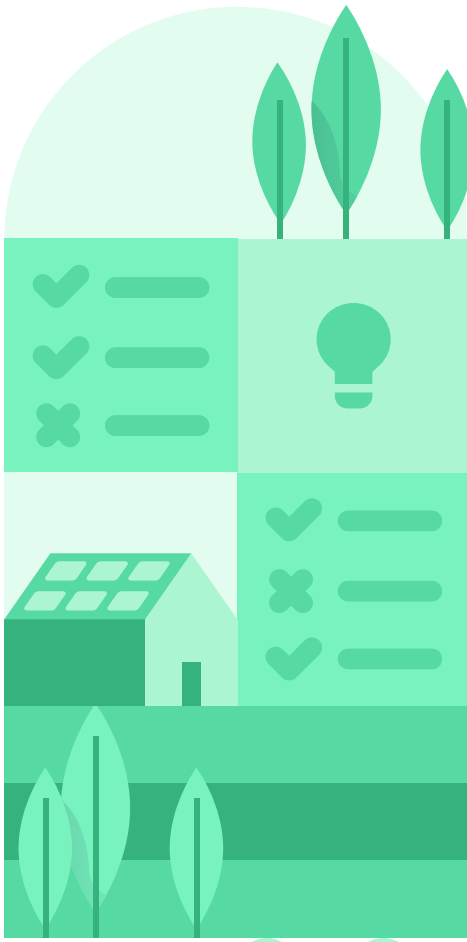
ATLASSIAN

Don’t #@!% the Planet

Stories, pointers, and lessons learned on our journey to a net-zero future



Atlassian is just as committed to sustainability as we are to building great products for our customers.

The reason should be obvious, even to the most hard-nosed capitalist: business can't thrive on an uninhabitable planet. Other companies understand this and want to do their part, but the whole thing seems overwhelming. Where to even start?! If that feeling sounds all too familiar, then you're exactly the person we created this guide for.

We'll start by sharing how we built our sustainability program from the ground up and got the business on board. Then, we'll dive into what we've learned so far about setting and achieving net-zero goals.

To give you a taste, here are the top three pieces of advice we wish we could go back in time and give ourselves:

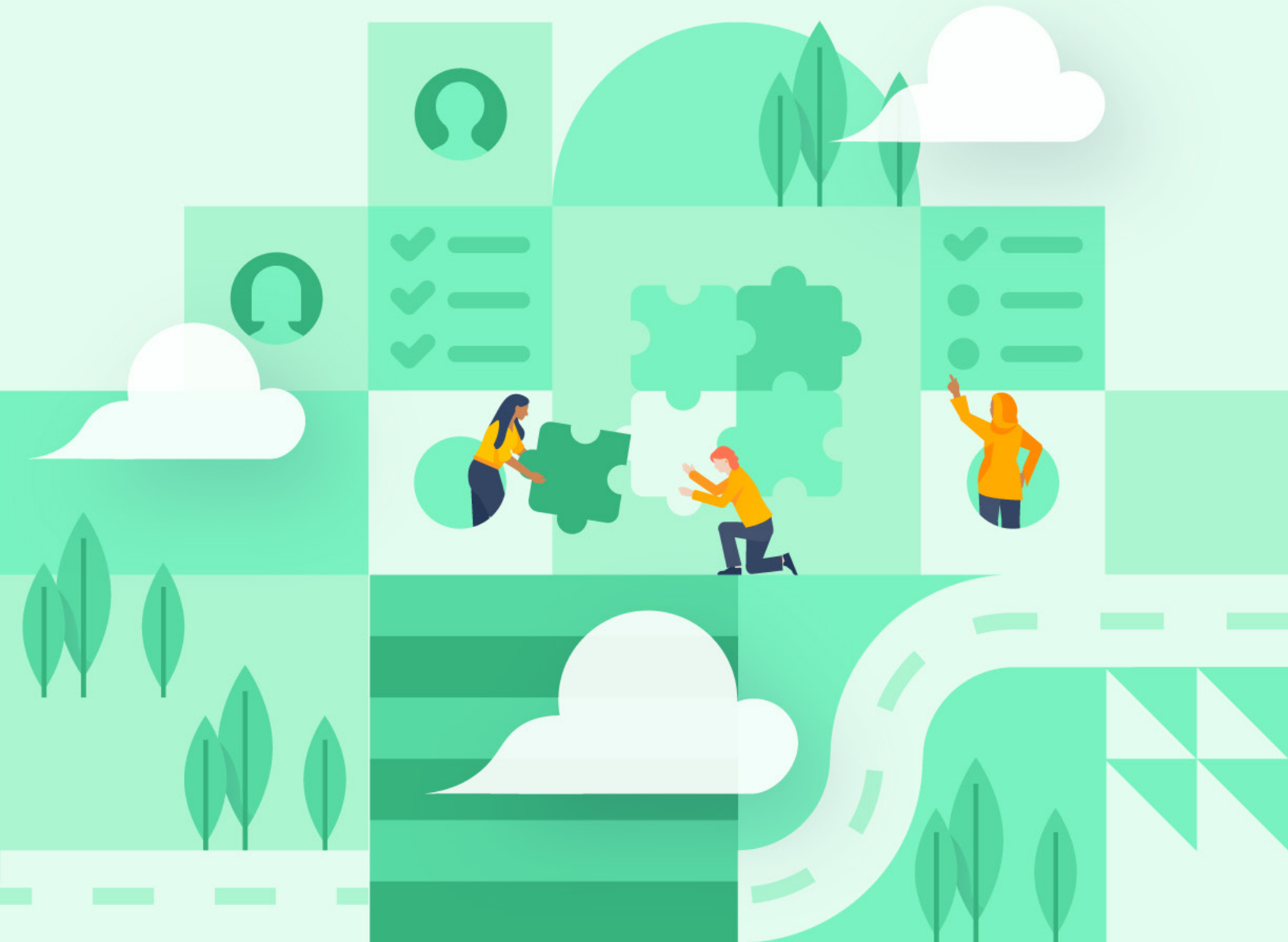
1. **It's not as hard as you think.** Setting ambitious climate goals feels daunting, but it's worth the effort. Don't let the size of the program overwhelm you or hold you back from pushing farther than you think is feasible. You'll be surprised by what you can achieve.
2. **Success is achieved by playing as a team.** Progress is made through close relationships and long-term collaboration. It takes time, effort, compromise, and a lot of hard yards together to truly make a difference.
3. **Don't overcomplicate the process.** You don't have to have all the answers to get started. Be willing to push through the tough moments (and take the occasional leap of faith) as you set your goals and make progress.

Now, let's dive in!

> **NOTE**
>
> This guide does not replace technical step-by-step guidance from climate organizations like Science Based Targets and RE100. Our intent here is to supplement their protocols with nuance and anecdotes that bridge the gap between written instructions and real-world experience.

PART 1

Building our business case for sustainability



Why bother with sustainability?

The world around us is only getting more complicated. Globalization, tech advancements, climate change, social unrest, and the intensity of information sharing mean companies have to be crystal clear about their impact not just in the present, but also in the future.

When we started to consider a sustainability program in 2016, there were so many issues our employees and other stakeholders expected us to advocate for that we had difficulty knowing when to use our voice and influence. In fact, our own research in the US and Australia (see **Return on Action Report**) showed people are willing to leave employers whose values don't align with their own. We often felt like we were moving from one major issue to the next, always on our back foot.

And, employees aren't the only ones who care. We also need to do right by our customers, community stakeholders, and the planet that supports us all.

We wanted a consistent, efficient, and scalable way to apply our values and a long-term mindset to the changing world around us. Social and environmental progress should be integrated into everything Atlassian does, whether that means identifying opportunities to seize or mitigating emerging risks.

This led us to start the process of building a sustainability strategy and team. Like many of you, we started this in addition to our full-time jobs but felt passionately enough to take on the challenge and build the program from scratch.

The lay of the land

To kick this off, we completed a benchmark assessment to understand what other companies were doing, both within our peer group and outside of it, to understand what different journeys could look like. We were inspired by those we saw raising the bar and setting ambitious goals. It influenced the direction of our strategy and helped us realize how much of an impact our program could make if we pushed past the limits of what we thought was possible.

