



INSIGHTS

NAVIGATING ESG REPORTING IN DATA CENTRES SECTOR SERIES

Understanding the European Corporate Sustainability
Reporting Directive

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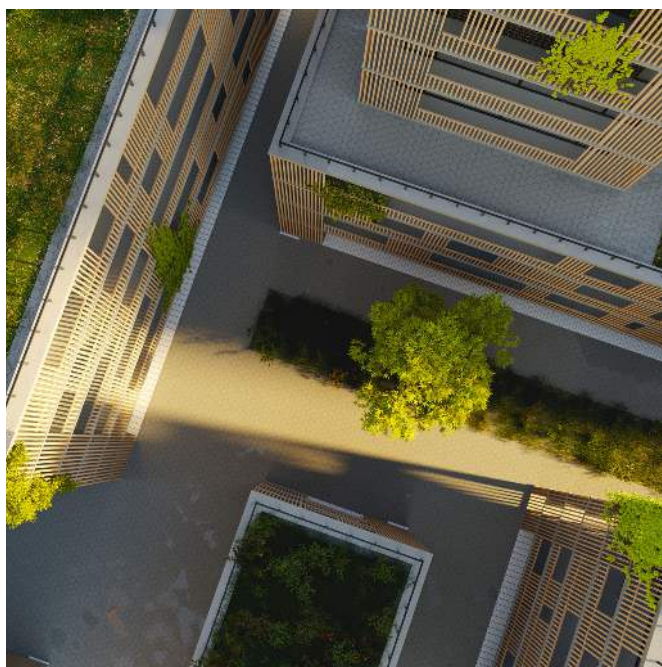
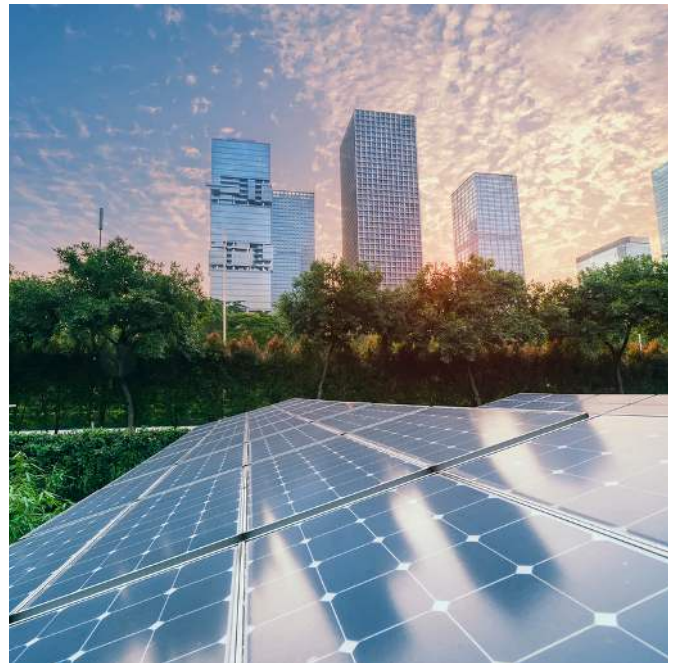
Understanding the European Corporate Sustainability Reporting Directive

New ESG regulations and voluntary reporting standards are developing all the time, an “alphabet soup” of acronyms that make it difficult to understand what companies need to do and when. This series from RLB provides a cheat sheet for key ESG developments, starting with Europe’s new Corporate Sustainability Reporting Directive (CSRD).

The **Corporate Sustainability Reporting Directive (CSRD)**¹ is a critical regulatory development from the European Union, set to redefine how companies across the EU—and globally—approach sustainability reporting. The CSRD replaces the Non-Financial Reporting Directive (NFRD), broadening the scope and depth of Environmental, Social and Governance (ESG) disclosures required in company Annual Reports.

With the phased implementation of the CSRD starting from 2024, companies—both within the EU and globally—need to prepare for the enhanced reporting obligations. This article covers the latest news on the CSRD, best practices for compliance, and a practical cheat sheet to help companies navigate the upcoming changes.

