

# Climate Strategy and Governance



Climate change is a significant issue and we follow the best practices of frameworks like the TCFD. The Board's oversight of climate-related risks is through Stakeholder Relationship Committee & ESG Committee.

Our climate strategy and climate-related risks and opportunities are overseen at the Board-level by the Stakeholder Relationship Committee & ESG Committee to ensure we keep advancing our ESG goals. We report our performance on key ESG metrics to the SR and ESG at least annually. In the reporting year, there were two meetings held to review ESG progress. The ESG committee is supported by CEO, COO, CFO, CPO, CAO, CRO, Legal and Compliance team, Sustainability council and Business leaders.

## Climate Risk Management process:

### Task Force on Climate-Related Financial Disclosures (TCFD:)

We use TCFD framework for the management of climate-related risks and opportunities. We made significant progress by assessing climate risks and opportunities. We also successfully incorporated these into our enterprise risk management (ERM) framework. We improved our governance and our strategic response to the climate risks. The analysis led to a comprehensive evaluation of physical and transition risks. It also involved finding potential financial impacts under various climate scenarios. We did not identify any significant risks to our business in the assessment. We also reduce risks by pursuing projects that improve our

sustainability performance, such as environmental and energy efficiency initiatives. Our Climate risk assessment covers own operations, upstream activities and supply chain.

We are alert and flexible to the rapidly changing environment. We look for efficient ways to reduce our emissions and improve our sustainability performance. We acknowledge the opportunities that emerge from transitioning to a low-carbon economy. This means exploring ways to leverage these transformational opportunities.



## GOVERNANCE

### Risk Management Process and ERM Integration

#### Strategy

We understand that climate change is a significant global challenge with the potential to impact our business in various ways. To navigate this evolving landscape, we are adopting a proactive climate change strategy. This strategy focuses on three key areas:

#### Risk Management

We recognize the growing scale of operations and complexities related to ESG risks. Enterprise Risk Management identifies risks including climate-related risks and opportunities and measures for risk mitigation. Every quarter, the ESG function updates the executive management of the Board on the progress and actions taken to address Climate issues.

The ESG team works with ERM to identify and manage climate-related risks and opportunities separate from other business risks and opportunities. We have conducted climate risk assessments, the outcome of which is integrated into our overall ERM framework.

#### Risk Identification

Risk identification process involves engagement with key stakeholders such as customers, employees, shareholders suppliers, and community partners. We also take into cognizant the evolving global trends of climate-related issues such as technology risks, physical and transition risks including regulatory changes.

#### Risk Assessment

We evaluate each risk that we find through our climate scenario analysis. We prioritize the most urgent risks that require immediate action by assessing the severity and duration of their consequences. We examine how each risk and opportunity affects our business. We have improved our impact analysis to include the financial implications of the risks for our business.

#### Risk Mitigation

Appropriate actions are taken to address identified risks. These risks are actioned by taking short-, medium- and long-term goals such as energy efficiency, emission reductions, investment in renewable energy and new technologies. This also provides opportunities to move to low-carbon products to manage our operations and help our customers through our engineering capabilities.

#### Policy Alignment and Compliance

As climate-related policies gain momentum, we are committed to staying informed and aligning our operations with evolving regulations. This proactive approach ensures compliance and minimizes potential disruptions, continuity and resilience.

#### Innovation and Opportunity

We recognize that climate change also presents opportunities for innovation. By embracing emerging technologies in clean energy, resource efficiency, and sustainable practices, we can not only reduce our environmental impact but also gain a competitive advantage in the evolving marketplace.

## Metrics and Targets

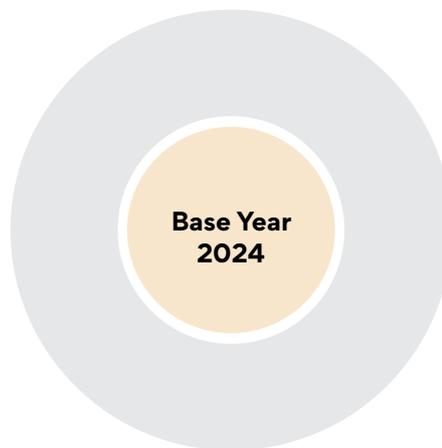
Emission Reduction Targets: We have aligned our Climate action objectives with various climate-related scenarios, including one that limits global warming to 1.5°C. The risk assessment and plan to adapt to physical climate risks covers our existing and new operations. We use qualitative climate-related scenario analysis to transition to net-zero. Our absolute emissions targets include Scope 1, Scope 2, and Scope 3 emissions.

