

# Second-Party Opinion

## Scala Data Centers Green Finance Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Scala Data Centers 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 categories for the use of proceeds – Renewable Energy, Energy Efficiency and Green Buildings – 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 impact and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.



**PROJECT EVALUATION AND SELECTION** Scala Data Centers' ESG Program, consisting of representatives from the Sustainability Team and the Executive Board, will be responsible for evaluating and selecting the eligible projects. Scala Data Centers has in place processes to identify and mitigate environmental and social risks associated with its products and investments, which are applicable to all allocation decisions made under the Scala Data Centers Green Finance Framework. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Scala Data Centers' Financial Department will be responsible for overseeing the management of proceeds. The net proceeds of the green bonds and loans will be tracked using internal tracking systems and fully allocated as soon as possible before the maturity of any financial instrument related to the Framework. Sustainalytics considers market expectation for full allocation to be within 24-36 months and notes that Scala Data Centers may allocate proceeds until the instruments' maturity. Pending full allocation, Scala Data Centers may temporarily invest the unallocated proceeds in cash or cash equivalents in low-risk liquid investments. This is in line with market practice.



**REPORTING** Scala Data Centers intends to report on the allocation of proceeds either in an annual or sustainability report or on its website on an annual basis until full allocation. In addition, Scala Data Centers is committed to reporting on relevant impact metrics. Sustainalytics views this allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	December 02, 2022
<b>Issuer Location</b>	São Paulo, Brazil

### Report Sections

Introduction.....	2
Sustainalytics' Opinion .....	3
Appendix .....	9

**For inquiries, contact the Sustainable Finance Solutions project team:**

**John-Paul Iamonaco (Toronto)**  
Project Manager  
john-paul.iamonaco@sustainalytics.com  
(+1) 416 861 0403

**Debjeet Mukherjee (Mumbai)**  
Project Support

**Lokesh Jain (Mumbai)**  
Project Support

**Guilherme Grunthal (Toronto)**  
Client Relations  
susfinance.americas@sustainalytics.com  
(+1) 646 518 9623

## Introduction

Scala Data Centers (“Scala”, the “Company” or the “Issuer”) is a sustainable and hyper scalable data centre platform that engages in designing, building and operating sustainable data centres across Latin America. Headquartered in São Paulo, Brazil, Scala was founded in 2020 and has approximately 500 employees.

Scala has developed the Scala Data Centers Green Finance Framework (the “Framework”), under which it or its subsidiaries<sup>1</sup> may issue green bonds, loans, other securities and bilateral transactions<sup>2</sup> and use the proceeds to finance or refinance, in whole or in part, future and existing projects that are expected to contribute to a green and low-carbon economy while bringing forward positive environmental impact in Brazil. The Framework defines eligibility criteria in three areas:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings

Scala engaged Sustainalytics to review the Scala Data Centers Green Finance Framework, dated December 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>3</sup> and the Green Loan Principles 2021 (GLP).<sup>4</sup> The Framework has been published in a separate document.<sup>5</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</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 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 1.12, 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 Scala’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. Scala representatives have confirmed (1) they understand it is the sole responsibility of Scala 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 Scala.

<sup>1</sup> Scala Data Centers has communicated to Sustainalytics that the subsidiaries issuing instruments through the Framework will be wholly owned by the Company and that it will be responsible for ensuring continual alignment of the issuance with the criteria defined with the Framework.

<sup>2</sup> Apart from green bonds and green loans, Sustainalytics has not reviewed any other securities, transactions and financial instruments included in the Framework.

<sup>3</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>4</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>5</sup> The Scala Data Centers Green Finance Framework is available on Scala Data Centers’ website at: <https://scaladatacenters.com/>

<sup>6</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.

