The Clock is Stopped: The EU Approves Two-year Delay to CSRD

16 April 2025

The Council of the European Union has approved the 'stop the clock' directive to pause the application of the Corporate Sustainability Directive to most companies for two years. The 'stop the clock' directive will now be published in the Official Journal and EU member states will have until 31 December 2025 to transpose the delay into national laws.

Background

The CSRD became law at European Union level in 2023 and was transposed into national law in Ireland in July of 2024. As currently in force, the CSRD applies to companies on a phased basis, with the first wave of companies which came into scope publishing their reports this year in respect of 2024 sustainability information. Most companies subject to the CSRD were due to publish their first report in 2026 in respect of 2025 information.

However, on 26 February 2025, the European Commission announced the first 'omnibus simplification package', which proposes to simplify certain EU ESG laws, including the CSRD. The omnibus proposals would significantly scale-back the scope of the CSRD and the reporting obligations for in-scope companies by, among other things, taking companies / groups with less than 1,000 employees out of scope of mandatory reporting requirements. The omnibus simplification package for the CSRD is divided into two proposed laws: first, a simple directive to pause the delay of the CSRD for two years for many companies (ie, the 'stop the clock' directive); and second, a more detailed directive to implement the more substantive changes. The omnibus proposal laws need to be approved by the EU institutions and then transposed into the national law of each member state.

For more information on those proposed changes, you can read our recent publication on the omnibus proposals here.

Two-year delay: stop the clock approved by the Council

On 14 April 2025, the Council of the European Union approved the 'stop the clock' directive – the final approval before this delay becomes law at EU level. This follows the approval of the European Parliament on 3 April (see our update here). Once the 'stop the clock' directive is published in the Official Journal, it will become law at EU level and EU member states will have until 31 December 2025 to transpose the delay into their national laws.

The 'stop the clock' directive requires member states to amend their laws to delay the application of the CSRD to "large" companies by two years. Companies that were due to publish their first CSRD report in 2026 based on sustainability information for their 2025 financial year will, if they remain in scope for CSRD reporting, instead be required to publish their first report in 2028 based on 2027 data. The 'stop the clock' directive also delays the application of the CSRD by two years for certain listed SMEs that were due to begin reporting in 2027 based on 2026 data (although, under the other omnibus proposals, these companies may be taken out of scope of the CSRD entirely – see here).

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The ‘stop the clock’ directive does not pause the application of the CSRD to:

- **Large public interest entities (ie, banks, insurance companies and companies with securities listed on an EU-regulated market) with more than 500 employees**: These companies must publish their first report in 2025 based on 2024 data – many have already published their first report – and they will continue to be subject to the CSRD each year going forward if they remain in scope of the CSRD as amended by directive proposing substantive changes to the CSRD.
- **Non-EU incorporated companies with branches or subsidiaries in the EU that meet certain thresholds**: A CSRD report is required to be published in 2029 in respect of 2028 data for these companies; the ‘stop the clock’ directive has not paused or delayed this obligation.

‘Stop the clock’ and Ireland

On 31 March 2025, Irish Department for Enterprise, Trade & Employment announced the Minister for Enterprise, Tourism and Employment’s support for the omnibus proposals and the EU’s efforts to reduce administrative burdens for companies and that the Minister is focused on quickly implementing the omnibus proposals, when approved by the EU. This statement by the Minister is helpful in providing welcome comfort to companies that the Irish government will act quickly to transpose the ‘stop the clock’ directive now that it has been approved by the EU. See our update here.

Next steps

While many companies will be grateful for the delay to reporting obligations, many others are concerned by the uncertainty that comes with the EU re-opening the CSRD and the Corporate Sustainability Due Diligence Directive (CS3D) for substantive changes. While EU institutions are targeting the end of 2025 for agreeing these more substantive changes, it may be into 2026 by the time agreement is reached. In the meantime, companies face considerable uncertainty about how and whether they will be subject to mandatory sustainability reporting following the EU’s changes to the regime.

We continue to monitor this evolving situation closely and will keep you updated as to any further developments as we have them. In the meantime, if you have any queries in respect of the any of these updates or the CSRD more generally, please do get in touch with any of the authors or your usual Matheson contact.

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