Conducting a materiality assessment

With this in mind, we decided to engage with the nonprofit sustainability consultancy, **BSR** (Business for Social Responsibility), to build our first materiality assessment. It ranked a set of core issues that mattered most to Atlassian's business and threats that were emerging in our industry, then revealed where we could have the most meaningful impact. We evaluated the external landscape (policy, global accords), our business (strategy, products, practices), and our stakeholders (customers, employees, investors, regulators).

From there, we created the sustainability framework below, outlining our core vision, pillars, and issues to focus on, which helped steer our decision making over the long run. To be clear, counteracting climate change is just one of our four pillars. We are equally passionate about the other three, but they fall outside the scope of this guide.

The initial materiality assessment gave us a solid foundation, but our operating environment is dynamic. So, we take an agile approach and update our issues annually. While our vision and four pillars have remained the same, the specific issues, their prioritization, and our understanding of the intersections between them have changed over time.

Our vision	Our four pillars	Our issues		
			Lower impact to Atlassian's business	Higher impact to Atlassian's business
Atlassian is built to be open, inclusive, fair, and just. When we face tough questions about ethics, people, or the planet, we let those principles guide us. Whether you call it corporate social responsibility, corporate citizenship, or sustainability, this is just about being human.	• Planet • People • Customers • Community	Higher stakeholder interest	• Climate change • Philanthropy	• Diversity and belonging • Women and belonging • Privacy, security, encryption • Talent
		Lower stakeholder interest	• Supply chain • Workers' rights • Corporate tax • Inclusive economy • Water use • Responsible use • Net neutrality	• Accessibility • Freedom of expression

Getting Atlassian leadership on board

Even if there's a general agreement within the business that a sustainability strategy is needed, you can't underestimate the time, effort, and importance of getting your leadership engaged in developing it. We wanted to make sure the Atlassian leadership team bought into the business case for our sustainability program so that when it came time to make tough trade-offs, we'd have their support behind us.

We started with our vision and four pillars (planet, people, customers, community), using the results of our materiality assessment to form "we believe" statements for each pillar. Then we went on a roadshow presenting this story to our executive team and partners, soliciting their feedback in the hopes of building alignment.

During these conversations, we built a shared understanding of what each team could contribute, highlighted areas where we might run into roadblocks, and even found where we just weren't making business sense.

Here's an example of what that looked like in practice for us:

PILLAR: Planet

WE BELIEVE STATEMENT: Our long-term prospects as a business rely on a functioning planet. Atlassian's customers, employees, partners, investors, and communities expect us to take an active role in preventing the most disastrous impacts of climate change, and we have an opportunity to lead our industry and customers toward climate action.

PARTNER-TEAM CONTRIBUTIONS:

- **Investor relations** briefed us on how investors and analysts were expecting us to manage (and communicate) climate-related financial risk, capitalize on market opportunities, and demonstrate our own transition to becoming a net-zero company.
- **Finance** showed us the different pathways to procuring renewables and helped us gauge the team's appetite to support investments. It turned out this team owned a big chunk of the data we'd need to understand emissions and would become one of our top partners!
- **Employees** were pushing Atlassian leadership to take climate action and told us what they expected to see. This helped provide a new business case pathway for seeking future investment.
- **Sales and marketing** educated us on the increasing expectations from our enterprise customers and regulators to start reporting our energy use and emissions data.

While there were still big questions as to what the program would look like, who would work on it, and what was achievable, the executive team agreed to allow us to move forward and come back to them with clear goals for each pillar.

We learned three big lessons in doing this:

1. **Lead with the opportunity, not the risks.** We made a misstep in making our case by playing up the risks of inaction and threat to our business. That didn't work well. Instead, focusing on the opportunity and inspiring our leaders was a much easier path to get them on board.

2. **Grassroots support matters.** You can get the executives on board, but the people actually doing the work have to be just as invested in the outcome as you are. During our roadshow, we spoke to several people on each team to get their buy-in before taking our plan to our executive approvers. This early connection helped us start building long-lasting relationships with our partner teams that we still rely on today to get our work done.

3. **If it feels uncomfortable, you're at the right level of ambition.** We quickly realized we had allies across the business who were going to push our thinking on what was possible. That inspired us to adopt a guiding principle that applies to all facets of our sustainability program: when in doubt, choose the more ambitious route.

RESULTS

Here are the results of our work outlined in this section:

- **Corporate Social Responsibility**
- **The people have spoken, and they want to work for businesses that care**
- **New research reveals employees value well-being over climbing the ladder**

RESOURCES

Lessons from other companies, tools, training, and guides:

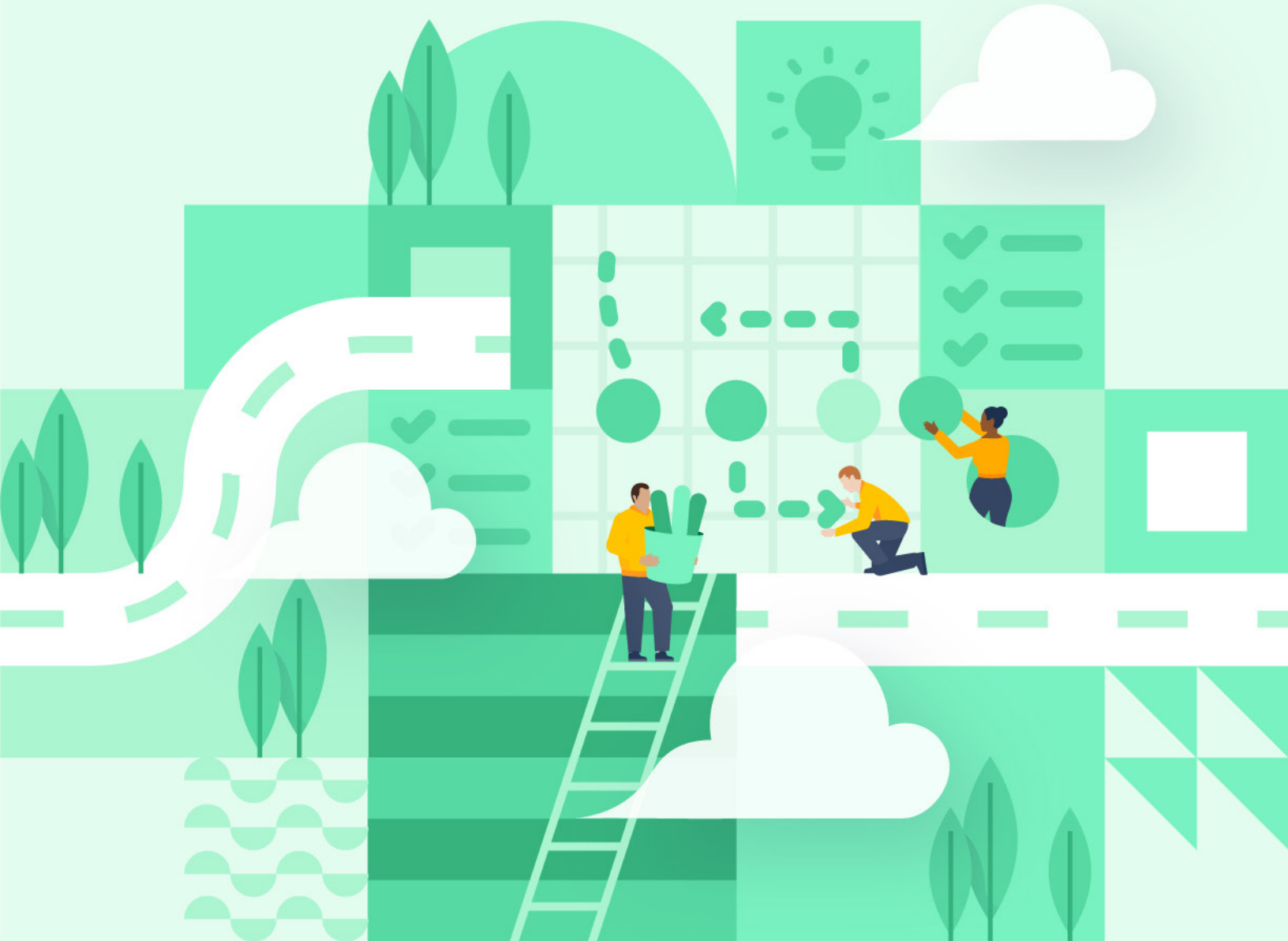
- **THE 17 GOALS | Sustainable Development**
- **United Nation Climate Change**
- **UN Guiding Principles - Business & Human Rights Resource Centre**
- **Double and Dynamic: How to Enhance the Value of Your Materiality Assessment**
- **Sustainability Insights**

Consultants

- **BSR**

PART 2

Designing Atlassian's net-zero future



Recall that as part of building the business case for sustainability, we identified climate change as material to our business and aligned with our leadership team on a "we believe" statement that became a North Star guiding how we thought about this:

> We believe that our long-term prospects as a business rely on a functioning planet. Atlassian's customers, employees, partners, investors, and communities expect us to take an active role in preventing the most disastrous impacts of climate change, and we have an opportunity to lead our industry and customers toward climate action.

