Netskope Climate Risk Assessment Report

netskope

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Executive summary

This report presents Netskope's first comprehensive climate-related risk assessment, prepared in alignment with the four pillars of the Taskforce on Climate-related Financial Disclosures (TCFD): Governance, Strategy, Risk management, and Metrics and Targets.

The assessment was initiated to support compliance with emerging climate disclosure regulations, including California SB 261, and to establish a structured foundation for long-term climate risk oversight at Netskope.

The analysis focuses on climate-related risks and opportunities relevant to Netskope's cloud-native business model, which relies on a globally distributed network of leased data centers (DCs) and a remote-first workforce. The report covers both transition risks, driven by evolving regulation and market expectations, and physical risks, assessed across Netskope's locations with high concentration of employees or critical business functions and key colocation DCs.

Overall findings indicate that potential exposure to transition risks is important for Netskope, as the company operates in a sector where regulatory expectations related to energy efficiency and carbon intensity are evolving rapidly. Conversely, physical risks are significantly mitigated due to Netskope's resilient multi-region architecture and remote working flexibility. The report also identifies opportunities for competitive differentiation through renewable energy procurement and strengthened sustainability governance.

1. Governance

At Netskope, strong governance forms the foundation of the climate topics management approach. Oversight of climate-related risks and opportunities is embedded into existing operational resilience structures across the organization.

Climate-related matters fall under the oversight of the Nominating and Corporate Governance Committee, which is responsible for reviewing corporate responsibility and sustainability policies, including topics related to human rights, environmental management, and climate change. The Board reviews climate-related topics annually, with previous discussions primarily focused on GHG footprinting and formulating the decarbonization strategy. Beginning in 2026, the scope of Committee review will expand to include climate-related risks and resilience.

At the management level, responsibility for climate-related activities is coordinated through the ESG Committee and the Environmental Taskforce. They lead climate-related risk assessments, facilitate data collection, decarbonization initiatives, supplier engagement, and policy development. Members of the Environmental Taskforce include representatives from ESG, procurement, operations, HR, and finance, ensuring climate considerations are addressed collaboratively across business functions.

In parallel, Netskope manages operational and climate-adjacent risks through its Information Security, Technical Compliance, and Business Continuity teams. These functions monitor natural-hazard threats globally, conduct business impact analyses, and coordinate response actions to maintain continuity of critical operations during natural disasters. While these teams do not assess climate risks directly, their processes for monitoring natural hazards and regional disruptions support Netskope's overall resilience to climate-related events.

2. Strategy

Netskope's cloud-native platform is delivered through leased colocation facilities across multiple global regions. As a result, climate-related risks and opportunities are shaped by the resilience, energy profile, and regulatory context governing data center and digital operations, as well as by the evolving customer expectations regarding climate performance.

This assessment focuses on how climate-related risks may influence Netskope over the short term (2026), medium term (2027–2030), and long term (2031–2050). In the short term, climate-related risks are not expected to materially affect Netskope's service delivery due to robust redundancy, automated failover, and remote working capabilities. In the medium and long term, however, regulatory developments, energy-system transitions, and customer ESG expectations may influence operating costs, hosting strategy, and sustainability positioning.

The identification and prioritization of risks was informed by climate science data, global regulatory developments, and sectoral transition trends. To validate assumptions and results, Netskope engaged stakeholders across Legal, IT, Cybersecurity, Risk, Infrastructure, ESG, and Finance.

To explore how both physical and transition-related factors may evolve and affect the business, Netskope applied forward-looking climate scenarios.

These included:

- **Physical risk scenarios** aligned with the Shared Socioeconomic Pathways (SSP), covering a "middle of the road" emissions (SSP2-4.5) and a higher-emissions world (SSP5-8.5).
- **Transition risk scenarios** informed by the International Energy Agency (IEA) outlooks to anticipate regulatory tightening and technology and market shifts across DC landscape—ranging from aggressive decarbonization (NZE 2050) to current policies pathways.

Transition risks

Transition risks are the most relevant climate-related exposure for Netskope, driven by accelerating regulation, rising expectations for renewable-powered digital services, and growing scrutiny of the sustainability of cloud. For companies operating through leased colocation data centers, transition exposure is shaped by regulatory obligations, vendor energy profiles, and customer requirements for transparency and low-carbon hosting.

Regional differences in grid decarbonization further influence Netskope's exposure. Europe is progressing faster, while markets such as the U.S., India, Australia, and Singapore show slower transitions, which may increase long-term hosting costs and residual emissions. These differences underscore the importance of vendor engagement, renewable-energy transparency, and monitoring energy-system trends.

