

# Second-Party Opinion Centersquare Green Financing Framework



## Evaluation Summary

Sustainalytics is of the opinion that the Centersquare Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Renewable Energy and Sustainable Water and Wastewater Management – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7 and 11.



**PROJECT EVALUATION AND SELECTION** Centersquare will establish a Green Financing Committee to oversee the evaluation and selection of projects. The Committee consists of members from the sustainability, legal, finance, marketing and operations teams. The Company has confirmed to Sustainalytics that it has a process in place to address environmental and social risks associated with the projects financed. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Centersquare's finance department will oversee the management and allocation of proceeds. Net proceeds will be tracked using an internal tracking system. Centersquare intends to allocate net proceeds within 36 months of each issuance. Pending full allocation, net proceeds will be used to repay debt or temporarily held in cash, cash equivalents and US government securities in accordance with Centersquare's treasury management policies. This is in line with market practice.



**REPORTING** Centersquare will report on the allocation and impact of proceeds in a consolidated report which will be published on its website on an annual basis until full allocation. When not made publicly available, the report will be shared directly with investors and lenders. Allocation reporting will include the amounts allocated to projects subject to confidentiality agreements, a list of eligible project categories, share of financing and refinancing, as well as unallocated proceeds. Sustainalytics views Centersquare's allocation and impact reporting as aligned with market practice.

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**Evaluation date** August 9, 2024

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**Issuer Location** Coppel, US

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## Introduction

Centersquare (“Centersquare” or the “Company”) is a retail colocation and interconnection provider for digital infrastructure solutions to enterprises and service providers, from mid-sized enterprises to large web-scale businesses. The Company was founded in 2024 through the combination of Evoque Data Center Solutions and Cyxtera Technologies in North America, and is headquartered in Coppell, Texas.<sup>1</sup> As of May 2024, Centersquare has approximately 800 employees, more than 2,500 enterprise clients and 320 MW of UPS capacity.<sup>2</sup> The Company also operates in 17 markets across the US, Canada and the UK.<sup>3</sup>

Centersquare has developed the Centersquare Green Financing Framework dated August 2024 (the “Framework”) under which it intends to issue green bonds (notes), private placements,<sup>4</sup> commercial papers, loans, securitizations<sup>5</sup> and other debt-like financing instruments.<sup>6</sup> Centersquare will use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to create positive environmental impacts by reducing the environmental footprint of its data centres. The Framework defines eligibility criteria in four areas:

1. Green Buildings
2. Energy Efficiency
3. Renewable Energy
4. Sustainable Water and Wastewater Management

Centersquare engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>7</sup> and the Green Loan Principles 2023 (GLP).<sup>8</sup> The Framework has been published in a separate document.<sup>9</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>10</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.16, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Centersquare’s management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Centersquare

<sup>1</sup> Centersquare, “Centersquare Green Financing Framework”, (2024).

<sup>2</sup> Centersquare has communicated figures to Sustainalytics.

<sup>3</sup> Centersquare, “Centersquare”, at: <https://centersquaredc.com/>

<sup>4</sup> Centersquare has confirmed to Sustainalytics that private placements will not include equity issuances.

<sup>5</sup> Sustainalytics notes that securitizations will include a secured green collateral bond and a secured green standard bond, as defined by ICMA under Appendix 1 (June 2022) of the GBP. For any securitization issued as a secured green collateral bond, the collateral underlying the securitization will align with the eligibility criteria outlined in the Framework at the time of issuance. For any securitization issued as a secured green standard bond, the net proceeds of the offering will be exclusively applied to finance or refinance eligible projects. Sustainalytics further notes that Centersquare will clearly specify the type of securitization and outline additional details in the offering document and that there will be no double counting of eligible projects under a secured green bond with any other type of outstanding green financing instruments, including any issuances by any special purpose vehicle.

<sup>6</sup> Sustainalytics has reviewed just those instruments expressly mentioned in the Framework.

