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EU Parliament Votes To Delay Implementation of Sustainability Reporting and Due Diligence Obligations

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On 3 April 2025, the European Parliament overwhelmingly voted to delay the implementation of the EU Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D). The approval of the European Parliament, which followed the endorsement of the European Council on 26 March 2025, effectively stops the clock on, and delays, the implementation of a significant number of CSRD and CS3D obligations. The move is part of a broader effort to simplify the EU's environmental, social and governance reporting regime. See our 28 February 2025 alert "European Commission Publishes ESG Reporting Omnibus Package".

Following final approval of these amendments by the European Council, member states that have implemented the CSRD and CS3D into national law will have until 31 December 2025 to amend their existing laws accordingly.

The amendments suspend the CSRD reporting deadlines for many companies:

- Large enterprises and parents of large enterprises (the so-called "second wave") had been scheduled to begin reporting in 2026 for the 2025 financial year; the new reporting start date is 2028.
- SMEs with securities listed in the EU ("third wave") had been scheduled to begin reporting in 2027 for the 2026 financial year; reporting is now scheduled to begin in 2029.

Public interest entities that are obliged to prepare their CSRD reports in 2025 remain under an obligation to do so. And the "fourth wave" — non-EU companies that carry out "substantial activity" in the EU — must still report in 2029 for the 2028 financial year.

The EU Parliament has now also approved postponing the deadline for member states to transpose the CS3D into national law by one year to 26 July 2027, and to delay the initial phase of applying sustainability due diligence requirements for the largest companies to 2028.

The delay is intended to provide companies with more time to prepare for the new requirements while the various bodies of the European Union agree on the degree to which the reporting and due diligence obligations under the CSRD and CS3D will be simplified, given concerns about the readiness and feasibility of meeting these new standards within the original timeframe.

In voting to approve the delay, members of the European Parliament emphasised the importance of a realistic timeline to allow companies to adapt and comply effectively with new reporting standards. However, there are significant divergent views amongst the various political groups within the European Parliament as to how far the reporting and due diligence obligations should be simplified, and the final rules currently remain uncertain.

Businesses, particularly those “second wave companies” that had been subject to CSRD and CS3D obligations next year and in 2027, respectively, will welcome this delay and the speed at which the EU bodies acted. However, given the scope of the final CSRD and CS3D obligations are yet to be finalised, businesses are unlikely to immediately halt their preparations for complying with these directives, especially those that are still in the preparatory stages of conducting their double materiality assessment under the CSRD and implementing new systems and procedures to meet their CS3D due diligence obligations. Businesses should continue to carefully monitor developments from the EU in the coming months.