Climate risks and opportunities

zendesk

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Introduction

At Zendesk, we're on a mission to power exceptional service for every person on the planet. As the industry leader in customer experiences, we help businesses bring together the best of AI agents, workflow automation, and human agents for their customers and employees. With our software and expertise, businesses deliver service that increases customer loyalty and drives revenue at a reduced cost.

We believe that business plays a critical role in creating a sustainable and thriving planet. That's why we're committed to decarbonizing our entire value chain and contributing to a 1.5°C-aligned future. As we work to shift to a low carbon company and help improve the state of the world, we also know that climate change is an increasing business risk and can impact the success of our company, our suppliers, and our customers. That's why in 2023, we conducted a climate risk assessment, to identify relevant physical and transition risks, analyze financial implications under different climate scenarios, and evolve our sustainability strategy and adaptation plans in the context of those risks.

By publishing this Climate Risk Report in alignment with key recommendations of the Financial Stability Board's (FSB) Task Force on Climate-Related Financial Disclosures (TCFD) and International Sustainability Standards Board (ISSB)'s standards, we are committed to transparently disclosing the top climate risks relevant to our business, and our approaches and progress around Governance, Risk Management, Strategy and Metrics & Targets to our investors and other stakeholders.

Governance

The board's oversight of climate-related risks and opportunities

At Zendesk, we believe that effective governance, including oversight over our enterprise-wide risks, partnership with the communities we operate in, and rigorous accountability, is fundamental to our long term success.

Zendesk's Audit Committee of the Board of Managers (the Board) oversees our Environmental, Social, and Governance (ESG) related issues. The ESG Committee within Zendesk reports to the Audit Committee of the Board quarterly, or to other Board committees as appropriate to formally update the Audit Committee on relevant ESG matters, including emerging, evolving, and/or mitigating climate risks and opportunities.

Management's role in assessing and managing climate-related risks and opportunities

ESG committee

We have an ESG committee composed of our Chief Legal Officer, Chief Marketing Officer, Chief Financial Officer, and Chief People Officer that meets regularly to achieve the following objectives:

- Review climate risks and opportunities and advise the Board on any that may materially affect Zendesk.
- Review ESG progress against ESG goals and initiatives.
- Coordinate disclosure across all public facing reporting.
- Maintain awareness on how the world of ESG is evolving for our industry.
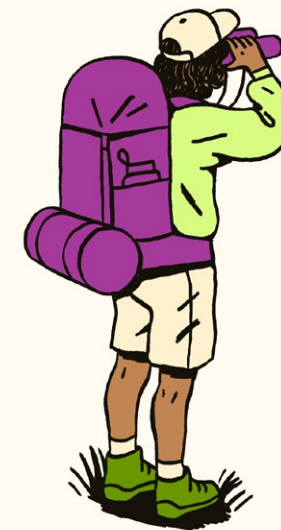
The ESG Committee then advises the Board on Zendesk's ESG strategy, initiatives, investments, and policies, identifies and evaluates any related risks, including climate-related risks, and reviews and discusses material ESG updates and priorities.

Sustainability team and cross-functional leaders

The sustainability team oversees our sustainability strategy and initiatives, and collaborates with cross-functional leaders and teams, including Product and Engineering, Real Estate and Workplace Experience, Procurement, Customer Success, Legal, and Risk Management, to assess, manage, and act on climate-related risks and opportunities.

Risk Management

Processes for identifying, assessing, and managing climate-related risks

In 2023, we conducted a climate risk assessment, to identify relevant physical and transition risks, analyze financial implications under different climate scenarios, and improve our sustainability strategy and adaptation plans in the context of those risks.

This assessment involved collecting both qualitative and quantitative insights from key stakeholders across various business functions, including Procurement, Real Estate, Legal, Product Strategy, Customer Relations, Engineering and Business

Continuity. Using recommendations aligned with TCFD, we screened 20 physical and transition risks and 12 opportunities related to climate based upon the risk likelihood, scope of impact, and Zendesk's preparedness to manage the risk.

The relevance and impact of those risk areas were assessed in line with the metrics used by Zendesk's Enterprise Risk Management (ERM) program. Based on these ratings, inherent and residual risk scores were determined, and risks were prioritized according to a combination of the quantitative residual risk score and qualitative feedback from stakeholders.

