



NOW IS THE TIME FOR THE DATA CENTER INDUSTRY TO LEAD ON ESG

Why environmental, social, and governance programs are critical for business

By Valerie Finberg, Chief of Staff and Vice President, Investor Relations, Vantage Data Centers, and **Dave Renner**, Chief Financial Officer, North America, Vantage Data Centers

Recently there has been a rising chorus of questions around whether developing strong environmental, social, and governance (ESG) programs is good for business.

Companies operating in the data center industry have answered these questions with a resounding “yes.”

For example, Microsoft and Amazon have committed to powering operations with 100 percent renewable energy by 2025. Microsoft has also committed to be carbon negative by 2030, and Amazon has committed to reach net zero carbon across its operations by 2040. Furthermore, nearly every major organization has programs dedicated to diversity, equity, and inclusion (DE&I). These initiatives—along with health, safety, and risk management—are held as core tenets, particularly among data center operators who understand the value of protecting both their employees and their customers.

For data center operators, ESG isn’t just good business—it’s critically important to business. That’s because it’s critically important to our customers and our communities. ESG

has become a cornerstone for many of the world’s largest consumers of data center services. Furthermore, investors are placing more importance on ESG: Gartner reports that 85 percent considered ESG factors in their investment decisions in 2020. In data center markets globally, investors are increasing their green financing options based on the idea that operators meet certain environmental metrics.

As such, we in the data center industry have a great opportunity to become leaders in corporate governance and environmental stewardship, build a more diverse and equitable workforce, and create transparent and safe workplaces.

Here’s how we can do it: together.

Environmental: embracing our responsibility for sustainability

According to a Statista report, hyperscale data centers accounted for 86.58 terawatt hours of energy demand globally in 2021, which is up from 76.23 in 2020. Being responsible for that amount of energy consumption

makes it important for data center industry players to find ways to curb power usage in alignment with the environmental goals of customers, policymakers, and local communities.

There are a few ways to accomplish this sustainability prioritization.

First, by **designing data centers for maximum efficiency** from the ground up. This type of strategy starts with considering the local environments in which we build and continues with constructing facilities powered by renewable energy and monitoring for optimal Power Usage Effectiveness (PUE). It ends with operational excellence designed to maintain that efficiency over time through little things that make big differences, like the use of electric vehicle charging stations, energy-efficient lighting, and more.

Second, by **minimizing water usage for cooling**. The Earth's supply of clean water is finite, and reclaiming water is critically important after limiting use overall. Any steps we can take to improve Water Usage Efficiency (WUE), such as the use of a closed-loop chilled water system with air-side economizers, will help.

Third, by **establishing partnerships**. We must work closely with regional utilities to provide customers with more renewable energy options. We must also offer customers the option to purchase renewable energy credits through those utilities and invest in renewable power whenever possible.

Many data center operators are already taking these steps and helping lead the way for cleaner energy around the world. These efforts positively impact our industry, communities, and the world at large.

Social: Leading the way for diversity of thought and culture

The data center industry leads the way as the backbone of the modern enterprise and the source of power for virtually every aspect of digital life. We keep the world connected, productive,

ABOUT THE AUTHORS



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Dave Renner currently serves as Vantage's Chief Financial Officer for North America and has held a number of senior financial roles at the company since joining in 2014. He now leads the finance, accounting, tax, and financial planning and analysis functions for the North America region. Recently, Renner took on responsibility for the company's global ESG program in addition to leading Vantage's EH&S program since its inception. With more than 30 years of experience, Renner is a corporate- and finance-oriented executive who combines strategic business vision with financial management expertise to maximize profitability and shareholder value.

Transparency and accountability are also important. We should commit to communicating and reporting matters, protocols, and audit results openly, both internally and externally—to boards of directors, employees, customers, regulators, and other stakeholders. Any areas of concern should be immediately reported and addressed, from cybersecurity incidents to issues impeding employee safety and wellness.

and entertained. Now is the time for us to lead in DE&I, too.

We must start by recognizing that, historically, we often lacked the rich tapestry of ideas and perspectives from people of different backgrounds and cultures. Therefore, we must all commit to establishing or continuing to grow a culture devoted to creating and fostering a safe, equitable, and diverse workplace.

We cannot just give lip service to DE&I (which would be analogous to "greenwashing"). We must live it,

support it, measure it, and continually improve upon it. We need to build a better future to support both customers and employees by not only increasing, but also institutionalizing DE&I in every facet of our business.

