PENSIONS EUROPE

PensionsEurope's Position Paper on the European Commission's Omnibus Simplification Proposal

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PensionsEurope welcomes the European Commission (EC) initiative which aims to align crucial EU legislation concerning Sustainable Finance. PensionsEurope firmly believes that the competitiveness of the EU economy is vital, it is possible to reduce the administrative burden without undermining the EU's policy objectives regarding the green transition.

However, any simplification should be carefully balanced to ensure that material sustainability information on risks, opportunities, and impacts—critical to informed investor decision-making—is preserved. Accordingly, the Omnibus package should aim to streamline regulatory requirements, eliminate immaterial data, and refocus reporting on relevance and clarity.

Indeed, pension funds, as institutional investors, place a high value on companies' transparency and reporting regarding their sustainability impact. Comparable data is necessary for pension funds to make informed investment choices. To manage sustainability risks and accomplish sustainability goals, pension funds need data when choosing which companies to include in their portfolios. In addition, engagement is based on sustainability reporting. However, to provide returns for members and beneficiaries, pension funds depend on the competitiveness of investee companies; therefore, excessive regulation should be avoided.

From an investor's standpoint, simplification should be understood as reducing the complexity and volume of sustainability disclosures for reporting entities—without compromising the quality of decision-useful information. This can be achieved by eliminating non-material, non-investment-relevant, and duplicative data points. In this context, we support the mandate given to EFRAG to revise the ESRS in line with the European Commission's principles, to ensure that reporting remains meaningful, proportionate, and fit for purpose.

Alignment of the Omnibus initiative and SFDR review

PensionsEurope believes that it is vital to align the Omnibus initiative and the SFDR framework as well as the IORP II Directive. In general, it is our opinion that the reporting frameworks for the real economy and financial sector should be seamlessly connected. The initial strategy for sustainable finance, which required financial institutions to report before businesses, resulted in unnecessary implementation costs and low-quality data for financial sector reporting.

In this context, divergences between CSRD data points and SFDR-related concepts risk increasing reliance on estimates and other financial market participants, undermining data comparability and reliability. This reliance not only raises costs but also increases dependence on large non-EU ESG data providers.

To prevent any future challenges concerning consistency, the legislative processes of the Omnibus initiative should be concluded, and its outcomes **fully** taken into account before starting the upcoming SFDR-review. Otherwise, there will be a significant risk of inconsistency and reporting/disclosure requirements for financial market participants and financial products/pension schemes that are not connected to data points provided by companies.

CSRD

- Scope

The European Commission's proposal to significantly reduce the scope of the CSRD — limiting applicability to companies with more than 1,000 employees and either a turnover exceeding €50 million or a balance sheet total above €25 million — could relieve certain reporting burdens. However, this change would exclude approximately 80% of current in-scope entities, posing a serious risk to the quantity and quality of ESG data available to investors for informed decision-making.

While it is true that many listed companies with over 1,000 employees—who make up a significant share of institutional portfolios—would remain within scope, this is less the case for certain asset classes such as private equity. This sector has become increasingly important in advancing responsible investment practices, and reduced data availability could hinder its progress.

PensionsEurope therefore opposes any further increase to the employee threshold of 1000 employees, as it would begin to undermine the availability of ESG data across broader segments of institutional portfolios.

Instead, the priority should be a genuine simplification of the reporting framework. Efforts must focus on reducing complexity and administrative burden by streamlining data points and aligning requirements with company size and sector characteristics. A proportional, risk-based approach to reporting obligations would both support data usability for investors and ensure reporting remains manageable and meaningful for companies.

- European Sustainability Reporting Standards

The anticipated changes to the ESRS seem more concerning. PensionsEurope acknowledges that many of the data points in the ESRS are unnecessary for stakeholders and investors and that they are too demanding. However, the removal of crucial information for pension investors must be avoided at the same time. This is a similar concern expressed by other EU institutions like the ECB which emphasizes that crucial data points need to be retained to avoid negative implications. The most useful data points, to be specific, are as follows:

  - Scope 3 emissions: Some pension funds have committed to reducing scope 3 emissions as part of their climate change action plans. A supply chain approach is necessary due to the nature of scope 3 data. Reliability in reducing portfolio emissions and managing climate change risks is impossible without solid reporting.
  - Data on the Principal Adverse Impact Indicators: Although they are not mandated by the ESRS, PensionsEurope is hopeful that investee companies would view them as financially material. Data for PAI reporting under the SFDR is currently inconsistent and non-comparable.

- Assurance

The quality of sustainability data is of paramount importance to enable pension funds to translate sustainability objectives into investment strategies that meet those objectives. Data quality should be guaranteed at the source, which is the company level, even as data suppliers work to close the existing data gap. This will eventually ensure the quality of data downstream in the investment chain. For this reason, PensionsEurope is concerned about further degrading the CSRD beyond the Commission proposal by removing limited assurance. A similar concern is expressed by other EU institutions like the ECB that they also emphasize the necessity to provide certainty to all stakeholders and ensure the credibility and reliability of the information reported by undertakings.

Taxonomy

Taxonomy-alignment is a crucial indicator for financial market participants in the SFDR. Looking at the proposals put forward by the Platform on Sustainable Finance, the role of Taxonomy in the SFDR may only increase. PensionsEurope is concerned that the financial materiality criterion may result in less thorough reporting, which would undermine the planned SFDR reforms. There are opportunities to align and prevent double reporting in this interaction between CSRD and taxonomy. Since the SFDR under Article 8 already requires investors who are large undertakings to report on their investment portfolio, it would be beneficial to remove this requirement in the Taxonomy.

From the perspective of pension funds as long term investors, it is essential that all companies within the scope of the CSRD adhere to consistent reporting standards, thus, it is vital that all companies in the scope of CSRD must be held to the same reporting standards and expectations. PensionsEurope, therefore supports removing the proposed €450 million threshold to ensure uniform application of the CSRD and eliminate the optional reporting under Articles 19b and 29aa.

Should this approach be maintained, the SFDR review ought to reconsider the extent to which the Taxonomy underpins disclosure obligations and its role in defining product categories.

CSDDD

- Maximum harmonization

PensionsEurope supports the principle of maximum harmonization in the CSDDD and the extension to further provisions in the Omnibus proposal. This guarantees that EU member states do not go beyond the CSDDD which should be the only relevant framework concerning the due diligence requirements for companies in the EU. If Member States are allowed to extend this framework, this will produce a fragmented regulatory environment that leads to needless burden and legal confusion for pension funds in the EU.

- Civil liability

On the contrary, PensionsEurope is concerned with the removal of the civil liability regime in the CSDDD. The regime provides international businesses and investors with a European approach, even though it does not completely harmonize liability laws. The proposal would lead to more room for divergent national approaches.

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes. PensionsEurope has **25 member associations** in 19 EU Member States and 3 other European countries[1].

PensionsEurope member organisations cover different types of workplace pensions for approximately over **100 million people.** Through its Member Associations PensionsEurope represents over **€ 6 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **14 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership.
- Ensure that more and more Europeans can benefit from an adequate income in retirement.
- Policies which will enable sufficient contributions and good returns.

Our members offer

- Economies of scale in governance, administration and asset management.
- Risk pooling and often intergenerational risk-sharing.
- Often "not-for-profit" and some/all of the costs are borne by the employer.
- Members of workplace pension schemes often benefit from a contribution paid by the employer.
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment.
- Good governance and alignment of interest due to participation of the main stakeholders.

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[1] EU Member States: Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy,Lithuania Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden. Non-EU Member States: Iceland, Norway, Switzerland.

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