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Climate action goals with short- and medium-term targets to achieve net-zero

To reach Scope 1 and 2 Carbon Neutrality by 2025.

To use 100% Renewable energy by 2025.



To cut down 30% of our Scope 3 emissions by 2028.

To attain net-zero emissions by 2050 following SBTi method.

We have a clear plan for reaching our goal, with different strategies and actions. For more details, refer to our Net-Zero transition pathway [section](#).



## GOVERNANCE

### Climate-related risks and opportunities

Risk management process is Integrated into the multi-disciplinary enterprise risk management process and the frequency of assessment conducted every year covering existing and new operations including Value chain partners (Upstream and Downstream).

### Transition Risks

The rapid evolution of technology presents opportunities and challenges for the Information Technology (IT) sector. While innovation can fuel growth, navigating transitions can be risky. Transition risks in IT refer to the potential disruptions caused by shifting technologies, evolving customer demands, and changing regulatory landscapes.

Transition Risk Type	Climate-related risks	Time frame	Potential Impacts to business	Mitigation/Opportunities
Policy and Legal: Current and Emerging regulation	<ul style="list-style-type: none"> <li>Emerging Regulations: The IT sector is subject to various laws and regulations in different jurisdictions, such as data privacy, cybersecurity, intellectual property, taxation, and trade. Changes in these policies and legal frameworks can affect our operations, costs, revenues, and reputation.</li> <li>Higher pricing of GHG emissions and carbon tax.</li> <li>Requirements on environmental regulations.</li> <li>Risk to reputation.</li> </ul>	Long-Term	<ul style="list-style-type: none"> <li>Increased operating costs (e.g., higher compliance costs, increased insurance premiums).</li> <li>Asset impairment and early retirement of existing assets.</li> <li>Non-compliance to environmental regulations resulting in fines and penalties.</li> <li>Failure to comply with regulatory disclosures.</li> </ul>	<ul style="list-style-type: none"> <li>We comply with applicable environmental regulations and laws in the countries in which we operate. (Refer to the Environmental Compliance Section for more details).</li> <li>We are committed to proactively conserving the environment, controlling our impact on climate change, and continually improving the performance of our Environment, Health and Safety (EHS) Management Systems.</li> </ul>
Market / Reputation risks	<ul style="list-style-type: none"> <li>Increased stakeholder expectations from customers, institutional investors on company's ESG performance.</li> </ul>	Short-mid term	<ul style="list-style-type: none"> <li>Failure to meet climate action goals including the commitment to UNSDG Goals leading to reputational risk.</li> <li>Poor sustainability reputation leads to an inability to attract customers, investors and talent.</li> </ul>	<ul style="list-style-type: none"> <li>Our commitment towards climate action goals with short, medium and long term goals.</li> <li>Decarbonization Roadmap to achieve our climate action goals.</li> <li>Our efforts enable us to meet the ever-increasing expectations of our clients, who consider sustainability as a key driver.</li> <li>Our focus on D&amp;I and CSR helps attract and retain talent.</li> <li>Transparency in reporting on our ESG progress through ESG report.</li> </ul>
Technology Risk	Cost to transition to lower emissions technology	Shot-mid Term	Cost to adopt/deploy new practices and processes	<p>As part of climate action goals to reduce our emissions</p> <ul style="list-style-type: none"> <li>Use of lower-emission sources of energy we have invested in renewable energy programs and adoption of energy efficiency measures</li> <li>Use of more efficient equipment: We have replaced old assets with new technological devices These opportunities provide benefits such as <ul style="list-style-type: none"> <li>Reduced operational costs</li> <li>Reduced GHG emissions</li> <li>Increased value of fixed assets (e.g., LEED-certified buildings)</li> <li>Improved health and safety of the employees</li> <li>Refer to energy conservation efforts for more details</li> </ul> </li> </ul>

