Switch Green Financing Framework

JANUARY 2024
1.0 Introduction and Background

Switch is a technology infrastructure ecosystem corporation whose core business is the design, construction and operation of the most advanced and highest-rated data centers on the planet. We believe that the future of humanity depends on the intelligent and sustainable growth of the Internet. As more people, businesses, governments and devices come online, the need for reliable data centers powered by renewable energy increases. Powered by 100% renewable energy since 2016, Switch’s focus on sustainability and efficient technologies make our exascale ecosystems the most sustainable and cost-effective colocation environment in the industry. The Switch ecosystem empowers clients with a myriad of options for innovation, economies of scale, risk mitigation, sustainability and investment protection.

1.1 Sustainability Strategy

As a leading technology infrastructure and data center colocation provider, Switch’s most important opportunity to impact global climate change is to reduce the impacts associated with the electricity used to power our data centers. Switch has been committed to powering its data centers with 100% renewable power. Since January 2016, all Switch data centers have run on 100% renewable energy in all our Prime Campus locations. Switch continues to make aggressive efforts to procure and utilize clean sources of energy; including solar, wind, and geothermal resources to power its data center operations.

Improving the energy efficiency of our nation’s data centers has become more critical than ever as our digital economy expands. Switch’s data centers are among the most efficient in the industry.
Switch has always made sustainability a top priority and has been an industry leader in this regard. Our commitment to sustainability leadership and 100% renewable energy is not only a social and environmental imperative, but also provides significant competitive advantages and cost savings for Switch.

As these savings are shared with our clients, we believe our ability to offer 100% green energy compared to our peers provides a unique competitive advantage for Switch. As enterprise clients continue to focus more acutely on their own sustainability initiatives, we believe our market leadership in low-cost renewable power will prove to be increasingly critical in the years to come. In addition to the ongoing competitive and financial benefits described above, Switch also receives energy efficiency rebates annually from our local utility providers. The company is able to qualify for these rebates because of the reduced energy usage associated with our patented and customized data center equipment, including air handling units, power distribution systems, and overall efficiency of our designs and processes.

ENVIRONMENTAL POLICY STATEMENT

Switch reveres the principles of additionality, locality, sustainability, advocacy, and compassionate stewardship in its power procurement, use and operations. Switch is committed to the highest standards of environmental performance and sustainable design in all our data centers, in the general course of day-to-day business and to improving the company’s performance over time. Sustainability is central to our business philosophy and is the guiding principle to our data center designs and operations. Our founder and CEO has more than 500 patents and patent pending claims that not only help us deliver 100% uptime for our clients, but are equally focused on energy efficiency and sustainability innovation.

Switch’s sustainability sitting policy includes unyielding commitments to:

- Operate our facilities with 100% renewable electricity, and to implement policies and practices that further ensure we are proactive and responsible stewards of the climate and the environment, preventing harmful emissions whenever possible
- Strive for optimal energy efficiency and tenets of sustainability in the design of our data center facilities, with a level of leadership and innovation that enables us to perform well above industry standards and invite others to do the same
- Seek higher levels of performance, efficiency and optimize with each new facility we build
- Comply with all environmental laws and regulations as applicable to our business, including design, construction and building permits, and advocate for advancements in such policies and standards
- Be transparent and open in our communications about our efforts
- Advocate for and participate in public policy and industry standards debate to help raise awareness, and champion sustainable initiatives and challenge the industry status quo

To review our full Environmental Policy, please request it at ESG@switch.com.
ENVIRONMENTAL PROCUREMENT POLICY

As a global leader in sustainable data center design and operations, and as a thought leader for corporate citizenship, Switch is committed to procuring goods and services in a manner that enhances the sustainability profiles of our data centers and our operations. We implement this commitment by working collaboratively with suppliers of our most important and impactful commodities to ensure our purchases meet the highest environmental performance standards, as required by our industry leading specifications. This includes, but is not limited to, commodities such as energy, water, air handlers, lighting, roofing and building sensors.

Switch’s EVP of Construction leads the performance management of construction suppliers across the company’s supply chain – with the oversight of Switch’s Founder and CEO Rob Roy. The construction team carefully selects firms to complete all phases of data center construction. Contracts with these suppliers include legally binding requirements to comply with Switch’s rigorous development standards, permit conditions, and land use authority rules, and above all to protect the confidential information and trade secrets of Switch and its clients. Contractor performance is monitored by a licensed third-party inspection, testing and management agency at each Prime Campus location. Additionally, the third-party agency is managed by our internal certified Qualified Compliance Inspector of Stormwater and Preparer of Storm Water Pollution Prevention Plans. Inspections are conducted on a weekly basis unless an unexpected event occurs that requires an interim inspection to be conducted in accordance with any and all local, county, state and/or federal requirements. If suppliers were to breach their obligations they would be promptly notified and managed through appropriate contractual, monetary, or legal actions. This includes setting deadlines for remedial actions or improvements, as necessary.

GREENHOUSE GAS (GHG) MANAGEMENT

We identify climate change and its impacts as a risk to our business, but also as an opportunity to gain a competitive advantage through innovation and a commitment to renewable energy. In assessing these risks and opportunities, we think about climate change in terms of how it affects our business and how we affect the environment.

