

Environmental and Social Sustainability Report



N E X T D C

CEO's Statement

NEXTDC is a technology company enabling business transformation through innovative data centre outsourcing solutions, connectivity services and infrastructure management software. As a recognisable and trusted brand, being a sustainable organisation is very important to NEXTDC as we consider the long term environmental and social impacts of our organisation.

For NEXTDC, sustainability is about ensuring that our business is managed to account for social, environmental and economic risks and opportunities. In the short and medium term, being sustainable also comes with financial benefits and value creation opportunities for shareholders. Implementing environmental initiatives improves our operating costs whilst our social sustainability practices improve staff moral and supplier relationships. This has a positive flow on effect in improving productivity.

NEXTDC's strategy for addressing environmental and social sustainability matters is as follows:

Environmental sustainability: NEXTDC implements Environmental Management Systems to comply with the ISO14001:2015 standard. This focuses our attention on the continuous improvement and delivery of sustainable initiatives. By establishing appropriate objectives and targets, NEXTDC is committed to assessing and reducing the energy and environmental impacts of its data centres.

Social sustainability: NEXTDC aims to reflect its organisational values in its dealings with staff and customer. These values are also reflected in our Corporate Social Responsibility, Employee Code of Conduct, Supplier Code of Conduct and other code of conduct related policies.

NEXTDC categorises and prioritises the most relevant sustainability issues that affect the organisation and its stakeholders. This report is an opportunity to communicate and disclose to our shareholders how environmental and social considerations are addressed and monitored by the company.



N E X T D C

Australia's leading independent **DCaaS** Data-Centre-as-a-Service provider.

Sustainability Highlights and Values

Sustainability Highlights



NABERS 4.5 Star rating for M1 facility.



100% return to work rate following parental leave.



Commitment to diversity: 26% increase in the total number of women working at NEXTDC during FY16.

Our Values

Our values define our culture. They are not just words on a page. We seek to live our values and they guide and define our corporate culture.



Excellence – we are relentless in our pursuit of excellence, not perfection



Oneteam – we are a team, like pro sports athletes, committed to excellence



Innovation – people who never made mistakes never tried anything new



Communication – we practise the art of mindful listening so we can better understand



Efficiency – we stay nimble by minimising complexity



Customer – we have an obsessive customer-first focus in everything we do

NEXTDC's day to day operations are carried out in accordance with our Code of Conduct. NEXTDC's Board of Directors, as the company's highest governance body, ensures that the above values are reflected in the company's operations. NEXTDC seeks to build on its growth by attracting the highest calibre talent and maintaining strong customer relationships. The Board has two sub committees: the Audit and Risk Management Committee and the Remuneration and Nomination Committee. NEXTDC maintains a majority independent board and sub committees consistent with the recommendations of the ASX Corporate Governance Council (3rd Edition).

The company also has an appointed Workplace Health and Safety Committee, which meets monthly and reports to the Board.

NEXTDC also has a formalised Whistleblower Policy, Supplier Code of Conduct, Privacy Policy and Diversity Policy, all of which are made publicly available under the Corporate Governance section of our company website.

Risk Management

NEXTDC has a robust approach when it comes to risk management in operational planning and the development of new products and facilities. When building new data centres, NEXTDC assesses and mitigates environmental risks, such as:

- the effect the construction might have on cultural heritage,
- its environmental impact more broadly,
- the generation of excessive dust and/or noise, and
- if any new data centre has an effective waste management plan in place.

Third party contractors are also required to submit an Environmental Management Plan to advise NEXTDC on how they will minimise their impact on the environment.

Report Overview

The Environmental and Social Sustainability Overview relies upon the latest version of the Global Reporting Initiatives' (GRI) G4 guidelines that were published in 2013. The GRI is an international, independent organisation that helps businesses communicate their impact on critical sustainability issues. Crucially it produces one of the most recognised standards for sustainability reporting, the GRI Guidelines, which enable organisations to measure and understand their most critical impacts on the environment, society and the economy. Using the GRI G4 Core Guidelines ensures NEXTDC reports against the environmental and social issues that are identified as being of most significance to our business and stakeholders.

