

# Report on Risk Management

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## Persistent's Approach to Risk Management

Persistent has a well-defined Risk Management framework that includes a risk management policy, risk management processes, governance, and awareness programmes. Our Enterprise Risk Management (ERM) function aims to strengthen and embed proactive risk management culture across the organisation.

The ERM function works closely with the various organisational units and their leadership to facilitate the risk management process.

### ERM Objectives

- \ Promote an effective risk management system that supports the Company's growth strategy, business objectives and ensure resilience to the business dynamics.
- \ Improve institutional decision-making by giving senior management and Board of Directors timely and accurate information that helps them better comprehend the risks and possibilities at the enterprise level, and then propose mitigation plans to achieve the desired objectives.
- \ Enhance the company's capacity to achieve its legal, regulatory, and policy compliance obligations.
- \ Strengthen the business's capacity to recognise its most important resources and put strategies in place to protect and strengthen them.
- \ Establish a process to identify and assess risks that may impact the business continuity of the Company and define response and recovery plans for such risks.
- \ Proactively identify potential opportunities and risks to prepare for future breakthroughs and obstacles.
- \ Strengthen the organisation's capacity to comprehend and control risk exposures and establish a culture of responsible risk-taking.
- \ Integrate opportunity and risk assessment analysis into the company's periodic planning procedures (for example, strategic planning, annual budget cycle, etc.).

### ERM Framework

The Enterprise Risk Management (ERM) framework adopted by Persistent is mapped as per the ISO Standard 31000:2018 Risk Management — Guidelines, COSO: ERM — Integrating Strategy and Performance (2017), and the requirements of various applicable regulations in India. Our ERM framework is a holistic approach to managing the full range of risks the Company faces, especially risks that are critical to its strategic success. The framework provides guidance for identifying, assessing, measuring, monitoring, and responding to risks across the enterprise in a way that is aligned with its strategic objectives and risk appetite. ERM function reports the risks to the executive leadership and Risk Management Committee (RMC) of the Board for their regular oversight.

The responsibility for risk management is shared across the organisation for an effective and consistent process. There are dedicated forums involving leadership and ERM function to address operational and contractual risks.

Below is the risk management process followed at Persistent:

### ERM Process Flow

- \ Identifying plausible uncertainties or risks that may impact the successful achievement of functional, organisational, and business objectives or threaten the business continuity of the Company. The risks are categorised into financial, operational, reputational, regulatory, extended enterprise, strategic, sustainability, and technology for further assessment.
- \ Analyzing and assessing the potential impact, likelihood and velocity of existing and newly identified risks and determining the readiness to manage them.
- \ Evaluating the results of the risk analysis with the established risk criteria and prioritizing them based on criticality to help decide on the appropriate risk management strategy.

- \ Formulating risk response strategies to evade / prevent / eliminate the root causes of the risks and the occurrence of risk event, especially in case of key risks.
- \ Integrating mitigation plans devised by the risk owners in the day-to-day activities and monitoring them closely.
- \ Monitoring and reviewing risks on a periodic basis for continuous risk assessment.
- \ Re-evaluating the risk environment and the risk events and updating the mitigation plans if necessary.
- \ Reporting relevant risk information to Risk Management Committee of the Board in a timely manner to provide the necessary basis for risk-informed decision-making.

### Risk Categorisation

Risk categorisation at Persistent follows the “FORRESSSTT” model which has been derived from the “PESTEL\*” model. Details are provided below:

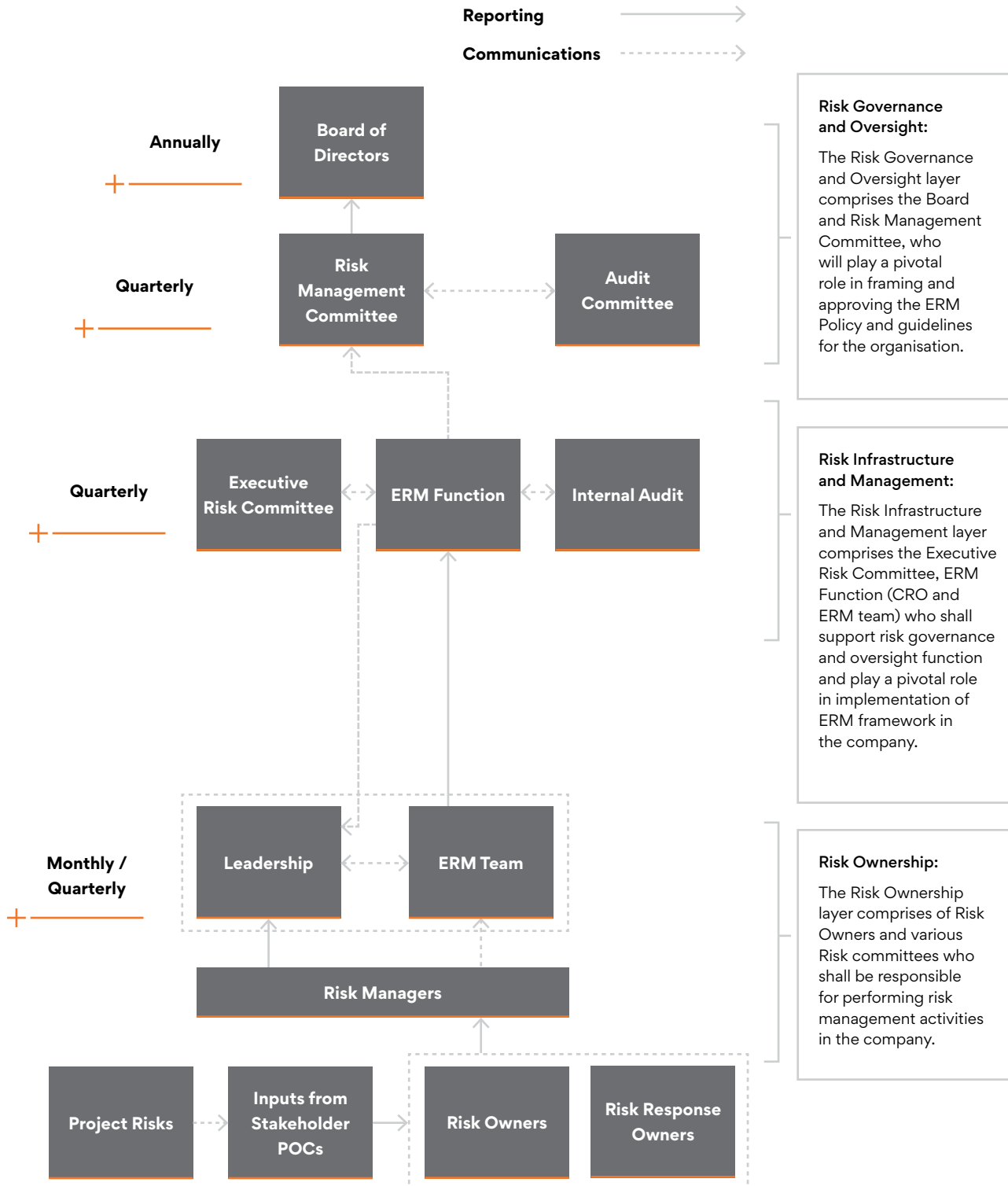
Risk Domains	Definition
Financial	Risk of potential financial loss resulting from breach of key risk indicators, ineffective or inefficient processes and controls.
Operational	Risk of potential breakdowns/deficiencies in process effectiveness or efficiency resulting from controls and / or process design weakness which may cause material exposure.
Reputational	Risk of a potential tarnished reputation, loss of marketplace or investor confidence caused by a breach in risk management requirements, Operational breakdown, legal/regulatory breach, unsuccessful product launch or other reputational-impacting event.
Regulatory	Potential fines, litigation costs or enforcement actions from regulators resulting from changes in the legal and regulatory environment, perceived or actual conflicts of interest, and potential actions or breaches of compliance and / or risk management requirements.
Extended Enterprise	Risk of potential disruption caused by a failure to identify, measure, and mitigate risks at key third-party organisations.
Sectoral	Industry risks pertaining to the sector of business.
Strategic	Potential risk(s) that could disrupt the assumptions at the core of an organisation’s business strategy, including risks to strategic positioning, strategic execution and strategic choices and consequences — impeding the organisation’s ability to achieve its strategic objectives.
Sustainability – ESG	Risks associated to manage corporate responsibility and sustainable development issues that deliver top and bottom-line growth for the long term and create maximum impact for beneficiaries.
Talent	Risk arising from increase in staff turnover and well below the industry / market trend, Resignations of staff members, Employee attrition rate more than target rate.
Technology & Cyber	Risk arising from system defects, such as failures, faults, or incompleteness in computer operations, or illegal or unauthorised use of computer systems.

\*PESTEL stands for Political, Economic, Social, Technological, Environmental, Legal

### Risk Governance Structure

The Company has established three pillars of risk management responsibilities in its Governance structure as Risk Oversight, Risk Infrastructure and Management, and Risk Ownership, that cascades the scope of activities to senior management and all employees, across the subsidiaries of the Company.