Timeline - Short-mid Term : less than 5 Years  
 Long Term - 5 to 10 Years

## Physical Risks

IT companies, despite their digital nature, face physical threats. These range from natural disasters and infrastructure outages impacting operations to complex supply chain disruptions hindering production. Physical security breaches and the impact of climate change add to the challenges. Mitigating these risks requires a comprehensive strategy for business continuity. Our risk assessment process covers 100% of our revenue and includes plans to adapt to physical climate risks for both existing and new operations. Our mitigation plan is comprehensive and includes both short-mid term measures (less than 5 years) and long-term measures (5-10 years) to implement relevant adaptation measures for existing operations

Physical Risk Type	Climate-related Risks	Time frame	Potential Impacts to Business	Mitigation/Opportunities
Acute	<ul style="list-style-type: none"> <li>Increased severity of extreme weather events (cyclones, floods) can damage property/assets.</li> <li>Climate change-driven extreme weather events can also lead to vector-borne diseases, potentially causing epidemics or pandemics.</li> <li>Water stress and scarcity pose a significant near-term risk, impacting our business operations.</li> </ul>	Short-mid term	<ul style="list-style-type: none"> <li>With a very large operational footprint in India, we have recognized direct climate change impacts:               <ul style="list-style-type: none"> <li>- Physical damage to our building infrastructure and other physical assets.</li> <li>- Disruptions to city infrastructure, including transportation networks, utilities (power and water supply), severely hampering business continuity.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive Business Continuity plans in place to increase our resilience.</li> <li>Hybrid work environment where our employees can work from home to ensure business continuity.</li> <li>Exhaustive employee health care programs with health insurance benefits.</li> <li>Our energy and water stewardship and conservation efforts help mitigate risk related to water.</li> </ul> <p>(Refer to water conservation practices section)</p>
Chronic	<ul style="list-style-type: none"> <li>Rising sea levels lead to disruption in operations.</li> <li>Rising mean temperatures.</li> </ul>	Long-Term	<ul style="list-style-type: none"> <li>Few of our large office campuses are prone to sea-level rise and consequent business continuity risks. Unabated global warming can lead to chronic water scarcity across our operational geographies, especially in India, leading to operational challenges.</li> <li>Increased operating costs (e.g., inadequate water supply).</li> <li>Increased capital costs (e.g., damage to facilities).</li> <li>Increased insurance premiums and potential for reduced availability of insurance on assets.</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive Business Continuity plans in place to increase our resilience.</li> <li>Hybrid work environment where our employees can work from home to ensure business continuity.</li> <li>Asset maintenance and upgrades.</li> </ul>

Timeline - Short-mid Term : less than 5 Years  
 Long Term - 5 to 10 Years

## GOVERNANCE

### Financial Risks and Opportunities Arising from Climate Change

#### Financial Risks of Climate Change

Persistent is certified for ISO 22301:2019 and has a well-defined Business Continuity Management System in place. This includes business continuity and disaster recovery plans that are charted to ensure minimum impact to business and operation in case of emergency or disaster as well as regular testing including calls, tree tests, data restoration tests, DR drills, etc. which ensure high level of readiness for handling Business Continuity impact related events.

Persistent governance risk and compliance services have a structured BCP/DRP framework and methodology, which will assist the enterprise in overcoming all the challenges by analyzing business impact, defining the recovery strategy, and documenting plans for our BCP/DRP. We can also test the BCP/DRP to ensure it is current and meets the RTO/RPO requirements. For more details, refer to Business Continuity and Disaster Recovery.

The identified climate-related risks do not have any potential to cause a substantive change in business operations, revenue or expenditure. Our comprehensive Business Continuity plans in place helps to increase our resilience and flexibility to adopt remote working options when required. Rest assured that we are well-prepared for any situation that may arise.

#### Climate-related Scenario Analysis

We have conducted qualitative climate-related scenario analysis for scenario types well below 1.5 degree C.

#### Financial Opportunities Arising from Climate Change

Combating climate change isn't just about managing risks; it presents significant opportunities. Resource efficiency, cost savings, adoption of clean energy, and building a resilient supply chain are just some areas where we see a path forward.

#### Resource Efficiency

By prioritizing efficiency across buildings, appliances, and transportation, we've achieved not only operational cost savings but also a reduction in our environmental footprint through improved energy use and responsible management of materials, water, and waste.

#### Energy Source

Transitioning to renewable energy sources like wind and solar power is essential for achieving global emission-reduction goals. Shifting to renewable energy sources has not only reduced our environmental footprint but also yielded substantial cost savings.