



# Second Party Opinion

## Green Finance Framework



# Second-Party Opinion

## Compass Datacenters Green Finance Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Compass Datacenters 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 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds, Energy Efficiency, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.



**PROJECT EVALUATION AND SELECTION** Compass' Green Finance Committee will be responsible for the evaluation and selection of eligible projects based on the Framework. The Committee is also responsible for ensuring that Compass' internal policies and procedures are followed to identify and manage environmental and social risks related to eligible projects. Sustainalytics considers the project selection process aligned with market practice.



**MANAGEMENT OF PROCEEDS** Compass will track and manage the use of proceeds using an internal accounting system, which will be maintained by the Finance team. Compass has committed to allocating proceeds of eligible green financing instruments within 24 months of issuance. Any unallocated proceeds will be managed according to Compass' liquidity management policy. This is aligned with market practice.



**REPORTING** Compass commits to report on the allocation of proceeds on an annual basis until full allocation and to share this reporting with relevant lenders and investors. Allocation reporting will include the amounts allocated to the eligible category, a description of eligible green projects funded, the balance of proceeds outstanding and the share of financing versus refinancing. In addition, Compass is committed to reporting on relevant impact metrics where feasible. Sustainalytics views Compass's allocation and impact reporting as aligned with market practice.

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**Evaluation Date** February 16, 2024

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**Issuer Location** Dallas, USA

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## Introduction

Compass Datacenters (“Compass”, or the “Company”) is a designer and builder of hyperscale data centers. The Company is headquartered in Dallas, US and was founded in 2011. To date, Compass is involved in more than 20 data centre facilities globally.<sup>1</sup>

Compass has developed the Compass Datacenters Green Finance Framework dated February 2024 (the “Framework”) under which the Company and its subsidiaries and affiliates<sup>2</sup> intend to issue green bonds, asset-backed securities,<sup>3</sup> loans, and letters of credit (the “Green Financing Instruments”), and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to create positive environmental impacts (the “Eligible Project”). The Framework defines eligibility criteria in one area:

### 1. Energy Efficiency

Compass 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>4</sup> and Green Loan Principles 2023 (GLP).<sup>5</sup> The Framework will be published in a separate document.<sup>6</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>7</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; 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 1.15, 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 Compass’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. Compass representatives have confirmed (1) they understand it is the sole responsibility of Compass 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 Compass.

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 proceeds but does not measure the actual impact.

<sup>1</sup> Compass Datacenters Green Finance Framework dated February 2024

<sup>2</sup> Compass has confirmed to Sustainalytics that the Company will be responsible for ensuring continual alignment of any issuances by its subsidiaries and affiliates with the criteria defined in the Framework.

<sup>3</sup> For securitizations, Compass has confirmed to Sustainalytics that it will clearly distinguish between a secured green standard bond and a secured green collateral bond per the voluntary process guidelines published in the June 2022 Appendix 1 of the GBP 2021. For such issuances, the collateral underlying the securitization of a secured green collateral bond will align with the criteria in the Framework. The Company has also confirmed that it will ensure no double-counting of eligible projects under a secured green standard bond, secured green collateral bond and any other outstanding green financing.

<sup>4</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>5</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>6</sup> Compass, Green Finance Framework will be available on Compass’s website at [www.compassdatacenters.com/greenfinance](http://www.compassdatacenters.com/greenfinance)

<sup>7</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.

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

## Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the Compass Datacenters 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 the Framework:

- Use of Proceeds:
  - The eligible category, Energy Efficiency, is aligned with those recognized by the GBP and GLP.
  - Compass has defined a look-back period of three years for the refinancing of capital expenditures. Sustainalytics considers this to be aligned with market expectations.
  - Under the Energy Efficiency category, Compass may finance, or refinance expenditures related to new and existing energy-efficient data centres.
    - Eligible data centres projects will have a design power-usage effectiveness (PUE) of 1.5 or less.
    - Sustainalytics considers these expenditures as aligned with market practice.
- Project Evaluation and Selection:
  - Compass' Green Finance Committee will be responsible for the evaluation and selection of eligible projects based on the Framework. The Committee is led by Compass' Chief Innovation Officer and will be made up of senior representatives from the finance, data centre design, data centre construction, data centre operations, and legal teams.
  - The Committee is also responsible for ensuring that Compass' internal policies and procedures are followed to identify and manage environmental and social risks related to eligible projects. It will also ensure compliance with local and national laws and regulations.
  - Based on the delegation of responsibility and the presence of adequate environmental and social risk management systems, Sustainalytics considers this process to be aligned with market practice.
- Management of Proceeds:
  - Compass will track and manage the use of proceeds using an internal accounting system, which will be maintained by the Finance team.
  - Compass has committed to allocating proceeds of eligible green Financing Instruments within 24 months of issuance. Any unallocated proceeds will be managed according to Compass' liquidity management policy, which includes holding in cash or cash equivalents, overnight or short-term financial instruments, or financing outstanding credit facilities.
  - Compass has communicated to Sustainalytics that investments in carbon intensive assets or activities will be excluded from temporary use of proceeds.
  - Compass has communicated to Sustainalytics that if multi-tranche loan facilities are issued under the Framework, the Company intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
  - Based on the measures in place to track and manage proceeds, Sustainalytics considers these processes to be aligned with market practice.
- Reporting:
  - Compass commits to report on the allocation of proceeds on an annual basis until full allocation. Both allocation and impact reporting will be made available to relevant lenders and investors.

