



# Responsible Investor Policy

June 2024

# Responsible Investment Policy

## Statement

Cloud Capital has a responsibility to conduct our investment business in a socially responsible way and we recognise that many investors in our fund may have the same values. We seek to deliver superior investment returns whilst minimising the cost to society and to the environment as far as possible.

This policy applies to Cloud Capital Advisors LLC and all funds or other investment mandates managed by Cloud Capital. As the majority of our data centre assets are let on lease terms under which the fund has limited control over tenants' operational use of the data centres we provide, we have limited ability to influence or control ESG considerations. Consequently, reasonable efforts will be made to encourage tenants to share data and collaborate in ESG-related initiatives.

We support the six Principles for Responsible Investment so far as they relate to our activities as data centre fund managers and have incorporated ESG issues into our investment analysis and decision-making processes.

Our staff are engaged in ESG issues in the conduct of their day-to-day business activities and compliance is managed on an ongoing basis by the Cloud Capital ESG Committee. This policy, which will be kept under periodic review and formally reviewed at least annually.

Cloud Capital ESG Committee

# Responsible Investment Policy

## Policy Overview

Cloud Capital aims to be a responsible investment firm that creates sustainable long-term value for our investors and wider stakeholder groups. Global reliance on digital infrastructure will continue to expand and as it does so data centres will consume increasing amounts of energy, water and raw materials. It is therefore incumbent on us as data centre owners to minimise our impact on the planet by maximising the efficiency of our assets. We understand that sustainability and energy efficiency are of paramount importance to our tenants and are committed to conserving supplies and reducing consumption wherever possible. As the vast majority of Cloud Capital's carbon footprint will be comprised of Scope 3 emissions, our biggest impact will come from supporting our tenants in achieving their ambitious sustainability goals.

## Our Objectives

We recognise the importance of creating systems to monitor, review and reduce the environmental impact of our operations. As our business grows, we aim to achieve the following long-term scaleable objectives:

- Reduce our impact on the climate, improving energy efficiency, reducing energy demand, developing effective mitigation and adaptation measures and supporting clean energy production.
- Understand the impact of our activities on natural resources and seek to incorporate circular economy principles into our business decisions to minimise their depletion.
- Integrate sustainability into all aspects of our business.
- Empower our employees, our tenants and their employees to make contributions that improve our performance and reduce our environmental impact.
- Deliver long-term results and leverage sustainability gains through engagement with our supply chain, investors, tenants, industry partners and peers.

## Action Areas

To achieve these objectives, we have identified a number of action areas:

- **Utilities:** We will encourage tenants to procure clean, renewable energy for their data centre operations where this is available]. For our own offices, we aim to procure energy using green tariffs when within our control, or encourage our landlords to provide access to energy from renewable sources where this is available.
- **Waste:** we aim to reuse or recycle materials wherever possible and encourage our tenants to reduce total waste produced by their activities.
- **Procurement:** we aim to source sustainable products and services, where practicable, by applying our Responsible Vendor Policy.
- **Transport:** we aim to encourage employees to consider using more sustainable transport options by providing guidance within our business travel and expenditure policy.
- **Pollution:** we aim to prevent pollution through identifying potential environmental risks and through ensuring employees and suppliers know how to handle an environmental incident should it occur.
- **Biodiversity:** we aim to reduce our impact on biodiversity where we have influence on aspects such as site selection policy and seek opportunities to enhance biodiversity and ecosystems either on our sites or through supporting nature-based solutions .
- **Competency and awareness:** provide training and support to our employees.

All Cloud Capital staff are accountable for the implementation of this policy. Overall responsibility will sit with the CIO.

Cloud Capital is committed to the continual improvement of our environmental management system which structures our approach to the environmentally responsible management of our operations and enhancement of our environmental performance. This policy and our objectives and targets will be reviewed at least annually.