The 2016 Environmental and Social Sustainability Overview covers all operations within Australia over which NEXTDC has operational control for the financial year ending 30 June 2016. Whilst NEXTDC won't be seeking external assurance the details within this report have been verified by the Risk & Compliance Manager for assurance over their accuracy.

In order to define the content of the report, NEXTDC has followed the GRI's Reporting Principles for Defining Report Content. In accordance with the GRI G4 guidelines, the company has identified the material issues or 'aspects' that reflect the organisation's significant economic, environmental and social impacts; or which substantively influence the assessments and decisions of stakeholders. The company identified these based on a self-assessment of the impacts related to its activities, products, services, and relationships. NEXTDC proceeded to identify and prioritise those aspects that are most important for the organisation and then validate them. As a result of this process, NEXTDC has created a shortlist of material issues that are regarded as being significant to key stakeholders and are therefore disclosed in this report.

The company's key material aspects and their boundaries are identified in the following table.

Material issue	GRI material aspect	Boundary ¹	Reporting
These are issues of very high material importance to NEXTDC and its stakeholders.			
Energy Consumption	Energy, Emissions, Compliance and Supplier Environmental Assessment	External (Communities)	Environmental Sustainability and Performance
Employee Health and Safety	Occupational Health and Safety	Internal (Employees)	Social Sustainability
These are issues of high material importance to NEXTDC and its stakeholders.			
Employee Retention and Loss of Talent	Training and Career Development, Diversity and Equal Opportunity	Internal (Employees)	Social Sustainability
These are issues of low material importance to NEXTDC and its stakeholders.			
Social Impact of the Business	Compliance	External (Communities)	Social Sustainability
Customer Protection and Data Security	Customer Privacy	External (Customers)	Social Sustainability

1. Internal boundary refers to entities over which NEXTDC has direct control and the people and contractors employed by those entities. External boundary refers to people and entities outside of NEXTDC's direct control.

Environmental Sustainability and Performance

NEXTDC is dedicated to monitoring and improving the best way to manage its data centres to:

- improve energy efficiency,
- minimise our impact on the environment and natural resources, and
- meet and exceed the minimum environmental legislative requirements.

Environmental Targets

Our customers and therefore the data centres will have increasing power requirements year on year. Accordingly it is not possible to set targets for reduction of emissions or carbon footprint. During the reporting period the total power consumed by all centres nationwide reached 96,334 MW/h.

NEXTDC measures its environmental performance by the Power Usage Effectiveness PUE rating for each data centre. NEXTDC's primary environmental objective is to achieve the target PUE rating for each data centre.

PUE measures energy efficiency, calculated by the following formula:

$$\frac{\text{Total power consumed} - \text{power consumed by the office space}}{\text{Total IT load}}$$

Environmental Objectives

The following environmental objectives have been established for FY17:

- Tune our mechanical and electrical plant (MEP) to maximise energy efficiency.
- Reduce the risk of an environmental incident, such as a diesel spill or discharge of pollutant.
- Minimise CO₂ emissions.
- Reduce NEXTDC's contribution to landfill.

Objective 1 – Tune MEP to maximise energy efficiency (Minimal PUE)

NEXTDC has engaged in various initiatives to improve our PUE rating:

- **Retuning mechanical and electrical plant (MEP) for maximum efficiency.** NEXTDC's engineering team have sought to set the most efficient settings for the MEP. It is anticipated that this will result in a further reduction in PUE based on the following parameters:
 - Using MEP data to help predict trend of IT Load over the year and adjusting MEP operational parameters accordingly.
 - Predicting the hourly weather conditions at each location on an hourly basis and adjusting MEPS performance parameters accordingly.
 - Greater and pro-active management of chiller plant efficiencies.
 - Reducing the number of MEP being used for the required demand.(less MEP plant driven at higher load is more efficient).
- **Optimum placement of the floor grills.** This increases the temperature of the return air from the data halls, which improves the efficiency of the chiller plant.
- **Airside free cooling.** Using external air sources, coupled with the optimum placement of floor grills, further improves energy efficiency.
- **Waterside free cooling.** Depending on the weather conditions, using external sources to cool water will activate automatically at S1, M1 and P1 to drive the chiller plant efficiency.
- **Rack blanking panels.** Racks are checked regularly and blanking panels are placed in the empty spaces. This significantly reduces the energy required to cool the data halls.
- **Energy monitoring systems.** This extensive project involves the collection of accurate performance data. Targeted adjustments in the MEP's operation made as a result then improve our operational efficiency and enable us gain higher NABERS ratings.

