Simpson
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European Parliament Approves Delay to CSRD and CSDDD

April 3, 2025

On April 3, the European Parliament voted to approve a "stop-the-clock" Directive to delay the implementation of the second and third waves of reporting under the Corporate Sustainability Reporting Directive (CSRD) by two years (to 2027 and 2028) and the first wave of the Corporate Sustainability Due Diligence Directive (CSDDD) by one year (to 2028).

The European Parliament and the Council will now finalize the legislation and the "stop-the-clock" Directive will enter into force once it has been published in the Official Journal. Member States will have until 31 December 2025 to transpose the delay provisions into national law.

As discussed in our prior alert, the Directive is part of the Commission's Omnibus proposal to simplify and delay application of due diligence and sustainability reporting rules. Below, we set out the key takeaways and considerations from this vote, and what to expect next.

Summary of Immediate Takeaways

- CSRD reporting requirements for companies due to report in 2026 and 2027 (CSRD Wave 2 and Wave 3 companies—see Chart A below), are **delayed by two years**. In parallel, the more substantive Directive would seek to reduce the scope of CSRD, meaning that many companies that had assumed they would be subject to reporting in Wave 2 or 3 could be relieved of that obligation based on whether they meet the relevant employee and financial tests.[1] If and until such scoping changes are adopted, the "stop-the-clock" Directive applies to Wave 2 and 3 companies according to the scope originally set out in CSRD.
- Application of the requirement for Member States to implement CSDDD into national law is **delayed by one year** (to 2028).

1 If finalized in its current form, the substantive directive would introduce new scoping thresholds for CSRD Wave 2, 3 and 4 companies, removing approximately 80% of companies from the scope of CSRD, while also amending the contents of CSRD and CSDDD. Under the new scoping thresholds, CSRD reports would only be required from EU companies with more than 1,000 employees (the existing financial criteria relating to balance sheet and net turnover would still apply), affecting many Wave 2 companies. Wave 3 companies, which covers SMEs that are public interest entities or issuers, would fall out of scope entirely. The proposal would also change the threshold for global group reporting by Wave 4 entities, increasing the current net turnover threshold from 150M Euros to 450M Euros (in a scoping anomaly, the new employee threshold would not apply to entities in this cohort).

- Application of CSDDD's due diligence and reporting requirements to EU and non-EU companies in the first wave of CSDDD application (CSDDD Wave 1 companies—see Chart B below) is **delayed by one year** (to 2028).
- Reporting under CSRD in relation to non-EU companies is unaffected by the "stop-the-clock" Directive. In-scope companies will still be obliged to report in 2029 (for their 2028 financial period).

The Vote

The Parliament's vote to approve the "stop-the-clock" Directive without amendment was approved by an overwhelming majority of 531 votes, with 69 votes against and 17 abstentions. This follows the Commission's request to the Parliament and Council to fast-track the Directive's adoption, in response to which the Council approved the Directive without amendment on March 26. While some amendments were tabled ahead of the Parliament's vote, the overwhelming majority vote to approve without amendment provides welcome clarity to affected companies that there is some consensus for the reporting obligations to be delayed, and marks a significant step in the broader overhaul of EU-level sustainable finance regulation.

Approval of the "stop-the-clock" Directive now gives EU legislators much-needed time to progress discussions on the Commission's more substantive Directive to amend the scope of CSRD, and the substance of the due diligence obligations and associated requirements under CSDDD, ahead of the new application dates.

What Comes Next?

The Commission has expressed its intention that the more substantive parallel Directive be adopted as quickly as possible. The European Council and Parliament will propose amendments to the Commission's proposal and the three co-legislators will enter trilogue negotiations to reach an agreed position. Given the 12-month proposed implementation period for Member States, this would require agreement between the co-legislators by the end of 2026 at the latest. While the ordinary legislative process typically takes 18 months, given the highly political nature of the proposed changes and the broad spectrum of views in the Parliament, the co-legislators may be hard-pressed to reach a resolution by the end of 2026.