# Environmental

## Guiding principles

We recognise that we have significant responsibility towards the environment through the direct and indirect impacts of our business activities. We are committed to managing those environmental impacts in an effective and responsible manner and seek to improve our level of environmental performance.

We typically engage specialist consultants to evaluate the sustainable characteristics of our data centres and operating companies as part of our pre-acquisition due diligence, identifying risks to future financial performance and exploring opportunities to create additional value or to improve environmental performance.

We also endeavour to assess the impact of new acquisitions on the overall environmental performance of the fund. We will not ordinarily acquire buildings if our due diligence flags significant unresolvable environmental issues without considering the potential effect on value and the impact of the proposed acquisition on the fund as a whole. We will undertake affordable improvements when it is appropriate and will set limits as to the amount of capital across the fund that can be held in buildings that do not meet acceptable standards according to size, age and location.

Cloud Capital will seek to use its influence wherever possible to encourage the consideration of sustainability-related issues in the design, construction and commissioning of buildings.

We anticipate the environmental performance of new developments also to exceed the minimum standards laid down by local building regulations and the requirements of local statutory authorities. We expect the design and construction of all new buildings to incorporate enhanced insulation, advanced energy efficiency and a suitable range of water-saving features.

We will monitor the environmental performance of assets directly under management. Where opportunities to improve performance are identified, we will work with tenants to realise them. We will report progress to our investors at least annually or more often, when it is appropriate.

Aside from our fiduciary duty to manage assets in an environmentally responsible manner, we see ESG as both a threat and as an opportunity. There is a risk that the future value of some properties may be adversely affected by ESG issues, such as an evolving regulatory environment, shifting social norms or physical and transitional climate-related issues. We have systems in place to enable us to measure, monitor and then seek to manage these emerging risks as an integral part of our overall approach to risk management. Conversely, we believe that some assets may experience a positive price correction as a result of the move towards a lower carbon economy and we are always looking for opportunities to create added value through the creation of more sustainable assets when considering investments.

# Environmental

## Guiding Principles Continued

Environmental sustainability is considered under these key headings:

- Financial performance;
- CO<sub>2</sub> emissions;
- Energy;
- Physical risks;
- Water;
- Waste;
- Engagement;
- Reporting.

Some of these issues may have implications for the future financial performance of the assets under management, and some relate to “best practice” and social responsibility. Our policy is intended to:

- Promote environmental protection;
- Prevent pollution;
- Promote sustainable development;
- Meet or exceed legal compliance and regulatory requirements;
- Anticipate future policy impacts;
- Establish risks from the physical impacts of climate change and develop mitigation strategies;
- Reduce waste.

While keeping our focus on improving individual assets’ financial performance, we seek to take account of our sustainability objectives by incorporating them into our business planning and reporting. By integrating such issues into the investment appraisal process, we aim to minimise downside risks and capitalise on opportunities for enhancing returns wherever possible.

Due to the ever-changing nature of sustainability, we will continue to improve and update the relevant criteria that are used within the investment process.

# Environmental

## Financial Performance

We endeavour to assess the physical and transitional risks associated with climate change on each individual asset and on the overall performance of the fund, in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD).

In particular, we seek to identify properties where there is a risk of losing income from existing tenants through migration to properties with better environmental performance and quantify the potential impact of lower-than-average tenant retention rates, longer voids and higher costs on projected income returns. We will identify any mismatches between the environmental characteristics of buildings and our key tenants' approach to environment issues, developing such plans as may be required to reduce the prospect of losing income at reversion dates.

We seek to ensure that risks from sustainability-related issues are consistent with the fund's general appetite for risk and seek to devise strategies for attempting to reduce over-exposure to sustainability-related risks, during investment decisions.

We seek to identify the cost of improvements that may be required, either to protect the future quality of an asset or as a result of statutory interventions.

We aim to monitor the emerging impact of sustainability-related issues on values and will seek to amend performance projections and offers for future transactions in the light of hard evidence that emerges.

