esri

Climate-Related Financial Risk Report 2026

Introduction

Esri is committed to advancing climate resilience and sustainability through both our operations and the geospatial solutions we provide. We recognize that climate change presents significant risks and opportunities for our business, our stakeholders, and the customers and partners we support.

This report serves as Esri's official disclosure under California Senate Bill (SB) 261, which requires companies to assess and publicly report on their climate-related financial risks. To ensure clarity and alignment with global best practices, we have structured this report using the Task Force on Climate-related Financial Disclosures (TCFD) framework. This approach enables us to communicate our climate risk governance, strategy, risk management, and metrics in a format that is both widely recognized and consistent with SB 261 requirements.

As part of our ongoing stewardship of environmental responsibility, Esri continues to implement operational strategies that support climate resilience and emission reductions. These efforts include promoting low-carbon commuting through rideshare and carpool programs, supporting public transit use, and providing electric vehicle charging stations on campus.

We are also investing in renewable energy infrastructure, transitioning our company fleet to electric vehicles, and incorporating geodesign and environmental technologies into our facilities. These include recirculated chilled water systems and other innovations that improve energy efficiency and reduce our environmental footprint.

Governance

DISCLOSURE

Describe the Board's oversight of climate-related risks and opportunities.

APPROACH

Esri's leadership provides strategic oversight of climate-related risks and opportunities. They ensure that climate considerations are integrated into the company's long-term strategic planning, enterprise risk management, financial oversight, and stakeholder engagement.

The directors meet regularly to review climate-related risks and opportunities. These meetings include updates on sustainability initiatives, regulatory compliance (e.g., SB 261 and SB 253), and emerging risks, supporting informed decision-making aligned with Esri's operational and strategic objectives.

The directors ensure that climate governance is integrated into Esri's corporate vision and external communications, aligning climate strategy with stakeholder expectations, industry standards, and innovation goals.

In addition, the directors evaluate the financial implications of climate-related risks and opportunities. This includes overseeing the integrity of climate-related financial disclosures, validating methodologies used in risk assessments, and ensuring consistency with internal controls and reporting framework.

Governance *(CONT.)*

DISCLOSURE

Describe management's role in assessing and managing climate-related risks and opportunities.

APPROACH

The director of global operations ensures that climate-related strategies are effectively implemented across global operations. This includes integrating sustainability initiatives and risk-mitigation efforts into daily business practices. The director collaborates closely with the Esri sustainability team, and together they report monthly to the COO, providing updates on progress, challenges, and emerging risks.

Esri's sustainability team plays a critical role in supporting the company's climate strategy. The team members' responsibilities include conducting climate-risk assessments; managing carbon accounting and reporting; and ensuring compliance with local, national, and international climate regulations *(this includes SB 261 and the TCFD framework)*. The team works cross-functionally to align climate initiatives with operational goals, meeting twice a week to review progress, analyze data, and coordinate efforts. This approach ensures that climate-related risks and opportunities are assessed and managed at multiple levels of the organization.

The accounting team supports the integrity and accuracy of climate-related financial disclosures by reviewing methodologies used to assess financial impacts and validating reported data. The team's involvement ensures that climate risk assessments are aligned with internal financial controls and reporting standards. The accounting team collaborates with the sustainability team and executive leadership to maintain transparency and compliance with SB 261 requirements and all other applicable climate regulations.

Esri's legal and sustainability teams collaborate to guide the company's climate-related governance. Together, they interpret regulatory requirements, assess legal and sustainability risks, and support the development of transparent and compliant disclosures. Their partnership ensures that climate governance aligns with Esri's internal policies and external expectations, reinforcing the company's commitment to responsible decision-making and strategic alignment.

Strategy

DISCLOSURE

Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

APPROACH

Esri has identified several climate-related risks and opportunities across the short-term *(1–5 years)*, medium-term *(5–10 years)*, and long-term *(over 10 years*) horizon. These include both acute and chronic physical risks as well as transition risks and strategic opportunities to enhance resilience and sustainability.

Acute Physical Risks

- **Wildfires:** Rapidly spreading fire intensified by dry conditions and high temperatures
- **Heat Waves:** Prolonged periods of extreme heat, often with high humidity
- **Drought:** Prolonged period of abnormally low rainfall that leads to shortage of water

Chronic Physical Risks

- **Rising Temperatures:** Gradual increase in global average surfacetemperature
- **Water Stress:** Demand for water that exceeds available supply or quality
- **Sea Level Rise:** Long-term increase in ocean levels driven by climate change

Transition Risks

- **Policy and Regulatory Change:** New climate-related laws or carbon pricing that increases compliance costs and operational costs
- **Market Shifts:** User preference shifting toward low-carbon products and services
- **Technology Disruption:** Adoption of clean technologies that may render existing solutions less competitive
- **Reputational Risk:** Negative customer and market perception if climate action is insufficient or delayed