Objective 2 – Reduce risk of environmental incident

- There has been a review of how our suppliers minimise their environmental risks, including a detailed review of supplier's Safe Work Method Statement (SWMS).
- Since the introduction of the mandatory requirement for all suppliers to include environmental risks in their SWMS in March 2016, 100% of new suppliers who were screened met this criteria.
- In addition, NEXTDC has improved its internal procedures and staff training in relation to preventing environmental incidents, and environmental incident response.

Objective 3 – Minimise CO₂ emissions

- NEXTDC has exceeded the threshold of reportable Scope 1 and Scope 2 CO₂ emissions. Accordingly NEXTDC is now required to submit a National Greenhouse Gas and Emissions Report (NGER) to the Clean Energy Regulator, annually.
- To minimise CO₂ emissions as much as possible, NEXTDC facilities have:
 - set the generators to run at maximum efficiency
 - run generators for the minimum amount of time required to undertake the regular maintenance and dark site tests when running on generators, reducing the site load.

Objective 4 – Reduce landfill contribution

To reduce landfill impact NEXTDC has taken the following reduction activities:

- All cardboard from customers' installations are recycled.
- Broken fluorescent light-tubes are recycled.
- All e-waste (end of life batteries, computers, phones, etc) is recycled.
- NEXTDC does not permit customers to dispose of e-waste in our bins.

Renewable Energy – Solar

NEXTDC has always been proactive in working to reduce energy consumption and reduce its dependence on non-renewable energy sources where practical and economical. NEXTDC's M1 Melbourne data centre has a 400kW solar rooftop array, believed to be the largest privately funded such array in Australia. In FY16, it produced 476 MW/h in renewable energy, which provided an off-set of over 488 tonnes of CO₂, equivalent to the carbon generated yearly by 143 cars.

The array produced around two percent of the electricity used by NEXTDC's customers at M1. The array also helps reduce our peak demand for energy from the grid, helping the City of Melbourne achieve its stated sustainability and clean energy goals.

Renewable Energy – City of Melbourne Initiative

NEXTDC is currently evaluating the feasibility of participating in a City of Melbourne's Renewable Energy Buyer's Group. This is a group of Melbourne companies that are exploring viable solutions from the renewable energy sector that may supply cost effective electricity for its operations.

Energy Efficiency

During the reporting period, NEXTDC received a 4.5 NABERS star rating for its M1 data centre in Melbourne.

NABERS is a national rating system that measures the environmental performance of Australian buildings by measuring the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment. The rating scale ranges from one to six stars with six stars indicating market leading performance and one star that the building under review has considerable scope for improvement. The 4.5 NABERS star rating attained for M1 is currently the equal highest in the data centre community in Australia.

Compliance and Sanctions

NEXTDC has not received any fines or non-monetary sanctions for non-compliance with any environmental law or regulation and is not aware of any environmental authorisation or licensing breaches. Similarly, NEXTDC has not received any fines or non-monetary sanctions in respect of any other laws.

During the period NEXTDC met the following environmental compliance requirements:

- Environmental Protection Acts for each State in Australia.
- Local council requirements for waste management.
- Relevant dangerous goods legislation for each state regarding storage and handling of chemicals.
- Relevant waste reduction / recycle legislation for each State.
- Relevant control of noise legislation for each State.
- Heritage Acts – cultural heritage obligations for each site.
- Flora and Fauna Acts – authorities have been appropriately contacted for the removal of snakes and seagulls from P1 and M1 facilities.

