDDD. On reporting, the Council supported raising thresholds, adding a turnover requirement of €450 million, and postponing the obligation to adopt transition plans by two years. It also included a review clause for potentially extending the scope in future.

On due diligence, the Council increased thresholds to 5,000 employees and €1.5 billion turnover, delayed transposition by one year (to July 2028), and shifted from an entity-based to a risk-based approach. This narrows the requirements to areas with the most significant potential or actual adverse impacts.

Parliament process

In Parliament, rapporteur Jörgen Warborn (EPP, Sweden) presented a draft report with 82 amendments. The proposals include raising thresholds to 3,000 employees and €450 million turnover, substituting the term "value chain" with "chain of activities," and creating a digital reporting portal to centralise templates and requirements.

Five committees for opinion adopted their draft opinions in July. The JURI Committee held its vote on 13 October 2025. It adopted its position on Omnibus I with 17 votes in favour, 6 against, and 2 abstentions. Key points of the JURI agreement include:

Corporate Sustainability Reporting Directive (CSRD):

- The scope was significantly narrowed - only companies with more than 1,000 employees and net annual turnover above €450 million would remain covered, cutting the original scope by approximately 90%.
- For companies no longer in scope, sustainability reporting would become voluntary, following Commission guidance.
- Sector-specific standards would also become voluntary.
- Reporting standards would focus on quantitative data and aim to reduce administrative burden.
- The Commission will establish a digital portal offering free access to templates, guidance, and reporting tools — complementing the European Single Access Point (ESAP).

Corporate Sustainability Due Diligence Directive (CSDDD):

- Due diligence obligations would apply only to:
  (i) EU companies with more than 5,000 employees and turnover exceeding €1.5 billion, and
  (ii) non-EU companies with EU turnover above €1.5 billion.
- A risk-based approach replaces routine data collection, requiring companies to gather information only where there is a realistic risk of adverse impacts.
- Civil liability provisions were removed at EU level; Member States will define liability and enforcement in national law.
- Fines would be capped at 5% of global turnover, with implementation guidance from the Commission.

The compromise was backed by EPP, Renew, and centrist MEPs, but criticised by civil society and some S&D members, who warned it could weaken corporate accountability and undermine the EU's sustainability goals.

Following from this, on 22 October 2025, the European Parliament voted against the JURI Committee's mandate, with 309 votes in favour, 318 against, and 34 abstentions.
As a result, under Rule 72(3) of the Parliament's Rules of Procedure, MEPs will now debate and vote on amendments during the next plenary session in Brussels on 13 November 2025. Once the Parliament adopts its revised position, interinstitutional negotiations (trilogues) with the Council and Commission can commence.

Political dynamics:

Political divisions remain sharp:

- The EPP continues to advocate for broader exemptions and lighter rules.
- Renew supports a balanced compromise.
- The S&D and Greens insist on maintaining civil liability and stronger sustainability safeguards.
- Civil society organisations remain vocal against narrowing corporate obligations.

The rejection of the JURI mandate underscores deep divisions on how far simplification should go — particularly on liability and scope reduction.

Next steps:

- **13 November 2025:** Parliament to vote on amendments to the Omnibus I proposal in plenary.
- **End of 2025:** Targeted timeline for concluding negotiations with the Council and Commission.

3. SFDR review

On 13 October 2025, representatives of PensionsEurope met with the Cabinet of Commissioner Albuquerque to discuss the upcoming review of the Sustainable Finance Disclosure Regulation (SFDR) and its implications for IORPs.

PensionsEurope reiterated the importance of a proportionate approach to sustainable finance disclosure requirements. Pension funds operate under a social and fiduciary mandate, distinct from retail investment products, and therefore require tailored rules that reflect their long-term investment horizons and member-focused objectives.

Discussions emphasised that the SFDR framework should:

- Recognise the unique structure and purpose of IORPs, avoiding one-size-fits-all classifications;
- Preserve the distinction between entity- and product-level disclosures;
- Take into account data limitations, especially for private market assets; and
- Allow pension funds to communicate transparently about their sustainability ambitions and responsible investment practices.

