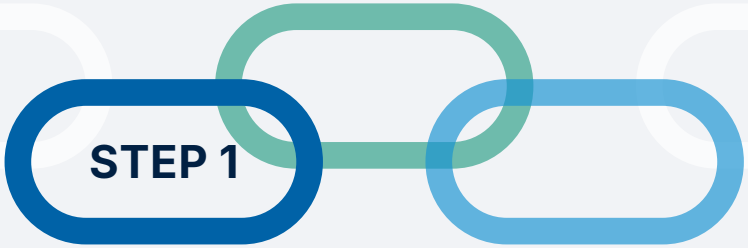

CRI COMMUNICATIONS
Telling Stories of Progress
Your AI strategy runs through a data center.
What does that mean for your sustainability communications?

You start your day in an all-hands meeting on your company's new AI strategy. Leaders tout transformative innovation and efficiencies to come. Later, you hear about a county board rejecting plans for a data center a few states away. The two events may not seem connected, but they're part of a pattern unfolding across the United States.



Tension is growing between corporate America's "all-in" embrace of AI and community pushback on the infrastructure AI relies on. In a Gallup survey this spring, 71% of Americans opposed building an AI data center in their area, more than those who opposed a local nuclear plant.[1] Their concerns range from water and energy use to pollution risks to impacts on local jobs. These are classic environmental, social and governance (ESG) issues, and they apply to any company using AI, whether it owns a data center or not.

So, where does the responsibility to understand and disclose data center-related ESG impacts begin and end? The answer is essential to reporting and communicating with confidence as your company's use of AI expands.



Understand the context.

Whatever your company's relationship to data centers may be, you should understand the context behind them if your company uses AI. This includes taking the pulse of public perception and analyzing associated ESG impacts.