So the next step was to establish measurable goals and targets to hold ourselves accountable.

Step 1: Setting baseline goals and targets

In looking at Atlassian's ability to fight climate change, the area where we have the most leverage is carbon emissions, which is true for many SaaS companies. It made sense to start with where we had the most direct emissions: our leased office spaces.

First, a 100% renewable electricity goal

RE100, an organization focused on renewable electricity goals, asked Atlassian to be one of the first Australian members to make a renewable electricity commitment. What drew us to RE100 is that they had a clear framework for setting goals and support to achieve them. In other words, it seemed doable!

If you want more information about our other pillars, see our annual **Sustainability Report** which includes details across human rights, philanthropy, and DEI.

While we had some experience with external emissions reporting and an estimate of electricity use in our offices, it was more of a preliminary baseline. So, in order to set the renewable electricity baseline and goal, we worked with our finance and real estate teams to pull internal data that helped us model projected electricity use, which enabled us to understand the task we were signing up for.

Working with these teams, we learned that our energy profile already contained a small amount of renewable energy by way of the utilities that serve our California offices. Based on guidance from RE100, we decided to lean on tools offered by the existing utility provider, like 100% renewable options, then use Energy Attribute Certificates (EACs) for the rest. (More on EACs below.)

Following our "choose the more ambitious route" principle, we committed to sourcing 100% renewable electricity for our operations by 2025.

We gave ourselves five years to achieve the 100% renewable electricity goal. But wait! It turns out that by using EACs, we were able to source 100% renewable electricity by 2020, achieving our goal years ahead of our 2025 target. This led us to adopt another guiding principle: go fast, then go far.

We looked for easy wins early on to show momentum and progress in the program – renewables via EACs and other low-hanging fruit. We used our RE100 commitment to test out our processes, better understand our climate impact, and (this is important!) get people excited about climate leadership.

But in the background, we were taking what we were learning about our emissions, business operations, and team to help inform a bigger, longer-term strategy.

KEY PERFORMANCE INDICATORS

We will run operations on 100% renewable energy by fiscal year 2025.

Fiscal year 2019 baseline: 15% renewable
Fiscal year 2020 result: 100% renewable

RESULTS

Here are the results of our work outlined in this section:

- **Atlassian Summit 2019 product news and updates** (announce Re100)
- **Want resiliency? Be a leader in corporate social responsibility**

Setting a science-based target (SBT)

At UN Climate Week in September 2019, the UN Secretary General called on business leaders to **set ambitious climate** targets to reach net-zero emissions by no later than 2050, in line with the criteria of the **Science Based Target Initiative** (SBTi). We decided to make that commitment.

No one has all the answers when it comes to achieving net zero, and 2050 is a long way out. To keep the momentum up, and in alignment with the requirements of SBTi, we worked to set interim decarbonization targets for fiscal year 2025 that align with a 1.5° C pathway, which is the upper limit for global warming if we're to avoid catastrophe.

The net-zero goal was far more ambitious than our 100% renewables goal and came with even more ambiguity. Not in what we needed to achieve (SBTi has clear guidelines), but in understanding our baseline emissions, the impact to our business, and how realistic the goal was. We took the muscle we'd built in setting our RE100 goal and did some quick n' dirty analysis to understand the feasibility of setting and hitting an SBT so we could get buy-in from our executive team.

WHY SBTi?

Because it's not just a pledge. It's the most rigorous standard out there. Companies who commit to a science-based target can't make net-zero claims until they've accomplished two things:

1. Reduce scope 1-3 emissions by at least 90%

2. Address remaining residual emissions using carbon offsets

When we say we don't want to skimp on ambition, we mean it.

Know where you're starting from

First, we shared some benchmarking from companies we look to as leaders on SBTs. This helped give us confidence that we'd be in good company as went down the path of operationalizing our goals and reassured us that we didn't need to have all the answers in hand before committing.

We then estimated our scope 1-3 emissions and the potential costs we'd incur in making changes that would help us reduce emissions. This included procuring renewable electricity, energy-efficiency investments, and the consulting support we'd need to figure out how to address employee travel, commuting, and our supply chain.

Even with all of this, we needed to make the case to the executive team that Atlassian was fully capable of setting ambitious goals and working to achieve them despite some ambiguity. The last thing we wanted to do was to set a flashy, headline-grabbing goal and then shrug it off later if we failed to meet it. We wanted Atlassian to commit. We reminded them of previous times we had successfully "built the plane while flying it," which gave everyone a boost of confidence.

Ultimately our executives joined us in embracing the unknown and found excitement and inspiration in the possibility of what we could achieve with the net-zero goal as our North Star.

Just before UN Climate week in 2019, we submitted our letter of commitment to the SBTi (yep, without all the answers) and got to work building a plan.

A NOTE ON EMISSIONS

Every business emits greenhouse gas (GHG) emissions through its operations. This is how the **Greenhouse Gas Protocol** defines scopes of emissions:

- **Scope 1 emissions:** GHG emissions directly from operations that are owned or controlled by the reporting company
- **Scope 2 emissions:** Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company
- **Scope 3 emissions:** All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions

RESULTS

Here are the results of our work outlined in this section:

- **Atlassian commits to the fight against global climate change**

A NOTE ABOUT AMBITION VS. PRAGMATISM

When we started our work, we were concerned that the more ambitious path would be a harder sell internally. But, we learned that setting ambitious goals helped us in the long term, not only in setting the right expectations with our partner teams and selling the vision, but in reducing risk within our long-term plan. We also pair that with pragmatism. We know there are things out of our control or that we don't have solutions to yet, so we have to be realistic about our timeframes. Some examples include:

- **Setting our science-based target to 1.5° C.** When we made the commitment to set a science-based target, we had three options: align our goal with a 1.5C, well below 2C, or 2-degree threshold for overall global warming. We opted for the most ambitious option, which has paid off because now the standard has shifted and everyone is being held to 1.5° C. Had we taken an easier goal, we would've had to reset our strategy entirely. (More on our specific targets below.)
- **Setting our net zero goal to 2040.** We originally set our net-zero goals in line with SBTi guidance which put our goal at 2050. But a few years in, we didn't feel good about it. Once we'd gotten started, we knew what was going to be required to reduce emissions. Some things we had control over and other things we didn't. But, we knew within 20 years we'd have done everything we could. So, we pulled our goal forward to 2040. It's still pragmatic (we can't get there tomorrow) but it signals the level of ambition we think every company should be embracing right now.

Submit an emissions reduction target for approval

Once we committed to setting an SBT, the next step was to build our proposed goal, which we again submitted to the SBTi for approval. Candidly, this step felt fairly overwhelming at the start, but this is one of the things we appreciate the most about setting a goal through the SBTi. Having a third party applying the most rigorous climate science to review our emissions reduction goals gave us confidence that the investment we were making would have the impact we intended it to. The reality is that science is evolving constantly, so this just isn't a space where we want to be grading our own homework.

In the end, going through the SBTi review and approval process was much more straightforward than expected, especially with the guidance of our consultants, **Anthesis**.

Set an emissions baseline

Next up: understanding our emissions from top to bottom. Anthesis was incredibly helpful in collecting all the relevant data across the scope 1-3 categories and using the GHG protocol to ensure proper accounting.