Integrating the processes for identifying, assessing, and managing climate-related risks into the organization's overall risk management

Functional leaders across Zendesk are responsible for effectively monitoring, managing, and mitigating the risks. We have added the identified relevant climate risks from our assessment into Zendesk's ERM Risk Register, which is reviewed at least annually and more frequently where warranted. Functional leads at Zendesk meet quarterly to report and update on the status of primary risks.

Risks of highest importance are elevated
to the Board where the Audit Committee
oversees the Zendesk management's
progress in addressing the identified risks.
The committee assesses whether these risks,
along with any necessary mitigation actions,
are adequately integrated into Zendesk's
strategies, business plans, risk management
policies, and annual budgets.

Strategy

Through our climate risk assessment conducted in 2023, Zendesk identified that no climate risks came out to be major or high[1] for our company. The relevant physical and transition risks identified are currently managed by our ongoing business resiliency and continuity activities and sustainability initiatives. However, we track the relevant climate risks and evolve our mitigation and adaptation strategies to facilitate the continuous success of our business, as climate change poses a systemic risk to all businesses, including Zendesk. Additionally, we aim to capture relevant opportunities as the world transitions to a low carbon economy.

The relevant climate-related risks and opportunities over the short, medium, and long term

Based on our latest climate risk and opportunity assessment, the below table introduces the specific climate-related physical and transition risks identified as most relevant for Zendesk.

[1] "High" is defined in line with Zendesk's internal ERM definitions.

Identified Climate-related Risks

Risk Type // Time Horizon	Risk Driver	Description	Potential Impact to Zendesk
Physical – Acute // Medium to Long Term	Hurricanes	Weather-related storm events (i.e., hurricanes, cyclones, & typhoons) are often short-lived but will increase in both frequency and severity.	Extreme climate events like hurricanes, wildfires, and heatwaves could cause power outages, disruption to data center operations, and increasing costs of energy use, thus pose risks to the resilience of the physical infrastructure that our cloud vendors rely on and impact our product reliability. Also, these events could lead to property damage to leased office space, power outages both at our leased offices and employees' home offices, and loss of internet connection, thus could impact our real estate operating costs and our employees' productivity and safety. Extreme climate events like hurricanes, wildfires, and heatwaves could also impact our suppliers' operations and capability to provide quality products and services to us.
	Wildfires	Wildfire season has lengthened in many areas, including warmer springs, longer summer dry seasons, and drier soils and vegetation. This leads to increases in the duration of wildfire risk season as well as the frequency of wildfire occurrences.	
	Heatwaves	Heat wave risks include an increase in frequency in the number of days with unusually hot temperatures as well as record high temperatures.	
Transition – Technology // Medium Term	Meeting environmental performance expectations	In the rapidly evolving landscape of sustainability, businesses may need to adopt and implement new technologies and processes (e.g. low carbon, cloud optimization, energy / computation / storage efficiency) to align with increasing requirements and expectations to improve environmental performance. This may involve investing in and integrating innovative technologies or improving the environmental performance of current technologies.	As we transition to a low-carbon economy and environmental requirements continue to rise, we expect more customers or potential customers to demand their suppliers to improve environmental performance, set science-based climate targets and provide low carbon products as they work to decarbonize their operational value chain. This could result in our company needing to invest more significantly into improving the environmental performance of our software and other services, resulting in shifting resources and focus. Failing to align with rising demands for enhanced environmental practices could result in negative consequences to a business. This risk encompasses the threat of reputational damage, strained customer relationships, and diminished competitive advantage, ultimately impacting revenue and long-term resilience and growth.

Transition – Market // Medium Term	Increased demand for low carbon products / services	With increasing public awareness and concern for climate change, demand for low-carbon products and services is increasing, changing customer purchasing behavior. This market risk revolves around the potential challenges related to shifts in consumer preferences and market demands.	We expect more customers or potential customers to demand their suppliers to provide solutions or services that will in turn reduce their own emissions. This could be through requiring companies to set science-based climate targets and provide low carbon products as they work to decarbonize their operational value chain.
			Failing to meet these expectations could damage our reputation, our relationship with customers, and our competitive advantage, thus impacting our revenue and long term success.
Transition – Policy // Medium Term	Increased carbon regulation & reporting requirements	There are increasing regulations and legislations addressing climate change that could affect organizations, including strengthening regulations to disclose environmental impact and reduce carbon emissions.	As a global business, Zendesk is subject to climate and ESG regulations in many regions, such as the Corporate Sustainability Reporting Directive (CSRD) of European Union Commission, and California's Climate Corporate Data Accountability Act and Climate-Related Financial Risk Act. Non-compliance could cause penalties, damage to our reputation, and impact our right to operate in certain regions.