Within this context, transition risks relevant for Netskope fall under four TCFD categories:

- **Regulatory:** Compliance costs from mandatory climate-related disclosure frameworks and potential exposure to carbon pricing mechanisms.
- **Technology:** Increasing pressure to transition to low-carbon and energy-efficient technologies and DCs, especially in regions with delayed grid decarbonization.
- **Market:** Rising expectations for renewable-powered hosting and transparent emissions data.
- **Reputation:** Potential risk of reputational damage in case of non-compliance and lagging behind peers in climate disclosures and performance.

Physical risks

Physical climate hazards, acute (extreme heat, storms, pluvial flooding, wildfires, earthquakes) and chronic (drought, water stress), are relevant but largely mitigated under Netskope's current operating model.

The company's global DC network has been designed with extensive redundancy and automatic failover capabilities, enabling it to route traffic away from affected data centers in the event of localized disruptions, including climate-related disruptions. As a result, acute hazards are not expected to materially disrupt service availability under current operating conditions.

Physical risks may affect Netskope indirectly through increased energy or cooling demand in colocation facilities, potentially raising long-term operating costs managed by vendors rather than Netskope.

At office locations, physical hazards may lead to temporary access issues or localized disruptions. However, the overall exposure of office operations is low, as critical functions are not dependent on

physical office presence; employees can shift to remote work with minimal operational interruption.

In rare cases where an entire metropolitan or regional area with a high concentration of employees experiences prolonged power or connectivity outages, internal functions may be temporarily affected. These risks are mitigated through Netskope's business continuity procedures, multi-region operational setup, and real-time threat monitoring of natural hazards and regional disruptions.

Opportunities

Opportunities arise through efficiency improvements, greater renewable energy availability, strengthened supplier engagement, and enhanced climate responsibility and positioning. As colocation partners adopt more efficient cooling technologies, procure renewable electricity, or deploy advanced monitoring, Netskope can benefit from lower indirect emissions and improved infrastructure resilience. Growing customer demand for credible disclosure related to environmental performance also presents opportunities for differentiation through transparent disclosures, low-carbon hosting options, and partnership with clients on decarbonization expectations.

These considerations inform future planning in key areas such as vendor selection, energy and emissions management, long-term hosting strategy, and potential integration of climate criteria into risk management and governance processes. Netskope will continue monitoring the increasing operational costs associated with carbon-intensive geographies, the availability of renewable-powered hosting options, and the expectations of large enterprise clients for transparency, emissions reductions, and evidence of transition planning.

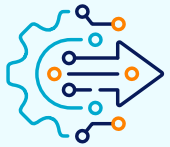
3. Risk Management

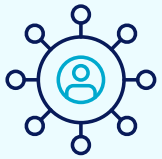
Climate-related risks were identified through a combination of climate science data, scenario projections, regulatory analysis, and sector-specific market research.

All identified risks were assessed qualitatively using methods consistent with TCFD practices. The assessment considered likelihood and potential business impact, informed by Netskope's distributed operating model and resilience capabilities. Qualitative risk scores were used to highlight the relative significance of each risk, indicating relative significance of identified risks and highlighting where risks may increase over time.

Transition risks were identified through a review of evolving climate disclosure regulations, carbon pricing mechanisms, decarbonization trends in the data center industry, and emerging ESG expectations among enterprise customers. These risks were refined based on stakeholder input from Legal, Risk, Infrastructure, Finance, and ESG teams.

The table below summarizes how transition and physical risks may evolve under different climate scenarios, alongside Netskope's current mitigation practices.