<sup>7</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>8</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>9</sup> The Centersquare Green Financing Framework is available at: <https://centersquaredc.com>

<sup>10</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

representatives have confirmed that: (1) they understand it is the sole responsibility of Centersquare to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Centersquare.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Centersquare has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Centersquare Green Financing Framework

Sustainalytics is of the opinion that the Centersquare Green Financing Framework is credible, impactful and aligned with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories, Green Buildings, Energy Efficiency, Renewable Energy and Sustainable Water and Wastewater Management, are aligned with those recognized by the GBP and GLP.
  - Centersquare has established a look-back period of 24 months for its refinancing activities, which Sustainalytics views to be in line with market practice.
  - Under the Green Buildings category, the Company may finance or refinance investments and expenditures related to the design, construction, acquisition and maintenance of data centre buildings and offices that have or are expected to receive the following relevant green building certifications or energy ratings: i) BREEAM Excellent or Outstanding;<sup>11</sup> ii) LEED Gold or Platinum;<sup>12</sup> iii) Green Globes at 3 or 4 Globes;<sup>13</sup> and iv) Energy Star score of 85 or greater.<sup>14</sup> Sustainalytics notes the following:
    - Centersquare has communicated to Sustainalytics that for data centre buildings, the expenditure will not include financing of data centre equipment within the building.
    - Sustainalytics notes that green buildings that carry eligible ISO certifications must also meet the criteria under at least one green building certification scheme (BREEAM, LEED, Green Globes, and Energy Star).
    - Sustainalytics considers investments and expenditures under this category to be aligned with market practice.
  - Under the Energy Efficiency category, Centersquare may finance or refinance investments and expenditures related to: i) the design, construction, acquisition and maintenance of data centres;

<sup>11</sup> BREEAM, at: <https://bregroup.com/products/breeam/>

<sup>12</sup> LEED, at: <https://www.usgbc.org/leed>

<sup>13</sup> Green Globes, at: <http://www.greenglobes.com/about.asp#introduction>

<sup>14</sup> Energy Star, at: [https://www.energystar.gov/buildings/building\\_recognition/building\\_certification](https://www.energystar.gov/buildings/building_recognition/building_certification)

- and ii) energy efficiency projects including equipment, systems, operational improvements and maintenance that improve energy efficiency by 20% or more. Sustainalytics notes the following:
- Data centres constructed before January 1, 2021 will have a design or operational power usage effectiveness (PUE) of up to 1.5; those constructed after January 1, 2021 will have a design or operational PUE of up to 1.4.<sup>15</sup>
  - Energy efficiency projects include measures such as upgrading uninterruptible power supply systems (UPS) and cooling equipment. Centersquare has communicated to Sustainalytics that these projects will be applied to data centres exclusively.
  - Sustainalytics considers the investments and expenditures under this category to be aligned with market practice.
- Under the Renewable Energy category, Centersquare may finance or refinance investments and expenditures related to the generation and procurement of renewable energy derived from solar, wind and geothermal sources and storage. Expenditures include: i) long-term power purchase agreements (PPAs), virtual power purchase agreements (VPPAs) and green tariffs aligned with the GHG Protocol; ii) on-site installation of renewable energy projects; and iii) battery and thermal storage and related infrastructure. Sustainalytics notes the following:
    - Geothermal facilities will be limited to those with life cycle GHG emissions below 100 gCO<sub>2e</sub>/kWh.
    - Centersquare has communicated to Sustainalytics that on-site installation of renewable energy projects includes: i) solar photovoltaic power; or ii) concentrated solar projects (CSP) where 85% of the electricity generated from the facility will be derived from solar energy resources.
    - Long-term PPAs, VPPAs and contracts will have a minimum term of five years.<sup>16</sup> Sustainalytics further notes that renewable energy certificates (RECs) will make up part of the PPAs. Centersquare has confirmed that the RECs will be purchased and retired as per the GHG Protocol and that they will have a long-term maturity greater than five years. Sustainalytics notes that Centersquare intends to finance utility green tariffs. The Company has confirmed that the tariffs will facilitate long-term agreements (more than five years) to procure specific and identifiable renewable energy projects.
    - Battery and thermal storage will be connected to eligible renewable energy facilities as defined under the Framework.
    - Sustainalytics considers investments and expenditures under this category to be aligned with market practice.
  - Under the Sustainable Water and Wastewater Management category, Centersquare may finance or refinance investments and expenditures related to water recycling and reuse projects that result in a 20% improvement in water efficiency or water management measured by water usage effectiveness (WUE). Examples of investments may include upgraded or new infrastructure for water cooling.
    - Centersquare has confirmed to Sustainalytics that investments in this category will be solely used for data centres and the Company will exclude equipment dependent on fossil fuels.
    - Sustainalytics considers investments and expenditures under this category to be aligned with market practice.
- Project Evaluation and Selection:
    - Centersquare will establish a Green Financing Committee to oversee the evaluation and selection of projects in line with the Framework's eligibility criteria. The committee consists of members from the sustainability, legal, finance, marketing and operations teams.
    - The Company has confirmed to Sustainalytics that it has a due diligence process in place to address environmental and social risks associated with the projects financed. For additional details, refer to Section 2.
    - Based on the established process for project evaluation and selection, and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:

<sup>15</sup> Operational PUE is determined by the 12-month rolling average PUE for existing infrastructure at the time of allocation.