- Allocation reporting will include the amounts allocated to the eligible category, a description of eligible green projects funded, the balance of proceeds outstanding and the share of financed versus refinanced net proceeds.
- The Company also intends to report on impact metrics where feasible. Metrics may include design PUE of eligible projects.
- Compass has communicated to Sustainalytics that if it obtains revolving credit facilities under the Framework, it will report on allocation until loan maturity.
- Based on Compass' commitments to allocation and impact reporting, Sustainalytics considers this process to be aligned with market practice.

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

Sustainalytics has determined that the Compass Datacenters Green Finance Framework aligns with the four core components of the GBP and the GLP.

## Section 2: Sustainability Strategy of Compass

### Contribution to Compass's sustainability strategy

Sustainalytics is of the opinion that Compass demonstrates a commitment to sustainability with a focus on four key environmental areas: i) adopting more sustainable construction practices; ii) leveraging technology to reduce emissions and waste; iii) replacing traditional materials with lower carbon or more resilient options; and iv) incorporating "build-to-last" features into its modular design.<sup>8</sup>

Regarding the adoption of sustainable construction practices, Compass manufactures 70% of all components off-site, including facility walls and power centers, which are then assembled and installed upon arrival. This approach reduces the need for on-site personnel and minimizes the duration of construction activity with the aim of alleviating traffic congestion and decreasing construction-related waste volume. Additionally, Compass has a dedicated on-site batch facility for concrete production that minimizes transportation-related emissions in the upstream supply chain.<sup>9</sup>

Compass also reduced its carbon footprint by leveraging technology to streamline construction. By deploying big data and algorithms to optimize concrete mixture strengths, cost, and carbon footprint, Compass has nominally reduced cement content typically required for the construction of its data centers by approximately 20% and achieved significant reductions in emissions.<sup>10</sup>

Lower carbon materials are likewise allowing Compass to cut down on its emissions. The Company uses the CarbonCure technology for the construction of its data centres, which involves injecting captured industrial CO<sub>2</sub> into fresh concrete, thereby reducing the amount of cement needed in the mix and removing CO<sub>2</sub> from the atmosphere. As of the end of 2022, Compass had avoided 5,741 tonnes of CO<sub>2</sub> emissions from its US sites through CarbonCure.<sup>11</sup> In 2023, Compass reported an annual reduction of approximately 5,753 tonnes of CO<sub>2</sub> emissions, attributing it to the replacement of conventional diesel with hydrogenated vegetable oil to power its backup generators, and the deployment of low-carbon reflective roofing that mitigates heat absorption.<sup>12</sup> In terms of sustainable modular design, Compass uses waterless airside cooling and on-site sub-stations at its data centers, making them more resource efficient.<sup>13</sup>

Sustainalytics is of the opinion that Compass Datacenters Green Finance Framework is aligned with the Company's sustainability commitments and initiatives, and will further the Company's action on its key environmental priorities. Sustainalytics encourages Compass to establish quantifiable and time-bound targets, and publicly report on their progress on a periodic basis.

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

Sustainalytics recognizes that the net proceeds from the Green Financing Instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks 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 and operation of data centers; occupational health and safety; community relations, and data privacy.

<sup>8</sup> Compass Datacenters Green Finance Framework dated February 2024.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Compass, "Driving Impact 2023 ESG Report", at: [https://www.compassdatacenters.com/wp-content/uploads/2024/02/Compass-Datacenters\\_ESGReport2023.pdf](https://www.compassdatacenters.com/wp-content/uploads/2024/02/Compass-Datacenters_ESGReport2023.pdf)

<sup>12</sup> Ibid.