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. Upon twenty-four (24) months following the evaluation date set stated herein, Scala is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized 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 Scala has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Scala Data Centers Green Finance Framework

Sustainalytics is of the opinion that the Scala Data Centers 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 categories – Renewable Energy, Energy Efficiency and Green Buildings – are aligned with those recognized by the GBP and GLP. Sustainalytics notes that the proceeds of the Framework are expected to contribute to positive environmental impact.
  - Scala Data Centers has defined a look-back period of two years for the refinancing activities, which Sustainalytics considers to be good practice.
  - Under the Renewable Energy category, Scala may finance the construction, development, acquisition, maintenance and operation of onshore renewable energy facilities, including wind and photovoltaic (PV) solar energy, where at least 85% of the electricity generated will be from solar power.<sup>7</sup> Expenditures under this category may also include long-term investments in certified renewable energy (I-RECs) tied to a power purchase agreement (PPA) spanning 11-15 years. Sustainalytics considers financing of such renewable energy projects to be impactful.
  - Under the Energy Efficiency category, Scala intends to finance or refinance the construction, development, maintenance and operation of data centres, as well as equipment and technologies that reduce energy consumption or increase energy savings in data centres with a PUE of less than 1.45 on an annual basis, considering an IT load of at least 60%. Such equipment may include hot aisle containment systems, chillers equipped with free cooling technology, inverter compressors with EC condenser fans and VPF pump systems.<sup>8</sup> Additionally, the Framework contemplates investments in equipment and technologies that maintain optimal temperature and humidity levels for data centres. Sustainalytics views positively the inclusion of a defined energy efficiency threshold for the installation of energy efficient systems, equipment and technologies.

<sup>7</sup> Scala has confirmed to Sustainalytics that it will not invest in offshore projects.

<sup>8</sup> Scala has communicated that its chillers are equipped with free cooling technology and are used when the ambient temperature is less than or equal to 29°C. The system uses high temperatures at the water return for maximum efficiency. All the compressors use inverter technology and can modify the cooling capacity according to the current total load. Moreover, the condenser fans are electronically communicated (EC). The pump system is VPF (variable primary flow), therefore, it modifies the flow according to the instantaneous consumption of all the fan coils, or computer room air handling (CRAH) units. The hot aisle containment guarantees higher return temperatures, thus increasing the thermal exchange of the CRAH units. Furthermore, the CRAH units are equipped with EC fans, which modify the airflow between 20% and 100%. Scala uses pressure independent control valves (PIVCs), a type of valve found in hydronic or water-based systems, which provide heating and cooling in buildings. These valves ensure that the piping loss is minimal, thus using less energy to keep the system in flow.

- Under the Green Buildings Category, Scala may finance green building certifications for the data centres, such as LEED Gold or Platinum<sup>9</sup> and EDGE.<sup>10</sup> The expenditures may include development or acquisition of commercial buildings and costs associated with obtaining certifications for the building envelope (its construction), including operations and activities falling under a PUE of less than 1.45 on an annual basis, and an IT load of at least 60%. Sustainalytics considers these certifications to be credible and the minimum levels to be indicative of positive environmental impact.
- Project Evaluation and Selection:
  - Scala’s ESG Program, consisting of representatives from the Sustainability Team and the Executive Board, will be responsible for evaluating and selecting the eligible projects.
  - Representatives from the ESG Program will select the applicable projects, which will be reviewed by the board for final approval. These representatives meet at least annually to: i) ensure that allocated projects comply with the eligibility criteria in the Framework; ii) appoint projects that meet the Company’s environmental and social risk mitigation process; and iii) ensure compliance with applicable legal and environmental requirements.
  - Scala has in place processes to identify and mitigate environmental and social risks associated with its products and investments, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional details, see Section 2.
  - Based on the establishment of the ESG Program and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Scala’s Financial Department will be responsible for overseeing the management of proceeds. The net proceeds of the green bonds and loans will be tracked using its internal tracking systems.
  - The Company intends to achieve full allocation as soon as possible before the maturity of any financial instrument related to the Framework. Sustainalytics considers market expectation for full allocation to be within 24-36 months and notes that Scala may allocate proceeds until the instrument’s maturity. Pending full allocation, Scala may temporarily invest the unallocated proceeds in cash or cash equivalents in low-risk liquid investments. To avoid double counting, the Company will not be funding the same green project more than once.
  - Based on the use 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:
  - Scala intends to publish its allocation and impact reporting on an annual basis until full allocation either in an annual or sustainability report or on the Company’s website.
  - Allocation reporting will include the total amount of net proceeds raised from each issuance under the Framework, the total amount of proceeds allocated to each eligible project and the balance of unallocated proceeds.
  - In addition, Scala is committed to reporting on relevant impact metrics where feasible, such as the renewable certified energy acquired, the amount of GHG emissions reduced or avoided annually, the average annual PUE and the number of certified data centres.
  - Based on the commitment to 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 Scala Data Centers Green Finance Framework aligns with 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.