Opportunities

- **Resource Efficiency:** Optimizing energy and water use to reduce costs and emissions
- **Renewable Energy:** Prioritizing by renewable energy and power carbon alternatives
- **Product and Services:** Creating tools to help customers map risks, optimize resources, and make data-driven decisions for sustainable operations and infrastructure
- **Reputational Enhancement:** Continuing to drive the shift toward more sustainable business models and strategies across the geographic information system (GIS) technology sector as the GIS industry leader

Strategy *(CONT.)*

DISCLOSURE	APPROACH
Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.	Esri identifies and assesses climate-related risks through a structured, data-driven process. Physical risks such as wildfire, extreme heat, and drought are evaluated using a widely recognized climate risk platform that incorporates regional climate projections and historical hazard data. Transition risks—including regulatory changes, market shifts, and reputational considerations—are assessed separately through cross-functional collaboration between the legal, sustainability, and accounting teams. Risks are categorized by time horizon *(short, medium, and long term)* and evaluated for potential financial and operational impacts. See Table 2 : Climate-Related Risks and Opportunities for a detailed overview.
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Esri is well positioned against even the most severe climate-related scenarios due to distributed operational dependencies inherent with the on-premises data centers, regional data centers and third-party cloud providers, backups for vendor-hosted cloud content, and a distributed workforce with company-provided tools and materials to effectively work from anywhere if necessary. For more details on the resilience of Esri's strategy, refer to Table 1: Reporting Attributes.

Risk Management

DISCLOSURE

Describe the organization's process for identifying and assessing climate-related risks.

APPROACH

Esri follows a structured, data-informed approach to identify and assess climate-related risks, with a focus on prioritizing locations that are more crucial to our operations. The process includes the following key steps:

1. Prioritization of Locations Based on Operational Significance

The process includes the following key steps:

- **Workforce Concentration:** The number of employees working at each location, reflecting the potential impact on human capital and business continuity
- **Owned Assets:** The value of physical assets *(e.g., equipment)* at each site, indicating potential exposure to asset damage or loss
- **Software Development/Testing/Hosting/Support:** The role of each location in supporting critical digital infrastructure, such as software testing environments or hosting services *(This criterion reflects the potential disruption to internal systems, customer-facing applications, or cloud-based services if the location were to go offline.)*

Each location is scored based on these factors, allowing us to rank them in terms of strategic importance and vulnerability. These prioritizations ensure that our risk assessment efforts are focused on the sites where climate-related disruptions would have the greatest operational and financial impact.

Risk Management *(CONT.)*

2. Selection of Top Priority Locations

Following our multicriteria evaluation based on workforce concentration, owned assets, and software development/testing/hosting/support impact, we assigned each location a priority ranking from 1 to 100:

- 1 = Low Priority
- 100 = High Priority

This ranking reflects the relative operational and financial significance of each site in the context of climate-related risks.

We then selected the locations based on a combination of operational footprint, geographic sensitivity, and strategic importance.

3. Climate Scenario Analysis

To evaluate climate-related risks across Esri's top-priority locations, we conducted comprehensive climate scenario analysis using a widely recognized climate data and modeling platform. We modeled climate exposure using three representative socioeconomic pathways—SSP2-2.6, SSP2-4.5, and SSP5-8.5—corresponding to low, moderate, and high emissions trajectories. For each scenario, we collected risk index data from two independent methods:

- Physical climate hazard data *(e.g., flood, wildfire, heat, sea-level rise)*
- Transition risk factors *(e.g., regulatory pressure, market shift)*

Risk indexes were normalized and weighted to reflect scenario severity, then aggregated to produce a composite exposure level per location. These exposure levels were summed up and benchmarked across all locations to evaluate material drivers of risk under each scenario. This data-driven approach ensures that Esri's climate risk assessments are grounded in current climate-scenario-based forecasting.

Risk Management *(CONT.)*

DISCLOSURE	APPROACH
Describe the organization's processes for managing climate-related risks.	Esri manages climate-related risks by conducting annual climate risk reviews that inform operational and strategic decisions. Physical risks such as wildfire, extreme heat, and drought are addressed via location-specific resilience measures, including infrastructure adaptation and continuity-of-operations protocols. Transition risks such as evolving climate regulations and carbon policy exposure are monitored by the legal, sustainability, and accounting teams, which assess regulatory developments and financial implications to support scenario planning. Cross-departmental collaboration ensures that climate risks are considered in investment decision, procurement, and facility planning. Mitigation actions are tracked internally, with progress reviewed by senior leadership to maintain accountability and alignment with sustainability goals.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Esri integrates climate-related risk processes into the overall risk management framework through cross-functional collaboration rather than a stand-alone Enterprise Risk Management (ERM) function. Climate risks are assessed alongside operational and financial risks during planning cycles to ensure alignment with organizational priorities. Scenario planning and regulatory monitoring are core to this process, and Esri is developing an internal application to strengthen scenario analysis capabilities. Climate considerations are also incorporated into risk assessments for real estate decisions, such as evaluating whether to continue leasing a building, ensuring that location-specific vulnerabilities are factored into long-term planning. Outputs from these assessments inform investment decisions, procurement strategies, and facility planning, integrating climate considerations into core business activities. This approach ensures that climate risks are managed holistically and supports resilience and compliance with evolving regulations.

