

Cloudflare (NET) Sustainability Report

Profile:

Cloudflare is a leading content delivery network (CDN) that helps power ~20% of global internet traffic. The company also offers cybersecurity solutions to stop hackers. The company also operates a developer platform that empowers programmers to create and enhance applications.

What Cloudflare Does Well:

Cloudflare's mission is to build a better internet. The company originally focused on content delivery and is now focusing on cybersecurity to improve the security of internet traffic. The company blocks 112 billion threats a day.

Cloudflare has many socially beneficial programs. The [Athenian Project](#) provides free website protection to state and local governments to insulate election cyberattacks. The project supported 266 government websites across 31 states in the 2022 midterm elections, blocking an average of 16 million attacks a day in the month leading up to the election. The [Bandwidth Alliance](#) is an initiative aimed at decreasing data transfer fees in the cloud computing industry. Members of the alliance include Google, Microsoft, Oracle, and Alibaba. On top of this, Cloudflare's R2 product has zero data transfer fees.

Other notable programs include:

- Providing free services and support to 130 Ukrainian government and infrastructure providers, as well as roughly 80 nonprofits aiding in the response to Russia's invasion.
- Since 2014, Project Galileo has provided free services to "vulnerable" organizations, like artist or humanitarian groups, that are experiencing cyberattacks.
- According to a Analysys Mason study, enterprise utilization of Cloudflare cloud-based products in lieu of on-premises products "could reduce annual carbon emissions by 78–96%, depending on the size of the enterprise." Most of this savings comes from the pooling of data centers through Cloudflare versus an enterprise operating one independently.
- The company recently applied to the Science Based Targets initiative (SBTi) to help cut emissions.
- Named to Newsweek's America's Most Loved Workplaces of 2023, claiming the 55th spot.

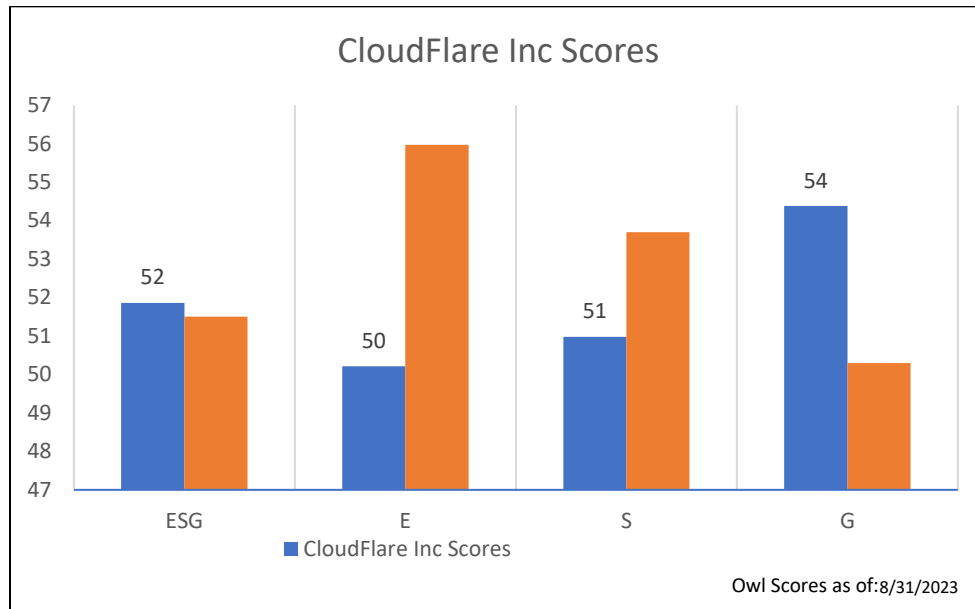
Concerns:

The main concern our firm has with Cloudflare is its carbon footprint. The company operates over 300 data centers globally, which require vast amounts of energy. While the company is aiming to work with the SBTi, reduce emissions, and buying carbon emission offsets, the company is still in the early days of this process. Cloudflare has not disclosed any Scope 3, or supply chain and logistics-related, emissions data. The company is "committed to publishing those results," but has not put a specific time frame on the reporting.

Shareholder Engagement:

None.

ESG Scores:



Conclusion:

While Cloudflare has a sizable carbon emissions footprint, our firm views it as critical infrastructure to support and protect the internet from malicious actors. Therefore, our firm believes Cloudflare is a sustainability-conscious investment in internet infrastructure.

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