

# Second-Party Opinion

## Flexential Green Finance Framework



### Evaluation Summary

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



**USE OF PROCEEDS** The eligible category for the use of proceeds, “Energy Efficiency, Sustainable Water and Wastewater Management”, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in data centres which comply with the criteria of the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6 and 7.



**PROJECT EVALUATION / SELECTION** Flexential’s ESG Committee, comprised of leaders from the Finance, Risk and Compliance, Marketing, Data Center Construction and Operations, Procurement and Legal departments, is responsible for the selection and approval of eligible projects. Flexential’s environmental and social risk management processes are applicable to all allocation decisions under the Framework. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** The ESG Committee will use internal accounting systems to track allocations to eligible projects. Flexential intends to fully allocate within 24 months of each issuance, and pending allocation, hold the proceeds per the Company’s general liquidity measures. This is in alignment with market practice.



**REPORTING** Flexential intends to report on allocation of proceeds and relevant impact metrics on its website on an annual basis until full allocation. In addition, Flexential intends to conduct limited assurance of the allocation reporting and, where possible, impact reporting, by its external auditor or other third party. Sustainalytics views this as aligned with market practice.

<b>Evaluation date</b>	November 2, 2021
<b>Issuer Location</b>	Charlotte, U.S

### Report Sections

Introduction.....	2
Sustainalytics’ Opinion .....	3
Appendix .....	8

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## Introduction

Flexential Corp (“Flexential”, or the “Company”) is a provider of hybrid IT infrastructure and data centre services, offering colocation, connectivity, cloud, and managed services for its clients. Founded in 2017, it operates over 38 data centres and hybrid solutions across 19 markets, located largely in the U.S. Flexential is headquartered in Charlotte, North Carolina and has 850 employees.

Flexential has developed the Flexential Green Finance Framework (the “Framework”) under which it intends to issue green bonds and loans and use the proceeds to finance or refinance, in whole or in part, existing or future projects that support energy and water efficiency at its data centres. The Framework defines eligibility criteria in one area:

1. Energy Efficiency, Sustainable Water and Wastewater Management

Flexential engaged Sustainalytics to review the Flexential Green Finance Framework, dated November 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>1</sup> and the Green Loan Principles 2021 (GLP).<sup>2</sup> This Framework will be published in a separate document.<sup>3</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the 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 2021, 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 1.11.1, 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 Flexential’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Flexential representatives have confirmed (1) they understand it is the sole responsibility of Flexential to ensure that the information provided is complete, accurate or 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 Flexential.

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

<sup>1</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>2</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>3</sup> The Flexential Green Finance Framework is available on Flexential Corp’s website at: [www.flexential.com/greenfinance](http://www.flexential.com/greenfinance)

<sup>4</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.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

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 Flexential has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Flexential Green Finance Framework

Sustainalytics is of the opinion that the Flexential Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Flexential's Green Finance Framework:

- Use of Proceeds:
  - The eligible category – Energy Efficiency, Sustainable Water and Wastewater Management – is aligned with three categories recognized by the GBP and GLP.
  - Flexential intends to invest in existing, retrofitted or upgraded data centres with a Power Usage Effectiveness (PUE) of 1.5 or below and new data centres with a PUE of 1.4 or below. In addition, new data centres financed will have a Water Use Effectiveness (WUE) of 0.
    - For existing data centers, PUE will be calculated as the 12-month rolling PUE at the time of allocation. For new, retrofitted or upgraded data centres, while PUE may be calculated using the design average PUE, the Company commits to report on the 12-month rolling average PUE annually as a part of its impact reporting. Sustainalytics notes positively the use of operational PUE in addition to design PUE and considers it to demonstrate the Company's commitment towards ensuring positive sustainability outcomes for financed assets.
    - Sustainalytics views these investments as aligned with market practice based on the defined PUE thresholds.
    - Sustainalytics highlights the zero WUE threshold for investments in new data centres as having additional positive environmental impacts beyond market expectations.
- Project Evaluation and Selection:
  - Flexential's ESG Committee, comprised of leaders from Finance, Risk and Compliance, Marketing, Data Center Construction and Operations, Procurement and Legal departments, is responsible for the selection and approval of eligible projects.
  - Flexential has in place company-level environmental and social risk management processes that are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management processes to be adequate.
  - Based on the clear allocation of responsibility and the presence of risk management processes, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The ESG Committee will use internal accounting processes to track allocations to eligible projects. In the case of Green Striped Bonds, the Company will only count the "green" labelled tranches of the financings for allocation towards eligible projects.
  - Flexential intends to fully allocate within 24 months of each issuance.
  - Pending full allocation, the proceeds may be held in accordance with Flexential's general liquidity measures. The Company will not knowingly allocate the proceeds to any fossil-fuel related projects.