<sup>13</sup> Ibid

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

- To manage land use and biodiversity issues associated with large-scale infrastructure development, and emissions, effluents and waste generated in construction activities and operation of data centers, Compass has adopted a due diligence process to conduct detailed environmental and social risk and impact assessments.<sup>14</sup> Additionally, Compass has communicated to Sustainalytics that its policies regarding environmental and social risks also apply to its contractors responsible for the construction of data centers. Furthermore, Compass manages these risks in compliance with applicable local and federal environmental laws and regulations.<sup>15</sup>
- To address risks associated with occupational health and safety, Compass' Code of Conduct<sup>16</sup> requires the Company, including all of its partners in design, construction, operation, and supply chain, to comply with all applicable local and federal health and safety laws and regulations.
- Regarding community relations, Compass collaborates with local communities to identify main concerns and propose mitigation strategies. This process conducted in adherence with the Compass Code of Conduct<sup>17</sup> and the Company's ESG Policy,<sup>18</sup> through which Compass commits to valuing and respecting the rights of local communities by identifying, preventing, and mitigating any potential impact on them.
- To address risks related to data privacy, Compass complies with a number of industry standards that are designed to ensure secure online transactions and storage of client data, and the implementation of effective information security management systems. These standards include PCI DSS, ISO 27001 and ISO 27701.<sup>19</sup>

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

### 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 on where the impact is specifically relevant in the local context.

#### Importance of energy efficiency in data centres

Data centres contain a large number of energy-intensive technologies and services such as servers, storage equipment, backups and power cooling infrastructure.<sup>20</sup> This translates into significant electricity demand. Globally, the electricity demand for data centres reached 220-320 TWh in 2021, accounting for approximately 0.9-1.3% of global electricity demand.<sup>21</sup> Data centres based in the US consumed an estimated 17 gigawatts of power in 2022 and are expected to reach 35 GW of consumption by 2030.<sup>22</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>23</sup> Despite a six-fold increase in the computing power of data centres and a ten-fold increase in internet traffic, improvements in energy efficiency allowed the global energy consumption of data centres to increase by only 6% between 2010 and 2018.<sup>24</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.<sup>25</sup>

In the US, the federal government promotes energy efficiency in data centres through initiatives like the Federal Energy Management Programme's Centre of Expertise for Energy Efficiency in Data Centres,

<sup>14</sup> Compass, "Driving Impact 2023 ESG Report", at: [https://www.compassdatacenters.com/wp-content/uploads/2024/02/Compass-Datacenters\\_ESGReport2023.pdf](https://www.compassdatacenters.com/wp-content/uploads/2024/02/Compass-Datacenters_ESGReport2023.pdf)

<sup>15</sup> Compass shared the Code of Conduct confidentially with Sustainalytics.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Compass shared the ESG Policy confidentially with Sustainalytics.

<sup>19</sup> Compass, "Driving Impact 2023 ESG Report", at: [https://www.compassdatacenters.com/wp-content/uploads/2024/02/Compass-Datacenters\\_ESGReport2023.pdf](https://www.compassdatacenters.com/wp-content/uploads/2024/02/Compass-Datacenters_ESGReport2023.pdf)

<sup>20</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>21</sup> IEA, "Data Centres and Data Transmission Networks", (2022), at: <https://www.iea.org/reports/data-centres-and-data-transmission-networks>

<sup>22</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>23</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>24</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>25</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>

which provides technical support, tools, analysis and best practices for energy efficiency projects in data centres.<sup>26,27</sup> The Energy Star programme also offers options for data centres to improve the energy efficiency of facilities and equipment.<sup>28,29</sup>

Given this context, Sustainalytics considers Compass' investments aimed at improving the energy efficiency and PUE of data centres as contributing to reducing the industry's energy footprint, thereby generating a positive environmental impact.

### 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 Green Financing Instruments issued under the Compass Datacenters Green Finance Framework are expected to advance the following SDG and target:

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

### Conclusion

Compass has developed the Compass Datacenters Green Finance Framework under which the Company and its subsidiaries intend to issue green bonds, asset-backed securities, loans and letters of credit, and use the proceeds to finance or refinance project costs related to energy efficiency improvements for new or existing data centres. Sustainalytics considers that the projects funded by the green finance proceeds are expected to provide a positive environmental impact.

The 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 Compass Datacenters Green Finance Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 7. Additionally, Sustainalytics is of the opinion that Compass 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 Compass is well positioned to issue the Green Financing Instruments and that the Compass Datacenters Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

<sup>26</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>27</sup> US Department of Energy, "Energy Efficiency in Data Centers", at: <https://www.energy.gov/eere/femp/energy-efficiency-data-centers>

<sup>28</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>29</sup> Energy Star, "Data Centers", at: [https://www.energystar.gov/products/data\\_centers](https://www.energystar.gov/products/data_centers)

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For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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