<sup>9</sup> LEED: <https://www.usgbc.org/leed>

<sup>10</sup> EDGE: <https://www.edgebuildings.com/certify/certification/>

## Section 2: Sustainability Strategy of Scala

### Contribution to Scala Data Centers' sustainability strategy

Scala has developed its ESG Program based on commitments to use 100% renewable and certified energy in its water and energy consumption, reduce its carbon footprint to reach net zero,<sup>11</sup> and offer professional and educational training for the communities in which it operates.<sup>12</sup> With respect to environmental commitments, Scala has operated with 100% renewable energy through long-term contracts backed by renewable energy certificates since the beginning of its activities.<sup>13</sup> The Company has committed to sourcing 2,900 GWh of clean energy by 2033.<sup>14</sup> In 2021, the Company achieved carbon neutrality in its operations through projects<sup>15</sup> that improved energy efficiency and reduced water consumption.<sup>16</sup> These projects subsequently led to Scala's portfolio having the lowest PUE in the region.<sup>17</sup>

Scala's GHG inventory was estimated by Natural Capital Partners in 2020 and by Schneider Electric in 2021.<sup>18</sup> Residual emissions were offset by the purchase of carbon credits from projects that, in addition to significantly reducing carbon emissions each year, offer a series of benefits from the development of educational programmes focused on science, technology, engineering and mathematics for low-income youth.<sup>19</sup> In partnership with Furukawa's Green IT Program, Scala also directs waste from the disposal of structured cabling products to recycling. More than 5.7 tonnes of cables have been recycled through this partnership to progressively reduce environmental impact in the data centre segment.<sup>20</sup> The value returned to Scala is reinvested in social actions for the community.<sup>21</sup>

On the social front, Scala seeks to promote financial inclusion and foster the local economy through education and training. Between 2020 and 2021, the Company awarded 52 full bachelor's degree scholarships to students from vulnerable communities in partnership with Instituto IT Mídia from São Paulo.<sup>22</sup> Through this initiative, these students receive the opportunity to work at Scala as trainees and develop skills for their professional careers.<sup>23</sup> In 2022, Scala joined Infrastructure Masons (iMasons)<sup>24</sup> and assumed the leadership of its Brazilian Chapter, through which the Company plans to contribute to the development of sustainable digital infrastructure in Latin America, addressing topics such as professional training, education and innovation.<sup>25</sup>

Sustainalytics is of the opinion that the Scala Data Centers Green Finance Framework is aligned with the Company's overall sustainability strategy and will further the Company's action on its key environmental priorities. Additionally, Sustainalytics notes that Scala is currently in the process of developing public sustainability commitments through an annual or sustainability report and, therefore, encourages the Company to publicly disclose sustainability targets and report on their progress.

### 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 and 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 related to land use and biodiversity; emissions, effluents and waste generated in construction; community relations and stakeholder participation; occupational health and safety; human rights and labour, including sustainability in the supply chain; and data privacy.

<sup>11</sup> The United Nations defines net zero as cutting GHG emissions to as close as possible to zero, with any remaining emissions re-absorbed from the atmosphere by oceans and forests. This definition is available at: <https://www.un.org/en/climatechange/net-zero-coalition>

<sup>12</sup> Scala Data Centers, "ESG Program", at: <https://scaladatacenters.com/en/sustainability/#1>

<sup>13</sup> Scala Data Centers, "Environmental Actions", at: <https://scaladatacenters.com/en/sustainability/environmental-actions/#2>

<sup>14</sup> Ibid.