Social Sustainability

NEXTDC People

As at 30 June 2016, NEXTDC had 170 employees that were all directly employed by the company. NEXTDC makes limited use of self-employed workers. No NEXTDC workers are covered by enterprise agreements.

The company values its employees and offers funded parental leave to primary and secondary care givers, in addition to any government funded parental leave scheme. Employee retention is important to NEXTDC and we have a 100% return to work rate following parental leave. During the year, six employees were entitled to maternity leave and three male employees took parental leave. Four female employees have returned to work and two are still on maternity leave. All four employees are still employed 12 months after returning to work. Following the introduction of the Flexible Workplace Policy during FY13, there has been a continuously increasing number of employees taking up flexible working arrangements.

Employee Engagement, Training and Career Development

Having an engaged workforce is vital to achieving our strategic objectives. Employee feedback is requested on a regular basis both through formal employee engagement surveys and informal feedback requests by managers. This feedback is then used to determine the areas of focus for the business to improve the level of employee engagement across the company.

NEXTDC understands the value that its employees bring to the company. The organisation's sustainable development is achieved through our people. All of our employees received regular performance, remuneration and career development reviews during the reporting period. This process is repeated annually throughout the organisation.

All employees complete annual compliance training, which averages to approximately four hours per employee, per year. All of our facility staff holds the required licences in order to carry out their duties, including cabling and electrical licences. There is also internal training provided based upon the Uptime Institute's Operational Sustainability requirements.

During the reporting period, NEXTDC received two formal grievances that were addressed and resolved. NEXTDC has not received any fines or non-monetary sanctions for non-compliance with laws and regulations related to labour practices during the reporting period.

Diversity

NEXTDC is continually developing a workplace that promotes diversity and fosters a culture that recognises and celebrates the success of our team. We recruit from our employee's personal networks and encourage flexible working conditions to attract and retain the industry's best talent. We create a fun, inclusive and interesting workplace where we invest in our team and celebrate their achievements.

NEXTDC participates in the Workplace Gender Equality Annual Compliance Reporting and is compliant with the Workplace Gender Equality Act 2012. A detailed breakdown of employees is disclosed within the company's 2016 Workplace Gender Equality report that is publicly available on the company website. NEXTDC is also currently undertaking a gender pay gap analysis to ensure that all employees are remunerated fairly.

The company has a formal strategy in place that specifically supports gender equality and diversity. NEXTDC recognises the skills, values and experiences a diversified group of people with different backgrounds can offer and is proud of its strong and diverse workforce.

Customer Satisfaction and Data Security

At NEXTDC we have a customer-first focus in everything we do. We are continually looking for ways to improve customer satisfaction and are focused on the end-to-end customer experience.

NEXTDC collects a minimal amount of Personal Identifiable Information (PII). Except for the purpose of doing business and to permit entry into our facilities, NEXTDC does not store, interact with or retrieve any customer data. Consequently, NEXTDC has not received any substantiated complaints regarding breaches of customer privacy or losses of customer data during the reporting period.

Our NEXTHEROES

The "NEXTHERO" recognition program selects a monthly winner from a short list of candidates nominated by all staff and customers. Nominations are based on individual achievement or contribution that team members and customers believe is exceptional. Each year, the recipients of the monthly NEXTHERO awards are eligible to be selected for annual category awards. Winners of the monthly and annual awards receive gift or travel vouchers.

Workplace Health & Safety (WHS)

NEXTDC, as the operator of five data centre sites, takes the health and safety of its employees seriously. We are pleased to report that we had only four incidents reported during FY16, three of which resulted in injuries and of which two were treated by first aid. There was only one incident requiring medical treatment and which resulted in loss of time due to the injury sustained.

The Company's WHS Committee meets monthly to review workplace health and safety matters and the Board of Directors is provided with regular reports on WHS matters. All employees are required to undergo WHS training and where particular roles require additional training, such as first aid or high voltage safety training, this training is provided. WHS policies and procedures are regularly reviewed and updated.

All of NEXTDC's employees are represented in formal joint management-worker health and safety committees since all facilities are represented by a Health and Safety Representative (HSR).