The risk management governance structure at Persistent is as follows:



## Highlights of FY24

As the Company continues its growth journey beyond \$1B in revenues, there is continued focus to embed risk management in Persistent culture. Effective change management has led to adoption and enhancement of our Enterprise Risk Management program to proactively identify and report risks. We evaluate emerging risks, risks emanating from changing economic, geopolitical and ESG landscape, rapidly evolving technological disruptions with the guidance from the RMC of the Board. This will help the Company to have a holistic understanding and better management of key risks as it plans to achieve its strategic goals and objectives.

At Persistent, successful governance of critical risks is a strategic investment for sustainable growth. It is meant to prepare the Company for a wide range of possible challenges in its growth journey.

Some of the key risks in the current business environment are given below:

Sr. No.	Key risks	Risk category (FORRESSSTT)	Risk triggers	Measures for risk mitigation
1	Cyber-Attack and Hacking Risk	Technology & Cyber / Extended Enterprise	External attacks, malware, compromised credentials, Business email compromise via. phishing and other cyber security risks may result in data loss and loss of reputation	<ul style="list-style-type: none"> <li>\ Robust Information Security Management System (ISMS) centred around comprehensive Information Security policies based on industry best practices and leading security frameworks, with a continuous reinforcement of security controls to ensure the confidentiality, integrity, and availability of information assets</li> <li>\ Multi-layered governance process with executive and Board oversight</li> <li>\ Third-party certifications such as ISO 27001, ISO 27017, ISO 27018, ISO 27701, and SOC 2 Type II attestations to demonstrate our commitment to cybersecurity</li> <li>\ Continued investment and deployment of state-of-the-art technologies such as Zero Trust, Advanced endpoint protection solution, Dark / Deep web monitoring, etc. to secure corporate infra, data &amp; applications</li> <li>\ Access controls including Multi Factor Authentication for secure access to enterprise applications/network, special handling of privileged administrator accounts, rigorous access management on all cloud deployments</li> <li>\ Mandatory training and adequate awareness measures across employee life cycle ensure a strong human firewall</li> <li>\ Implementation of enhanced Data Leakage prevention platform to protect critical data</li> <li>\ Encryption of data, data back-up and recovery mechanisms for ensuring business continuity aligned to ISO 22301:2019</li> <li>\ Established threat intelligence, security monitoring and incident response processes to detect and respond to cybersecurity threats and incidents coordinated through a 24x7 Security Operations Centre</li> <li>\ Internal and external audits and red teaming to validate effectiveness of controls</li> </ul>
2	Data Privacy Risk	Regulatory / Reputational	\ Persistent operates globally and hence needs to be compliant with the data privacy laws across countries where we operate	<ul style="list-style-type: none"> <li>\ Robust Privacy Information Management System (PIMS) to safeguard personal data and ensure compliance with applicable legal, regulatory, and contractual obligations pertaining to data privacy and protection</li> <li>\ Global privacy policy covering all geographies, all areas of operations, and stakeholders</li> <li>\ Data Loss Protection (DLP), Data Classification and Data Encryption technologies are deployed to protect personal information</li> </ul>