<sup>15</sup> The projects are led by the Center for Engineering Excellence, which develops innovative technological solutions to increase energy and water efficiency in data centers, at: <https://cfee.in/>

<sup>16</sup> Scala Data Centers, "Environmental Actions", at: <https://scaladatacenters.com/en/sustainability/environmental-actions/#2>

<sup>17</sup> Ibid.

<sup>18</sup> Scala Data Centers, "Scala Data Centers Green Finance Framework", (2022), at: <https://scaladatacenters.com/>

<sup>19</sup> Ibid.

<sup>20</sup> Scala Data Centers, "Environmental Actions", at: <https://scaladatacenters.com/en/sustainability/environmental-actions/#2>

<sup>21</sup> Ibid.

<sup>22</sup> Scala Data Centers, "Social Projects", at: <https://scaladatacenters.com/en/sustainability/social-projects/#3>

<sup>23</sup> Ibid.

<sup>24</sup> iMasons is a professional non-profit organization of technology and business leaders, representing more than USD 150 billion in infrastructure projects in more than 130 countries.

<sup>25</sup> Scala Data Centers, "Social Projects", at: <https://scaladatacenters.com/en/sustainability/social-projects/#3>

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

- To mitigate risks arising from large-scale infrastructure development – such as land use and biodiversity issues, including emissions and waste generated in construction – the Company has an Integrated Management System (SGI Policy) for the rational and efficient use of resources and the protection of biodiversity and ecosystem.<sup>26</sup> Additionally, Scala is certified to the ISO 14001 standards to minimize the environmental impact of its operations, such as emissions and waste.<sup>27</sup>
- Regarding risks related to community relations and stakeholder participation, Scala has implemented an Environmental and Social Management System (ESMS), aligned with the requirements of IFC Performance Standard 1, which provides a platform for consultations with stakeholders and a means to address complaints from workers and local communities in accordance with ISO 9001:2015.<sup>28,29</sup>
- To address occupational health and safety (OHS), Scala is certified to the ISO 45001 standards, which are responsible for the enforcement and administration of OHS regulations based on performance indicators, such as quality, culture, health and safety.<sup>30</sup>
- To mitigate risks related to human rights and labour issues, Scala has dedicated policies on codes of conduct, and ethics and labour, which protect the human rights of the communities in which it directly or indirectly operates, including supply chains. These policies also establish the general principles necessary to ensure commitment to the working conditions for workers employed with the Company.<sup>31</sup>
- Data privacy risks are managed by Scala in accordance with the General Data Protection Law,<sup>32</sup> which maintains confidentiality, integrity and availability of information. Scala is certified to ISO/IEC 27001 standards on information security management, including ISO/IEC 27701, both of which ensure customer, shareholder, employee and partner data are well protected.<sup>33,34</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Scala 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

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

#### Importance of renewable energy and energy efficiency in Brazil

As one of the BRICS<sup>35</sup> countries with an emerging economy, Brazil is the world's sixth largest GHG emitter.<sup>36</sup> As of 2019, 52% of the country's energy came from coal, oil and gas.<sup>37</sup> Following the Paris Agreement, Brazil committed to reducing its GHG emissions by 37% by 2025 and 50% by 2030 compared to 2005 levels.<sup>38</sup> To achieve the emission target, Brazil aims to expand the use of non-fossil fuel energy sources and increase the share of renewable energy, other than hydropower, to 28-33% by 2030.<sup>39</sup> It is estimated that to meet the goals set by the Paris Agreement, Brazil needs to reduce emissions by 81% by 2030 compared to 2005 levels and

<sup>26</sup> Scala Data Centers SGI Policy was shared with Sustainalytics confidentially.

<sup>27</sup> ISO, "ISO 14001:2015 – Environmental management systems", at: <https://www.iso.org/standard/60857.html>

<sup>28</sup> Scala Data Centers, "ESG Program", at: <https://scaladatacenters.com/en/sustainability/>.