Switch prepares a detailed greenhouse gas inventory each year and publishes the results on the sustainability section of our corporate website. The scope of our review includes all direct (Scope 1) and indirect (Scope 2) emission sources, as defined by the GHG Protocol Corporate Accounting & Reporting Standard. The GHG Protocol is the most widely used tool for quantifying GHG emissions and has been adopted throughout the world.

The boundary of the inventory extends to all assets under Switch’s operational control. Generally, emissions calculations are based upon quantitative data sources such as purchase records, metering equipment, and service records. Emission sources include our electricity supply (both location-based and market-based emissions are reported), renewable energy purchases and retirements, onsite diesel combustion for backup generation, relevant refrigerants used in our cooling systems, and motor vehicles used in support of site operations. Switch’s primary focus in reducing its greenhouse gas emissions is to ensure all data centers remain 100% renewably powered – even as the company grows. In 2021 we worked aggressively to offset the emissions associated with our direct operations (Scope 1) by investing in third-party verified carbon reduction projects. Through the purchase of these carbon offsets and our 100% renewably powered operations, our Scope 1 & Scope 2 carbon footprint is net zero. Switch is committed to maintaining net zero operations annually.
2.0 Green Financing Framework

Switch has established this Framework to help finance the development and integration of its long-term sustainability strategy and goals, specifically in the key focus areas of (i) reducing greenhouse gas emissions to ensure all data centers remain 100% renewably powered and (ii) maintaining net zero operations annually.

This Framework is aligned with the International Capital Markets Association (ICMA) 2021 Green Bond Principles and 2022 Appendix (GBP) and the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) & Loan Syndications and Trading Association (LSTA) 2023 Green Loan Principles (GLP). The core principles of the guidelines are:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

This Framework follows the recommendations of the Guidelines for External Review. The Framework may be further revised or updated to remain consistent with changes in corporate strategy, market or regulatory developments (such as but not limited to global sustainable finance and climate disclosure regulation) on a best effort basis. This Framework will apply to any green finance instruments, including bonds or notes (including private placements of either), commercial paper and loans (each a Green Finance Instrument) issued by Switch for the purpose of financing or refinancing Eligible Green Projects (as defined below). Relevant disclosures will be included in Switch’s Annual Report, Sustainability Report, green finance reporting, corporate presentations and other publicly accessible documents and filings.

2.1 Use of Proceeds

For each Green Financing under the Green Financing Framework, we intend to allocate an amount equal to the net proceeds of the Green Financing to the financing or refinancing, in whole or in part, of Eligible Green Projects. “Eligible Green Projects” include new and existing operating expenditures made by Switch during the period from [24 months] prior to the Green Financing through its maturity that meet the eligibility criteria.

Examples of investments that may be considered eligible include the following:

- **Capital Expenditures and selected Operating Expenditures** (such as maintenance costs that either increase the lifetime or the value of the assets) of physical assets meeting the Eligibility Criteria; and
- **R&D Expenditures** aimed at developing new products and/or solutions as per the Eligibility Criteria

All Eligible Investments will provide clear environmental benefits directly aimed at addressing or mitigating a specific sustainability issue and/or seek to achieve positive environmental outcomes. The use of proceeds of any labeled Instrument issued under this Framework can be applied to one or more of the following Eligible Investment categories outlined below and contribute to one or more of the following SDGs.

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1. ICMA 2021 Green Bond Principles, with June 2022 Appendix
2. LMA, APLMA & LSTA Green Loan Principles
3. ICMA Guidance Handbook January 2022
### Table 1: Eligibility Criteria for Eligible Green Project Selection

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<thead>
<tr>
<th>Eligible Project Category</th>
<th>Eligibility Criteria and Example Projects</th>
<th>Sustainable Development Goal Alignment</th>
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<tbody>
<tr>
<td><strong>Energy Efficiency</strong></td>
<td>Investments in, expenditures related to, or refinancing of: Data Center Infrastructure that is highly water efficient and energy efficient. Eligible assets may include:</td>
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<td></td>
<td>• Existing, retrofitted and upgraded data center infrastructure with a Power Usage Effectiveness (PUE) of 1.45 or below</td>
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<td>• New-build data center assets with a PUE of 1.4 or below</td>
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<td></td>
<td>• Energy Start Certified</td>
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<td></td>
<td>• ISO 50001 Energy Management System Certified</td>
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<td></td>
<td>• ISO 14001 Environmental Management System Certified</td>
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<td><strong>Renewable Energy</strong></td>
<td>Investments in or expenditures related to:</td>
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<td></td>
<td>• The design, development, and manufacturing of equipment or systems supporting the construction, or operation of facilities that generate or transmit renewable energy</td>
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<td></td>
<td>• The purchase of renewable energy pursuant to long-term power purchase agreements or virtual power purchase agreements entered into for electricity generated by wind and solar sources</td>
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### 2.3 Process for Project Evaluation and Selection

All projects financed or refinanced with the green financing net proceeds under the Eligibility Criteria set out in Table 1 would follow an internal process that includes final review and approval of the allocation by the Switch Green Finance Committee. The Green Finance Committee consists of representatives from the company’s Finance, Sustainability, and Legal groups.
In addition, Switch complies with all required regional and local regulations at its sites, including environmental impact assessments and ongoing environmental and health and safety requirements (before, during and after construction).