Metrics and **Targets**

DISCLOSURE

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

APPROACH

Esri completes data collection and analysis of Scope 1 and 2 emissions per local, national, and international guidelines. Data collection for Scopes 1 and 2 is completed twice a year to ensure accuracy and timeliness. Early Scope 3 emissions data collection has begun with the plan to fully evaluate all relevant Scope 3 categories by year end 2026. All emissions information is then used to help drive organizational directives and targets to help pursue a sustainable future and avoid related climate-risk impacts.

Please see the *2026 Esri Sustainability Report* for further detail about our company's overall sustainability actions and initiatives.

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

	FY24	**FY25**
Scope 1	1,005.3 $mtCO_2e$	TBD
Scope 2	3,555.2 $mtCO_2e$	TBD
Total *(Scope 1 + 2)*	4,560.5 $mtCO_2e$	TBD

See *2026 Esri Sustainability Report*, section 4, for all climate-related metrics.

Metrics and **Targets** *(CONT.)*

DISCLOSURE

Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

APPROACH

Esri, from its founding, has driven organizational targets and initiatives to help support environmental sustainability both within our operations and within the surrounding communities. From defining increased renewable energy targets to supporting community conservation efforts, Esri has long been a steward in supporting efforts and managing risks to avoid the future impacts from climate-related events.

Short-Term Targets

- Continued renewable energy growth
- Proactive business and employee travel/commuting planning
- Increases in landfill diversion and e-waste recycling

Long-Term Targets

- Mitigation of Scope 1, 2, and 3 greenhouse gas emission
- Increased conversion to renewable energy sources
- Implementation of sustainable building methods for future builds
- Continued land conservation

TABLE 1: **Reporting Attributes**

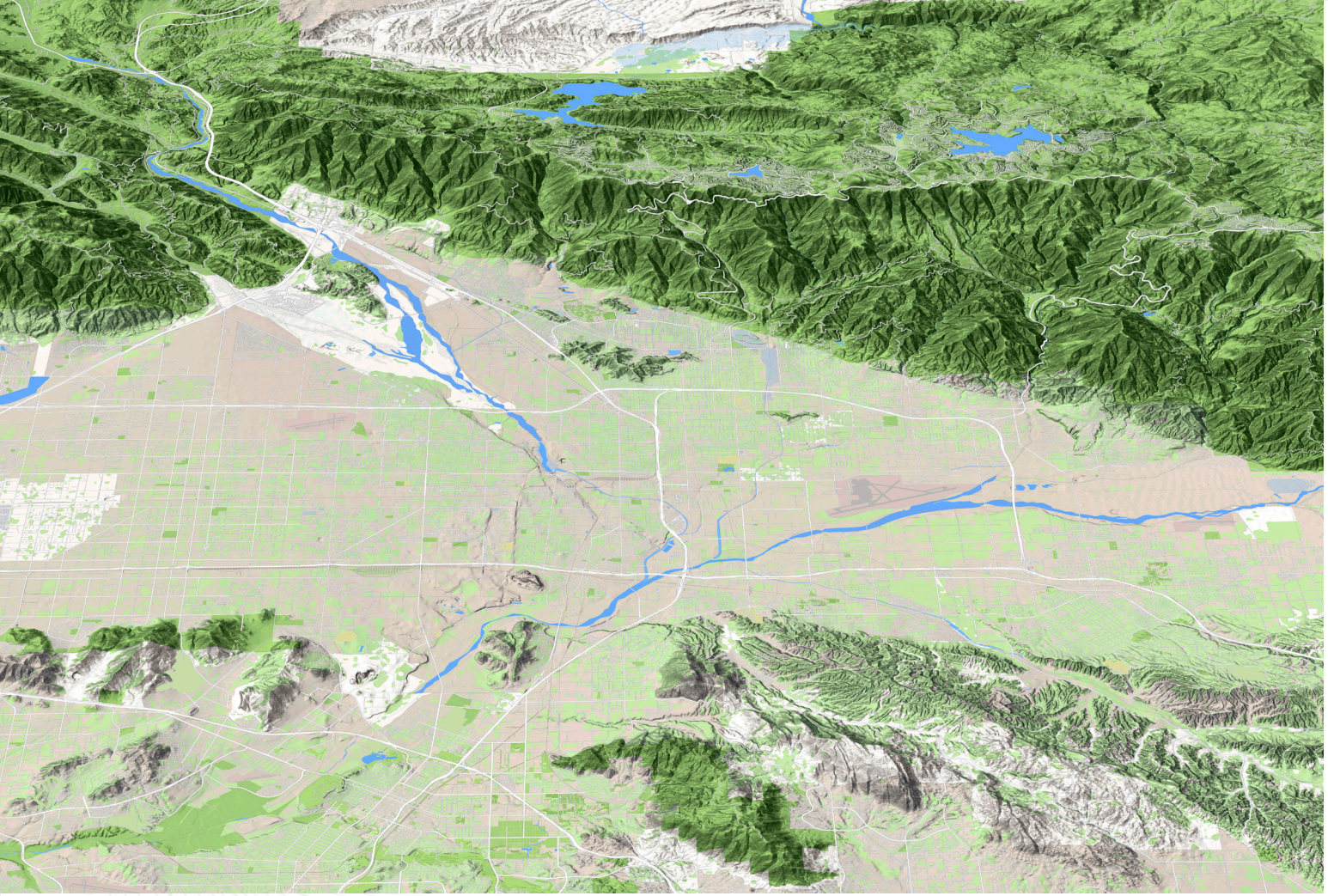
REPORTING ATTRIBUTE	CATEGORY	DESCRIPTION
SSP1-2.6	Scenario	Strong mitigation strategies adopted by most companies–2.6 W/m²
SSP2-4.5	Scenario	Status quo; slight growth in sustainable energy sources–4.5 W/m²
SSP5-8.5	Scenario	Growth in fossil fuels; lack of investment in sustainable energy sources–8.5 W/m²
Short	Time Horizon	1–5 years
Medium	Time Horizon	5–10 years
Long	Time Horizon	Over 10 years