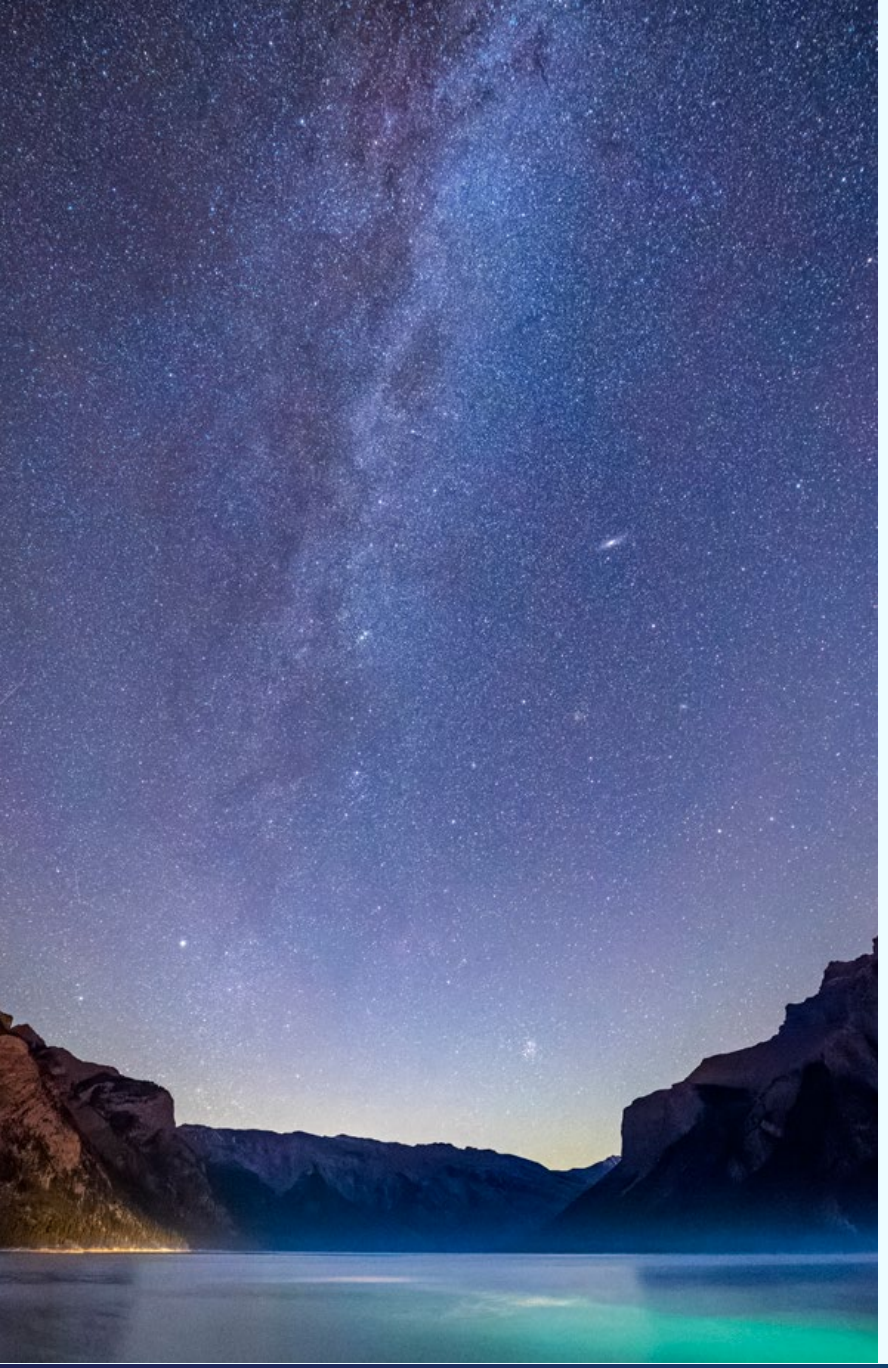
Risk Type	Transition Risk, Time Horizons	Description	Current Policies Scenario	Net Zero 2050 Scenario	Mitigation Measures
Policy and legal 	Compliance costs due to mandatory climate disclosure (e.g., SB 261, CSRD, U.K. rules). *Medium-term*	Netskope must comply with applicable laws related to climate disclosure. Coordination across jurisdictions adds administrative and data-management costs.	**Low impact** Costs related to disclosure rise gradually as regulations tighten inconsistently across regions.	**Medium-high impact** Compliance costs increase quickly due to early, stringent, globally aligned disclosure obligations.	Monitoring regulatory developments, strengthening internal governance and data management processes.
	Exposure to carbon pricing mechanisms (ETS, national systems, federal proposals). *Long-term*	Governments increasingly use carbon pricing to encourage emission reductions; this raises the cost of electricity generated from fossil fuels.	**Low-medium impact** Indirect carbon-price pass-through remains modest as many markets keep prices relatively low.	**Medium-high impact** Carbon prices escalate sharply, increasing DC electricity pass-through and emissions-related operating costs.	Engagement with colocation partners to understand their energy procurement strategies, efficiency measures, and exposure to carbon pricing.
Technology 	A need to transition to low-carbon and energy-efficient technologies/DCs. *Medium-term*	Market and regulatory pressure to reduce energy intensity and use renewable power.	**Low-medium impact** Pressure to switch to green DCs rises gradually, with limited short-term cost impact.	**Medium impact** Rapid technology shifts accelerate the need for low-carbon hosting, increasing short-term lease and energy costs.	Prioritizing colocation providers with renewable energy sourcing, energy-efficiency certification, and sustainable infrastructure roadmaps.
	Delayed grid decarbonization. *Long-term*	If national electricity grids decarbonize slower than expected, Netskope faces higher residual emissions and transition-risk exposure.	**Medium impact** Slower grid transition increases Renewable Energy Credits (RECs) dependence and keeps residual emissions higher.	**Low impact** Strong national policies accelerate grid decarbonization, reducing long-term residual emissions and REC needs.	Monitoring grid decarbonization rates in selected office locations. Exploring DCs' ability to source onsite renewable energy.