Identified Climate-related Opportunities

Opportunity type // Time Horizon	Opportunity	Description[2]	Potential Impact to Zendesk
Resource Efficiency // Medium Term	Energy efficiency investment and Reduce Greenhouse Gas (GHG) emissions	There is growing evidence and examples of organizations that have successfully reduced operating costs and emissions by improving efficiency across their production and distribution processes, buildings, machinery/appliances and transport/mobility - in particular in relation to energy efficiency, but also including broader materials, water, and waste management. Such actions can result in direct cost savings over the medium to long term and contribute to the global effort to curb emissions.	Zendesk's products and services are cloud-based. So reducing our GHG emissions and investing in energy efficiency across the value chain can help optimize our operations, reduce energy costs, support our broader sustainability goals, showcase innovation, fulfill regulatory compliance, and boost our company's reputations and positive perception to our investors, customers, employees, and other stakeholders.

[2] FINAL-2017-TCFD-Report.pdf (bbhub.io)

Resilience // Medium Term	Infrastructure & supply chain resiliency	Climate resilience involves an adaptive capacity to proactively respond to climate change to better manage the associated risks and seize opportunities. Opportunities related to resilience may be especially relevant for organizations with long-lived fixed assets or extensive supply or distribution networks, those that depend critically on utility and infrastructure networks or natural resources in their value chain, and those that may require longer-term financing and investment.	Zendesk incorporates climate change impacts into our infrastructure network and supply chain resilience planning to be better positioned for the uncertainties of the future. Recognizing the importance of our reliance on our supply chains and vendors, strategic investments in bolstering resilience across our infrastructure network and supply chain present an opportunity to proactively mitigate potential business risks in the future to avoid disruptions or potential impacts. Climate resilient infrastructure and robust supply chains not only are more resilient to disruptions but also offer a competitive advantage, resulting in minimal downtime and enhanced operational continuity.
Products / Services // Medium Term	Innovation to support customers' climate and sustainability goals	Companies that innovate and develop sustainability-focused products and services may improve their competitive position and capitalize on shifting consumer preferences.	Zendesk prioritizes investment in innovation and allocates funds for research and development, aiming to create solutions that align with the growing demand for products supporting customers' efforts to drive climate action. As a customer experience (CX) leader aiming to power exceptional services to everyone on the planet, our products and features could power our customers' climate and sustainability efforts, such as ESG metrics tracking and reporting and employee engagement on sustainability initiatives. This could strengthen our relationships with our customers and employees, and potentially lead to business growth.

The impact of climate-related risks and opportunities on Zendesk's businesses, strategy, and financial planning

Using our strategy of 'Reduce, Mitigate, and Accelerate', we strive to incorporate environmental sustainability into everything we do, from product engineering to supply chain, and help scale innovative climate solutions and technologies that are critical to the societal-level transition to net zero. This strategy and our comprehensive sustainability initiatives have factored in the relevant climate risks and opportunities introduced above.