In addition to the EU developments, the UK is introducing similar legislation with the UK Sustainability Disclosure Standards (UK SDS), expected in Q1 2025. Furthermore, there is an



increasing focus on energy use and management, especially for large energy users like data centres (DCs), as countries adopt new regulations. For example, Germany has introduced the Energy Efficiency Act (Energieeffizienzgesetz - EnEFG), which is set to impact large energy consumers heavily as energy efficiency standards become law. The EU’s updated Energy Efficiency Directive (EED) also has new special reporting rules just for the DC sector.

Our RLB ESG team can play a key role in supporting companies as they develop their approach to environmental and social governance. We help by establishing CO2 baselines, assisting with reporting, and implementing strategic ESG frameworks. Our aim is to guide clients through the complexities of compliance, focusing on streamlining processes to achieve sustainability objectives efficiently, without duplicating efforts or costs.

¹[Corporate sustainability reporting - European Commission \(europa.eu\)](https://ec.europa.eu/euro-observatory/en/infographic/corporate-sustainability-reporting-directive)

Corporate Sustainability Reporting Directive Latest Updates

Company category	Criteria	Reporting start	First report due	When to start	Preparation steps	Key requirements	Additional notes
Large public-interest companies (NFRD)	Companies already under the NFRD (e.g., large public-interest entities with over 500 employees)	Fiscal year 2024	2025	Already preparing	<ul style="list-style-type: none"> Review existing non-financial reports Update internal processes for CSRD compliance Enhance data collection methods 	Detailed reporting on sustainability topics including climate, social, and governance factors	These companies are already familiar with non-financial reporting but need to align with the new CSRD standards
Other large companies	<p>Net turnover > 40 million</p> <p>Total assets > 20 million</p> <p>More than 250 employees</p>	Fiscal year 2025	2026	Start in 2024	<ul style="list-style-type: none"> Develop a comprehensive ESG strategy Implement data collection systems for CO2 and other sustainability metrics Train internal teams on CSRD standards 	Mandatory reporting on sustainability risks, climate targets, ESG strategy, and impact on society	These companies must adapt to CSRD standards if they haven't previously reported under NFRD
Listed SMEs	SMEs listed on EU-regulated markets	Fiscal year 2026	2027	Start in 2025	<ul style="list-style-type: none"> Simplify ESG reporting mechanisms Gather baseline data for future reporting Seek guidance on streamlined CSRD compliance for SMEs 	Simplified reporting requirements focused on key ESG factors relevant to SMEs	SMEs have more lenient requirements, but should still prepare early to ensure compliance
Non-European companies	Non-EU companies with a net turnover > 150 million in the EU and at least one subsidiary/branch in the EU	Fiscal year 2028	2029	Start in 2027	<ul style="list-style-type: none"> Set up internal compliance teams Identify and adapt reporting practices to EU standards Monitor ongoing regulatory changes in the EU 	Reporting must cover the entire group's EU activities, with specific focus on sustainability impacts	These companies need to align their global reporting practices with EU-specific CSRD requirements

1. Expanded scope

- **Scope expansion:** The CSRD expands the number of companies required to report on sustainability from approximately 11,000 under NFRD to **50,000 companies** across the EU. This includes not only large companies but also listed SMEs and some non-EU companies with significant EU revenue.
- **Phased implementation:** The directive will be rolled out in phases.
 - **2024:** Large companies already subject to the NFRD will begin reporting.
 - **2025:** Large companies that were not previously subject to NFRD will begin reporting.
 - **2026:** Listed SMEs, small and non-complex credit institutions, and captive insurance companies must report.
 - **2028:** Non-EU companies with EU revenues exceeding €150 million must report.

2. Detailed reporting requirements

- **Comprehensive ESG reporting:** The CSRD introduces mandatory reporting on environmental, social, and governance (ESG) factors—organisation-wide reporting to be included within a company’s Annual Reports. Reporting must be in accordance with **European Sustainability Reporting Standards (ESRS)**, which ensure a unified approach across the EU.
- **Topics:** What does this reporting actually entail? Companies need to report on nearly 100 modules on topics including:
 - Climate change adaptation
 - Climate change mitigation
 - Energy
 - Pollution
 - Water and marine resources
 - Biodiversity and ecosystems
 - Circular economy and waste
 - Own workforce
 - Workers in value chains
 - Affected communities
 - Consumers and end-users
 - Business conduct.