- Based on internal tracking systems, timeline for full allocation and the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Flexential intends to make available allocation and impact reporting on its website annually until full allocation.
  - The allocation reporting will include information such as the total allocation, balance of unallocated proceeds and the breakdown of financing vs. refinancing.
  - The Company intends to include a description of each eligible green asset financed and environmental metrics such as the 12-month rolling average PUE of eligible green assets. Additionally, and where applicable, the Company may report other metrics such as GHG savings from ultra-efficient data centre infrastructure and gallons of water saved from cooling solutions.
  - Flexential also intends to conduct a limited assurance review of its allocation reporting, and where possible, impact reporting, by its external auditor or other third party.
  - Based on the commitment for allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

#### **Alignment with Green Bond Principles 2021 and Green Loan Principles 2021**

Sustainalytics has determined that the Flexential Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Performance of Flexential/ Sustainability Strategy of Flexential**

### **Contribution of framework to Flexential Corp's sustainability strategy**

Flexential's sustainability strategy has the stated goal of integrating sustainability principles in the entire lifecycle of its facilities.<sup>5</sup>

As part of Flexential's efforts to incorporate resource efficiency in its operations, the Company has incorporated a series of technologies to reduce its energy and water footprint. Sustainalytics notes the following specific activities which align with and advance the objectives of the Framework. The Company reduces the energy footprint of its data centres through a combination of measures targeting IT equipment, cooling, electrical equipment such as transformers and power distribution units, air movement and lighting.<sup>6</sup> The data centres use sensor-based LED lighting to reduce energy usage.<sup>7</sup> Flexential also ensures that new assets maximize energy efficiency through the use of NextGEN SuperCRAC cooling system and have industry standard PUE levels of 1.3.<sup>8</sup> The Company's North Las Vegas data centre has a PUE of 1.3 and runs on approximately 20% of the energy used by traditional data centres.<sup>9</sup> In addition, the Company employs water-free cooling technology for data centre operations, leading these assets to have a WUE of zero.<sup>10</sup>

Beyond specific technological interventions, Flexential strives to integrate environmental performance criteria in its construction projects by sourcing sustainable building materials.<sup>11</sup> The Company is also in the process of procuring renewable energy to power its operations and has partnered with local utilities to procure renewable energy where feasible<sup>12, 13</sup>

<sup>5</sup> Flexential, "Going Beyond Four Walls to Build a Sustainable Future", at: <https://www.flexential.com/going-beyond-four-walls-build-sustainable-future>

<sup>6</sup> Flexential, "PUE Power usage effectiveness: The measure of accountability in data center power use", at: <https://www.flexential.com/system/files/file/2020-01/PUE-power-usage-effectiveness.PDF>

<sup>7</sup> Flexential, "Going Beyond Four Walls to Build a Sustainable Future", at: <https://www.flexential.com/going-beyond-four-walls-build-sustainable-future>

<sup>8</sup> *Ibid.*

<sup>9</sup> Flexential, "PUE Power usage effectiveness: The measure of accountability in data center power use", at: <https://www.flexential.com/system/files/file/2020-01/PUE-power-usage-effectiveness.PDF>

<sup>10</sup> Flexential, "Going Beyond Four Walls to Build a Sustainable Future", at: <https://www.flexential.com/going-beyond-four-walls-build-sustainable-future>

<sup>11</sup> *Ibid.*

<sup>12</sup> Flexential is a gold level partner in Portland, Oregon's General Electric Clean Wind program for the procurement of wind energy

<sup>13</sup> *Ibid.*

To strengthen the Company's commitment to sustainability and reducing GHG emissions, Flexential has committed to joining the Science Based Targets Initiative (SBTi)<sup>14</sup> to develop emission reduction targets by the end of 2021.<sup>15</sup> Sustainalytics recognizes that setting SBTi indicates a commitment to sustainability but also encourages Flexential to establish short, medium and long-term GHG emissions reduction targets.

Sustainalytics is of the opinion that the Flexential Green Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and encourages Flexential to establish sustainability targets to further its commitments on key environmental priorities.