PensionsEurope also raised several technical points relevant to the upcoming review:

- Sovereign bonds represent a significant portion of pension fund portfolios and should be treated proportionately in sustainability indicators.
- The Commission acknowledged ongoing data challenges across the financial sector and confirmed work on cross-sectoral solutions.
- There is openness to exploring more flexible categorisation options, including a potential “transition” category, to better reflect the diversity of pension portfolios.

The European Commission expressed its understanding of IORP-specific concerns and its intention to ensure that the SFDR review delivers workable, proportionate, and coherent solutions for long-term investors.

Next steps:
The proposal for the SFDR review is expected to be published on 19 November 2025. PensionsEurope will continue its constructive engagement with EU policymakers to ensure that the distinct nature of occupational pensions is properly reflected in the forthcoming framework.

4. Meeting with the ISSB on the EFRAG ESRS review

On 31 October 2025, PensionsEurope met with the International Sustainability Standards Board (ISSB) to discuss the response to EFRAG’s consultation on the revised European Sustainability Reporting Standards (ESRS) and issues of interoperability with ISSB standards.

During the meeting, PensionsEurope welcomed ISSB’s commitment to global alignment while emphasising the need to preserve the EU’s double materiality principle. The discussion focused on how both frameworks can remain interoperable without compromising investor-relevant data or the European approach to sustainability reporting.

Key points discussed included:

- **Collaboration and interoperability:** The ISSB expressed interest in working with stakeholders such as PensionsEurope to enhance consistency across jurisdictions.

- **Omnibus I and political context:** PensionsEurope outlined members' concerns about political uncertainty following the Omnibus I rejection and its potential impact on access to sustainability data.
- **EFRAG consultation:** PensionsEurope reiterated support for simplification and better readability, while warning that investor-relevant details and SFDR alignment must be maintained.
- **Investor data needs:** Pension investors rely on robust, comparable, and computable data, particularly for SFDR and EU Taxonomy reporting. PensionsEurope cautioned against removing key data points essential for investment decisions.
- **ISSB updates:** The ISSB shared ongoing work on new thematic areas, including biodiversity, ecosystems, and human capital, reaffirming its focus on harmonisation and stakeholder engagement.

Next steps:
PensionsEurope will maintain close coordination with the ISSB in view of its future developments and standard-setting priorities.

5. EIOPA DC Pensions Toolkit

On 13 October 2025, the European Insurance and Occupational Pensions Authority (EIOPA) launched a Call for Evidence to inform the development of a toolkit for defined contribution (DC) pensions. The initiative aims to provide practical guidance, principles, and non-binding recommendations to help policymakers, regulators, and social partners design and strengthen supplementary DC pension systems across the EU. The ultimate goal is to ensure that DC schemes deliver adequate, sustainable, and good value-for-money outcomes for savers, while addressing the growing pension adequacy gap in the context of demographic shifts and changing labour markets.

EIOPA's work on the DC toolkit complements its broader agenda on pension adequacy and sustainability, which includes cooperation with the European Commission on the review of the IORP II Directive, and its ongoing work on decumulation and personal pensions.

The launch of the Call for Evidence followed the EIOPA DC Pensions Roundtable held on 15 October 2025, joined by representatives from EIOPA, the European Commission, OECD, national supervisors, and other stakeholders.

At the roundtable, EIOPA's Executive Director Fausto Parente highlighted that the share of the EU population at retirement age is projected to increase from 36% to 59% over the next 40 years, underlining the urgency of strengthening funded and supplementary pension pillars. He stressed that multi-pillar systems are essential, as pay-as-you-go (PAYG) models alone will not be sufficient to ensure long-term adequacy.

Stéphanie Payet (OECD) shared findings showing that across 25 OECD countries, the gross replacement rate for average earners remains below 50%, with women and self-employed workers particularly at risk. Voluntary participation in DC schemes remains low, often due to insufficient incentives and suboptimal contribution designs, such as low or capped default contributions and limited matching mechanisms.