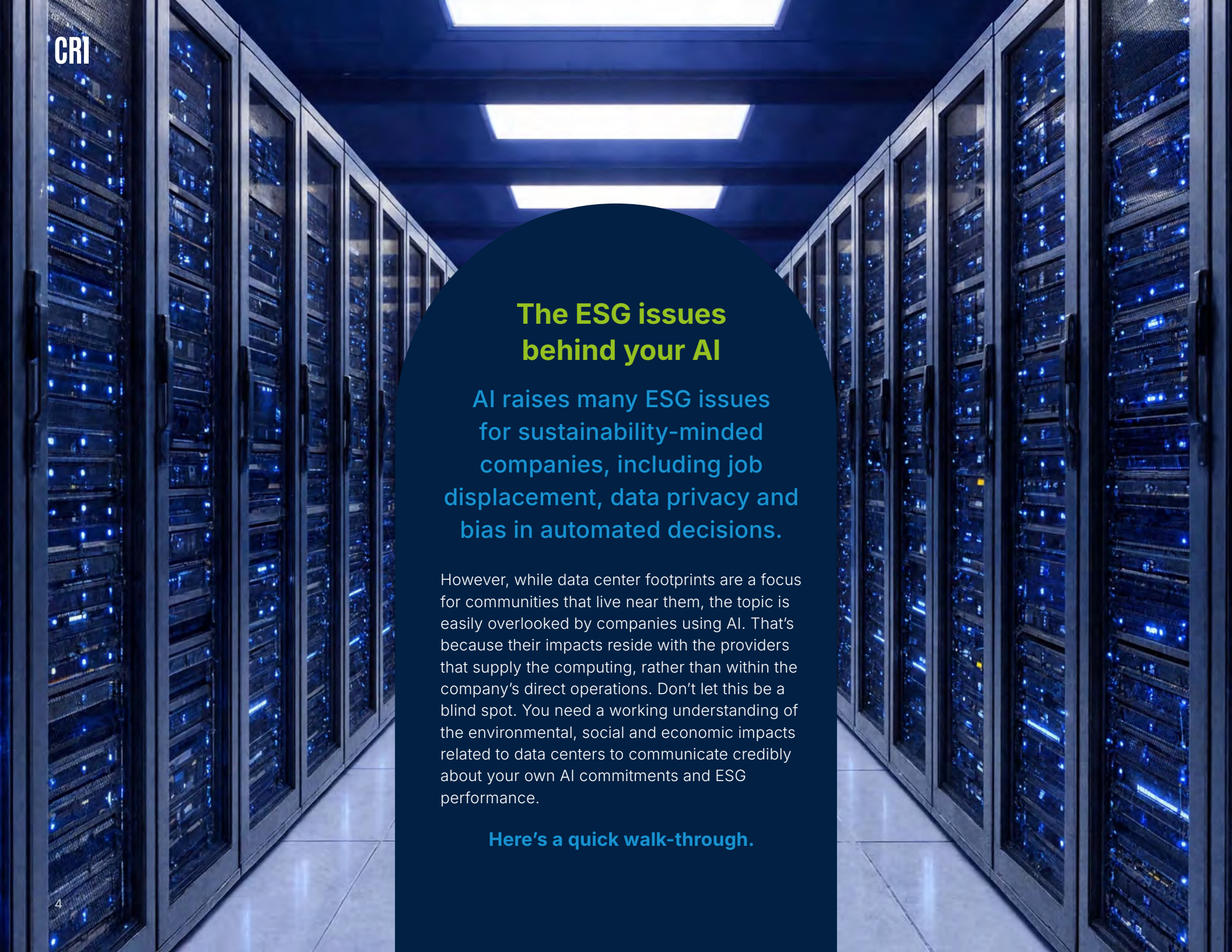
A growing backlash

AI is already changing how companies operate, particularly where they direct capital. Global AI investment is forecast to exceed $1 trillion in 2026.[2] These are big bets on a technology that promises to deliver innovation, efficiencies and leaner processes. But that potential comes with reputational risks.

The growing public backlash draws heavily on two concerns. One is about AI itself and its relationship to job loss. Employers cited AI in about 116,000 announced U.S. job cuts through August 2026,[3] and some companies have linked cuts directly to spending shifts toward AI.[4] While this is a critical issue, the focus of this paper centers on topic number two: the data centers that power AI, and what they mean for the communities where they're built. Even as the term "ESG" becomes increasingly polarizing, environmental, social and economic issues related to data centers now cut across party lines.[5]

Why has the debate over AI costs gathered around data centers, rather than around AI models or the companies that build them? Data centers are where AI becomes physical. An AI model can feel intangible, but a data center is bricks and mortar, a building that needs zoning changes, permits and utility approvals, which are among the few points where a community has formal standing to object. For example, in Prince William County, Virginia, residents challenged the rezoning for a 2,100-acre data center campus, and the developer abandoned the project in July.[6] The Brookings Institution has described data centers as "the proxy for citizen feedback on AI itself."[7]

> "Brookings has described data centers as "the proxy for citizen feedback on AI itself."



The ESG issues behind your AI

AI raises many ESG issues for sustainability-minded companies, including job displacement, data privacy and bias in automated decisions.

However, while data center footprints are a focus for communities that live near them, the topic is easily overlooked by companies using AI. That's because their impacts reside with the providers that supply the computing, rather than within the company's direct operations. Don't let this be a blind spot. You need a working understanding of the environmental, social and economic impacts related to data centers to communicate credibly about your own AI commitments and ESG performance.

Here's a quick walk-through.

Environmental and health impacts

The environmental impacts of data centers include energy, water and land, as well as the health of nearby communities.

Let's start by considering energy. Data centers are built to run around the clock, and most of their power goes to the servers that do the computing and the systems that keep them cool. AI models also draw more power than conventional servers, and the emissions depend on the grid behind them. This translates to intense energy use, and the need isn't plateauing. Total electricity use by data centers is expected to roughly double by 2030, to around 3% of global demand.[8]

That said, there is the potential for some AI applications to eventually offset some of those emissions. The International Energy Agency estimates that existing AI applications, if widely adopted, could cut emissions elsewhere by three to four times what data centers are projected to emit, though that adoption isn't guaranteed.[9]

Energy use goes hand in hand with water, which most data centers use to cool their equipment. U.S. data centers directly consumed about 17 billion gallons in 2023, a figure that could double or quadruple by 2028.[10] And because water stress is local, a single facility can strain local supply even when a company's water use across all its operations appears modest.