#### **Well-positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that the net proceeds from the Green Finance Instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, it is acknowledged that such eligible projects could also lead to negative environmental and social outcomes. Some key risks associated with the eligible projects could include environmental degradation and pollution surrounding its facilities, occupational health and safety and consumer protection and data security risks.

- Flexential has established a risk assessment process to identify and manage potential risks in relation to its services. The Company's operation management, comprised of representatives from Legal, Security, Information Technology, Human Resources, Engineering, and Operations departments, holds periodic meetings to review the status of company's operations and assess potential risks that could impact the delivery of services. Upon the assessment of a risk, the operation management creates remediation and action plans to manage the risks.<sup>16</sup>
- Flexential manages employee health and safety at data center and office locations through its Employee Safety & Injury and Illness Prevention Program (the "Program").<sup>17</sup> The Program requires employees to follow safety rules and guidelines, and outlines mandatory training, site assessment and program governance procedures for all Flexential personnel.<sup>18</sup>
- In addition, Flexential has an Environmental Health and Safety (EHS) Policy (the "Policy") that manages operational, design, construction and engineering risks.<sup>19</sup> The Policy identifies high risk activities and outlines best practices, workplans and control measures to mitigate risk.<sup>20</sup>
- Flexential mitigates occupational health and safety risks by requiring all employees and personnel to obtain mandatory training in facilities operations, safety, and security.<sup>21</sup>
- The Company maintains compliance to international and national data security certifications and standards to address high impact security breaches on company's operations or individuals. Flexential has achieved a higher level of Federal Information Security Management Act (FISMA) compliance, and got recertified for ISO 27001, HITRUST, PCI DSS, SOC 1, SOC 2, SOC 3 and ITAR.<sup>22</sup>
- Flexential is committed to consumer data protection through compliance with the EU General Data Protection Regulation (GDPR). Under the regulation, Flexential provides support to their clients in retaining control over their data and maintaining robust security measures to ensure data protection and privacy.<sup>23</sup>
- The Company has data centre locations in the U.S, which is recognized as one of the "Designated Countries" by the Equator Principles. This implies the presence of a robust environment and social governance systems, legislation and institutional capacity for protecting the environment and communities. Adherence to permitting and safety requirements relevant to the regulatory environment in the jurisdictions is important in which its projects are located.

<sup>14</sup> SBTi defines and promotes best practice in science-based target setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets. More information can be found at: <https://sciencebasedtargets.org/>

<sup>15</sup> Flexential Green Finance Framework 2021

<sup>16</sup> *Ibid.*

<sup>17</sup> Flexential Employee Safety & Injury and Illness Prevention Guide

<sup>18</sup> *Ibid.*

<sup>19</sup> Flexential EH&S Policy Governance

<sup>20</sup> *Ibid.*

<sup>21</sup> Flexential, "Flexential Type 2 SOC 3 2020", (2020), at: <https://www.flexential.com/system/files/file/2020-12/2020-SOC-3-final-report.pdf>

<sup>22</sup> Flexential, "Flexential Maintains Compliance with Comprehensive Certifications", (2021), at: <https://www.flexential.com/resources/press-release/flexential-maintains-compliance-comprehensive-certifications>

<sup>23</sup> Flexential, "Flexential GDPR Policy Statement", (2021), at: <https://www.flexential.com/flexential-gdpr-policy-statement>

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

### Section 3: Impact of Use of Proceeds

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

#### Importance of water and energy efficiency in data centres in the U.S

Data centres contain a large number of energy-intensive technologies and services such as servers, storage equipment, backups, and power cooling infrastructure supporting billions of end users.<sup>24</sup> This translates into significant electricity demand from data centers recorded at approximately 200 terawatt hours, or around 0.8% of global final electricity demand in 2019.<sup>25</sup> In 2016, U.S. data centres were estimated to consume approximately 70 billion kilowatt hours of energy which corresponds to 1.8% of the country's total energy consumption.<sup>26</sup> Despite the strong energy demand, data centres also offer significant potential to realize energy efficiency gains. Between 2010 and 2018, despite a six-fold increase in the computing power of data centres and a ten-fold increase in the internet traffic, the global data centre energy consumption saw only a 6% increase, as a result of energy efficiency improvements.<sup>27</sup> The International Energy Agency predicts that if current trends are maintained, global data centre energy consumption can remain flat till 2022, despite a projected 60% increase in service demand.<sup>28</sup>

Along with electricity demand, data centres require significant water consumption to support their operations specifically related to cooling technologies for improving energy efficiency. An average facility with 15 MW of IT capacity in the U.S consumes between 80 to 130 million gallons of water annually.<sup>29</sup> This is further exacerbated by the fact that less than a third of data centre operators track water metrics.<sup>30</sup>

Given this context, Sustainalytics considers Flexential's investments aimed at improving PUE and WUE of data centres across the U.S as contributing positively to reduce the industry's water and energy footprint, and thereby generating positive environmental impacts.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) and loan(s) issued under the Flexential Green Finance Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Energy Efficiency, Sustainable Water and Wastewater Management	SDG 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
	SDG 7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.