For example, Vantage has established an internal team called the Justice, Equity, Diversity, and Inclusion (JEDI) Council. The JEDI Council is responsible for creating actionable and measurable programs that create, develop, and maintain a diverse workforce. The JEDI Council

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was established from the top down and includes volunteer members from all departments and regions of the company. With it, we've created an environment where employees are free to share their ideas, collaborate, innovate, and just be themselves.

The JEDI Council exemplifies only one of the many strides we must take to demonstrate leadership in DE&I and be a model for other industries.

Governance: Creating a safe and compliant environment

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Building a solid safety posture must begin during site selection and contractor selection and continue through construction and, eventually, facility operations themselves. Continuous training and communication with employees, customers, and partners are critically important, as are regular monitoring and auditing. Many different people must be responsible for safety at a given time, but the ultimate responsibility always lies with the data center owner.

Transparency and accountability are also important. We should commit to communicating and reporting matters, protocols, and audit results openly, both internally and externally—to boards of directors, employees, customers, regulators, and other stakeholders. Any areas of concern should be immediately reported and addressed, from cybersecurity incidents to issues impeding employee safety and wellness. Transparency and commitment to swift action are foundational to good governance and fostering trust. Codes of conduct and high ethical standards should be created and complied with by all employees. The



adage “if you see something, say something” should be encouraged so that when an employee sees something amiss, they know there is an expectation—and a safe environment—to report it.

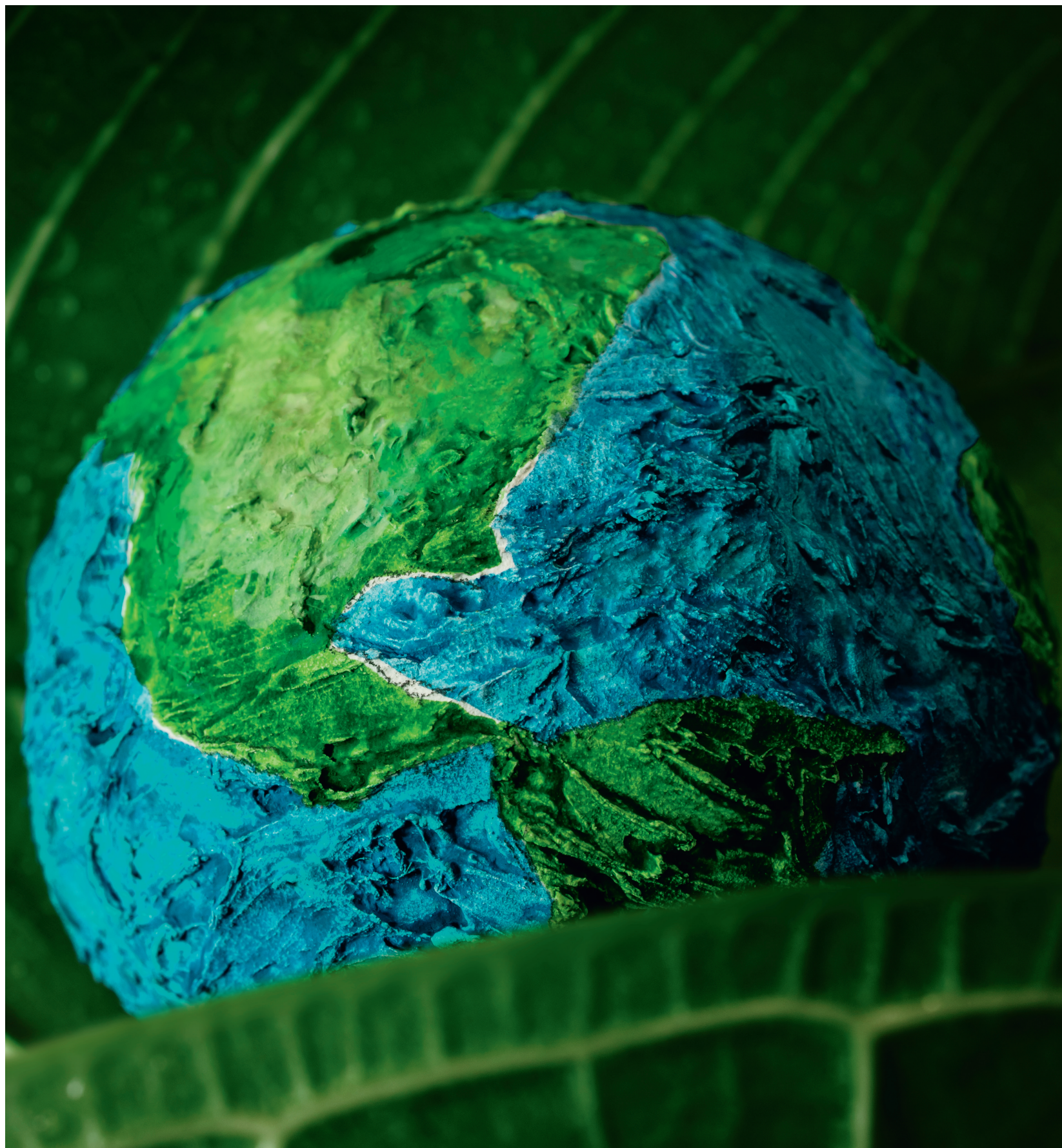
Finally, we must consider geographies around the world and the various regulations and compliance statutes. There can be no “one size fits all” approach, so while it’s helpful to have predictable and repeatable processes that can be nominally applied throughout the world, we must be equally prepared to be agile, adaptable, and ready to adjust our governance policies as necessary.