Submit targets for approval

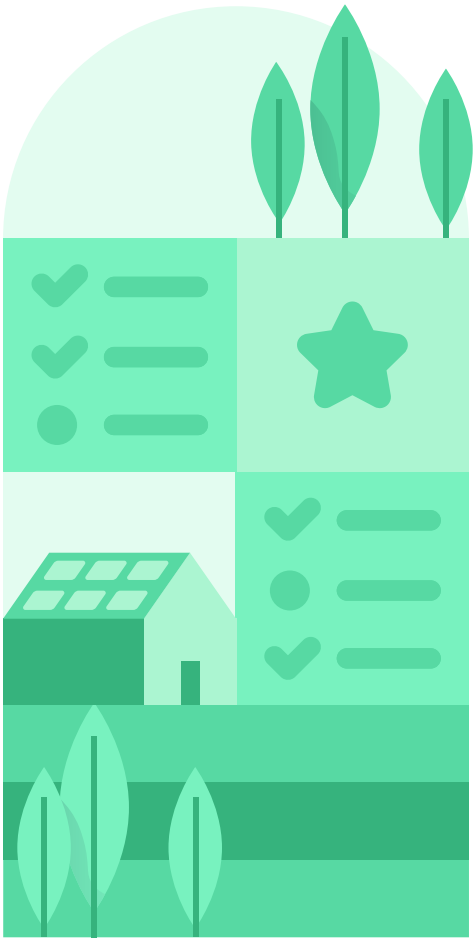
Then, it was time to set our 2025 near-term targets, using 2019 as the baseline year.

Our targets were largely driven by the SBTi's requirements, making the process fairly straightforward. SBTi specifies how much companies need to reduce their emissions to align with 1.5° C based on a "carbon budget" (the overall amount of greenhouse gas that can be emitted).

We used setting the near-term targets as an opportunity to engage Atlassian leaders. As is always the case with Atlassians, there was energy and momentum around going beyond the bare minimum and standing by our commitment to ambition. This included aligning our scope 3 goal with a 1.5° C pathway (even though 1.5° C wasn't required at that time) and setting our first milestone at fiscal year 2025, the most ambitious interim date across categories.

We had a lot of big decisions to make and approvals to gather before we could start the SBT work. To navigate it all, we identified the trade-offs involved and used them to guide the conversation with Atlassian's leadership and the teams who'd be tasked with driving the goals (i.e., procurement, business travel, real estate).

Make no mistake, we had some disagreements and tough conversations along the way. For example, with our scope 3 absolute emission reduction target, we could choose to get there by focusing on business travel alone or by combining it with employee commute emissions. To guide the conversation, we looked to our "be the change you seek" company value and sustainability principle around ambition.



But what would either option look like in practice? We reached out to the teams that required the most travel, the teams that had influence over commuting, and a cross-section of Atlassians involved in shaping our response to the COVID crisis, which began as these conversations were in progress.

As a collective, we decided that while the commuting goal may be easier to address (especially with COVID erasing commutes altogether), having a single goal would be easier to focus on, even if achieving it meant pushing even harder and creating knock-on pain points for the business. Not gonna lie, we were pretty nervous about this one.

Even though we all agreed to this, it wasn't an easy sell for two reasons. First, there were a lot of unknowns making it difficult to forecast travel volume once the COVID crisis passed. Second, Atlassian was experiencing hypergrowth, so we knew that under normal circumstances the demand for travel would continue to spike up. On the other hand, we also knew the teams tasked with making business travel policies would work with us to find solutions.

Ultimately, these conversations not only helped us land a better decision, but let us create a shared understanding of the goals and work to be done. When it came time to execute, the team was ready to get going.

We made several similar decisions that helped the group align on our approach, and once we made these decisions and set our goals, we submitted them to the SBTi. The process takes some time, but they got back to us in about five months with an approval. That said, we've heard there's a backlog these days and companies might experience a 12-month delay between submitting and getting approval.

KEY PERFORMANCE INDICATORS

We will run operations on 100% renewable energy by fiscal year 2025.

Fiscal year 2019 baseline: 15% renewable

Fiscal year 2020 result: 100% renewable

KEY PERFORMANCE INDICATOR

We commit to reducing our absolute Scope 1 and 2 greenhouse gas emissions 50% by fiscal year 2025.

Fiscal year 2019 baseline: 2,678.4 tCO2e

Fiscal year 2020 result: 967.9 tCO2e

Change: 63.9% decrease

KEY PERFORMANCE INDICATOR

We commit that 65% of our suppliers by emission covering purchased goods and services and capital goods will have science-based targets by fiscal year 2025.

Fiscal year 2019 baseline:
Suppliers with science-based targets accounted for 6% emissions
Fiscal year 2020 result:
Suppliers with science-based targets accounted for 4% emissions

KEY PERFORMANCE INDICATORS

We will reduce our absolute Scope 3 greenhouse gas emissions from business travel by 25% by fiscal year 2025.

Fiscal year 2019 baseline: 21,702 tCO2e
Fiscal year 2020 result: 8,320 tCO2e
Change: 61.7% decrease

RESULTS

Here are the results of our work outlined in this section:

- **Atlassian sets ambitious goals to combat the climate crisis and reach a net-zero future**

RESOURCES

Lessons from other companies, tools, training, and guides:

- **Salesforce climate action plan**
- **SME Climate Hub**
- **GHG emissions calculator**
- Science Based Targets **how-to guide**, **commitment form**, **criteria**, and **e-learning course**

Collaborative initiatives

- **RE100**
- **Business Ambition for 1.5° C**

Consultants

- **Anthesis**

STEP 2

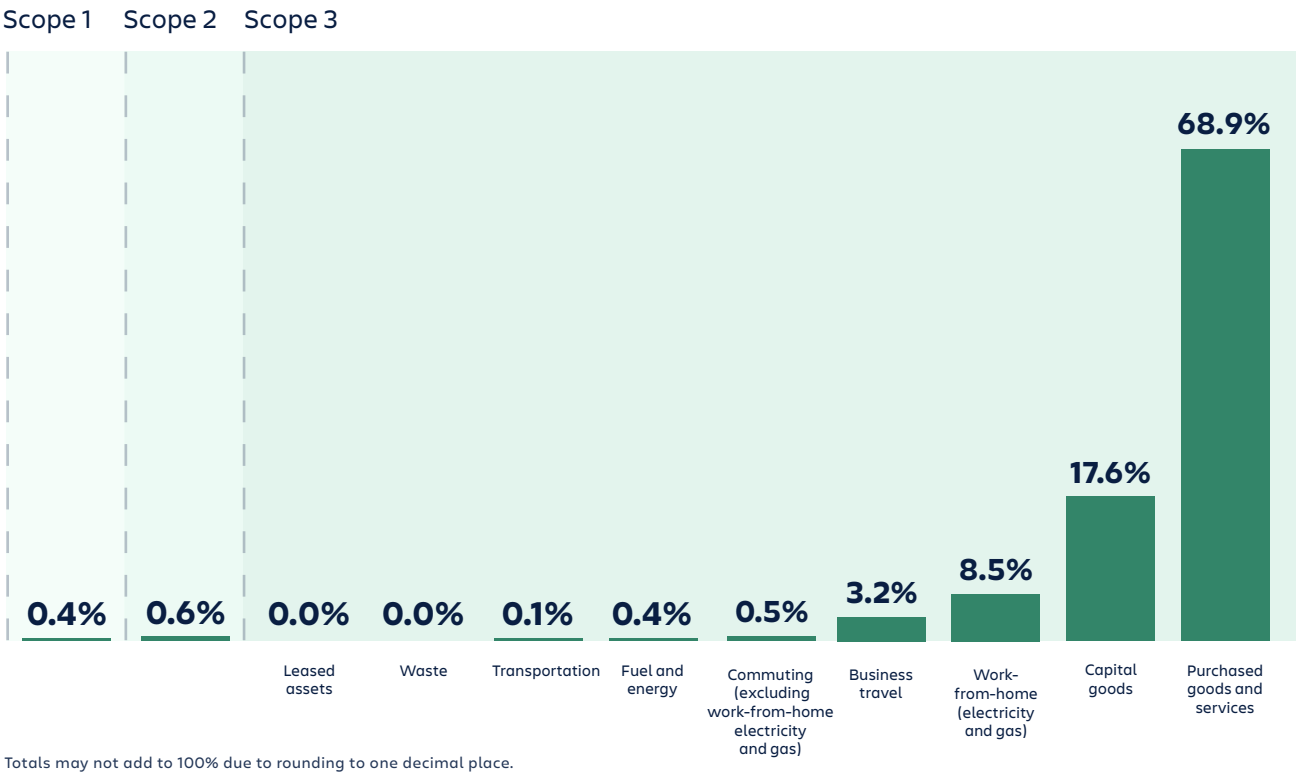
Reducing emissions

With our SBTs approved, we needed to build our roadmap to achieve 100% renewable electricity and to reduce emissions.