<sup>29</sup> ISO, "ISO 9001:2015 – Quality management systems", at: <https://www.iso.org/standard/62085.html>

<sup>30</sup> ISO, "ISO 45001:2018 – Occupational health and safety management systems", at: <https://www.iso.org/standard/63787.html>

<sup>31</sup> Scala Data Centers Code of Ethics and Conduct as well as Labour Policy were shared with Sustainalytics confidentially.

<sup>32</sup> Presidency of the Republic of Brazil, "General Secretariat Sub-Head for Legal Affairs", at: [http://www.planalto.gov.br/ccivil\\_03/\\_Ato2015-2018/2018/Lei/L13709.htm](http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2018/Lei/L13709.htm)

<sup>33</sup> ISO, "ISO/IEC 27001 and related standards – Information security management", at: <https://www.iso.org/isoiec-27001-information-security.html>

<sup>34</sup> ISO, "ISO/IEC 27701:2019 – Security techniques", at: <https://www.iso.org/standard/71670.html>

<sup>35</sup> BRICS countries: Brazil, Russia, India, China and South Africa.

<sup>36</sup> Potsdam Institute for Climate Impact Research, "Country fact sheet: Brazil", at: [https://www.pik-potsdam.de/paris-reality-check/primap-hist/factsheets/HISTP/country\\_fact\\_sheet\\_HISTP\\_BRA.pdf](https://www.pik-potsdam.de/paris-reality-check/primap-hist/factsheets/HISTP/country_fact_sheet_HISTP_BRA.pdf)

<sup>37</sup> IEA, "Brazil", (2022), at: <https://www.iea.org/countries/brazil>

<sup>38</sup> UFCCC, "Federative Republic of Brazil Paris Agreement Nationally Determined Contribution", (2022), at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Brazil%20First/BRAZIL%20iNDC%20english%20FINAL.pdf>

<sup>39</sup> Clean Energy Ministerial, "Brazil", at: <http://www.cleanenergyministerial.org/countries-clean-energy-ministerial/brazil>

achieve net zero emissions by 2050, demonstrating the urgency for accelerated action and investments in renewable energy in the country.<sup>40</sup>

As of 2021, renewable sources accounted for 45.3% of the energy mix in Brazil.<sup>41</sup> In the same year, the country ranked 14th worldwide in terms of installed solar power.<sup>42</sup> The total installed solar power in Brazil generated approximately 2.48% of the country’s electricity demand in 2021 compared to 0.7% in 2018.<sup>43</sup> The Brazilian Ministry of Mines and Energy (MME) expected a 67% year-on-year increase for solar power generation in 2021.<sup>44</sup> In the past decade, investments in solar power have increased, and solar-generated electricity is increasingly viewed as the most competitive form of renewable energy in the country.<sup>45</sup> Brazil has set a target of fulfilling 48% of its energy needs through renewable energy by 2031.<sup>46</sup> In line with these commitments, Brazil’s MME and the Energy Research Office introduced a National Energy Plan in 2020 for energy initiatives through to 2050.<sup>47</sup> In addition, Brazil has targeted a 10% added energy efficiency by the same year.<sup>48</sup> Therefore, the promotion of renewable energy infrastructure and the associated energy efficiency gains will be critical in Brazil’s transition to a low-carbon economy.

Based on the above, Sustainalytics recognizes the potential positive environmental impacts of Scala’s investments in renewable energy and energy efficiency and expects these investments to contribute to Brazil’s transition to a low-carbon economy.