## CO2 Emissions

Data centres require a lot of energy. They must remain fully operational 24/7 and run IT equipment that has large power draws. They also require significant amounts of energy to keep them cool. Attempting to control greenhouse gas (GHG) emissions from properties under our ownership is therefore an essential part of our environmental strategy.

We calculate direct emissions from energy usage of each data centre for Scope 1 and 2 emissions (landlord purchased gas and fuel, landlord purchased electricity, landlord purchased goods and services) and Scope 3 emissions (tenant purchased energy) if available. If data is unavailable, we will make reasonable estimates using proxy data as the basis for setting targets for future reductions. This information will be used to create a baseline for the first year of ownership.

We seek to establish the absolute carbon emissions (in tonnes) due to direct energy usage at each property and, when new properties are being brought under the fund's ownership, we will assess the relative impact of each acquisition on overall emissions from energy usage.

When appropriate, we plan to calculate the "Carbon Intensity" (tonnes of CO<sub>2</sub> per £m invested) of the fund and, over time, we will seek to reduce the total volume of carbon emitted by properties under our management. This may be achieved through the adoption of more sustainable property management, through the physical improvement of selected assets, as a result of re-investing capital in better quality properties.

# Environmental

## Energy

Energy is the most significant contributor to GHG emissions from the built environment and we are committed to conserving supplies and reducing consumption wherever possible, insofar as it is consistent with our activity as a data centre investment fund and relevant to the data centres we own and will comply with all local laws and regulations that apply.

We will consider the power usage efficiency (“PUE”) of all our data centres as part of our pre-acquisition due diligence and will seek to ensure all our data centres have a PUE that is consistent with their age, location and size. When appropriate, we will seek to improve the PUE during the periodic refurbishment of our assets.

At the majority of our buildings, we have no direct control over the way that energy is used by our tenants.

When we are responsible for procuring energy, we aim to favour supplies from renewable sources. If feasible, we will seek to measure the proportion of energy that comes from renewable sources, will set targets and report on progress in our annual reports.

Where we are directly responsible for the consumption of energy in the common parts and shared services of our data centres, we record consumption, year on year, and will seek to identify ways in which reductions can be made, setting measurable annual targets for each asset and across each portfolio as a whole.

In time, we will seek to identify a range of energy efficiency improvements for each building under our direct control and determine whether the expenditure is justified in both environmental and financial terms.

We will seek to identify the most appropriate time to undertake improvements, having regard to existing tenancy structures and maximising opportunities to recover costs from tenants who stand to benefit significantly from lower building running costs.

In programming improvements, we also seek to identify opportunities to reduce costs through making the relevant improvements at marginal additional cost during general refurbishment projects and during the routine repair and replacement of obsolete equipment.

# Environmental

## Physical Risks

Use as a Data Centre is wholly inconsistent with land at risk of significant flooding and the fund will not ordinarily acquire assets at risk. We will seek to identify any such current or projected future risk as part of our pre-acquisition due diligence process and such risks will be considered during our asset selection decisions and acquisition pricing offers. In line with TCFD recommendations, we will identify each asset's potential exposure to climate hazards as part of our pre-acquisition due diligence, including the likelihood of increased frequency of extreme events such as rainfall, coastal flooding, high temperatures, drought and wildfires as a result of rising global temperatures.

## Water

We recognise that water is a scarce commodity in some regions and that, over time, scarcity is likely to affect an increasing number of territories. We consider ourselves to be under an obligation to do our best to use all natural resources, including water, responsibly.

Cooling data centres have traditionally consumed large volumes of water and when making acquisitions, the fund will seek to evaluate the data centre's Water Usage Effectiveness ("WUE"). We recognise that data centres that use low volumes of water can use more energy and vice versa. Subject to local regulations and regional pricing structures, we will seek to achieve the most appropriate balance between the consumption of energy and water.