In order to do this, we needed to start pulling our partners into the work and operationalizing our plan. Because we had spent so much time bringing them along from our early “we believe” statements to setting baselines, goals, and targets, there were no surprises and we were able to get started on the work together quickly.

> **NOTE**
>
> It’s worth noting that because Atlassian builds software, we don’t have the same emissions profile as companies in other industries. Even within the tech industry, emissions look different from company to company. So, we learned to trust our data and not worry if it didn’t match our peers'.

Atlassian footprint by scope



Totals may not add to 100% due to rounding to one decimal place.

Addressing scope 1 and 2 emissions

Building energy efficiency

For Atlassian, the majority of our scope 1 and 2 emissions are the result of building electricity and gas use and so our strategy for addressing these emissions was twofold. In the short term, this was handled by achieving our commitment to RE100 via the purchase of EACs. For longer-term progress, we started partnering with our Workplace Experience and Real Estate teams to reduce electricity and gas use as we grow.

In the beginning, we did not have an energy efficiency strategy across our real estate portfolio (and in all honesty, this is an area we're still thinking through). Since this was new territory for everyone, we brought in sustainable design firms, **ZGF** and **Atelier Ten**, to provide an overall built-environment strategy.

With a mostly leased office portfolio, making investments in energy efficiency retrofits or changing utility providers was difficult. But addressing this issue as a team helped us come up with smart solutions, like green-design guidelines for future office spaces, and experimenting with existing space.

Our real estate team engaged our landlords around the globe and asked them to switch to renewable electricity options where it was available. While we were unable to convert most building energy to renewable sources, this exercise shifted our perspective around lease agreements. Working together with a shared understanding of our goals and how we could achieve them through our properties, we created criteria so we could make more informed decisions in the future. Now, our real estate team is better able to ask the right questions and negotiate with landlords to ensure climate consciousness is a key component of any future agreement.

What's even more exciting is that, as we take on the challenge of building our **new Sydney headquarters**, we've been able to incorporate all that we've learned and ensure sustainability and our renewable goals are baked in from the start. These include:

- **Low-carbon construction**
  50% less embodied carbon in construction compared to a similar conventionally constructed building
- **Energy efficiency**
  50% lower operational energy as compared to a conventional building
- **100% renewable**
  Designed to run on renewable electricity from day 1, we've included contractual obligations that bar fossil fuels from being used for hot water, cooking, or space heating

Renewable energy procurement

We started our journey by researching procurement options globally, looking at energy markets, local policies and climate goals, and the state of the grid in areas with an Atlassian presence.

In reality, we probably could have skipped this.

Since we couldn't directly source renewable electricity for the majority of our leased buildings, using tools like EACs and Virtual Power Purchase Agreements (VPPAs) were our most viable path to 100% renewable and reducing scope 2 emissions. But this was a new kind of purchase that we didn't have experience making. So we partnered with our finance team to make the best trade-off decisions over the short and long term.

As a team, we balanced feasibility, speed, and impact to come up with a two-phased approach. Unbundled EACs matching our electricity usage were the most feasible first step and the fastest way to reach our 100% renewable electricity goal. Beyond that, we could contribute to greening up the grid overall by funding new renewable energy projects through a VPPA.

ENERGY ATTRIBUTE CERTIFICATES

You can think of EACs as a birth certificate for renewable electricity, as they certify that the electricity is created from a renewable source.

Our first EAC purchase was made easier by partnering with consulting firm **Engie Impact**, who walked us through the bid process and helped us land our first agreement with the renewable energy partner **3Degrees**. We could have partnered with 3Degrees directly, but having experts in the process helped meeting RE100 criteria, landing the best EAC prices, and ultimately gave us more confidence in our approach.

The process was fairly straightforward: all we needed to do was calculate (where we had the data to do so) or estimate (where we didn't) our electricity use by region, and 3Degrees sold us the EACs that got us to 100% renewable electricity. We then had to report this back to RE100 so they could validate our progress.

We think this type of purchase is something any company could do to achieve its renewable electricity goals. Purchasing EACs each year is now business as usual. As we start ramping up the EACs delivered from VPPAs in the US, we'll source fewer from 3Degrees.

With our first goal achieved, we turned back to our "go fast, then go far" principle. The tradeoff we made in going with existing unbundled EACs first is that while they maintain demand for existing renewables, they don't do anything to make the grid greener. We wanted to go further and find a solution where the energy is generated in the same year as our energy use and in the same region as our offices.

We engaged consultants and industry organizations to explore the feasibility of adding new renewables to the grid in Australia and/or the United States. Based on what we learned, a Virtual Power Purchase Agreement (VPPA) was the best option.

When selling the VPPA idea to our finance and leadership teams, we leaned into the idea of being climate leaders. We were clear that this investment with a VPPA is a net-new cost, but it's small compared to the impact that it will make. By engaging in a VPPA, we not only model climate leadership, but we also create new renewables on the grid and ensure that we and other companies are able to buy EACs in the future.

VIRTUAL POWER PURCHASE AGREEMENTS

With a VPPA, a company enters into a long-term agreement with an energy developer, which guarantees them a fixed stream of revenue with which to develop renewables over a long period of time. This investment assures the funding to create new renewables with guaranteed revenue. The energy the project produces is then traded on the wholesale market as opposed to being consumed directly by the buyer.

VPPAs create a way to accelerate the clean energy transition and create more meaningful EACs. Why? Because to reduce global emissions, we need to move energy generation from burning fossil fuels to 100% renewable sources. In the US, only ~20% of energy is renewable as of 2023. And only a handful of countries run on 100% renewables. That's why greening up the grid is so critical for mitigating the worst effects of climate change.

Ironically, one obstacle we faced was our relatively small energy load. These projects typically require a much larger load or a collective of smaller-load companies to pursue them.

In 2022, **Ever.green** came to us with exactly what we had been looking for. Ever.green is a U.S.-based startup, specializing in making VPPAs more accessible to smaller-load customers. The company aggregates several customers' loads into a single agreement and helps manage the process and complexity throughout the life of the project. This makes it much easier for a company of our size to participate and shaves years off the process.

The first questions we tackled were 1) whether to purchase the electricity generated by the project; and 2) the length of our commitment. Our finance partners helped us vet options, model our future load, and understand how the additional cost would impact our profit and loss. To reduce risk and keep the accounting simple, we went with an option where we enter into a fixed-price VPPA. This means we won't buy electricity to sell in the wholesale market, as is customary with VPPAs. Instead, we'll buy the new EACs generated from this project for 10 years. In the end, we were able to sign a 10-year commitment.

With an overall agreement in place, the next question was: which renewables project would we want to support? We used the **scorecard** we co-developed with Ever.green (with help from Salesforces More than a Megawatt white paper). It considers factors beyond CO2 reduction such as benefits to the community, people's health, economic justice, local wildlife, land use, and material impact.

✓	**Scope**	Cover existing office footprint, employees' work from home energy use (electricity + gas), and scale as we grow
✓	**Additionality**	Get a new renewables project off the ground
✓	**Beyond CO_2**	Benefit the community the project will operate in; benefit people's health; support a just transition; and incorporate wildlife, land use, and material impact consideration

Some key decisions we made

We ultimately landed on a project that met all our criteria, and fit beautifully with the Atlassian's tradition of supporting education: a solar farm to power schools in Dothan, Alabama that will produce an estimated 3100 MWh per year. As a predominantly agricultural town, Dothan struggles with the poverty and lack of resources that afflicts many such communities in the US.

