Stop the Clock – the new EU directive on sustainability...

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At a time when the pressure on companies to be transparent about their social and environmental impacts is increasing significantly, EU **Directive (EU) 2025/794**, commonly known as "**Stop the Clock**," provides for a temporary "pause" in the application of key obligations. It postpones the deadlines for sustainability reporting requirements (CSRD) and due diligence (CSDDD).

The goal is to give stakeholders more time to adapt, especially those who have not yet begun implementing ESG (Environmental, Social, Governance) reporting obligations or are facing practical challenges.

What are CSRD and CSDDD?

- **CSRD – Corporate Sustainability Reporting Directive**

  Requires companies to publish detailed sustainability reports, including financial information and disclosures on the impact of their business activities on the environment, human rights, and value chains.

- **CSDDD – Corporate Sustainability Due Diligence Directive**

  Requires companies to identify and assess with due diligence their actual and potential impact (including those of their suppliers) on the environment and human rights. Negative impacts must be prevented, mitigated, and remedied.

What changes under the "Stop the Clock" Directive?

The directive provides a **two-year deferral** of certain CSRD and CSDDD requirements for the following companies:

- **Wave 2 companies** (large companies that were not previously subject to non-financial reporting):

  Reporting postponed from **2026** to **2028**, starting with the **2027 financial year**);

- **Wave 3 companies** (listed SMEs, small credit institutions, and captive insurance companies):

  Reporting postponed from **2027** to **2029**, starting with the **2028 financial year**.

Wave 1 companies (large companies already subject to the NFRD non-financial reporting directive) are still required to report from **2025** onward for the **2024 financial year**.

Implementation Deadline

The directive must be transposed into national law by **31 December 2025**.

What should companies do now?

Companies and affected entities should currently consider taking the following steps:

1. Determine whether you fall under Wave 1, 2, or 3

Each company must determine whether it falls under Wave 1, 2, or 3 according to the CSRD and whether it is affected by CSDDD requirements. Relevant factors include:

- Number of employees
- Turnover
- Total assets
- Non-EU business activities
- External suppliers and their ESG compliance

2. Analyze the value chain

Review your suppliers, subcontractors, and business partners:

- Can they provide reliable ESG data?
- Do they comply with environmental and human rights standards?

If not, changes may need to be made.

3. System upgrades and data collection

Invest in IT infrastructure, ESG reporting software, internal audit processes, and compliance with the European Sustainability Reporting Standards (ESRS).

Even though legal obligations are delayed, early preparation can significantly reduce risk and ease the reporting burden later on.

4. Ensure communication and transparency

Transparent ESG communication will be a key prerequisite for investor and public trust. Therefore, communicate clearly and openly with customers, investors, regulators, and employees about,

- how your company plans to implement the new regulations
- which data will be reported
- which sustainability and due diligence obligations will be fulfilled.

Conclusion

The “Stop the Clock” directive marks an important moment in the development of EU regulations on sustainability and due diligence in environmental and human rights issues. The postponements granted are not merely delays but rather opportunities for companies to organize their internal processes and thus remain competitive in an environment that increasingly demands transparency.

All companies should now begin preparations, review their value chains, update data collection systems, and implement or refine audit processes. Stay informed about national legislative developments.

The “Stop the Clock” directive does not change the EU’s sustainability mandate but merely temporarily loosens the timeline. In a rapidly evolving global ESG context, proactive companies will have a clear advantage.

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