Where we retain direct responsibility for the use of water, we will seek to explore meaningful ways in which it can be reduced at all our assets.

We also seek to have regard to water saving opportunities during the regular repair, refurbishment and replacement of water-related services.

## Waste

We support the principle of "re-use, recycle, reduce" and its application to waste. We will look for opportunities to improve waste and circularity at the asset level, including ensuring that each is equipped with facilities to segregate waste streams.

## Engagement

We seek to ensure our employees are aware of our policy, objectives and targets and that relevant individuals have the knowledge and skills necessary to implement the strategy in their day-to-day roles. As such, we provide training to our staff on these matters.

Where we have responsibility for providing services to assets in our portfolio and engage the services of external facilities managers, we may encourage these suppliers to comply with our policy and adopt responsible management practices across the assets under our management.



# Environmental

## **Biodiversity**

We recognise the importance of maintaining and promoting biodiversity.

We will encourage developers whose schemes we commit to acquire to consider biodiversity issues in the design and construction of data centres.

## **Development**

We generally do not expect to undertake greenfield development but may, from time to time, agree to pursue de-risked development including expansionary development projects or to acquire new developments on or before practical completion.

We expect the environmental performance of new developments to meet and, where appropriate, to exceed the minimum standards laid down by building regulations and planning policy.

Compliance with current buildings regulations will be our minimum standard, although we will endeavour to exceed this minimum standard whenever it is commercially viable.

## **Acquisitions**

ESG-related issues are embedded in our acquisitions process and, in particular, form a key aspect of our pre-acquisition due diligence activities.

Responsibility for ensuring that ESG-related issues are assessed when evaluating a transaction rests with our investment team, who will take advice from such specialist third party advisors as may be necessary.

Due diligence is subject to a standardised approach that includes ESG-related sections, that must be completed at each stage of the Investment Committee approvals process.

It is the Investment Committee's responsibility to ensure that every proposed acquisition meets the requirements of the fund's mandate, including the standards and restrictions outlined in this policy and that due diligence has been completed satisfactorily.

ESG-related due diligence is designed not only to identify ESG-related risks and opportunities relating to the asset under consideration but also to assess the impact of each new acquisition on the fund as a whole, whose exposure to ESG-related risks must remain within the parameters set from time to time by the Investment Committee under the guidance of our ESG Committee.

# Social

We recognise that our business activities have both direct and indirect impacts upon society and that we have a responsibility to minimise any negative impacts and, where it is consistent with our fiduciary responsibilities, to seek opportunities to make a positive impact.

## **Health & Safety**

We will seek to ensure that appropriate Health & Safety regimes are in place at all buildings under our direct control.

Compliance with appropriate legislation and regulations is considered to be a minimum standard and, through our external property managers, we will seek to ensure that Health & Safety issues are kept under review by the ESG Committee.

Further details are set out in our corporate Health & Safety policy.

# Social

## Employment

### Compensation

The Remuneration Committee reviews salaries, bonuses and other compensation on an annual basis at a minimum. Members include the CEO and the CIO who are supported by the Human Resources team. A number of financial factors are taken into account, including market individual performance, and group performance. Non-financial factors taken into consideration include compliance with group policies including Environmental, Social and Governance.

### Professional development

We are committed to providing our employees with opportunities for learning and development, including in relation to Environmental, Social and Governance issues, through:

- On-the-job work/doing the job at hand;
- Formal in-house or external training to improve a skill or increase expertise;
- Subsidising in whole or part relevant examination qualifications and membership of professional bodies; and
- Coaching through direct feedback from a supervisor, peer or mentor
- Participating and attending relevant sectoral and ESG seminars and conferences

### ESG communications and training

We will communicate our Environmental, Social and Governance commitment to all employees, so that all employees are aware of the commitments made and their role in helping achieve our Environmental, Social and Governance goals. Internal and external Environmental, Social and Governance training will be provided or made available to all appropriate staff.

