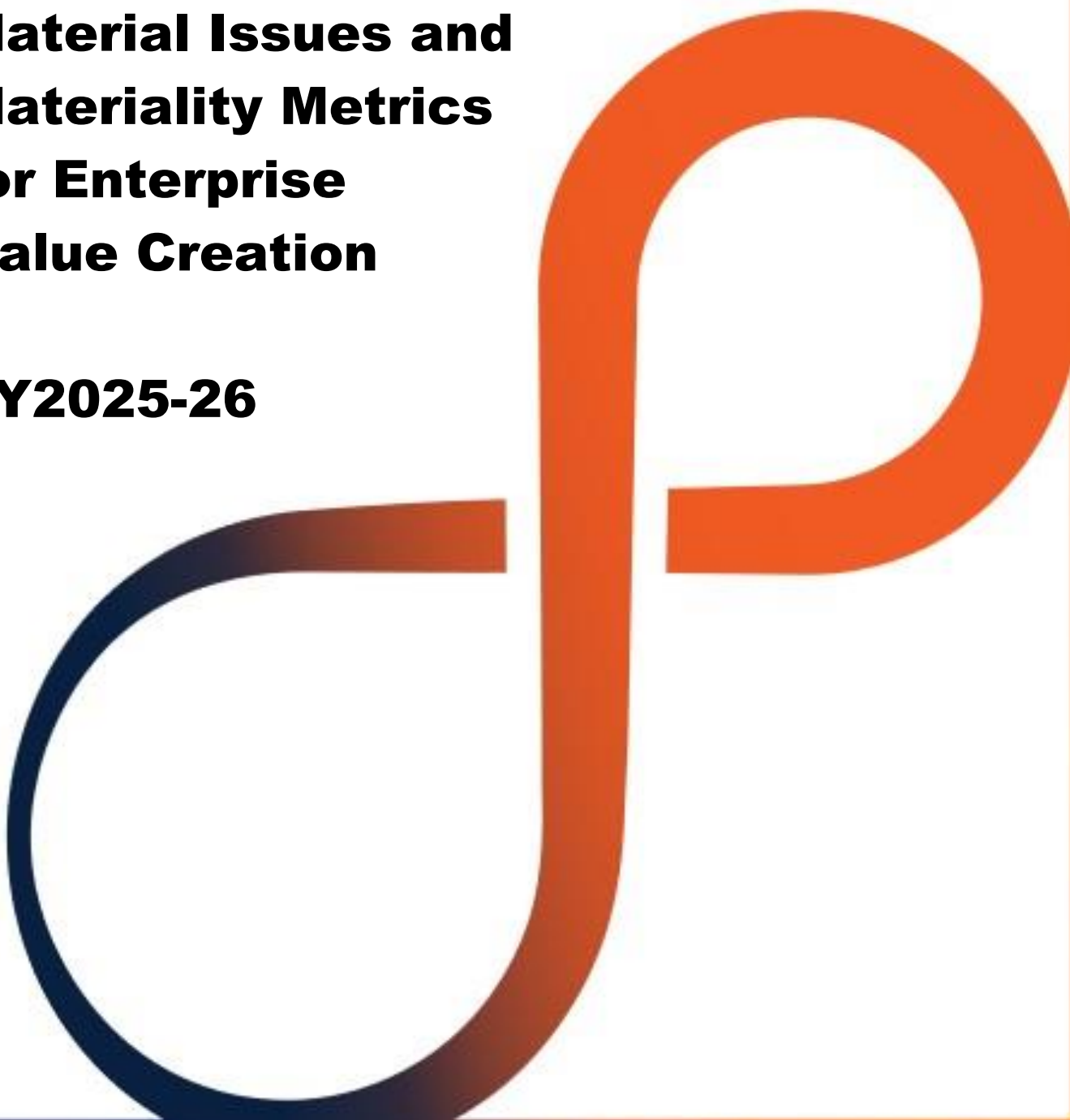




Material Issues and Materiality Metrics for Enterprise Value Creation

FY2025-26



Material Issues and Materiality Metrics for Enterprise Value Creation

Management of Material Issues

Through its annual materiality assessment, Persistent Systems Limited identified the most critical economic, environmental and social issues that have the greatest impact on the Company's business and long-term value creation. The assessment considered internal business risks as well as external societal and environmental factors, ensuring that priority issues inform strategic decision-making, risk management and sustainability initiatives. In FY2026, the Company identified three key material issues that significantly influence external stakeholders.

Material Issue 1

Climate Strategy (Transition & Physical Risks; Emissions and Energy Management)

Material Issue 2

Information Security, Cybersecurity and Data Privacy

Material Issue 3

Human Capital Management

Material Issue 1:

Climate Strategy (Transition & Physical Risks; Emissions and Energy Management)

Category: Climate Transition & Physical Risks

Material Issue: Climate change, including transition and physical risks and the management of greenhouse gas emissions and energy consumption across operations and the value chain. This material issue reflects the potential impact of climate-related disruptions, evolving regulatory requirements, carbon pricing and changing stakeholder expectations on business continuity, cost structure and long-term resilience, as well as the Company's focus on decarbonisation, energy efficiency and low-carbon solutions.

Business Case

The growing frequency and severity of extreme weather events, including heatwaves, cold waves, cyclones, floods and disease outbreaks, present substantial risks to both human safety and business operations. These climate-related challenges highlight the need to strengthen operational resilience, protect our workforce and ensure continuity of services. Effectively addressing these risks is essential for maintaining stability, mitigating disruptions and upholding our commitment to sustainable business practices.