- **Materiality:** In the context of ESG, materiality refers to the issues significant enough to impact a company’s financial performance or influence the decisions of stakeholders, such as investors, customers, and regulators. These material issues vary by industry and are identified by assessing risks and opportunities related to environmental, social, and governance factors.
 - For example, material environmental factors for an energy company might include carbon emissions and renewable energy use, while a tech company might focus on data privacy and cybersecurity as its material social and governance issues. Materiality assessments help companies prioritise their ESG initiatives and report on the factors most relevant to their business and stakeholders.
- **Materiality assessments:** Disclosures are in part based on Materiality Assessments—that is assessment the material impacts related to a topic or activity. Traditionally, an impact is ‘material’ if it’s something that you’d include in financial reporting or poses an identifiable risk. Companies need to analyse their activities in regard to each topic above, and assess their materiality according to ESRS rules.
- **Double materiality:** CSRD is special as it includes Double materiality rules, where companies must disclose not only how material ESG risks impact their company financially (**financial materiality**) but also how their own activities impact the environment and society (**impact materiality**).



3. Mandatory assurance

- The CSRD requires **mandatory third-party assurance** of sustainability reports, making it the first major directive to introduce this level of scrutiny. External verification will increase the reliability of reported data and drive higher accountability.

4. Consider your partner and customer requirements

- The CSRD partially aligns with a new global voluntary reporting standard **International Sustainability Standards Board (ISSB)** and it also incorporates Taskforce on **Climate-related Financial Disclosure (TCFD)** recommendations. This ensures global coherence and makes it easier for multinational companies to streamline their reporting across jurisdictions.

5. Consider your partner and customer requirements

- Even if you are not caught directly by this legislation, consider medium term impacts to your company if your partners and customers need to comply. This may entail enhanced ESG policy, performance and disclosure requirements to support their compliance with CSRD.



Best Practices For Corporate Sustainability Reporting Directive Compliance

To ensure compliance with the Corporate Sustainability Reporting Directive and to effectively manage the new reporting obligations, companies should consider the following best practices:

1. Early adoption of ESG reporting frameworks

- Companies that are currently subject to **NFRD** or operate in sectors likely to be impacted by CSRD should begin aligning their reports with the **European Sustainability Reporting Standards (ESRS)** now. ESRS were introduced by the CSRD directive. Early preparation helps identify gaps and ensure smoother compliance.
- Global standards** like **GRI**, **SASB**, and **IFRS S1 & S2** offer valuable frameworks to develop reporting methodologies that can be adapted for CSRD.

2. Establish clear data collection processes

- With the expanded scope and depth of CSRD, data accuracy and availability are crucial. Companies need to develop robust systems for collecting ESG data across their operations and supply chains.
- Ensure that all relevant departments (finance, legal, sustainability, procurement) are integrated into the data collection process.

3. Leverage technology and software tools

- Implementing **ESG reporting software** can streamline data collection, processing, and reporting. These platforms provide real-time dashboards, data analytics, and audit trails that can make it easier to manage the increased reporting obligations.
- Automation can also assist in reducing manual errors and help in managing **third-party assurance requirements**.

4. Engage with stakeholders early

- Since the CSRD includes **double materiality**, it is critical to engage with stakeholders—such as investors, employees, customers, and communities—to ensure that the company understands which sustainability issues matter most.
- This can help shape materiality assessments and identify key risks and opportunities that should be highlighted in reports.

5. Conduct a materiality assessment

- It is crucial to conduct or commission regular **materiality assessments** to identify the sustainability issues that are most relevant to the business and stakeholders.
- Regular updates to this assessment are needed to adapt to evolving regulations, market conditions, and stakeholder expectations.