Reduce
value chain emissions in alignment with the latest science

Mitigate
global emissions by purchasing high-quality carbon offsets

Accelerate
carbon removal technologies and transition to a net zero economy

Climate Risk Category	Impact Area	Strategy and Initiatives
Physical risks • Hurricane • Wildfires • Heatwaves	Product engineering	Product engineering activities, including cloud operations and data hosting, is critical to our business and is a key source of our company's carbon footprint. Our activities have been all in public cloud since 2018. Extreme climate events like hurricanes, wildfires, and heatwaves could cause power outages, disruption to data center operations, and increasing costs of energy use, thus posing risks to the resilience of the physical infrastructure that our cloud vendors rely on and impact our product reliability. Climate risks are a key consideration of our product engineering strategy. We have established business continuity and data redundancy plans, to help mitigate the impact of potential disruptions. Also, our public cloud regions are strategically decentralized, which increases the resilience and reliability of our products.
	Workplace & employees	Our leased offices and co-working space are places where our employees collaborate and connect in person. While we continue implementing a hybrid work policy, our employees use real estate offices as needed to best support our customers and business growth. Extreme climate events like hurricanes, wildfires, and heatwaves could lead to property damage to leased office spaces, power outages both at our leased offices and employees' home offices, and loss of internet connection, which could impact our real estate operating costs and our employees' productivity and safety. Our hybrid work policy allows our global employees to work remotely as needed. By having a more dispersed workforce, this has helped mitigate the recent impacts of physical climate events such as hurricanes, wildfires, and heat waves. All of our leased offices are located in metropolitan areas and are covered with proper insurance policies. In FY23, we implemented a flexible office program with our new flexible workspace partner Upflex. This new partnership helps us access on-demand coworking space in more than 10,000 locations in 135 countries. This program will help improve our employees' access to safe and flexible working spaces. Thus, the business impact of physical damages due to extreme weather is minimal and manageable to Zendesk. In addition, our Global Security and Safety (GS&S) program has provided employees with Severe Weather/Natural Disaster Procedure that should be performed if a severe weather event or natural disaster occurs at a Zendesk location, to protect employees' safety.
	Procurement	Extreme climate events like hurricanes, wildfires, and heatwaves could also impact our suppliers' operations and capability to provide quality products and services to us.

		To mitigate the risks and improve the resilience of our supply chain, we have included sustainability and climate related criteria into our vendor RFP and scoring processes to help identify suppliers who have robust climate risk mitigation and adaptation plans. Also, we have added sustainability-related requirements in our Supplier Code of Conduct, to request suppliers to disclose environmental data on an annual basis and set science-based climate targets.
Transition risks • Meeting environmental performance expectations • Increased demand for low carbon products / services • Increased carbon regulation & reporting requirements	Product engineering	We expect more of our customers to demand their suppliers to set science-based climate targets and provide low carbon products as they work to decarbonize their operational value chain. At Zendesk, all of our products are carbon neutral from 2022. We achieved it by reducing emissions generated from Zendesk's offices and product operations as much as we can, and compensating for the remaining or un-abatable emissions using high-quality carbon credits. As Zendesk continues to launch more artificial intelligence (AI) products and features, we aim to establish AI products, features, and capabilities that are developed and used in a responsible way, and support our carbon neutral product commitment. By implementing a Sustainable AI strategy, which entails working with cloud providers for clearer insight into AI's impact, adopting green engineering practices, and incorporating sustainability considerations into our AI-related Business Code of Conduct, we are committed to minimizing the carbon footprint of our AI products and features.
	Workplace	We achieved 100% renewable energy by 2020, by purchasing renewable energy and certificates equivalent to the amount of electricity we use in our global offices. To continue reducing emissions from our leased offices in line with the speed and scale that's needed by the planet, we set a new science-based emissions reduction target that has been approved by the Science-based Target initiative (SBTi). See the Metrics and Targets section for more details. We are implementing below efforts to drive progress against our emissions reduction goals: • Move to environmentally sustainable offices. As we update and expand our global office portfolio, sustainability performance is a key consideration for new office selection. • Align with world-leading green building standards and improve energy efficiency. This helps us to validate that the design and construction of our offices meet world-leading sustainable building standards. Additionally, we collaborate with our landlords and local utility partners to identify and implement energy saving measures to reduce emissions. • Continue achieving 100% renewable energy, aiming to accelerate clean energy transition and grid decarbonization.
	Procurement	Over 80% of Zendesk's annual GHG emissions are attributed to our upstream supplier activities. Hence our risk exposure to shifting customer demand on sustainability is not only driven by our own climate commitments and progress, but also the climate actions of our key suppliers which we rely on to deliver our products.

		As a part of our newly set science-based emissions reduction target that has been approved by the Science-based Target initiative (SBTi), we commit that 68.4% of our suppliers by emissions, will set their own science-based targets by 2027. Through this target, we plan to use the below strategy to effectively mitigate the relevant transition risks: • Embed sustainability into sourcing and procurement operations and decisions. • Enable suppliers to set targets and make progress by sharing tools and resources. • Enhance data transparency of our value chain to promote accountability.
	Legal & Compliance	As a global business, Zendesk is subject to climate and environmental, social, and governance (ESG) regulations in many regions, such as the Corporate Sustainability Reporting Directive (CSRD) of the EU commission, and California's Climate Corporate Data Accountability Act and Climate-Related Financial Risk Act. We believe that transparency is the foundation of trust, and we are committed to disclosing the carbon footprint of our full value chain, our climate commitments, initiatives, and progress against our targets on an annual basis through our Global Impact Report. Also, our sustainability and legal teams are partnering to track the increasing carbon regulation & reporting requirements, and build internal infrastructure and working groups to assess relevance, requirements and gaps, to facilitate compliance.