This will be the largest behind-the-meter renewables project in the state by nearly 50%. Plus, it will provide an additional revenue stream for the school to invest in its students.

The Dothan project will cover all of Atlassian's US-based office and estimated work-from-home energy use. It's just the first in what will become a portfolio of projects Atlassian and Ever.green help get off the ground. With our US office and WFH electricity use covered, we'll now turn our attention to other geographies like Australia to explore what's possible there.

Chipping away at scope 3 emissions

Scope 3 accounts for the vast majority of Atlassian's emissions. Within that, the biggest categories for us are purchased goods and services (i.e. our supply chain) and business travel.

We've started the work, focusing on our supply chain first for two reasons:

1. Within scope 3, purchased goods and services contribute the most to our emissions footprint.

2. Our SBTs were approved in the early days of the pandemic when business travel was paused entirely. With no business travel, suddenly we were way ahead on our goal and it was hard to predict how or when future travel would affect our progress. So the only way to make a lasting impact on scope 3 at that time was to start with supply chain.

Unlike our scope 1-2 absolute emissions reduction goal, our supply chain goal is all about engagement. Our goal is to get enough of our suppliers to set their own science-based targets so that 65% of our supplier-based scope 3 emissions are accounted for.

Supplier data and mapping

Because we don't know the actual emissions from our suppliers, we have to estimate. To do this, we worked with our consulting partner Anthesis to combine supplier spending data and sector emissions factors to identify a subset of our suppliers representing 65% of our emissions.

Then, Anthesis mapped the climate maturity of our suppliers so we could clearly understand how many were disclosing climate data, who had already set renewable goals, and who had approved science-based targets. This would later help us determine how to engage with them.

Suppliers change year-over-year as does our spending with them, so the list of suppliers covering 65% of emissions is a moving target. While we work to build better data collection and tracking tools on our back end, Anthesis is helping conduct a manual evaluation of supplier goal-setting progress each year. That includes updating our list of top suppliers and understanding where they are in their climate maturity.

Supplier engagement

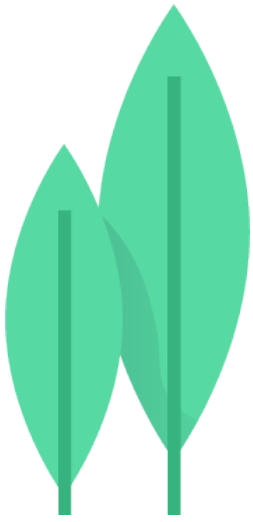
The journey of 1000 miles begins with a single step, so we're starting with the 10 highest-emitting suppliers based on spend and sector carbon-intensity and working our way through the list with milestones for each year. At the same time, the resources we provide will be available to all our suppliers, so even if they are not on our targeted list, we can still help them set emissions reduction goals.

In our first reporting year, 4% of suppliers by emissions had set an SBT. This meant that we had a long way to go in having conversations with our top suppliers. Our team is small and we weren't going to be able to do this alone.

Instead, we tried to find a way that this could be built into the procurement and supplier relationship processes in a lightweight way. So we took a two-step approach:

1. We ran training sessions on our SBTs and what they meant for our suppliers with Atlassians that owned relationships with our top suppliers. The training also included how to have conversations with suppliers to let them know about our goals and expectations moving forward.
2. We created information on our SBTs for our suppliers on the **Atlassian supplier site**. We also collaborated with our partners at **Business Council on Climate Change** (BC3) to create supplier resources, making the process of setting Science Based Targets and reducing emissions clearer.

We know these investments and initiatives take time for our suppliers to socialize within their own companies. Our ultimate goal is to help our suppliers make the case that a climate commitment is what today's customers expect (and need).



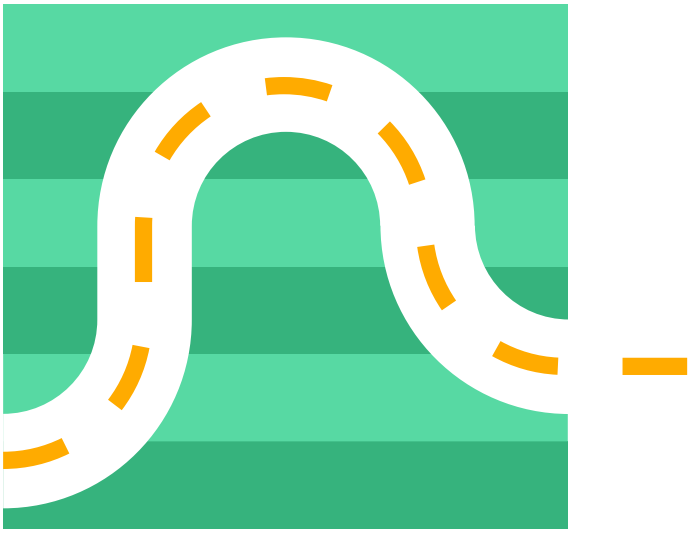
Business Travel

Fiscal year 2019 was our baseline year for business travel – before COVID and before remote work was widely embraced. So, while our 25% travel emissions reduction goal has remained on track for the past two years, it was partly because travel stopped altogether. We were essentially living on borrowed time. Now that travel has resumed, there are three forces that have pushed our emissions well beyond our pre-COVID baseline:

1. The main driver is that our workforce has more than doubled since the start of the pandemic. This means more people traveling to meet in person.
2. As the enterprise segment becomes more important for our business, our go to market and customer success teams are traveling more often to work with those customers in person.
3. We've also transitioned to a model where employees don't need to live near an office. But face-time is still important for building connections between teammates, so we make sure folks travel to an office location a few times a year.

To be honest, this challenge feels insurmountable at times. So we've started by picking off the low-hanging fruit. For starters, we updated our travel policy to allow for more direct flights. Beyond that, we're working with the leaders whose teams have the highest volume of travel to understand their business strategies and where there are opportunities for behavior or policy changes.

For Atlassian, the goal is always to reduce emissions first but we want to make sure that we're looking at all the options on the table. So in parallel, we're exploring future investments in sustainable aviation fuel. As members of the Sustainable Aviation Buyers Alliance (**SABA**), we're pooling resources to defray the costs for airlines associated with switching to sustainable fuel made from renewable materials like cooking oil and cover crops.



What about residual emissions?

Our ultimate goal is to reduce at least 90% of emissions by 2040; that's the priority – full stop.

But, part of what's required to achieve net zero is managing the emissions we can't reduce. The SBTi defines net zero as reducing emissions by more than 90% and using carbon removals to store the <10% of residual emissions.

We've watched companies follow a lot of different paths when it comes to offsets and know there isn't one right way to do it. That said, this space is facing an enormous amount of blowback as the understanding of voluntary carbon markets matures. We didn't want to throw money at the problem without a long-term strategy. And honestly, this was harder to do than we expected.

Thankfully, we took the time to agree on the principles and practices we'd adhere to in building a long-term offset investment approach.

1. **Ambition. Go beyond SBTi minimum recommendations.**
   When we set our SBT baseline in FY19, there wasn't a standard for how to think about offsets as part of the net zero journey. The new minimum SBT requirements and recommendations direct companies to start purchasing annual offsets as soon as possible because the longer emissions are in the atmosphere, the more damage they do. While helpful, this leaves some ambiguity. So we want to set an example by including:
   - Historic emissions, starting in FY02 when we were founded
   - Scope 1 and 2, as well as scope 3 business travel
   - Begin purchasing offsets in FY24, through FY40 (and beyond)
2. **Velocity. Hit our milestones on the path to net zero by 2040.**
   Our goal is a long way out and we think it's important to demonstrate progress along the way. In doing so, we need to take a pragmatic approach that balances near-term spending and consideration of the carbon markets. We plan to start by neutralizing emissions each year, starting in FY24, and use the remaining annual budget to chip away at historic "emissions debt."

3. **Funding. Use a financial model that secures support over the long run.**
   In order to source high-quality offsets now and start reserving some in the future, we will need a predictable funding model. So we landed on annual funding through FY40. As we get closer to FY30, we intend to reassess funding needs since we based our model on certain price and emissions reduction assumptions.