6. Prepare for assurance and auditing

- With mandatory **third-party assurance** becoming a requirement, companies need to ensure that their internal processes and controls can support accurate, verifiable reporting.
- Collaborate with external auditors and sustainability experts early to understand the expectations for assurance and identify potential gaps in data or reporting processes.



Corporate Sustainability Reporting Directive Support

To help companies prepare for Corporate Sustainability Reporting Directive compliance, here's a Corporate Sustainability Reporting Directive Support cheat sheet summarising key points and action items:

Requirements	Key focus	Best practice	Timeline
Who needs to report?	Large companies (≥250 employees), listed SMEs, some non-EU companies	Identify if your company is in scope; consider early compliance if your sector is likely to be affected	2024–2028 phased implementation
Double materiality	Financial and impact materiality	Conduct a materiality assessment involving key stakeholders to understand relevant risks and opportunities	Ongoing—conduct assessments regularly
Reporting standards	Report under ESRS	Align early with ESRS and global standards like GRI, SASB, or IFRS	Begin alignment before 2024 for smooth transition
Third-party assurance	External assurance of sustainability data	Work with external auditors to establish verifiable data systems and internal controls	Prepare for third-party assurance by 2024
Data collection	Accurate, auditable ESG data	Implement ESG reporting software to streamline data collection, analysis, and reporting	Start early to ensure accurate data collection
Alignment with global standards	ISSB, TCFD, IFRS standards	Leverage alignment with ISSB, TCFD, and IFRS S1 & S2 to reduce reporting duplication	Ongoing—stay updated on global standards

Support area	Key focus	How RLB's ESG team can help you
Compliance assessment	Determine the companies scope for CSRD reporting	RLB can conduct an in-depth compliance assessment , reviewing your company's size, turnover, and EU connections to determine when CSRD obligations apply
Materiality assessment	Assess both financial and impact materiality	We help conduct materiality assessments , engaging with your key stakeholders to identify the most relevant ESG risks and opportunities. This helps ensure alignment with CSRD's double materiality requirement
Strategy development	Align business strategy with ESG goals	RLB assists in building a strategic ESG framework tailored to your company's specific risks and opportunities, integrating sustainability into the core of your business strategy
Data collection systems	Accurate and verifiable data collection	RLB can help implement or optimise ESG data management systems , ensuring accurate data collection and establishing a baseline across all operations to meet CSRD and third-party assurance standards
Third-party assurance readiness	Prepare for mandatory assurance by external auditors	We support the setup of internal controls and processes that will ensure your sustainability data is verifiable, making third-party assurance smoother and more cost-effective
Reporting and alignment	Align with ESRS and global standards	RLB helps companies create ESG reports that align with ESRS , and also ensures that your reporting can align with global standards like GRI, ISSB, and TCFD for international coherence
Training and capacity building	Equip teams with ESG knowledge	We provide training programs for your employees on ESG reporting, data collection, and compliance requirements, building internal capacity for ongoing sustainability reporting and strategic growth
Energy efficiency and compliance	Focus on energy-intensive industries like DCs	RLB can assist companies in energy-intensive sectors (e.g., data centres) by implementing best practices for energy efficiency, complying with local regulations like Germany's Energy Efficiency Act (EnEFG)

How RLB's ESG team can add value:



Tailored Solutions

Each company has unique ESG challenges. RLB provides customised strategies that align with your industry and sustainability objectives.



Cross-Jurisdictional Expertise

With a deep understanding of both **EU** and **UK** regulations (e.g., **CSRD**, **UK SDS**), RLB ensures seamless compliance across borders.



Integrated Approach

We don't just focus on compliance - we help you integrate ESG into your core business, improving your sustainability credentials and positioning you competitively in the market.



Bringing imagination to life

RLB is an independent global construction and property consultancy providing management and advice throughout the built environment.

We are committed to creating value for our clients, achieving commercial certainty, project and programme success and optimised assets to projects across the world. We do this through our extensive expertise in cost management and quantity surveying, project and program management, asset advisory and specialist consultancy.

Throughout our long history, our 4500 people, working across 34 countries, have made a difference to our clients by combining fresh perspectives with sector expertise. Together, we're creating a better tomorrow through flawless execution today.

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