How Businesses Should Prepare

While today's vote provides clarity on CSRD and CSDDD compliance timelines, key questions on the application of CSRD—and the full extent of future changes to CSRD and CSDDD—remain unanswered for now. Our recommendations for companies are as follows:

- Monitor the EU legislative process, transposition of the "stop-the-clock Directive" by EU Member States, and progress of the substantive Directive and related developments,[2] as well as relevant political and regulatory developments in the EU and U.S.;[3]

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[2] On March 27, the Commission officially mandated the EU standards body, EFRAG, to simplify the European Sustainability Reporting Standards (ESRS), which the Commission proposes to revise by means of a delegated act, delivering its technical proposal by 31 October 2025.

[3] Recent U.S. policy, trade and diplomatic developments with potential to impact companies in this area include the "PROTECT USA Act of 2025," introduced in the U.S. Senate on March 12 by Sen. Bill Hagerty (R-TN) that would prohibit covered entities from complying with any foreign sustainability due diligence regulation, including CSDDD (bill text available here).

- Determine the appropriate timeline to assess CSRD readiness and engage in steps necessary for compliance, including key CSRD requirements that the proposals do not seek to change (*e.g.*, conducting a double materiality assessment (DMA));
- For Wave 2 companies that have already conducted a DMA, use the additional time granted by the Directive to consider and refine the output of that process, ensuring that future disclosure is carefully calibrated to both regulatory requirements and to the specific business and strategic needs of the company; and
- Evaluate the company's ability to meet broader regulatory and stakeholder demands, and opportunities to improve resilience by integrating appropriate sustainability measures into corporate strategy

We include additional, specific takeaways for companies by CSRD/CSDDD cohort below.

Chart A – Stop-the-Clock Directive (CSRD)

Entity Cohort[4]	Timing of First CSRD Reports	Specific Recommendations
Wave 1 – Public Interest Entities (PIEs) and large listed companies	**No change** to reporting timeline -> FY 2024 reports due in 2025	Monitor for potential scoping threshold changes Continue implementation, paying heed to shifts in regulatory developments/guidance If below revised threshold in the future, consider whether voluntary reporting is prudent to meet broader stakeholder expectations
Wave 2 – Large EU companies	**Two-year delay** -> FY 2027 reports due in 2028	Monitor for potential scoping threshold changes Assess current implementation (including status of any DMA conducted) If below revised threshold in the future, consider financial market expectations (*e.g.*, purchasers, IPO positioning) and other drivers
Wave 3 – SME PIEs and listed SMEs	**Two-year delay** -> FY 2028 reports due in 2029	Monitor potential scoping threshold changes Consider financial market expectations and other drivers
Wave 4 – Non-EU companies	**No change** to reporting timeline – FY 2028 reports due in 2029	

4 Please see our previous alert for additional detailed information on covered entities.

Chart B – Stop-the-Clock Directive (CSDDD)	
Entity Cohort	**New Timing of CSDDD Due Diligence Obligations / Reports**
Wave 1 – EU companies with more than 5,000 employees and more than €1.5bn net worldwide turnover Non-EU companies with more than €1.5bn net turnover generated in the EU	**One-year delay –** Due diligence obligations apply from July 2028, first information to be reported in 2030 for FY 2029
Wave 2 – EU companies with more than 3,000 employees and more than €900mn net worldwide turnover Non-EU companies with more than €900mn net turnover generated in the EU	**No change** – Due diligence obligations apply from July 2028, first information to be reported in 2030 for FY 2029
Wave 3 – EU companies with more than 1,000 employees and more than €450mn net worldwide turnover Non-EU companies with more than €450mn net turnover generated in the EU EU or non-EU companies entering into franchising or licensing agreements in the EU, with more than €22.5mn royalties and €80mn net turnover	**No change** – Due diligence obligations apply from July 2029, first information to be reported in 2030 for FY 2029

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