### Employee Engagement

The ESG committee and HR department conduct an annual survey to assess employee satisfaction at Cloud Capital. The surveys provide a snapshot of employee views and feedback on various topics – such as job satisfaction and work environment – which is collated into quantitative data.

The remuneration committee is given an opportunity to input questions into the annual employee satisfaction survey. The results of the survey, along with a question-by-question summary of the survey data, is provided to the committee on an annual basis. The committee receives a full report on the feedback, which can be factored into business decision making as appropriate.

# Social

## Employment

### Diversity and inclusion

Cloud Capital is committed to fostering, cultivating, and preserving a culture of diversity and inclusion. We aim to create a work environment that provides everyone with the opportunity to succeed, values the differences of each individual and recognises their contributions to the success of our business.

We embrace all employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that contribute to our unique group of employees.

Cloud Capital's diversity initiatives are applicable – but not limited – to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; layoffs; terminations; and the ongoing development of a work environment built on the premise of gender and diversity equity that encourages and enforces:

Respectful communication and cooperation between all employees

- Teamwork and employee participation, permitting the representation of all groups and employee perspectives
- Assistance balancing work/life matters for employees' varying needs, such as providing and enabling working from home flexibility and feasibility; and
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity.

### Health and Wellbeing

Cloud Capital is committed to providing a safe and healthy work environment for all of our employees and providing working conditions that afford a reasonable degree of comfort, protect employees from injury and dangerous situations, and assure orderly and efficient performance of job duties. Employees are prohibited from the use, sale, distribution and manufacture of illegal drugs, controlled substances, and narcotics on company premises and on work sites. We also monitor and follow up on all health and well-being incidents at Cloud Capital.

We are also committed for assuring that our workplace is free of harassment, sexual harassment and discrimination. The company strives to maintain a pleasant work environment where all employees are able to effectively perform their work without interference of any type.

We aim to make medical, vision and dental insurance available to all full-time employees with Cloud Capital responsible for paying at least 80% of premiums, with the remainder shared with its employees. We also issue a life insurance policy to each full-time employee of three (3) times their annual salary (up to a maximum of USD 550,000), and rounded to the nearest thousand.

We also make contributions to retirement and pension savings plans.

# Social

## **Procurement**

Cloud Capital is committed to conducting business in a legal, ethical, transparent and socially and environmentally responsible manner as set out in our responsible vendor policy.

## **Development**

We will only fund “thoughtful” developments, where the developer can demonstrate that the scheme considers negative impacts of the new buildings on local communities, both during construction and when the building is in use.

We will seek to use our influence to encourage the use of contractors that provide local employment opportunities and, where appropriate, to give local contractors and service suppliers an equal opportunity to tender for the supply of goods and services.

We will attempt to ensure that the developer minimises disruption to the local community during construction and that the completed development is properly integrated into the surrounding area, preserving or enhancing local identity.

We expect new buildings to meet high standards of environmental performance and, when possible, to promote the health and well-being of both the building occupiers and the wider community.

# Governance

Our activities are overseen by an Investment Committee which is responsible for ensuring the diligent and proper execution of our investment strategies. The Committee is responsible for setting our strategic direction, for establishing appropriate investment.

Our approach to good governance is set out in detail in our various policies, which are listed in the Appendix and, for the purposes of this policy, is summarised below:

## **Compliance**

We are committed to conducting business with the highest integrity and in compliance with the letter and spirit of the law. All employees must adhere to our policies and procedures.

The ESG Committee is primarily responsible for the implementation, monitoring, review and enforcement of our ESG policy and procedures.

The Legal & Compliance Risk Committee implements and oversees global legal and regulatory compliance.

Every employee undergoes training so that they are informed of their compliance obligations and how to identify compliance issues.

## **Risk Management**

Our governance model is designed to manage investment risk and operational risk.