Climate Opportunity Category	Impact Area	Strategy and Initiatives
Energy Efficiency investment, and GHG emissions reduction	Product engineering	Reducing our GHG emissions from product development and operations can support our carbon neutral product commitment, and our customers' environmental actions. The goals are embedded into Zendesk's product engineering strategy. This includes: • Migrating our workloads to more energy efficient cloud instances since 2022. This initiative has helped optimize our infrastructure costs, improve cloud performance, and reduce relevant carbon emissions. • Collaborating with our cloud vendors to effectuate that our data is hosted in the data centers that are located in the cleaner utility grids. • Engaging our technology suppliers to set science-based targets. • Investing the saved engineering costs to support carbon offsetting and removal solutions that reduce and remove societal-level GHG emissions.
	Workplace & employees	Improving energy efficiency and reducing GHG emissions of our offices can improve our employees' experience, and are baked into our flexible workspace plan. This includes:

		• Continue achieving 100% renewable energy, with a goal to accelerate clean energy transition and grid decarbonization. • Collaborating with our landlords and local utility partners, to identify and implement energy management measures to improve energy efficiency and reduce emissions. • Empowering our employees to save energy and reduce carbon emissions from their home offices, by launching a Work From Home sustainability guidance. • Leaning on our scope 1&2 science-based targets to drive further innovation for emissions reductions in our offices.
	Procurement	Upstream supplier activities are a major part of Zendesk's carbon footprint, which is a big opportunity for emissions reduction and broader collaboration with suppliers on climate. As we commit that 68.4% of our suppliers by emissions will set their own science-based targets by 2027, we are factoring sustainability into our relationship with suppliers. We aim to send a strong signal that sustainability is top of mind for Zendesk, and use contractual obligations to drive suppliers' actions.
Infrastructure & supply chain resiliency	Procurement and Infrastructure	Zendesk incorporates climate change impacts into our infrastructure network and supply chain resilience in an effort to be better positioned for the uncertainties of the future. Implementing adequate contingency plans are in place and developing solidified Zendesk processes alongside those will further bolster Zendesk's protections against the potentially adverse impacts of climate change. Supplier engagement is a key strategy to confirming that our critical suppliers are also aligned with Zendesk's climate risk priorities.
Innovation to support customers' climate and sustainability goals	Product strategy and innovation	As a CX leader aiming to power exceptional services to everyone on the planet, our products and features could power our customers' climate and sustainability efforts. Our Zendesk Labs team collaborates with the sustainability team to support ESG-related product innovation activities, including using Zendesk's platform to track and manage our own customers' ESG inquiries, and guiding our customers to use our products and features for their ESG data tracking and reporting.

Scenario analysis

To further understand the business implication of the top identified climate risks and the resilience of our business under different climate scenarios, we conducted a scenario analysis to gather the quantitative information necessary to analyze the climate risk exposure of our global business.

Physical Risk Scenario Analysis

The physical risk analysis considers the possible implications to Zendesk across three Shared Socioeconomic Pathways, as defined by the Intergovernmental Panel on Climate Change (IPCC): SSP1-2.6 (representing a below 2°C warming scenario), SSP2-4.5 (representing a 2°C-4°C warming scenario), and SSP5-8.5 (representing an above 4°C warming scenario). These three scenarios were used to evaluate the various climatic impacts in 2030 and 2050 "future worlds" scenarios across 31 global locations associated with Zendesk's operations.