<sup>16</sup> Centersquare has confirmed to Sustainalytics that PPAs and VPPAs will be limited to solar, wind and geothermal.

- Centersquare's finance department will oversee the management and allocation of proceeds. Net proceeds will be tracked using an internal tracking system.<sup>17</sup>
- Centersquare intends to allocate net proceeds within 36 months of the respective issuance date. Pending full allocation, net proceeds will be used to repay debt or temporarily held in cash, cash equivalents and US government securities in accordance with Centersquare's treasury management policies.<sup>18</sup> The Company has confirmed to Sustainalytics that it will not refinance debt that is associated with carbon intensive assets and activities.
- Sustainalytics notes that Centersquare may obtain multi-tranche loan facilities under the Framework and that the Company intends to label only those tranches of such facilities where proceeds will be allocated to assets and activities that are eligible under the Framework.
- Based on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Centersquare will report on allocation and impact of proceeds in a consolidated report to be published on its website on an annual basis until full allocation. In cases where the report is not made publicly available, it will be shared directly with the relevant investors and lenders. Centersquare further commits to obtain a verification of the allocation report from an independent third party to verify that net proceeds from any green financing instruments have been allocated to eligible projects.
  - Allocation reporting will include the amount of net proceeds allocated to one or more eligible projects subject to confidentiality agreements, a list of eligible project categories with a selection of brief descriptions, the percentage of allocation of net proceeds between financing and refinancing, the outstanding amount of unallocated net proceeds at the end of the reporting period.
  - Centersquare has communicated to Sustainalytics that in the case of revolving credit facilities, allocation and impact will be reported annually until loan maturity.
  - For its impact reporting, Centersquare will adopt the ICMA Harmonised Framework for Impact Reporting.<sup>19</sup> Example impact metrics or key performance indicators may include, where feasible and subject to confidentiality considerations: certification standards, including type of scheme and certification level; data centre or office space verified (Gold or Platinum LEED) (in m<sup>2</sup>); capacity of renewable energy plant(s) constructed or sourced (in MW) and production (in MWh); share of electricity sourced from renewable sources; annual GHG emissions reduced or avoided (in tCO<sub>2</sub> or CO<sub>2</sub>e); trailing 12-month (TTM) PUE; total energy consumption (in TJ); annual energy savings (in MWh or GWh); energy consumption savings by energy efficiency projects (in GJ or TJ); TTM WUE; and water use savings (gallons).
  - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with the Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the Centersquare Green Financing Framework aligns with the four core components of the GBP and GLP.

## Section 2: Sustainability Strategy of Centersquare

### Contribution to Centersquare's sustainability strategy

Centersquare conducted a materiality assessment in 2023, which informed the priorities of its sustainability strategy. These include: i) energy efficiency; ii) renewable energy; iii) water use reduction and conservation; and iv) waste reduction and diversion.<sup>20</sup>

<sup>17</sup> Net proceeds will be tracked using an enterprise resource planning system.

<sup>18</sup> Sustainalytics notes that any payment of principal and interest on any green financing instruments will be made from its general account and will not be linked to the performance of an eligible project.

<sup>19</sup> ICMA, "Handbook – Harmonised Framework for Impact Reporting (June 2023)", at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf>

<sup>20</sup> Centersquare. "Evoque ESG", at: <https://www.evoquedcs.com/sustainability-esg>