Supporting Australian Industries

As a neutral hub for cloud computing NEXTDC's facilities are purpose built to enable broad industry participation across a range of sectors. NEXTDC presently has an ecosystem of over 50 telecommunications carriers and a plurality of local and international Infrastructure-, Platforms-, Applications-, Software- and Network-as-a-Service providers. Many of these providers are Australian companies, who in turn are powering the cloud computing revolution in Australia with their own diverse and ever evolving service offerings.

While certain materials are of a highly specialised nature and are not produced domestically, NEXTDC purchases specialised equipment and services from Australian based companies and Australian subsidiaries of international providers. These companies also undertake installation, further testing and commissioning within Australia and utilise Australian labour where possible as well as Australian subcontractors.

NEXTDC actively seeks to enhance and promote mutual research and development possibilities and strategic partnerships with our suppliers. By working with NEXTDC many of our customers are able to demonstrate an enhanced proposal or solution to their customers that assists them in winning business. Our suppliers also are able to use their relationships with NEXTDC to demonstrate the unique skills they have gained in providing goods or services in a high tech environment such as that of the NEXTDC data centres; in turn improving their chances of success with other business. An example is NEXTDC's pioneering work in Australia relating to the use of Diesel Rotary Uninterruptible Power Supplies (DRUPS) and an Isolated Parallel-Bus system. Suppliers involved in this project are able to use their experience with NEXTDC to demonstrate the success of the technology and their role in the process. As more and more domestic providers of data centres replace battery banks with DRUPS technology, this is an important and high-value example that our suppliers can use to help grow their own business capabilities.

Supplier Code of Conduct

A new Supplier Code of Conduct was introduced in 2016. This is an extension of NEXTDC's Corporate Social Responsibility Policy and establishes the minimum principles for our suppliers to adhere to, including:

- corporate governance and ethical practices,
- workplace health and safety,
- social, environmental and economic risk management,
- employment practices, and
- information security requirements.

Sustainability Data

NEXTDC's sustainability data provided below relates to the financial year ending 30 June 2016 and are presented to the nearest significant figure.

Environmental Indicators

Environmental Indicators	Target	FY16	FY15
Average Power Usage Effectiveness ²	1.40 ¹	1.45	1.51
Total Scope 1 emissions(tCO ₂ e)	N/A ³	199	86
Total Scope 2 emissions (tCO ₂ e)	N/A ³	87,033	30,931
Total water consumption (kL) ⁴	44ML	94,640	37,359

Notes:

1 Target has been set based on all data centres being fully built and operational, and operating at target customer load.

2 Average is measured across all data centres over a full year

3 There are no targets for reducing Scope 1 or Scope 2 emissions as they will increase every year

4 Total water drawn from water grids and rain consumption from all data centres over a full year

NEXTDC people

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Headcount ¹	170	163	139	85	54
BY DIVISION					
Corporate (Executive, Finance, Legal, People & Culture, Sales & Marketing)	55	50	46	44	30
Facility Operations, Project Management and Engineering	50	52	43	32	17
Technology and Customer Operations	65	61	50	9	7
Turnover rates ²	18.5%	17%	17%	16%	10%

Notes:

1 Headcount: The number of employees as at the end of the reporting period (includes part-time employees)

2 Turnover rates: The average regretted voluntary turnover rate for the reporting period

Workforce by location, type and gender

	Managers		Non Managers	
	M	F	M	F
Melbourne	4%	0%	13%	5%
Sydney	6%	2%	16%	7%
Brisbane	4%	1%	17%	11%
Canberra	1%	0%	5%	0%
Perth	1%	1%	5%	2%

Workforce – New hires by gender, location and age group

	20-30		31-40		41-50		51-60	
	M	F	M	F	M	F	M	F
Melbourne	1	1	2	1	1	-	1	-
Sydney	3	-	4	-	2	1	1	-
Brisbane	4	5	3	-	4	1	-	-
Canberra	-	-	1	-	-	-	-	-
Perth	-	-	1	-	1	-	-	-

Contact

For any queries about NEXTDC's sustainability reporting, please use the following link to contact us:

<http://www.nextdc.com/contact>