We adopted robust methodologies outlined below to quantify the business impact of the relevant risk areas:

Selected relevant risk areas	Scenario analysis methodology
Hurricanes	An increase in frequency and severity of acute climate events – like hurricanes - could affect the physical safety, security, and productivity of employees and infrastructure for the delivery of services. Impact to Zendesk can be felt through increased power outages due to impacts to physical infrastructure. To assess the extreme weather events risk exposure for Zendesk locations under multiple warming scenarios, all leased offices and Zendesk's public Cloud locations were analyzed for the following metrics: • Changes in extreme wind risk: measured using the maximum Tropical Cyclones (Category 0 to 5) wind speed • Changes in extreme precipitation events risk: measured using annual maximum amount of precipitation to fall across a 1-day period (mm) • Changes in riverine flooding risk: measured using inundation depth (m) due to riverine flooding, linked to a 1-in-500-year likelihood of recurrence. Inundation depth is the total water level that occurs on normally dry ground and is expressed in terms of height of water above ground level. • Coastal flooding risk due to increases in sea level rise and storm surge: measured using inundation depth (m) due to sea level rise, historic highest storm surge, historic highest high tide and historic land subsidence, linked to a 1-in-500-year likelihood of recurrence
Heatwaves	An increase in frequency and severity of acute climate events – like heat waves - could affect the physical safety, security, and productivity of employees and infrastructure for the delivery of services. Impact to Zendesk can be felt through increased operating costs and increased power outages in areas with lagging grid resiliency. To assess heatwaves risk exposure for Zendesk, all leased offices and Zendesk's public cloud locations were analyzed under various climatic scenarios for increased extreme heat days. In this analysis, extreme heat days were defined as the annual count of days when the daily maximum temperature surpassed 35°C.

Physical Risk Key Findings

Heat waves

For global offices: Most of our offices are not projected to face high extreme heat risk. However, under the worst climate change scenario (SSP5-8.5), a small subset of Zendesk office locations could be exposed to increasing frequencies and intensities of heat waves, such as Pune, India and Manila, Philippines. We will continue mitigating the relevant risks for these targeted locations, through our Workplace Sustainability program, Global Security and Safety (GS&S) program, and flexible working program.

For cloud hubs: Heat waves do not emerge as high risks for our current cloud hub locations. The relevant risks are being mitigated and managed through our business continuity and data redundancy programs. For potential cloud expansion in the future, we will continue factoring the relevant risks into our strategic planning, such as working with cloud vendors to understand and establish fail-over procedures in the event of heat waves.

Hurricanes

For global offices: Most of our offices are not projected to face high hurricane risks. However, under the worst climate change scenario (SSP5-8.5), a few Zendesk office locations could be exposed to increasing frequencies and intensities of hurricanes such as Tokyo, Japan, and Manila, Philippines. We will continue mitigating the relevant risks for these targeted locations, through our Workplace Sustainability program,

Global Security and Safety (GS&S) program, and flexible working program.

For cloud hubs: Most of our current cloud hubs globally are not projected to experience high risks from extreme wind, extreme precipitation, riverine flooding, or coastal flooding. The risks are being mitigated and managed through our business continuity and data redundancy programs. However, under the worst climate change scenario (SSP5-8.5), a few hubs may experience increasing frequencies and intensities of hurricanes. We will continue factoring the relevant risks into our strategic planning, such as working with cloud vendors to understand and establish fail-over procedures in the event of hurricanes.

Transition Risk Scenario Analysis

Companies are increasingly prioritizing sustainability over time, as exemplified by the growth of the Science Based Targets initiative, where the number of new companies setting and committing to set targets doubled in 2021 and more than 4,000 companies covering over a third of the global economy's market capitalization were setting targets or committing to do so via the SBTi at the end of 2022. Zendesk is already seeing customers requesting sustainability information and actions, and we expect sustainability to be an increasingly important factor in customer relationships. The risk exposure for Zendesk, related to evolving environmental requirements and customer preferences, stems from both our own climate commitments and our key technology suppliers integral to product delivery.

The transition risk analysis aims to capture the spectrum of potential shifts in demand for sustainable products/services

from the current state. To do so, three qualitative scenarios were developed based on public research to illustrate the varying intensities in the evolution of potential future requirements:

1. Low shift (Only current state "high" or "very high" climate maturity customers will expect products which meet their sustainability commitments. All suppliers with any current climate initiatives would be able to meet the demand).
2. Moderate shift (Current state "high" and "moderate" climate maturity customers will factor their climate commitments into product selection. Suppliers with moderate current sustainability commitments would be able to support Zendesk in meeting the demand).
3. High shift (Customers with any current state climate maturity will likely factor climate commitments into product selections. Only suppliers with high/very high current sustainability commitments would be able to support Zendesk in meeting the demand).