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2	Data Privacy Risk	Regulatory / Reputational	<ul style="list-style-type: none"> <li>\ Unauthorised use or disclosure of employee or company or customer data may lead to either breach of customer contract or fines / penalties from regulators and / or damage to the company's reputation</li> </ul>	<ul style="list-style-type: none"> <li>\ Access controls including Multi Factor Authentication, Privileged administrator account management tools are deployed. All access provisioning is on a need-to-know basis and access reviews are performed on a regular basis</li> <li>\ Dedicated Data Protection Officer and Privacy team</li> <li>\ Continuous strengthening of global privacy program through monitoring of regulatory mandates, revalidation of existing frameworks, policies and processes and ensuring applicability to customer contracts</li> <li>\ Technical and organisation measures such as PII Inventories, Privacy Impact Assessment, Incident Management Procedures and Systems, Breach Notification Management, Data Subject Rights Request Management, etc.</li> <li>\ Development of products &amp; applications, including change in processing of personal data go through appropriate privacy assessments and approval</li> <li>\ Vendors and third parties subjected to due diligence, contracted with appropriate privacy obligations</li> <li>\ Mandatory training on data protection, Privacy by Design, and global privacy regulations. Continuous awareness campaigns through blog posts, email broadcasts, and online events</li> <li>\ Periodic reviews and audits by independent audit firm to verify compliance to obligations in addition to internal audits across the ecosystem</li> <li>\ Certified under ISO 27701:2019 — Privacy Information Management System, ISO 27018:2014 — Securing Personal Data in Cloud and SOC 2 Type 2 Attestation</li> </ul>
3	Foreign Exchange Risk	Financial	<ul style="list-style-type: none"> <li>The Company operates in the global environment and has maximum business from US geography hence Currency fluctuations is a major risk</li> </ul>	<ul style="list-style-type: none"> <li>\ Net foreign exchange earnings are hedged on 12 months rolling basis to cover 45% to 70% of net open positions</li> <li>\ Guidance from the Board members is obtained every quarter regarding hedging quantum</li> <li>\ Close monitoring of exchange rate movement is done</li> </ul>
4	Geo-Political and Macro-Economic Risk	Strategic / Sectoral	<ul style="list-style-type: none"> <li>Changing Geo-political landscape in multiple regions (war scenarios in Middle-East and Ukraine / Russia), Macroeconomic uncertainty around interest rate cuts may impact customer discretionary spends, leading to potential impact on growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li>\ Conduct "Country Risk Assessments" based on PESTEL Framework</li> <li>\ Engaged with geo-political consultants to get insights on the changing geopolitical landscape</li> <li>\ Monitoring and reporting of geo-political risks to the RMC of the Board</li> <li>\ Geo-Diversification for growth planned via Europe and other geographies</li> <li>\ Pro-active cost takeout proposals to customers to improve their business efficiency</li> <li>\ Enhanced focus on customer connects and relationships</li> <li>\ Persistent is ISO 22301 certified and regular BCP testing is performed</li> </ul>
5	Credit Risk	Financial	<ul style="list-style-type: none"> <li>Delay in collection of customer dues as a result of the global economic situation</li> </ul>	<ul style="list-style-type: none"> <li>\ The Company has adopted an effective receivables management system to monitor and control the outstanding receivables</li> <li>\ Credit Risk is managed through policies, procedures, and controls as a part of customer credit risk assessment</li> <li>\ The Company has adopted expected credit loss model, based on profile of the customer and aging pattern, to assess the impairment loss or gain on trade receivables</li> </ul>

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6	Talent Demand and Employee Attrition Risk	Talent / Operational	<ul style="list-style-type: none"> <li>\ Market forces – After great resignation phase that industry faced post COVID, talent market has been stable for last year. However, it is hard to predict how long it will last. Any change in the market force may increase voluntary attrition</li> <li>\ Limited talent pool in emerging technology areas — While larger talent demand has stabilised, demand for emerging technologies is still high. Talent pool for the same is limited. This will continue to impact attrition</li> <li>\ Employee preferences — Hybrid working seems to be employee's preference</li> </ul>	<ul style="list-style-type: none"> <li>\ Employee Grooming and Upskilling — Focus on employee development and upskilling, enabling them to build their careers has been a part of the 'Persistent way' of working. Persistent University offers an excellent platform for employee to acquire skills, stay relevant and enhance their skills and competencies. Persistent invests in up-skilling of its associates in new age digital technologies and runs Persistent's Digital Engineering Academy (PDEA). PDEA runs upskilling programs in Cloud, Data, Gen AI etc.</li> <li>\ Employee engagement and all-round wellbeing — All round wellbeing of our employee, has been central to our employee engagement approach, which covers physical, financial, and psychological wellbeing. We conduct regular surveys to seek input from employee on various aspects of their work to understand their engagement and expectations. Input thus received is processed to make necessary improvements in processes and policies</li> <li>\ Persistent brand — our consistent growth over last several quarters, scale of operations, geographical presence, and initiatives such as GWR (Guinness World Records) has been helping us continue to position Persistent as a leading brand in the industry. We continue to invest in branding initiatives</li> <li>\ Inclusive Workplace — Persistent provides a diverse and inclusive workplace which promotes creativity, diversity, inclusivity, and enhanced work culture</li> <li>\ The attrition level has been controlled at 11.5%</li> </ul>
7	Global Regulatory Risk (Emerging Risk)	Regulatory / Reputational	<ul style="list-style-type: none"> <li>\ Failure to comply with existing statutory regulations, new regulations, or amendments to existing regulations (e.g., immigration, payroll and social security, taxation, employment laws, data privacy laws etc.) where the company operates globally, may have an impact</li> <li>\ Persistent operates globally in major markets and industries. There is an inherent risk of non-compliance with the ever-evolving legal landscape resulting into frequent legal updates and changes in regulatory requirements / disclosures (including regulations related to ESG, ethical, and hygiene practices) that are applicable to our business</li> </ul>	<ul style="list-style-type: none"> <li>\ The Company uses a professional Compliance Manager Tool to report and monitor the regulatory compliances applicable to the Company</li> <li>\ The Company also updates the Tool on ongoing basis with the amendments in the existing regulations and inclusion of newly introduced legislations, if any</li> <li>\ A framework is in place to assess the correctness of the compliances which have been reported in the Tool</li> <li>\ The Compliance status is placed before the Audit Committee of the Board of Directors and the Board of Directors of the Company in their meetings at frequent intervals</li> <li>\ The Company has also appointed local consultants in various geographies to advise and help the Company to the ensure the compliances in respective geographies</li> <li>\ The Company has a dedicated ESG function for the oversight of any ESG related regulatory compliance changes. Company has been certified in- ISO14001:2015 Environmental Management System and ISO45001:2018 Occupational Health and Safety Management System</li> </ul>