TABLE 2: **Climate-Related Risks** and **Opportunities**

TYPE	RISK TYPE CATEGORY	DESCRIPTION	TIME FRAME	IMPACT	APPLICABLE SCENARIOS
Physical Risk	Acute	Increased frequency and severity of weather events affecting on-premises infrastructure hosted on-site and in third-party data centers	Short–Medium	• Data recovery costs • Loss of revenue—lack of resources to perform work related to service-level agreements (SLAs) • Increased cooling costs	SSP5-8.5
Physical Risk	Acute	Temporary office closures due to extreme weather events	Medium	• Lost productivity • Relocation costs • Increased insurance premiums passed through in the form of higher rent expenses	SSP2-4.5, SSP5-8.5
Physical Risk	Acute	Workforce disruptions such as decreased office attendance and power grid disruptions due to extreme weather events	Short–Medium	• Reduced productivity • Increased absenteeism • Employee well-being concerns	SSP2-4.5, SSP5-8.5
Physical Risk	Chronic	Office relocations due to rising sea levels or chronic heat waves	Long	• Increased rental and utility expenses of leased offices in high-risk locations	SSP5-8.5
Transition Risk	Policy and Legal	More stringent climate-related regulations, such as emissions limits, carbon pricing, or disclosure mandates	Medium	• Compliance and audit costs • Adjusted financial reporting • Strategic redirection	SSP1-2.6

TABLE 2: **Climate-Related Risks** and **Opportunities** *(CONT.)*

TYPE	RISK TYPE CATEGORY	DESCRIPTION	TIME FRAME	IMPACT	APPLICABLE SCENARIOS
Transition Risk	Technology	Operational transformation costs including capital investment for cloud migration, energy-efficient systems, and resilience retrofit mandates	Short–Medium	• Up-front investment pressure • Short-term margin reduction	SSP2-4.5, SSP5-8.5
Transition Risk	Technology	New low-carbon or automated technologies requiring reskilling or integration efforts	Medium–Long	• Training and reskilling needs • Implementation and integration costs	SSP1-2.6, SSP2-4.5
Opportunity	Products and Services	Focus on developing a suite of products to assist customers in mapping risks, optimizing resources, and guiding data-driven decisions for sustainable operations and infrastructure planning	Short	• Increased revenue from new customers driven by demand for products supporting environmental, social, and governance (ESG) reporting	SSP1-2.6
Opportunity	Reputational	Leading the GIS industry in sustainable strategies	Short	• Brand recognition	SSP1-2.6
Opportunity	Resilience	Prioritizing on-premises operational efficiency in the form of renewable energy investments and energy and water-use optimization	Short, Medium, Long	• Decreased carbon footprint • Less reliance on the grid	SSP1-2.6, SSP2-4.5, SSP5-8.5



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Questions about this report?
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