4. **Portfolio. Use a blended investment approach to diversify impact and mitigate risk.**
   Developing a blended portfolio will balance mitigating risks and ensuring co-benefits with being able to pay for it all. It's worth noting that engineered, hybrid, and nature-based solutions all run the risk of projects not delivering – or at worst, reversing climate benefits. That's why balancing the portfolio is critical. For extra due diligence, we plan to vet each project through **Carbon Direct**, based on climate science, co-benefits, and unintended harms.

5. **Iterate. Start with a long-term strategy and revisit it regularly as the space matures.**
   As we look to the future, we ultimately want to connect the funding of carbon offsets with driving down emissions so that we've got an incentive structure in place. For example, as we help leaders understand their role in shifting team travel behavior, how might an internal carbon tax align their budgets with our goals? More to come on this.

   As far as lessons learned along the way, we had two big ones:

- **Business pragmatism.** Science alone won't get a strategy over the line. We ultimately needed a deep partnership with the finance team. So much so that by the end, our strategy looked more like a financial plan than it did an environmental one especially as it relates to understanding various offset deal structures and how those would impact financial statements. While we could have stopped at getting budget approval for FY24, we also decided to go the extra step in landing a budget for FY40 that aligned with our projected emissions so that we had confidence there was sufficient funding to achieve our commitments.

- **Tenacity.** This stuff is hard! Between the high complexity and the number of assumptions (er, educated guesses) that need to be made, we barely felt like we had anything to model. It's also worth noting that even with a long-term strategy in place, we know this will need regular revisiting. From tracking the prices of carbon against our modeling and FY40 goal, to staying up to date on new technology and what climate science is telling us about the best way to remove carbon – all while doing everything in our power to reduce emissions.

RESOURCES

Lessons from other companies, tools, training, and guides:

- **Workday's aggregated VPPA**
- **Salesforce's Australian VPPA**
- **Salesforce More than a Megawatt**
- **Google's 24/7**

Collaborative initiatives

- **Business Council on Climate Change (BC3)**
- **Clean Energy Buyers Alliance** (US)
- **Business Renewables Center** (Australia)
- **Carbon Removals - Business Council on Climate Change**

Consultants and Partners

- **Engie Impact**
- **3Degrees**
- **ZGF**
- **Atelier Ten**
- **Ever.green**
- **Carbon Direct**
- **Supplier SBT Letter**

STEP 3

Pushing our ambitions beyond net-zero

As we've moved forward with our climate goals, we've also realized that there are more opportunities for climate action that aren't required by RE100 or SBTi, but they help us raise our ambition and go further.

Here are a few examples of actions we've taken to make good on our "we believe" statement,

> We believe that our long-term prospects as a business rely on a functioning planet. Atlassian's customers, employees, partners, investors, and communities expect us to take an active role in preventing the most disastrous impacts of climate change, and we have an opportunity to lead our industry and customers toward climate action.

Include work-from-home emissions

Although we are tracking ahead of our scope 1 and 2 emissions reduction goal, we want to acknowledge the complexities resulting from our hybrid working environment. A typical home office is less efficient than traditional office space on a per-person and per-square-foot basis. Of course, home offices don't generate emissions from commuting. But then, we have to factor in emissions from bringing teams together in person occasionally. Candidly, it's still early days in terms of tracking and calculating all this. We don't yet know if we'll come out better or worse in the long run.

Even so, we didn't want to shy away from addressing this. So, we started purchasing EACs in 2022 to cover our WFH electricity use. This is new territory for us and required our best estimates (we leaned on our partnership with Anthesis for this). We will also use our VPPA to procure EACs to match our WFH energy use in the U.S.

This is another example of us pushing to get ahead of the curve. This isn't required by the SBTi or RE100 right now, but likely will be in the future. Better to create a solution now and build more muscle around adapting to changing conditions.

Understand and manage climate-related financial risk

Over the past few years, we have invested in building a climate-related risk framework in alignment with the **Task Force on Climate-related Financial Disclosures** (TCFD). We identified our risk related to climate change and integrated that with our Enterprise Risk Management approach (using our own product, Jira). This has not only given climate risk the visibility it needs internally, but also ensures that we start to manage our risk, especially as we make long-term footprint planning decisions.

This feels like new territory for us, and to be transparent, it's been challenging to quantify our actual financial risk and exposure, but following the TCFD framework has given us a pathway to get started.

Push for progressive climate policy

While working toward our own goals has been the priority over the last several years, we haven't taken our foot off the gas in pushing the US and Australian governments to take bold steps related to climate change. One of the very first climate actions we took was using our voice along with other businesses in support of the **Paris Agreement**.

From supporting Atlassian's participation in the global climate strikes since 2019 to collaborating with groups like **Ceres** (e.g., **Business Support for Federal Investments in Clean Energy**) and the **We Mean Business Coalition** (e.g., **COP26: Business Urge World Leaders**), to having a presence at high-impact global moments like UN Climate week, we're continuing to push government leaders for accelerating net-zero aligned commitments.

As the policy landscape has shifted, so has our advocacy. In 2023, the California State Assembly took up two bills requiring corporate climate disclosure across emissions and climate-related financial risk: California SB 253 and SB 261. We showed up in Sacramento to make sure legislators knew companies like Atlassian were on board to do our part. And when those bills passed, we turned our attention to sharing our support for the proposed SEC climate rulings via a group Ceres letter.

So it's not just about pressuring governments to lead the change. We're also showing that we are willing to stand up and be the change we seek ourselves!

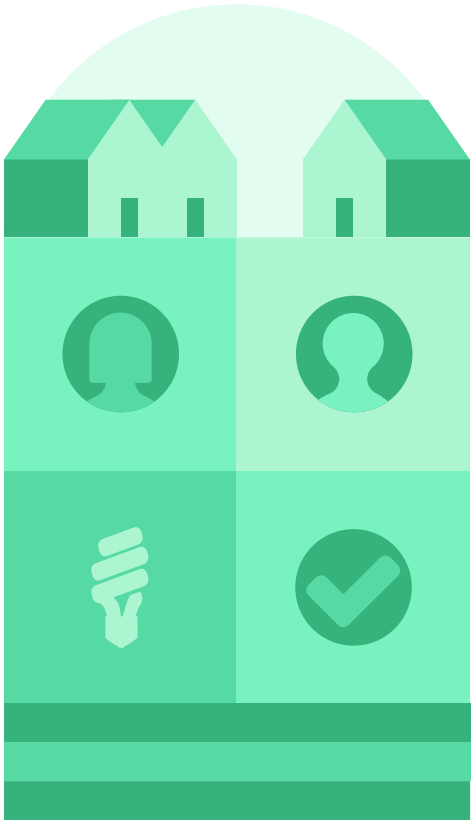
As we say at Atlassian, every meaningful accomplishment requires teamwork. We'd love for your organization to join the chorus calling for more meaningful action at the government level.

Examine how we handle our investments

A 2022 report by **The Carbon Bankroll** brought a new issue to light: several tech companies' cash and investments contribute to emissions that could far exceed their entire operational and value chain emissions. Currently, emissions from cash and investments are captured in the **GHG Protocol category 15**. Non-financial institutions (such as tech companies) often deem this category immaterial. However, if we consider investments as part of a company's "financial supply chain," then these emissions can (and should!) be accounted for like those of any supplier.

That led us to examine our investments and discover that some were at odds with our sustainability efforts and our values more broadly. We aligned on an initial policy reflecting our belief that fossil fuels will prove to be poor investments in the long run. So, for example, by not investing in companies that make more than 10% of revenue from fossil fuel extraction or development, we can maximize our long-term ROI and use market forces to speed the shift to a greener grid all at the same time.

This move puts Atlassian ahead of what's required for scope 3 emissions accounting right now. Working directly with our investment managers signals how important sustainability is to their customers, which incentivizes them to design investment vehicles and financial services with those values built in from the get-go.