Centersquare has committed to reducing its scope 1 and 2 GHG emissions by 50% by 2033 and achieving net zero emissions by 2040.<sup>21,22</sup> The Company's environmental initiatives include increasing the efficiency of its portfolio through energy efficiency projects such as UPS upgrades and cooling optimization technologies. For its scope 1 emissions, Centersquare aims to reduce its diesel emissions from backup generators and fugitive emissions from HVAC refrigerants. For scope 2 emissions, the Company's initiatives entail reducing emissions from purchased grid electricity and exploring renewable and carbon-free energy options. Furthermore, across its operations, Centersquare aims to utilize 100% renewable energy by 2040. Centersquare has also implemented initiatives related to partnerships and certifications. The Company partnered with the US Department of Energy's Better Climate<sup>23</sup> effort to reduce its scope 1 and 2 emissions by 50% by 2033. Through this network, partners can receive and provide technical assistance and engage in peer collaboration through various programmes, campaigns and webinars that support the development of workable emissions reduction plans and for knowledge sharing. The Company is also an Energy Star partner through the Environmental Protection Agency and part of the iMasons Climate Accord.<sup>24</sup>

Centersquare also recognizes the significant contribution of reducing scope 3 emissions to its overall environmental footprint, including those associated with customer IT loads. The Company is currently working to establish reduction targets and collaborating with various stakeholders to develop a reduction strategy.

Sustainalytics is of the opinion that the Centersquare Green Financing Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental or social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving land use and biodiversity associated with large-scale infrastructure development; emissions, effluents and waste generated in construction activities; occupational health and safety; community relations; cybersecurity, compliance and privacy risks; environmental and social risks associated with supply chain.

Sustainalytics is of the opinion that Centersquare is able to manage or mitigate potential risks through the implementation of the following:

- Centersquare relies on its owner, Brookfield Infrastructure Partners' (BIP) risk management and mitigations policies and procedures to disclose key findings and metrics related to its most material sustainability topics as per the Global Reporting Initiative's (GRI) standards. BIP has an Environmental, Social and Governance (ESG) Policy<sup>25</sup> that establishes principles for its controlled portfolio companies and investment decisions undertaken, globally. These principles cover: i) mitigating the impact of BIP's operations on the environment, including emissions; ii) ensuring the well-being and safety of employees; iii) upholding strong governance practices.
- BIP has a formal process in place to address risks related to land use and biodiversity throughout the life cycle of its investments. When evaluating all new investments, BIP encourages its teams to include biodiversity considerations in the assessment. BIP also requires an environmental assessment to understand baseline conditions and key biodiversity and ecosystem sensitivities from all its portfolio companies before greenfield and expansion projects are undertaken. These environmental assessments consider the proximity to protected areas and the presence of sensitive, threatened or endangered species. Where appropriate, BIP consults with local stakeholders and experts to monitor biodiversity and conduct studies to advance and develop conservation and mitigation efforts respectively. These efforts then inform management and operational teams over the investment period.<sup>26</sup>
- To address the risks related to emissions, effluents and waste generated in construction activities, Centersquare has confirmed that it has processes in place to ensure compliance with the following US laws and regulations: i) Clean Air Act;<sup>27</sup> ii) Clean Water Act;<sup>28</sup> iii) the National Environmental Policy

<sup>21</sup> Ibid.

<sup>22</sup> Centersquare, "Centersquare Green Financing Framework", (2024), at: <https://centersquaredc.com>

<sup>23</sup> US Department of Energy, Better Buildings, "Better Climate Challenge", at: <https://betterbuildingssolutioncenter.energy.gov/climate-challenge/about>

<sup>24</sup> As communicated by Centersquare to Sustainalytics.

<sup>25</sup> Brookfield Infrastructure Partners, "Environmental, Social and Governance (ESG) Policy", (2023), at: <https://bip.brookfield.com/sites/>

<sup>26</sup> Brookfield Infrastructure Partners, "Sustainability Report", (2022), at: <https://bip.brookfield.com/sites/bip-brookfield-ir/files>

<sup>27</sup> US Environmental Protection Agency, "Summary of the Clean Air Act", (2022), at: <https://www.epa.gov/laws-regulations/summary-clean-air-act>

<sup>28</sup> US Environmental Protection Agency, "Summary of the Clean Water Act", (2022), at: [https://www.epa.gov/laws-regulations/summary-clean-water-act#:~:text=\(1972\),quality%20standards%20for%20surface%20waters.](https://www.epa.gov/laws-regulations/summary-clean-water-act#:~:text=(1972),quality%20standards%20for%20surface%20waters.)