Sr. No.	Key risks	Risk category (FORRESSTT)	Risk triggers	Measures for risk mitigation
8	Sustainability Risk — Climate change	Sustainability — ESG / Operational	<ul style="list-style-type: none"> <li>\ Climate change is increasing the periodicity and intensity of some extreme weather events such as heat waves, cold waves, tornadoes, tropical cyclones, floods, cases of seasonal diseases, epidemics, and pandemics</li> <li>\ Extreme weather events may have an associated threat to human safety and business operations</li> </ul>	<ul style="list-style-type: none"> <li>\ The Company's facilities across India have been certified to be ISO 14001:2015 compliant</li> <li>\ The Company has distributed operations, enablement of remote working, agile delivery focus and periodic testing of business continuity plans</li> <li>\ Delivery centres designed to withstand extreme weather events</li> <li>\ Employee awareness building around conservation of resources to strengthen our business resilience</li> <li>\ The CISO of the company and the team ensures implementation of business continuity at project, customer, region, location, function level. And runs internal audit checks to verify the implementation of the controls</li> <li>\ Persistent is certified- ISO 27001 for information security and 22301 for business continuity</li> </ul>
9	Water Scarcity Risk (Emerging Risk)	Sustainability — ESG / Operational	<ul style="list-style-type: none"> <li>\ Being a precious resource, water conservation is crucial for the sustainability of Earth</li> <li>\ Reducing ground water levels and changing rain cycles is a risk leading to water crisis globally</li> </ul>	<ul style="list-style-type: none"> <li>\ Water Resource analysis performed for all global location and classified accordingly into categories as per 'Aqueduct Water Risk Atlas'</li> <li>\ Vulnerability Identification and location level mitigation plans implemented to monitor water consumption</li> <li>\ Conservation and efficiency measures through operational control and continuous awareness sessions with employees to ensure efficiency in water consumption. All our owned facilities are equipped with Rainwater recharging facility enabling to recharge ground water</li> <li>\ We consider ground water sources of locations as the last resort</li> <li>\ We also conduct frequent awareness sessions on sustainable water management</li> <li>\ We are engaged with CSR activities like Integrated watershed development program, open well for drinking to create awareness and community development</li> </ul>
10	Energy Demand Risk (Emerging Risk)	Sustainability — ESG	With advent of new emerging technologies, the level of energy consumption may increase globally leading to rise in carbon emissions	<p>Our Climate action goals:</p> <ul style="list-style-type: none"> <li>* Achieve Carbon Neutrality for Scope 1 and Scope 2 emissions by 2025</li> <li>* To source 100% energy from Renewable energy sources by 2025</li> <li>* 30% reduction of Scope 3 emissions by 2028</li> <li>\ Strategy to ensure carbon neutrality status by adopting innovation and regulatory changes to reduce emission and increase Renewable energy consumption</li> <li>\ Persistent has committed to set near- and long-term company-wide emission reductions in line with science-based net-zero with the SBTi</li> <li>\ Decarbonisation Roadmap with strategies in line with SBTi guidelines enabling to achieve reduction in emissions</li> <li>\ All owned campuses are enabled with roof top solar generation and 2 windmills connected through open access</li> </ul>

Sr. No.	Key risks	Risk category (FORRESSTT) — ESG	Risk triggers	Measures for risk mitigation
10	Energy Demand Risk (Emerging Risk)	Sustainability — ESG		<ul style="list-style-type: none"> <li>\ Technology Assessment including potential benefits and energy consumption implications</li> <li>\ Continuous improvement to monitor and evaluate the environmental performance of new technology, identify areas for improvement and implement corrective measures as a continuous process</li> <li>\ Green procurement policy enabling buyers to evaluate the suppliers based on emissions from Purchase of goods and services</li> </ul>

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