From the European Commission's side, Michael Thiel (DG FISMA) recalled the March 2025 Savings and Investments Union Communication, which aims to mobilise long-term savings for retirement and for investment in the real economy. He outlined upcoming initiatives, including recommendations on auto-enrolment (Q4 2025), the review of IORP II and PEPP, and further work on pension dashboards, tracking systems, and cost transparency. Auto-enrolment and scale were identified as key drivers for improved participation and net returns.

Discussions also explored national DC system reforms (e.g. Denmark, Ireland, France, the Netherlands), value for money initiatives (e.g. FSMA Belgium), and decumulation strategies focused on flexibility, financial literacy, and sustainable income streams.

Next steps:
PensionsEurope will prepare and submit a coordinated response to the Call for Evidence by 28 November 2025. To this end, members are invited to share their input by 6 November 2025.

6. European Commission Work Programme for 2026

On 21 October 2025, the European Commission presented its 2026 Work Programme, titled *"Europe's Independence Moment."* The document sets out the EU's main priorities for the year ahead, with a strong focus on strengthening the Single Market, advancing the green and digital transitions, and cutting red tape for businesses.

The Single Market Roadmap will look at how to make it easier for businesses to operate across the EU and how to strengthen Europe's economic foundations. In the field of taxation, the Commission plans to bring forward a Taxation Omnibus Package in the second quarter of 2026. This will be a comprehensive proposal to streamline and modernise corporate and cross-border tax rules, with the aim of reducing complexity and improving coherence across Member States.

A revision of the European Venture Capital Funds (EuVECA) Regulation is scheduled for the third quarter of 2026. This update should make it easier for innovative and growing companies to access capital and attract cross-border investment. Later in the year, the Shareholder Rights Directive will also be revised to strengthen shareholder engagement and transparency, backed by an evaluation of how the current framework has worked in practice.

Several ongoing legislative files will also remain on the agenda, including the Financial Data Access (FIDA) Regulation and the Omnibus I proposal amending the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD).

At the same time, the Commission intends to withdraw a number of older proposals over the next six months, including the Council Directive on the Financial Transaction Tax (FTT) - which has remained inactive for years.

Originally proposed in 2013 under enhanced cooperation among eleven Member States, the FTT aimed to impose a 0.1% tax on financial instruments and 0.01% on derivatives, but negotiations have repeatedly failed, despite later efforts by France, Germany (2018) and the Portuguese Presidency (2021).

PensionsEurope has consistently opposed the FTT, arguing it would increase costs for pension funds, reduce market liquidity, and harm long-term savers without addressing the root causes of financial instability. These concerns were detailed in PensionsEurope's policy papers on the negative impact of an FTT on pension provision and another one submitted to the Spanish consultation on the draft national FTT law.

7. Digital omnibus package

Background:

On 16 September 2025, the EC launched a call for evidence on the upcoming digital omnibus package that was announced in the February 2025 Communication on A Simpler & Faster Europe.

The Commission aims to simplify a set of different digital rules, including the AI Act and cybersecurity rules. As regards the AI Act, the Commission aims to "ensure optimal application of the recently adopted rules". To recall, the IA Act became applicable in February 2025, to ban unacceptable risk AI systems, while most of the high-risk AI systems requirements will become applicable from August 2026.

On the cybersecurity rules, the EC seeks simplification in the 'cybersecurity-related incident reporting obligations. This is because the (ICT) incident reporting framework has not been streamlined with sometimes different notification authorities for financial entities in the scope of NIS 2. Cybersecurity reporting obligations can arise from different European rules, including the Network and Information Security Directive (NIS 2), the Digital Operational Resilience Act (DORA), the General Data Protection Regulation (GDPR), the Critical Entities Resilience (CER) Directive, and the Payment Services Directive 2 (PSD2), with different notification requirements.

Last developments:

On 14 October 2025, PensionsEurope answered to this EC call for evidence, to advocate for DORA simplification in the field of major ICT incidents reporting and subcontracting requirements, among other things.

We also emphasized the need for a principle-based approach to address the specificities of IORPs, which differ from those of other financial entities, as well as the importance of strengthening the application of the principle of proportionality.

Next steps:

The EC will publish its digital omnibus package on 19 November 2025.