Risk Type	Transition Risk, Time Horizons	Description	Current Policies Scenario	Net Zero 2050 Scenario	Mitigation Measures
Market 	Increase in customers' ESG procurement requirements (esp. in regulated industries). *Medium-term*	Clients in regulated industries (e.g., finance, healthcare) are incorporating green criteria in procurement.	**Low impact** Customer ESG requirements grow slowly and influence procurement selectively in regulated sectors.	**Medium impact** ESG requirements become mainstream, pushing stronger expectations for renewable energy, transparency, and emissions data.	Engagement with strategic clients and colocation vendors to align on sustainability expectations and ensure access to renewable-powered DC options.
Reputation 	Reputational risks in case of non-compliance. *Medium-term*	Perceived gaps in sustainability governance could undermine relationships with like-minded clients.	**Low impact** Reputation impact is localized and limited, with modest influence on brand perception.	**Medium impact** Reputation risks intensify as markets and investors expect credible climate action and transparent reporting.	Continue strengthening sustainability governance, publishing transparent climate disclosures, and maintaining third-party ESG ratings (e.g., EcoVadis).
	Increasing competitor sustainability maturity. *Long-term*	Cloud and cybersecurity peers (e.g., Zscaler, Cloudflare, Palo Alto Networks) are continuing to advance climate strategies, positioning sustainability as a differentiator.	**Low impact** Peer maturity grows unevenly, keeping short-term risk low.	**Medium impact** Rapid improvement by peers increases competitive pressure, requiring Netskope to evolve sustainability practices to maintain credibility.	Continued development of decarbonization initiatives and integration of sustainability considerations into vendor and operational planning.

Physical risks were first identified by mapping Netskope's offices and leased data centers against long-term climate projections and acute weather hazard datasets. Given Netskope's reliance on colocation facilities rather than owned infrastructure, the analysis focused on disruptions that could affect service delivery through energy supply, cooling performance, or severe weather events.

Risk Type	Physical Risks	Potential Impacts on Netskope	Mitigation Measures
Acute 	**Extreme heat**	**Low-medium impact** • Higher cooling and energy demand at colocation facilities (cost absorbed primarily by vendors) • Reduced employee productivity	• Vendor engagement on cooling efficiency • Remote-work capability
	Windstorm	**Low impact** • Temporary employee productivity slowdowns if grid or connectivity outages affect high-concentration workforce regions	• Redundant network architecture and automated failover • Remote-work capability • Business continuity procedures
	Pluvial flooding/ heavy rainfall	**Low-medium impact** • Localized access or infrastructure constraints for colocation partners • Localized office access and employee mobility constraints • Large-scale disruptions may affect concentrated remote workforce	• Real-time hazard monitoring and employee safety alerts • Remote-work capability • Business continuity procedures • Redundant network architecture and automated failover

Risk Type	Physical Risks	Potential Impacts on Netskope	Mitigation Measures
Acute contd. 	Wildfires	**Low-medium impact** • Air-quality and mobility disruptions for employees • Power or connectivity outages affecting employees • No expected impact on service delivery unless multiple regions affected	• Real-time hazard monitoring and employee safety alerts • Remote-work capability • Business continuity procedures
	Earthquakes	**Medium impact** • Workforce disruptions in high-risk regions • Service delivery remains protected unless multiple DCs in same regions are impacted simultaneously	• Real-time hazard monitoring and employee safety alerts • Business continuity procedures • Redundant network architecture and automated failover
Chronic 	Long-term temperature rise	**Low impact** • Sustained increase in cooling demand and energy consumption (cost absorbed primarily by vendors)	• Vendor engagement on energy sourcing and cooling efficiency • Multi-region network design
	Water stress/ drought	**Medium impact** • Gradual cost increases for hosting in high-stress geographies • Potential need to prioritize DC vendors with enhanced water-risk management	• Prioritization of colocation providers with strong climate and resilience practices • Multi-region network design



Beyond risks, the assessment highlights several climate-related **opportunities** that can support Netskope's resilience, emissions reduction, and competitive differentiation.