Establishing strong relationships with local authorities and policymakers can provide opportunities to advocate for specific and better data center policies within those regions. Deep stakeholder engagement will ultimately lead to more successful ESG programs and better outcomes for businesses as well as communities.

Conclusion

Currently, ESG remains fluid and full of competing definitions. It’s similar to what happened in the early 2000s when US public companies were required to comply with the recently passed Sarbanes-Oxley (SOX) Act. They asked things like “what do we do?” and “how do we do it?” all while the actual protocols were still being defined and expectations were still being set.

The time is now for data center operators to step up and set the tone for what it means to implement ESG the right way in our industry. It’ll take time, and there are no easy answers. But just like the companies that ultimately became SOX-compliant, we can and will get there, especially if we are held accountable by our employees, customers, partners, investors, and community members. In the process, we’ll establish our industry as an ESG leader. ©



Three Keys to Building a Comprehensive, Achievable ESG Strategy

Several years ago, as we were rapidly scaling our global operations, the Vantage Data Centers team embarked on our first comprehensive and formal environmental, social, and governance (ESG) strategy. We certainly had many ESG-related initiatives already underway, like our standardized, efficient data center design, which ensured economies of scale and a similar experience for customers globally while also increasing innovation in minimizing water and energy use. But it was time for us to do much more, and our team was committed to making ESG a global corporate priority.

We discovered three foundational learnings while embarking on our efforts to elevate and align our ESG initiatives with our customers. We share them here in the hope of helping any company looking to commence or build upon its own formal ESG strategy.

1 Data is a critical first step

Demonstrating progress requires setting data-driven benchmarks. We began by gathering the data we’d already accumulated from our work to date and identifying critical missing pieces. For instance, we conducted a comprehensive materiality assessment. We surveyed key stakeholders, including investors, employees, utility and construction partners, community members, and local governments. The results allowed us to set our priorities and outline initiatives for the years ahead.

2 It takes stakeholder support

There is a dynamic in any business that all improvements come at a cost. We do not have the luxury of simply

being idealists. Vantage knew we needed a broad group of stakeholders to buy into our plan so that they would accept the investment as a worthwhile cost. We were fortunate to have investors and customers already demonstrating their ESG commitments. Ensuring all stakeholders were educated on our approach gave us the support we needed for the decisions that lie ahead.

3 Accountability is a must

To ensure progress continues and goals are met, companies must make public commitments to hold themselves accountable at every turn. For example, in our case, we committed to reaching net zero carbon emissions globally by 2030. We also launched DE&I commitments and programs internally and ensured our rigorous safety and compliance efforts were standardized and implemented in every region in which we operated, regardless of potentially lower regional requirements. Without this step, it is all too easy for goals to be scaled back or deprioritized over time.

The definition of ESG is still evolving. Its implementation is unique for every company. But as standards are being developed and solidified, every data center operator must do the comprehensive work to build a pathway that makes ESG a priority.

ESG is no longer just a trending term. It has quickly become an expectation from every stakeholder we serve. More importantly, it is our obligation both as an industry and to every one of those stakeholders to operate as responsible businesses that make ESG tenets essential. Being good corporate citizens and reaching our business goals are not—and should not be—mutually exclusive.