The analysis conducted was based on the assumption that if customers are prioritizing aspects such as supplier engagement, SBTi goals, etc., then they will ultimately be pursuing a decrease in their scope 3 emissions. Given that Zendesk's products are cloud-based, this could lead to increased expectations regarding the environmental performance of the technology that customers are obtaining from Zendesk. Consequently, Zendesk's ability to meet customer environmental performance expectations is dependent on the commitments and actions of our global technology suppliers. To evaluate the impending risk stemming from heightened expectations, we examined the current sustainability commitments and initiatives of our top customers and critical technology suppliers.

Transition Risk Key Findings

Zendesk's risk exposure to increasing customer expectations on environmental performance is driven by both our own climate progress, and also our key suppliers which we rely on to deliver our products.

Based on Zendesk's existing climate progress, and the latest climate commitment data of our top customers and top critical technical suppliers, we believe we are well suited to meet the "high shift scenario" in environmental performance expectations from our customers, by continuing progressing on our climate targets and pushing our top suppliers towards science-based targets (SBTs).

- Some of our top customers have high or very high climate ambitions and goals, while some customers currently are still early on in their goal setting and supply chain emissions reduction journey.
- The majority of our top technology suppliers are considered to have "high" sustainability maturity. Based on the assumptions of our analysis, these suppliers are projected to be well-positioned to help Zendesk meet increasing customer expectations for environmental performance under all demand shift scenarios. There is a small subset of top suppliers that do not appear to be prioritizing sustainability, but these suppliers make up a small percentage of our 2023 spend, which poses a lower inherent risk to Zendesk.
- The risks are being mitigated through our existing climate commitments and progress, and our supplier engagement science-based targets, where we commit that 68.4% of our suppliers by emissions will have science-based targets by 2027.

We also recognize the limitations of our analysis due to prioritization and data availability. For instance, non-technical suppliers' sustainability progress is not considered in our analysis, because we believe that technical suppliers are most essential to our capabilities to deliver low carbon products to customers. Also, customers who currently do not have sustainability programs might progress fast in the coming decades due to regulatory and stakeholder pressure. Hence, we will continue tracking the market dynamic and engaging customers as needed to best understand and meet their demand and preferences.

Metrics & Targets

We conduct GHG accounting for our entire value chain in alignment with the GHG protocol, and use key metrics to track progress against our climate goals on an annual basis. More detailed data can be found in the 'ESG metrics' section of our Global Impact Report.

Public targets	Definitions	Metrics	Status
100% renewable energy	Purchase renewable energy and certificates equivalent to the amount of electricity we use in our global offices on an annual basis.	Total purchased renewable energy and certificates (MWh) / Total electricity consumption (MWh) = 100%	**Achieved**
Carbon neutral product	On an annual basis, reduce GHG emissions generated from Zendesk's office operations and product development (mainly cloud engineering and data hosting) as much as possible. Compensate for remaining or un-abatable emissions using high-quality carbon credits.	Residual product-related GHG emissions (tCO2e) - purchased carbon credits (tCO2e) = 0	**Achieved**
Carbon neutral travel	On an annual basis, reduce GHG emissions generated from Zendesk employees' business travel, commuting, and home offices as much as possible. Compensate for remaining or un-abatable emissions using high-quality carbon credits.	Employee travel related GHG emissions (tCO2e) - purchased carbon credits (tCO2e) = 0	**Achieved**
Purchase carbon removal from 2023 to 2030	In partnership with Frontier and Watershed, purchase a diverse portfolio of engineering-focused carbon removal technologies through offtake agreements[3] from 2023 to 2030.	Qualitative metrics: the carbon removal companies that we sign offtake agreements with. Quantitative metrics: tonnage of carbon removal units (CDRs) that are delivered by the companies.	**On-track**

[3] Offtake agreements are contracts to buy carbon removal in the future at a predetermined price once it is delivered.

Science-Based Targets aligned with 1.5°C	Zendesk commits to reduce absolute Scope 1 and 2 GHG emissions from our offices 84.2% by 2030 from a 2019 base year. Zendesk also commits to continue active annual sourcing of 100% renewable electricity through 2030.	Scope 1&2: (GHG emissions of the latest year - 2019 GHG emissions) / 2019 GHG emissions.	**On-track**
	Zendesk further commits that 68.4% of its suppliers by emissions, covering purchased goods and services, and capital goods, will have science-based targets by 2027.	Scope 3: Scope 3 emissions that are covered by suppliers who have approved SBTs / Total Scope 3 supplier-related emissions	

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