

Special Report **Business School Debates****Sustainability****Business school teaching case study: is sustainability reporting valuable if it is not compulsory?**

The EU's proposed relaxation of rules presents companies with a strategic question: welcome the respite, or continue as planned?



Dilemma: businesses operating the EU face high compliance costs from sustainability reporting, but customers increasingly ask for such data © Getty Images

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After a rapid increase, business sustainability reporting in Europe is already preparing for another big shift. New EU proposals to simplify the rules, including — and especially — some of the most recent measures, have left many businesses with questions: if they are no longer obliged to report, should they continue voluntarily? And if they do, what is the rationale?

On February 26 2025, the European Commission unveiled an “omnibus package” of [proposed amendments](#) to several sustainability regulations. Most notable of these is the corporate sustainability reporting directive, adopted in 2023, which requires companies to disclose data on a range of social and environmental issues linked to their business activities.

Under the EC proposals, the corporate sustainability reporting directive will continue to apply to large EU businesses and other companies that have significant operations in European markets. But the omnibus package also suggests companies will now be affected by the CSRD if they have more than 1,000 employees, whereas companies with just 250 now fall within its scope.

The outcome is potentially dramatic. While an estimated 45,000 businesses across EU member states were previously expected to comply with the corporate sustainability reporting directive, the proposed change would shrink this number by 80 per cent to around 10,000 the commission estimates. [They must also have at least €50mn in revenue or €25mn in assets](#), which would lead to a further narrowing of companies coming under the directive.

The final decision is due in the first quarter of 2026, with another two to three months for member states to incorporate the provisions of the simplified rules.

Although the final text is still pending, the signal to mid-sized firms was already unmistakable: CSRD obligations were about to vanish. The announcement caught many of them off-guard and raised a crucial question: should they continue reporting voluntarily if it is no longer required?

Test yourself

This is part of a [series](#) of regular business school-style teaching case studies devoted to business dilemmas. Read the text and the articles from the FT and elsewhere suggested at the end (and linked to within the piece) before considering the questions raised. The series forms part of a wide-ranging collection of FT ‘instant teaching case studies’ that explore business challenges.

Many appear to have decided the answer was “no”. Clients abruptly halted CSRD-related projects within days of the February announcement, say consultants, data platforms and assurance providers that specialise in sustainability reporting.

This slowdown came amid a [broader reduction in demand for sustainability advice](#) and started a wave of lay-offs among consultancies and corporate reporting teams, including those that had been hired only recently in anticipation of increased reporting demands in the EU.

For many companies, CSRD reporting was little more than an expensive compliance burden that they could scarcely shoulder amid broader economic shocks, higher tariffs and volatile energy prices. For them, the promise of no legal reporting obligation was a relief. Some even argued that the proliferation of reporting requirements distracts management from the more important task: taking real action on their sustainability impacts.

Indeed, the EU had tried to build a comprehensive sustainability reporting framework in just a few years, which may have been just too fast. The resulting lack of clear guidance, inconsistent definitions and the sheer depth of requirements left many businesses overwhelmed and frustrated. For mid-sized companies, the annual price tag of implementation and assurance, often around €300,000, only reinforced these concerns.

The temptation offered by the omnibus package of proposals to wind down is clear. So why would a company with a choice opt to continue the exercise?

Danish company DEIF, a global supplier of intelligent energy control systems, with around 650 employees and 2024 revenues of around €100mn, immediately confirmed that it would continue reporting. “We didn’t report because we had to, but because we wanted to,” says Christian Nielsen, the group’s chief executive.

DEIF regards transparency as a source of competitive advantage, says Nielsen, while also dismissing the question of employee thresholds — 250 versus 1,000 — as irrelevant to the company. “Our customers don’t care if we are 1,500 or 60 people . . . By providing more information, customers get a better service from DEIF,” he says.

Irrespective of EU rules, Nielsen notes, demands for disclosures on sustainability are increasing from organisations such as export agencies or Asian customers. Also, there will be a supply chain effect, he predicts: “Reporting requirements will inevitably trickle down over time from the large companies.”

Unlike other companies of similar size and revenue, DEIF has not relied on costly external systems. It says reporting requires about one full-time sustainability staff member and a quarter-time employee from finance. Working across departments eases data collection and policy updates.

Reporting does not get in the way of DEIF taking action on sustainability because it builds on work already under way on greenhouse gases and product life cycles. The corporate sustainability reporting directive is acting as a guiding framework for actions on sustainability, and is naturally part of company strategy, DEIF says.

The company also welcomes CSRD as a useful step towards standardisation, which would reduce the burden of dealing with multiple supplier questionnaires and sustainability ratings companies.

For DEIF, the case for continuing to report looks straightforward. But for many others, the dilemma remains. Should they welcome the relief from high compliance costs, or worry that stepping back is a risk in a market increasingly shaped by sustainability data?

And the strategic question lingers: reporting absorbs resources, but does it prepare companies for a future in which transparency and accountability are inseparable from market access and innovation?

Questions for discussion

Further reading:

[Rowback of EU green rules will harm companies and investors](#)

[EU struggles to balance its green and growth goals](#)

[EU ‘completely overshooting’ on green rules, Siemens Energy boss warns](#)

[Wave of regulation drives demand for sustainability advice](#)

[Companies count the cost of compliance with green regulation](#)

[EU watchdog warns Ursula von der Leyen against rushing deregulation](#)

Consider these questions:

- What sets apart companies that decide to stop reporting from those, such as DEIF, that have decided to continue?
- What short-term factors (industry, product, customer type) influence the case for reporting?
- If reporting creates long-term benefits, as suggested by DEIF, are companies that stop making a strategic mistake?
- How can companies minimise the costs of voluntary reporting while maximising its value?
- Does reporting incentivise innovation and the search for new business and sustainability opportunities?

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