Act;<sup>29</sup> and iv) Environmental Protection Agency's regulations stemming from the Resource Conservation and Recovery Act in relation to waste, emissions and effluents generated during the construction of projects.<sup>30</sup>

- Regarding risks associated with occupational health and safety, Centersquare relies on BIP's health and safety framework, which includes incident prevention and investigation systems to protect employees, contractors, subcontractors and surrounding communities. BIP's senior executives are accountable for the health and safety of their individual businesses with oversight from the CEO, who reports to the board of directors on safety performance, incidents and the status of improvement initiatives. Under the framework's guiding principles, all of BIP's policies and procedures related to occupational health and safety apply to all employees, contractors and subcontractors, including in relation to the protection of the general public. In addition, BIP offers health and safety training to its portfolio companies on a regular basis.<sup>31</sup> Centersquare has communicated to Sustainalytics that it complies with the Occupational Health and Safety Act of 1970,<sup>32</sup> which defines the duties of employers to ensure safe working conditions for its workers, including ensuring a hazard-free environment such as exposure to toxic chemicals, excessive noise levels and mechanical dangers.<sup>33</sup>
- Regarding risks associated with community relations, as a signatory to the Principles of Responsible Investment (PRI), BIP seeks to achieve responsible stewardship through engagement with its portfolio companies and collaboration with industry peers. As one of the portfolio companies of BIP, Centersquare directly engages with communities through in-person meetings, including with landowners, business owners, recreational organizations, non-governmental organizations and other stakeholders. The engagement takes place during initial due diligence, before starting a development project, and continues through day-to-day operation.
- Regarding cybersecurity, compliance and privacy risks, Centersquare relies on its General Privacy Policy, GDPR Privacy Policy and Data Privacy Framework Principles, to handle personal data collection and data processing, security and disclosure of its customers, service providers, business partners, prospective employees, website visitors and representatives.<sup>34</sup> The Company's General Privacy Policy is governed by the laws of the State of Texas, while its Data Privacy Framework Principles are governed by the US Department of Commerce's rules regarding the collection, use and retention of personal information transferred from the EU, the UK and Switzerland to the US.
- To manage environmental and social risks associated with supply chain, BIP has introduced a Supply Chain and Vendor Management programme, which applies to its portfolio companies, including Centersquare, with respect to management of supply chain risks in relation to anti-bribery and corruption, data protection, enterprise information security, anti-money laundering and trade sanctions, anti-slavery and human trafficking.<sup>35</sup> BIP monitors and verifies that all of its portfolio companies follow its Code of Conduct,<sup>36</sup> mandating disclosure of any regulatory violations and continued ethical interaction with third parties. BIP further educates its portfolio companies regarding the risks of third-party engagements with information on processes such as third-party due diligence, implementing contractual obligations and robust monitoring with audits and reviews.<sup>37</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Centersquare has implemented adequate measures to manage and mitigate environmental and social risks commonly associated with eligible categories.

### Section 3: Impact of Use of Proceeds

The use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

<sup>29</sup> US Environmental Protection Agency, "National Environmental Policy Act", at: <https://www.epa.gov/nepa>

<sup>30</sup> US Environmental Protection Agency, "Resource Conservation and Recovery Act (RCRA) Laws and Regulations", at: <https://www.epa.gov/rcra>

<sup>31</sup> Brookfield Infrastructure Partners, "Sustainability Report", (2022), at: <https://bip.brookfield.com/sites/bip-brookfield-ir/files>

<sup>32</sup> US Department of Labor, "OHS Act of 1970". (2004), at: <https://www.osha.gov/laws-regs/oshact/completeoshact>

<sup>33</sup> US Environmental Protection Agency, "Summary of the Occupational Safety and Health Act", (2023), at: <https://www.epa.gov/laws-regulations/summary-occupational-safety-and-health-act>

<sup>34</sup> Centersquare, has shared its General Privacy Policy, GDPR Privacy Policy and Data Privacy Framework Principles directly with Sustainalytics.