RESULTS

Here are the results of our work outlined in this section:

- **Don’t @#$% the planet**
- **Atlassian on LinkedIn**
- **Climate Action Can't Wait**

RESOURCES

Lessons from other companies, tools, training, and guides:

- **Task Force on Climate-related Financial Disclosures**

Collaborative initiatives

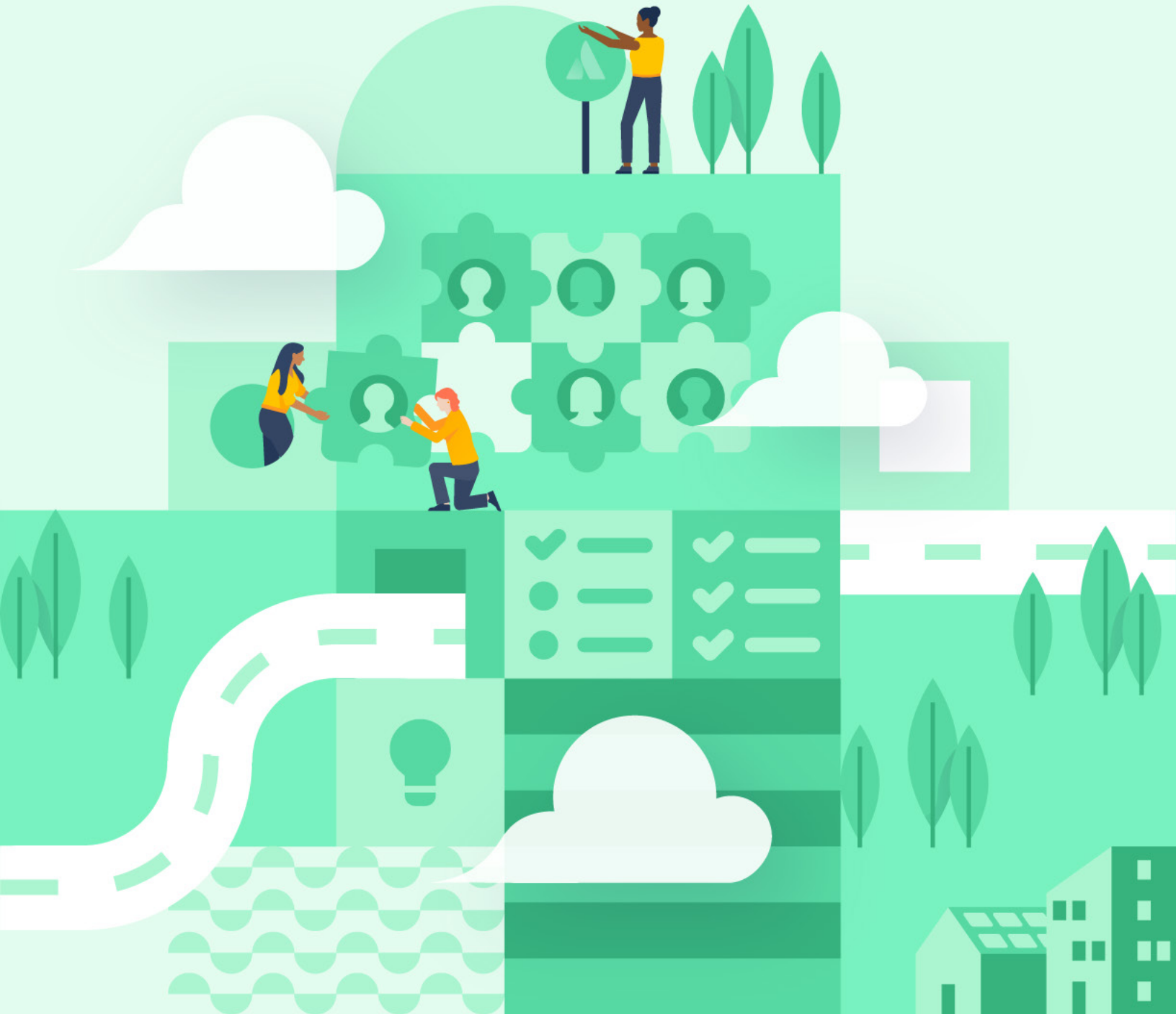
- **We Mean Business Coalition**
- **Ceres**
- **Carbon Bankroll**
- **The Outdoor Policy Outfit (TOPO)**

Consultants

- **BSR**
- **Anthesis**

STEP 4

Holding ourselves accountable



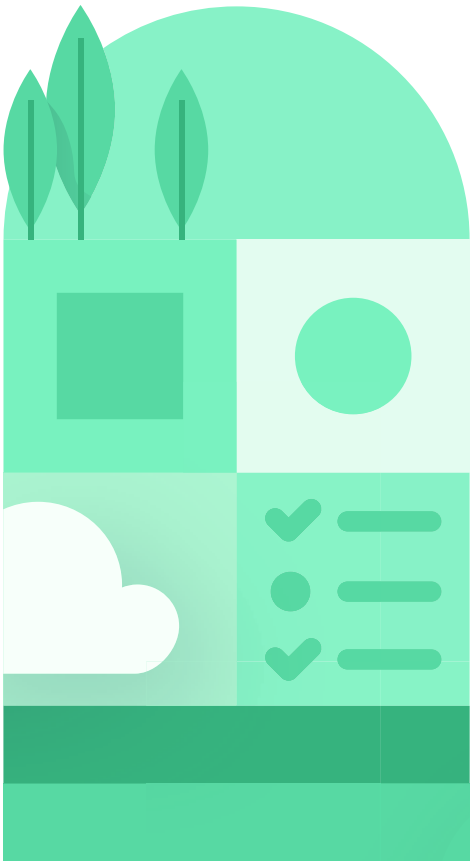
Report on progress and setbacks

A fair critique of sustainability programs is that they can be (and too often, are) a lot of talk with no action. A net-zero emissions goal may grab headlines, but whether the company actually follows through is a different matter. Atlassian is committed to walking the walk, not just talking the talk.

That's why, along with our climate commitments in 2019, we also committed to annual **sustainability reporting**. We partnered again with our investor relations team to connect with a broad group of analysts and think tanks who could weigh in on what metrics and frameworks were most important.

Their input helped us land our first principle to report writing: take an "open company, no bullshit" approach in line with our **company values**. This means celebrating the most meaningful results, along with sharing what's not going as well, what we're planning to do next, and the emerging issues we're monitoring.

While there are many voluntary frameworks on ESG disclosures, we've decided (for now) only to respond through **Carbon Disclosure** (CPD) to meet the requirements of our 100% renewable energy commitment and have included a Sustainability Accounting Standards Board (SASB) index in our annual report. This has got us to where we are today, but we know as we look to the future, we'll need to scale up use of reporting frameworks like **Taskforce for Climate-related Disclosure** (TCFD).



Accountability

We believe the best way to drive a meaningful program is to work as one Atlassian team, so we've integrated our sustainability team and initiatives into the business. Starting at the top, Mike and Scott meet with the sustainability team regularly to review our priorities and progress. We also believe our annual Sustainability Report helps to clearly communicate the value of climate action while demonstrating long-term accountability to our customers, our employees, and our board.

Get your board on board

Last, this year we're starting to engage the Atlassian Board. This is an important piece of sustainability and climate governance. It's also one of the requirements to improve our implementation of the TCFD and we expect to see more regulatory requirements here in the future.

We focused our first conversation with the board on our broad ESG goals as they are laid out in our Sustainability Report. We shared an update on climate risk mitigation and how we're using our investment in climate action to create new business opportunities – for example, demonstrating that Jira can be useful for organizing net-zero work and tracking progress. We also made it clear to the board that we're prepared for upcoming regulation and policy changes.

The ultimate goal is to ensure they understand the importance of the work we're doing and its role in the long-term success of the company. We already feel like the conversations are paying off in terms of generating enthusiasm and feedback that helps inform our long-term strategy.

Conclusion

Atlassian believes teams can achieve anything. In fact, our mission is to unleash the potential of every team. Combating climate change will take a team of companies working together to decarbonize the planet and build a better future. We are committed to leading in climate action and helping others take similar steps to make their businesses more sustainable.

We're also committed to updating our progress along the way. You can always see where we're at by taking a look at our most recent Sustainability Report where we share progress on our goals, setbacks, and the emerging issues we're watching.

We hope hearing our story has helped you feel less alone in the journey and inspired you to push your organization toward bolder, more ambitious climate action. **Let's do this, team!**

Set a science-based target

sciencebasedtargets.org

ATLASSIAN