Opportunity Type	Opportunity	Potential Impacts
Resource efficiency	Gains in data center energy efficiency	Efficiency improvements by colocation partners (cooling optimization, upgraded hardware, advanced monitoring) can reduce Netskope's indirect energy intensity and operating costs.
Energy source	Increased adoption of renewable electricity	Growing availability of renewable electricity (Power Purchasing Agreements (PPAs), RECs, green tariffs, onsite generation) enables further reductions in Netskope's indirect emissions.
Market	Market growth due to accelerated cloud transition	Accelerated cloud migration and data centralization in response to cost and carbon-reduction pressures increases demand for secure, cloud-native cybersecurity platforms.
Product/services	Positioning Netskope as a climate-responsible software provider	Transparent climate disclosures, demonstrable decarbonization progress, and strong engagement with data center partners enhance Netskope's positioning in climate-focused procurement processes.

4. Metrics and Targets

Netskope monitors a set of environmental metrics that inform both its climate-related risk assessment and its broader sustainability decision-making. These metrics provide insight into the company's carbon footprint, transition-risk exposure, and areas where operational and supplier practices can be strengthened.

Core climate metrics are tracked through Netskope's GHG inventory and energy consumption data, available through the carbon footprint assessment and ongoing decarbonization workstreams. The company discloses Scope 1, Scope 2, and partial Scope 3 emissions via third-party assessments and monitors year-on-year performance.

Key metrics include:

Emission Source	Volume, tCO2e
Scope 1 – Direct Emissions	**208.50**
Natural Gas	183.90
Other Fuels	16.02
Fugitive Emissions	8.57
Scope 2 – Electricity and Heating (market-based)	**381.44**
Electricity	377.35
Heating and Cooling	4.19

Emission Source	Volume, tCO2e
Scope 3 – Indirect Emissions Across the Value Chain	**30,393.47**
Category 01: Purchased Goods and Services	15,165.57
Category 02: Capital Goods	4,521.48
Category 03: Fuel and Energy Related Activities	87.71
Category 04: Upstream Transportation and Distribution	152.89
Category 05: Waste Generated in Operations	163.73
Category 06: Business Travel	2,533.58
Category 07: Employee Commuting	1,559.08
Category 08: Upstream Leased Assets	6,200.44
Category 12: End-of-Life of Sold Products	8.99

This year the business carried out a screening exercise to estimate the impact of the software products sold, based on energy consumption and overall lifetime. As a result, Netskope is well positioned to focus efforts in the near term on refining the accuracy of these calculations. This will support the company's ability to review the energy efficiency of products sold and thereby identify relevant decarbonization measures.

Additionally, electricity consumption in leased data centers is a major driver of Netskope's carbon footprint and transition-risk exposure, and the company is expanding its tracking of renewable electricity use and energy-efficiency performance. This includes monitoring the share of DC electricity sourced from renewables, assessing the number of colocation partners that can confirm renewable procurement practices, and reviewing evidence of energy-efficiency measures. These metrics enhance supplier engagement, help evaluate grid-decarbonization pathways, and support long-term transition planning.

In parallel, Netskope is developing emissions reduction and net-zero targets, which will form the basis for future climate-related performance management. As these targets mature, Netskope will be able to link climate-related metrics more closely with strategic planning and risk mitigation activities, positioning the company for compliance with climate-related disclosure requirements.

Future outlook

This assessment establishes Netskope's foundation for climate-related risk oversight and confirms that the company's exposure is low in the short term and low-to-medium in the medium term. Netskope's multi-region service architecture, resilient digital infrastructure and remote-first workforce reduce the likelihood that climate hazards would disrupt service delivery.

Going forward, Netskope will continue strengthening its governance and internal processes so that climate-related risks and opportunities are assessed and managed systematically. This will clarify ownership, establish assessment methodologies, and embed climate considerations into routine risk governance.

Additionally, continued development of internal data collection processes, particularly around vendor resilience and emissions performance, will support reliable and repeatable climate disclosures. This allows Netskope to be well positioned to respond to future regulatory changes and client expectations.

Through the implementation of these measures, Netskope continues to enhance its strategic resilience, maintain relevant regulatory compliance, and strengthen stakeholder confidence in its commitment to managing climate-related risks and opportunities.