Water also leaves these facilities, and that ties into public health. Cooling-tower discharge can return warmer water to local waterways, carrying concentrated salts and treatment chemicals.[11] Another issue is air pollution. Backup diesel generators and fossil-fueled grid power release fine particulates and nitrogen oxides. The human consequences could be serious; one study projects that data center air pollution could contribute to about 1,300 premature deaths a year in the U.S. by 2030.[12]

Finally, data centers require land, as does the infrastructure that serves them. This includes new transmission lines to route across private land that some utility companies are using eminent domain to access.[13]

FOUR AREAS TO WATCH:

1. **Energy demands,** with electricity use expected to roughly double by 2030.
2. **Water use,** which could double or quadruple by 2028.
3. **Land use** for both data center facilities and supporting infrastructure.
4. **Public health** related to cooling-tower discharge in local waterways and air pollution.

Local economic impacts

Data centers change the economics of the places that host them. Their costs and benefits arrive through electricity bills, tax revenue and jobs, which are often unevenly distributed.

In many places, data centers drive up the cost of electricity for surrounding communities. For example, in the region served by PJM Interconnection — the grid operator for all or parts of 13 states and the District of Columbia — data center demand drove 63% of a recent increase in electricity capacity prices. About $9.3 billion of that cost will be recovered from customers.[14]

If communities aren't already agitated by higher energy bills, the tax imbalance might put them over the edge. States are giving up billions in revenue to data center tax breaks, more than $2.5 billion in a single fiscal year in Georgia alone, by the state's own estimate.[15] Theoretically, these tax incentives entice companies to create new local jobs. Yet most of the jobs that data centers bring are temporary. Meta, for example, expects its $10 billion-plus campus in Lebanon, Indiana, to support more than 4,000 construction jobs at peak, but the number will dwindle to about 300 operational jobs once the campus is running.[16]





Supply chain and governance impacts

Some of the least visible impacts exist far away from data facilities themselves, residing in the supply chains that provide materials and in how data center projects are negotiated and promoted. These topics connect to issues you may already report on, such as supply chain due diligence and lobbying.

In your supply chain, you'll want to consider mining. Data centers depend on copper, cobalt, lithium and rare earth minerals, and mining them raises questions about labor conditions. The clearest example is cobalt. The U.S. Department of Labor lists cobalt ore from the Democratic Republic of Congo, which supplies about three-quarters of the world's supply, as produced with child labor and forced labor.[17] Though the electronics industry has launched efforts to address the problem, Congolese cobalt remains on the Labor Department's list.

On the governance side, data center transactions with local authorities have often been negotiated in private. At least four Wisconsin communities, for example, signed nondisclosure agreements for data center projects. In one, the agreement barred even disclosing that the project existed.[18] In October, Amazon Web Services said it would stop using such agreements with government agencies.[19] Meanwhile, the industry's main trade group has expanded its lobbying on tax incentives and energy infrastructure.[20]



Assess your position in the AI ecosystem.

If your company is simply a user of AI, the issues described in Step 1 are not yours to manage directly. But you need to be aware of them and be prepared to report and communicate about them appropriately based on where your business sits in the AI ecosystem.

Who's in the chain and why it matters to you

To see which issues could apply to your AI use, it helps to know the chain of suppliers behind the data centers making AI possible. In this chain metaphor, each link involves different kinds of companies facing various issues and critics. Some of the largest technology companies sit in several links at once, operating data centers, selling cloud services and building AI models.

The chain starts long before a data center opens. Minerals are mined, often in other countries, and turned into chips and servers. Building developers find sites, assemble land and secure permits. The issues at this stage are largely physical and far from the companies that use AI.