**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 Scala Data Centers Green Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
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

<sup>40</sup> Observatorio do Clima, “Brazil 2045: Building an environmental powerhouse”, (2022), at: <https://www.oc.eco.br/wp-content/uploads/2022/05/2045-EN%E2%80%94VF.pdf>

<sup>41</sup> Government of Brazil, “Renewable sources now have a share of 45.3% in Brazil’s energy mix”, (2021), at: <https://www.gov.br/en/government-of-brazil/latest-news/2021/04/renewable-sources-now-have-a-share-of-45-3-in-brazil2019s-energy-mix>

<sup>42</sup> ANEEL, “Power generation capacity in Brazil exceeds 180 GW”, (2021), at: <https://www.gov.br/aneel/pt-br/assuntos/noticias/2022/capacidade-de-geracao-de-energia-no-brasil-supera-os-180-gw>

<sup>43</sup> Ibid.

<sup>44</sup> Renewables Now, “Solar power to grow 67% by end-2021 in Brazil”, (2021), at: <https://renewablesnow.com/news/solar-power-to-grow-67-by-end-2021-in-brazil-759279/>

<sup>45</sup> MercoPress, “Brazil pledges a target of 45% renewable energy by 2050”, (2020), at: <https://en.mercopress.com/2020/12/26/brazil-pledges-a-target-of-45-renewable-energy-by-2050>

<sup>46</sup> Empresa de Pesquisa Energética, “MME launches English version of the Ten-Year Energy Expansion Plan (PDE) 2031”, at: <https://www.epe.gov.br/en/press-room/news/mme-launches-english-version-of-the-ten-year-energy-expansion-plan-pde-2031>

<sup>47</sup> Ibid.

<sup>48</sup> Clean Energy Ministerial, “ENERGY MANAGEMENT CAMPAIGN ANNOUNCES PROGRESS AT TENTH CLEAN ENERGY MINISTERIAL”, at: <https://www.cleanenergyministerial.org/energy-management-campaign-announces-progress-at-tenth-clean-energy-ministerial/>

---

## Conclusion

Scala Data Centers has developed the Scala Data Centers Green Finance Framework, under which it may issue green bonds, loans, other securities and bilateral transactions, and use the proceeds to finance projects related to renewable energy, energy efficiency and green buildings. Sustainalytics considers that the projects funded by the proceeds are expected to improve the sustainability of Scala's operations by reducing energy usage and the associated GHG emissions.

The Scala Data Centers 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 Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds categories are expected to contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that Scala has strong 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 Scala Data Centers is well positioned to issue green bonds and loans and that the 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:	Scala Data Centers
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Scala Data Centers Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 02, 2022
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 (please specify):                                |  |

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

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency and Green Buildings – 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 7, 9 and 11.

### Use of proceeds categories as per GBP:

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

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Scala Data Centers' ESG Program consisting of representatives from the Sustainability Team and the Company's Executive Board will be responsible for evaluating and selecting the eligible projects. Scala Data Centers has in place processes to identify and mitigate environmental and social risks associated with its products and investments, which are applicable to all allocation decisions made under this 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 checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

### Information on Responsibilities and Accountability

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
|---|---|

- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Scala Data Centers' Financial Department will be responsible for overseeing the management of proceeds. The net proceeds of the green bonds and loans will be tracked using its internal tracking systems and will be fully allocated as soon as possible before the maturity of any financial instrument related to this Framework. Sustainalytics considers market expectation for full allocation to be within 24-36 months, and notes that Scala Data Centers may allocate until the instrument's maturity. Pending full allocation, Scala Data Centers may temporarily invest the unallocated proceeds in cash or cash equivalents in low-risk liquid investments. This is in line 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:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements                  | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):  |

### 4. REPORTING

Scala Data Centers intends to report on allocation of proceeds on either an Annual/Sustainability Report or its website on an annual basis until full allocation. In addition, Scala Data Centers is committed to reporting on relevant impact metrics. Sustainalytics views this allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

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

#### Information reported:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |  |

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Impact reporting:**

- Project-by-project  On a project portfolio basis  
 Linkage to individual bond(s)  Other (please specify):

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

- GHG Emissions / Savings  Energy Savings  
 Decrease in water use  Other ESG indicators (please specify):  
Average annual PUE and  
Number of certified data  
centers

**Frequency**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify):  
Allocation and Impact Report  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (please specify):

**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.

## Disclaimer

**Copyright ©2022 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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

Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