Switch’s sustainability policy describes the process by which we deal with environmental performance of our investment projects. As part of a decision in an investment not only financial and technical requirements are reviewed, but the environmental performance as well.

To evaluate eligible projects under the Green Financing Framework, the Committee will adhere to Switch’s existing corporate policies and procedures when assessing perceived social and/or environmental risks associated with the projects.

2.4 Management of Proceeds

The Switch Green Finance Committee will track net outstanding proceeds from Green Finance Instruments and allocate proceeds to eligible green assets in accordance with the project selection criteria listed in Table 1 on a regular basis using an internal accounting process. Switch intends to allocate an amount which matches or exceeds net outstanding proceeds from Green Financing instruments. Switch will, over time, achieve a level of allocation to Eligible Green Projects which matches or exceeds the amount of net proceeds from its outstanding Green Financings.

Pending the allocation to Eligible Projects, net proceeds from any Green Financing may be temporarily invested or otherwise maintained in cash, cash equivalents, short-term investments, or used to repay other borrowings (provided that all uses of proceeds will exclude investments in any high-emitting or controversial activities). Payment of principal and interest on each Switch Green Financing will be made from Switch’s general funds and will not be directly linked to the performance of any Eligible Projects.

If a project no longer meets the eligibility criteria listed in Table 1, Switch intends to reallocate the funds to one or more other Eligible Green Projects.

2.5 Reporting

ALLOCATION REPORTING

Switch intends to undertake and publish annual reporting on the allocation and impact of the portfolio of Eligible Green Projects. This reporting will start one year after the issuance of an applicable Green Finance Instrument. This reporting will be made publicly available to investors. The reporting will be subject to review by the Green Financing Committee. Reporting will be updated annually until full allocation of net outstanding proceeds is reached and, in the case of a green bond or green ABS, will be made available on an aggregated portfolio basis.

The reporting will be supplemented by the use of a reputable independent auditor, or other third party, appointed by Switch, to verify the internal tracking and the allocation of funds from the net proceeds of the Green Finance Instruments to Eligible Green Projects.

Switch intends to report on an aggregated basis for all Green Finance Instruments outstanding at the level of the ICMA, LMA, APLMA and LSTA eligible project categories.
The allocation report will provide indicators such as:

- The total amount of net proceeds from Green Finance Instruments outstanding
- The amount of net proceeds allocated to Eligible Green Projects Categories as defined in the Use of Proceeds section of this Framework
- The remaining balance of unallocated net proceeds, if any
- The amount or percentage of net proceeds allocated to new Eligible Green Projects versus the amount and percentage allocated to existing Eligible Green Projects

**IMPACT REPORTING**

On a best effort basis and where feasible, Switch intends to include impact reporting information in its allocation report. The calculation methodologies and associated assumptions will be further detailed in the reporting. Switch intends to align its impact reporting with the 2022 ICMA Handbook for Harmonized Framework for Impact Reporting. The table below outlines potential impact reporting metrics for each of the Use of Proceeds categories.

**Table 2: Illustrative Impact Metrics**

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<tr>
<th>Eligible Project Category</th>
<th>Examples of Impact Metrics</th>
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| Energy Efficiency, Sustainable Water and Wastewater Management | • 12 month rolling average PUE of Eligible Green Projects  
• Potential GHG emissions avoided through energy efficient data centers/infrastructure  
• **Tracking WUE:** US Portfolio Average 2022 Water Usage Effectiveness ("WUE") 1.36  
• ISO 50001 Energy Management System Certified  
• ISO 14001 Environmental Management System Certified  
• **NET POSITIVE WATER:** Switch’s net positive water strategy through current projects under development will balance and restore its corporate water footprint indefinitely  
• **WATER CONSERVATION TECHNOLOGY:** Proprietary water processing technology enables water reuse and eliminates chemicals from our cooling systems  
• **EFFLUENT PIPELINE PROJECTS:** Switch identifies and leads water improvement projects in the communities where we operate to allow us to run qualified campuses on 100% recycled water  
• Reduction of nitrates that would otherwise be put into the Truckee River, protecting local wildlife and certain endangered species |
| Renewable Energy | • % Renewable Energy sourced  
• GHG emissions reduced / avoided in metric tons of CO2 equivalent |
2.6 External Review

SECTION 2.6.1 - SECOND PARTY OPINION

Switch will obtain and make publicly available a Second Party Opinion (SPO) from a consultant with recognized environmental and social expertise on the environmental and social benefits of this Green Financing Framework as well as the alignment to the Principles. The SPO will be made publicly available.

SECTION 2.6.2 - VERIFICATION

Switch will obtain and make publicly available a Second Party Opinion (SPO) from a consultant with recognized environmental and social expertise on the environmental and social benefits of this Green Financing Framework as well as the alignment to the Principles. The SPO will be made publicly available.

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