<sup>35</sup> Brookfield Infrastructure Partners, "Environmental, Social and Governance (ESG) Policy", (2023), at: <https://bip.brookfield.com/sites/>

<sup>36</sup> Brookfield, "Code of Business Conduct and Ethics", at: <https://bip.brookfield.com/sites/bip-brookfield-ir/>

<sup>37</sup> Brookfield Infrastructure Partners, "Sustainability Report" (2022), at: <https://bip.brookfield.com/sites/bip-brookfield-ir/files>

### Importance of energy efficiency in data centres in the US

Data centres use a large number of energy-intensive technologies and services, such as servers, storage equipment, backups and power cooling infrastructure which support billions of end users.<sup>38</sup> This translates to significant electricity demand from data centres, recorded at 240-340 terawatt hours or 1-1.3% of global electricity use in 2022.<sup>39</sup> US data centres consumed an estimated 17 gigawatts of electricity use in 2022 and are expected to reach 35 GW of consumption by 2030.<sup>40</sup>

Continual improvements in energy efficiency through advanced servers, storage devices, network switches and infrastructure are required to curb the increase in power consumption of data centres.<sup>41</sup> Despite a sixfold increase in the computing power of data centres and a tenfold increase in internet traffic, the global energy consumption of data centres increased by only 6% between 2010 and 2018, thanks to energy efficiency improvements.<sup>42</sup> Nevertheless, considering the historical 20-40% annual increase in energy use in large data centres, global data centre energy consumption is still expected to increase over the next few years, but the long-term trends remain uncertain.<sup>43</sup>

In the US, the federal government promotes energy efficiency in data centres through different initiatives, such as the Center of Expertise for Energy Efficiency in Data Centers, which provides technical support, tools, analysis and best practices for energy efficiency projects in data centres.<sup>44,45</sup> The Energy Star programme also offers options for data centres to improve the energy efficiency of facilities and equipment.<sup>46,47</sup>

In this context, Sustainalytics considers Centersquare’s investments aimed at improving the energy efficiency of data centres as contributing to reducing the industry’s energy footprint, thereby generating positive environmental impacts.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Centersquare Green Financing Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable cities and communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

<sup>38</sup> Ratka, S. and Boshell, F. (2020), “The nexus between data centres, efficiency and renewables: a role model for the energy transition”. Energypost.eu, at: <https://energypost.eu/the-nexus-between-data-centres-efficiency-and-renewables-a-role-model-for-the-energy-transition/>

<sup>39</sup> This excludes energy used for cryptocurrency mining, which was 110 terawatt hours in 2022.

International Energy Agency, “Data Centres and Data Transmission Networks”, (2023), at: <https://www.iea.org/energy-system/buildings/data-centres-and-data-transmission-networks#tracking>

<sup>40</sup> Bangalore, S. et al. (2023), “Investing in the rising data center economy”, McKinsey & Company, at: <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/investing-in-the-rising-data-center-economy>

<sup>41</sup> US Department of Energy, “United States Data Center Energy Usage Report”, (2016), at: <https://betterbuildingssolutioncenter.energy.gov/resources/united-states-data-center-energy-usage-report>

<sup>42</sup> Knight, W. (2020), “Data Centers Aren’t Devouring the Planet’s Electricity—Yet”, Wired, at: <https://www.wired.com/story/data-centers-not-devouring-planet-electricity-yet/>

<sup>43</sup> International Energy Agency, “Data Centres and Data Transmission Networks”, (2023), at: <https://www.iea.org/energy-system/buildings/data-centres-and-data-transmission-networks#tracking>

<sup>44</sup> US Department of Energy, Berkeley Lab Center of Expertise for Energy Efficiency in Data Centers, “Who We Are”, at: <https://datacenters.lbl.gov/who-we-are>

<sup>45</sup> US Department of Energy, “Energy Efficiency in Data Centers”, at: <https://www.energy.gov/eere/femp/energy-efficiency-data-centers>

<sup>46</sup> US Environmental Protection Agency, “ENERGY STAR Expands Efforts to Improve Energy Efficiency of US Data Centers”, (2021), at: <https://www.epa.gov/newsreleases/energy-star-expands-efforts-improve-energy-efficiency-us-data-centers>

<sup>47</sup> Energy Star, “Data Centers”, at: [https://www.energystar.gov/products/data\\_centers](https://www.energystar.gov/products/data_centers)



Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
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## Conclusion

Centersquare has developed the Centersquare Green Financing Framework under which it may issue green bonds (notes), private placements, commercial papers, loans, securitizations and other debt-like financing instruments and use the proceeds to finance green building, energy efficiency, renewable energy and sustainable water and wastewater management projects that aim to reduce the environmental footprint of its data centres. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Centersquare Green Financing Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Centersquare Green Financing Framework is aligned with the overall sustainability strategy of Centersquare and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 6, 7 and 11. Additionally, Sustainalytics is of the opinion that Centersquare has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Centersquare is well positioned to issue green bonds and that the Centersquare Green Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

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