### **Investment Risk**

Investment risk is overseen by the Investment Committee which monitors all capital transactions undertaken by the fund. The Committee seeks to ensure that proper emphasis is placed on preservation of capital, identification and management of investment risk and appropriate pricing of risk at the portfolio and asset level.

The Committee is responsible for monitoring portfolio risk and reviewing each of the assets on a quarterly basis or when required.

### **Investment decisions**

Investment decisions, including the buying and selling of data centre assets, are strictly controlled and will be subject to prior approval from the Chief Investment Officer and the Investment Committee.

The investment memo submitted to the Investment Committee includes a section addressing ESG-related issues.

## **Consultants**

Cloud Capital has engaged Anthesis as ESG Consultant to assist with reporting and advising on our overall ESG framework

# Benchmarking

We recognise the importance of benchmarking the performance of our assets against other investment properties and the performance of the fund with other comparable funds. Sustainability benchmarking is a complex topic and there are, at present, a large number of independent benchmarks available.

## GRESB

Cloud Capital is a participant in GRESB and made the first submittal in 2023

## UNPRI

Cloud Capital Advisors LLC is a signatory to UNPRI since 2023



### *Signatories' commitment\**

*"As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).*

*We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:*

- Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6:** We will each report on our activities and progress towards implementing the Principles.

*The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General. In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.*

*We encourage other investors to adopt the Principles."*

# Reporting

We recognise the importance of setting targets for the management of ESG, for mitigating sustainability-related risks and for the exploitation of opportunities to add value. We will aim to set long term targets for key initiatives and monitor progress year on year.

The ESG Committee will review fund ESG metrics on a quarterly basis and we will provide an investor ESG report at least annually.

We acknowledge that investors in the fund will have their own ESG Policies and that many are likely to include reporting obligations. We also recognise that jurisdictions in which some of our investors are situated may impose statutory reporting requirements. We will aim to work with our investors to provide ESG-related data in the manner that helps to fulfil investors' reporting obligations.

## **Sustainable Finance Disclosure Regime (SFDR)**

The Cloud Funds are Article 6 for the purpose of SFDR

## **Green Loan Reporting**

Cloud Capital reports on its Green Loans on an annual basis

## **Local Regulation**

Environmental obligations in local jurisdictions where Cloud is a landlord. For example:

- Germany: Energy Efficiency Act (Germany)
- France: Installation Classified for the Protection of the Environment (ICPE)



# Appendix A

## Schedule of Policies

Policy	Y/N	Policy (Continued)	Y/N		Y/N
Acceptable Computer Use Policy	Y	Disciplinary Policy	Y	Mobile Working and Guidelines	Y
Alcohol and Substance Misuse	Y	Email Policy	Y	Modern slavery	Y
Annual Leave Policy	Y	Equality and Diversity Policy	Y	Offers and Acceptance of Gifts and Hospitality Policy (Including Sponsorship)	Y
Anti-money laundering	Y	ESG	Y	Responsible Vendor Policy	Y
Attendance Management Policy	Y	Grievance Policy	Y	Recruitment and Selection Policy	Y
Bullying and Harassment Policy	Y	Health and Safety	Y	Retirement Policy	Y
Child labour	Y	Internet Use Policy	Y	Operational Risk Management Strategy	Y
Code of Confidentiality	Y	IT Access Control	Y	Investment Risk Management Strategy	Y
Complaints handling	Y	Know your customer/ customer due diligence	Y	Security Management Policy	Y
Conflicts of Interest Policy	Y	Learning and Development Policy	Y	Serious Incident Policy	Y
Counter-fraud, Bribery and Corruption Policy	Y	Living wage	Y	Travel and Expenses Policy	Y
Cyber security Policy	Y	Lone Working Policy	Y	Whistleblowing Policy	Y
Data Protection and Confidentiality Policy	Y	Media Policy	Y	Writing off Bad Debts	
Declarations of Interest Form	Y	Misconduct	Y	Zero Tolerance Policy	Y