<sup>24</sup> Ratka, S. & 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>25</sup> International Energy Agency (IEA), "Data Centers and Data Transmission Networks", (2020), at: <https://www.iea.org/reports/data-centres-and-data-transmission-networks>

<sup>26</sup> U.S. Department of Energy Office of Scientific and Technical Information, "United States Data Center Energy Usage Report", (2016), at: <https://www.osti.gov/servlets/purl/1372902>

<sup>27</sup> Masanet, E. et. al. (2020), "Recalibrating global data center energy-use estimates", Science, at: <https://science.sciencemag.org/content/367/6481/984>

<sup>28</sup> International Energy Agency (IEA), "Data Centers and Data Transmission Networks", (2020), at: <https://www.iea.org/reports/data-centres-and-data-transmission-networks>

<sup>29</sup> U.S. Department of Energy Office of Scientific and Technical Information, "United States Data Center Energy Usage Report", (2016), at: <https://www.osti.gov/servlets/purl/1372902>

<sup>30</sup> Mytton.D. (2021). "Data center water consumption", Nature, at: <https://www.nature.com/articles/s41545-021-00101-w>

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## Conclusion

Flexential has developed the Flexential Green Finance Framework under which it may issue green bonds and/or loans and use the proceeds to finance projects that improve its data centre energy and water efficiency. Sustainalytics considers that the projects funded by proceeds from any green financings are expected to provide positive environmental impact.

The Flexential Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Flexential Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6 and 7. Additionally, Sustainalytics is of the opinion that Flexential has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Flexential Corp is well-positioned to issue green bonds and/or loans and that the Flexential Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021.

## Appendix

### Appendix 1: Green Bond / Green Bond Programme - External Review Form

#### Section 1. Basic Information

Issuer name:	Flexential Corp
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Flexential Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 2, 2021
Publication date of review publication:	

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

#### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.



## 1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible category for the use of proceeds, "Energy Efficiency, Sustainable Water and Wastewater Management", is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in data centres which comply with the criteria of the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6 and 7.

### Use of proceeds categories as per GBP:

- |   |  |
|---|--|
| <input type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input checked="" type="checkbox"/> Other (please specify):  |

If applicable please specify the environmental taxonomy, if other than GBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Flexential's ESG Committee, comprised of leaders from the Finance, Risk and Compliance, Marketing, Data Center Construction and Operations, Procurement and Legal departments, is responsible for the selection and approval of eligible projects. Flexential's environmental and social risk management processes are applicable to all allocation decisions under the Framework. Sustainalytics considers the project selection process in line with market practice.

### Evaluation and selection

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available       Other (*please specify*):

#### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification       In-house assessment
- Other (*please specify*):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The ESG Committee will use internal accounting systems to track allocations to eligible projects. Flexential intends to fully allocate within 24 months of each issuance, and pending allocation, hold the proceeds per the Company's general liquidity measures. This is in alignment with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

#### Additional disclosure:

- Allocations to future investments only       Allocations to both existing and future investments
- Allocation to individual disbursements       Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds       Other (*please specify*):

### 4. REPORTING

Overall comment on section (*if applicable*):

Flexential intends to report on allocation of proceeds at [placeholder] on an annual basis until full allocation. In addition, Flexential is committed to reporting on relevant impact metrics. Sustainalytics views Flexential's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Information reported:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts   | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ):<br>Breakdown of financed versus refinanced Eligible Green Assets |   |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings                       |
| <input checked="" type="checkbox"/> Decrease in water use   | <input type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): |

**Frequency**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Means of Disclosure**

- |  |   |
|--|---|
| <input type="checkbox"/> Information published in financial report   | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents   | <input type="checkbox"/> Other ( <i>please specify</i> ):               |
| <input checked="" type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): Allocation and impact reporting |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**
**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**
**Date of publication:**
**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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