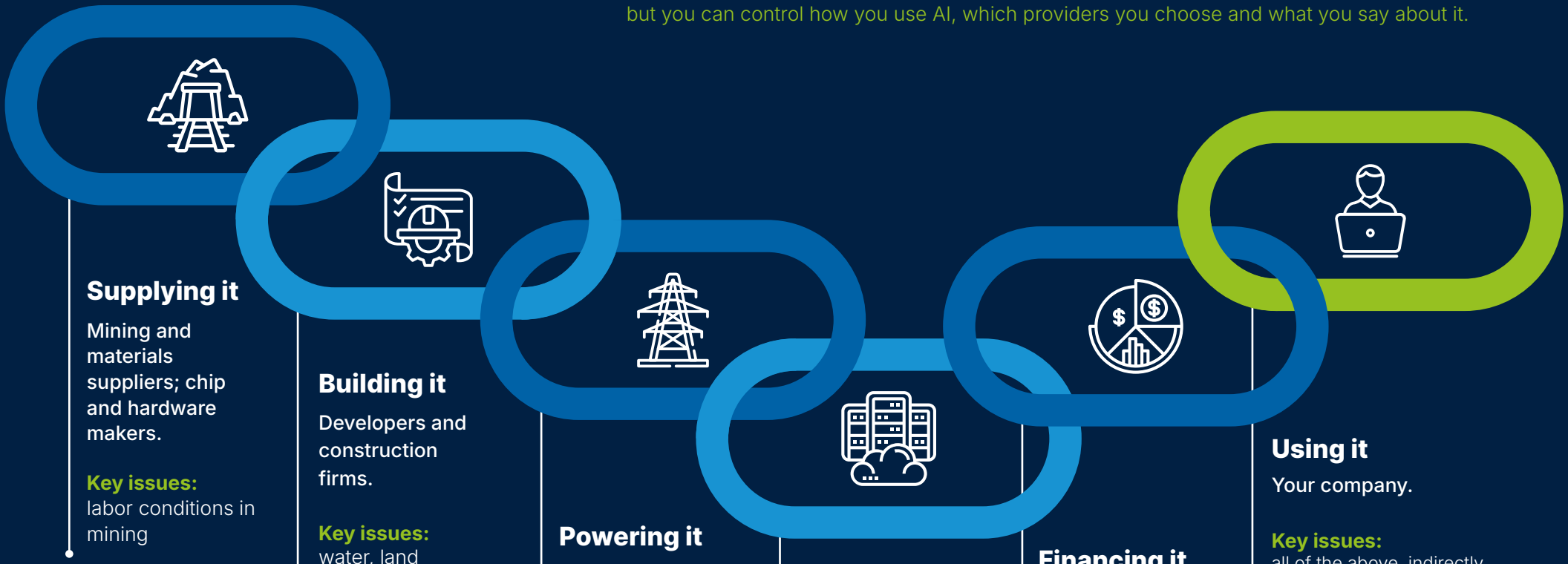
Utilities or other providers then supply the power, and often the water, which is where data center demand meets household bills and private land ownership. Once a facility is running, operators manage it, and cloud and AI providers sell the computing it enables. Behind all this are the investors financing the buildout, who carry its issues through the companies they fund.

So where does this leave you?

- If your company uses AI, you sit at the end of the chain, and your demand helps drive it.
- If you buy computing directly from a cloud provider, you're one step removed.
- If you buy software with AI built in, you may be several steps away, with an even more limited view of what sits behind it.

The chain behind your AI

When a controversy breaks at one link, questions and criticism can travel along the chain to the companies that finance it and buy from it. As an AI user, you can't directly control facilities, but you can control how you use AI, which providers you choose and what you say about it.



Supplying it

Mining and materials suppliers; chip and hardware makers.

Key issues: labor conditions in mining

Building it

Developers and construction firms.

Key issues: water, land use and local opposition.

Powering it

Energy companies and utilities.

Key issues: emissions and health, consumer electricity bills and land use.

Running and selling it

Data center operators; cloud and AI providers.

Key issues: energy and emissions, water, air quality and transparency.

Financing it

Infrastructure funds, private equity and real estate investors.

Key issues: all of the above through the companies they fund.

Using it

Your company.

Key issues: all of the above, indirectly, plus your own claims, commitments and lobbying.

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So where do you stand? A quick diagnostic

The questions below start with your company's AI practices and the data center impacts behind them, then turn to your sustainability communications. They're meant as a quick check on what you need to understand before you communicate about AI and sustainability, and whether your current communications realistically reflect your position. The answers may point to a deeper review or confirm that a lighter touch is enough.

A company that has worked through these questions won't have every answer, since data on any single company's share of the data center footprint is still limited. The goal is to understand the ESG implications of your AI use and make sure what you communicate lines up with them.

Understand your AI footprint

1. How central is AI to your strategy and operations, and how fast is your AI use growing?
2. Do you buy computing directly from cloud providers, or mainly through software with AI built in?
3. Which providers and regions sit behind your AI use, and which of the issues above attach to them?
4. If these impacts look significant for your business, have you brought them into your materiality assessment?

Check your communications against your AI footprint

1. Where does AI appear in your sustainability report? Only under governance, or in other topics that affect the business?
2. Do your AI claims, such as efficiency gains or AI for sustainability, conflict with your climate, water or community commitments?
3. Have you taken, or are you considering, public positions on data centers or their impacts that your own AI use could contradict?
4. Do your lobbying, political spending and trade association memberships support positions on energy, permitting or data center incentives that conflict with what you say publicly?

Know what you can credibly say

1. What can you stand behind today, and what would you need to verify first?
2. Who is likely to ask — investors, employees, communities or journalists — and what will they ask?
3. Who in your company owns the answer?





Two companies, two sets of answers.

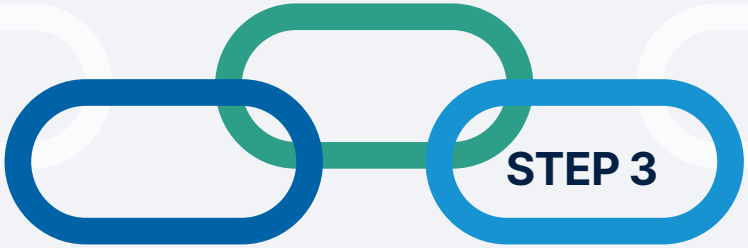
To see how the answers can differ, consider two hypothetical companies.

1

A regional insurer that uses off-the-shelf software with AI features for claims processing and customer service and says little about AI publicly. The insurer's connection to data center impacts is relatively distant, since it buys AI several steps removed from any data center and can't see which facilities sit behind its software. Its main task is to make sure that any future AI announcement doesn't contradict its climate commitments, and that someone owns the answer if a stakeholder asks. A brief review is likely enough.

2

A consumer goods company with an AI-first strategy. It runs its own AI models on a major cloud provider, tells investors AI will drive efficiency across its supply chain, and promotes AI as part of how it will meet its sustainability targets. It also has public water commitments. Its AI footprint is larger and closer to the data centers behind it. This company should know which providers and regions sit behind its AI use; test its AI-for-sustainability claims against the footprint of the technology itself; check its trade associations' positions on energy and permitting; and consider whether these impacts belong in its materiality assessment. For this company, AI belongs in its sustainability report wherever it shapes strategy and creates impact, not only under governance.



Communicate credibly.

Once you understand how AI use connects to the chain behind it, it's easier to communicate credibly about your company's AI position and ESG performance. Analyzing potential data center impacts is the hard part. The infrastructure needed to tell this story is likely already in place.

Your environmental commitments and materiality assessment sit in your report, so that's where the ESG implications of your AI use likely need to be addressed. Part of your AI footprint is already in the report. Under the Greenhouse Gas Protocol, emissions from purchased services such as cloud computing generally fall within Scope 3.[21] The other issues described here, such as water, community impacts and governance, don't have a line in your emissions inventory, but they can still surface in your materiality assessment and in the questions your report is expected to answer.

AI is a strategy issue.

Not long ago, climate showed up in many sustainability reports as an emissions figure in the environmental section. Today, companies that treat climate seriously address it across numerous topics, from value chain and product emissions to risk management.

AI is heading in the same direction. For now, the topic most often appears as a short discussion in a governance section covering AI oversight, ethical use and data privacy. One analysis of ESG reports from 60 large listed companies found AI disclosure was strongest under governance, with little on environmental or social impacts.[22] That may not be appropriate if AI is core to your business strategy.

A company betting on AI is also taking on the issues that come with it: the data center footprint described here, and questions of bias, privacy and workforce change that sit outside this paper. If AI is central to your business, it deserves more than a governance paragraph in your sustainability report. Consider how you can begin integrating discussion of AI impacts across your reporting rather than treating it as a siloed issue.



The bottom line: Don’t let someone else tell your AI story for you.

As fast as AI advances are moving, it’s still early days, and there are more questions than answers about AI’s ultimate potential for good. AI could very well have lasting, positive impacts on business and society, but community concerns about data center impacts are real and valid. This is a topic where you want to be proactive, not flat-footed. When companies avoid telling their own AI story, it opens the door for critics, the media or local communities to fill in the gaps.

As your business embarks on this brave new world, do your homework so that your AI-related communications are thoughtful and well-informed. This will help safeguard your company from headline controversies and appropriately balance AI’s benefits and risks as they unfold.

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