Business Impact Risk

Type of Impact	Target/ Metrics	Target Year	Progress
Risk and Opportunity	Maintain carbon neutrality across Scope 1 and Scope 2 emissions annually.	FY 2026-27	Achieved carbon neutrality for three consecutive years since FY2024 across Scope 1 & Scope 2 emissions.
	Short Term Target: To source 100% of electricity from renewable energy for all India owned facilities by FY2027.	FY 2026-27	100% renewable electricity sourced for owned facilities in India, with 96.54% sourced from solar, wind and green tariffs and 3.46% through REC's.
	Long Term Target: To increase renewable energy sourcing to 80% for all locations in India by FY2034.	FY 2033-34	68.22% Renewable energy consumed across Global location.
	Reduce absolute Scope 1 and 2, 3 emissions by 54.6% by FY2034 from a FY 2024-25 base year (as per SBTi validated and approved targets).	FY 2033-34	• 20.20% reduction in Scope 1, 2 and 3 (location-based) emissions from the FY2024 baseline • 62.90% reduction in Scope 1, 2 and 3 (market-based) emissions from the FY2024 baseline
	Achieve net-zero greenhouse gas emissions across value chain by FY2050 (as per SBTi validated and approved targets).	FY 2049-50	• 42,360 trees were planted; cumulative total of 199,190 trees

Business Strategy

At Persistent Systems, we demonstrate our commitment to environmental responsibility through ISO 14001:2015-certified facilities across India and by achieving carbon neutrality for Scope 1 and Scope 2 emissions. Our distributed operations, supported by remote work capabilities and an agile delivery model, enhance operational flexibility, while our resilient infrastructure is designed to withstand extreme weather events. The Company has made significant progress in renewable energy adoption and resource management by improving energy efficiency through targeted investments in renewable energy and the development of energy-efficient infrastructure, certified by the Indian Green Building Council (IGBC) and Leadership in Energy and Environmental Design (LEED).

Our Decarbonisation roadmap aligns with Science Based Targets initiative (SBTi) guidelines, enabling structured emission reductions. All owned campuses are equipped with rooftop solar installations, supplemented by wind energy sourced through open access, as well as renewable power procured via green tariff arrangements with DISCOMs. We maintain a continuous improvement approach to monitor and evaluate environmental performance, identify opportunities for enhancement and implement corrective actions. Additionally, our green procurement policy empowers buyers to assess suppliers based on emissions associated with purchased goods and services.

Target/Metric Linked to Executive Compensation

Executive compensation integrates ESG performance metrics for key leadership personnel with direct accountability for sustainability outcomes. ESG KPIs are integrated into the performance management framework and are linked to variable remuneration, including performance-based incentives such as bonuses, financial rewards and recognition programmes.

For key leadership roles—Chief Financial Officer (CFO), Chief People Officer (CPO), Chief Information Officer (CIO), Chief Risk Officer (CRO), Company Secretary, Global Head of Sustainability and ESG, Head of Administration and Head of Procurement—ESG responsibilities are formally embedded within individual performance objectives and People KRAs. Performance against these ESG objectives directly influences annual performance assessments and variable compensation outcomes.

Climate-related ESG KPIs covering transition and physical risks, emissions and energy management are embedded within executive performance objectives and linked to variable remuneration. Performance against these KPIs is reviewed periodically and directly influences executive incentive outcomes. Variable remuneration reflects a balanced assessment of short-term and long-term performance, integrating financial metrics related to value creation and capital efficiency with ESG-linked KPIs aligned to strategic priorities. This approach reinforces a pay-for-performance culture and supports long-term sustainable value creation.

- Decarbonisation Performance
- Achievement of Scope 1 and Scope 2 emissions reduction targets
- Progress towards net-zero and carbon neutrality commitments
- Renewable Energy Transition
- Reduction in energy intensity (e.g., per employee or per unit of revenue)
- Integration of climate-related risks into the enterprise risk management framework
- Climate Governance and Disclosures
- Deployment of low-carbon technologies and green infrastructure
- Progress on climate resilience measures across owned and operated facilities

Linkage to UN SDG



Material Issue 2:

Information Security, Cybersecurity and Data Privacy

Category: Information Security

Material Issue: Cyber incidents, data breaches, or privacy failures can disrupt operations, expose the Company to regulatory penalties and legal liabilities, increase compliance and remediation costs and erode customer trust and brand reputation, negatively impacting operational efficiency and growth.

Business Case

Persistent Systems, we acknowledge that cybersecurity risks including external attacks, malware, compromised credentials and phishing pose significant threats such as data breaches, financial losses and reputational harm. To address these risks, we are committed to collecting and retaining only the minimum personal data necessary for business operations, ensuring that all data processing is supported by a valid legal basis and complies with applicable data privacy regulations. Protecting sensitive information and preventing cyber threats remain key priorities. By strengthening our cybersecurity and data privacy framework, we effectively mitigate risks, ensure regulatory compliance and reinforce stakeholder trust. Our continued focus on robust security measures enhances cyber resilience, safeguards confidential information and supports business continuity in an increasingly digital environment.

Business Impact Risk

Type of Impact	Target/ Metrics	Target Year	Progress
Risk	To be recognized as industry leader in information security and cloud practices. Use information governance to effectively manage data privacy and security-related risks. Zero data breaches Year-on-Year (Y-o-Y).	FY 2026-27	Persistent Systems maintains strong external cyber risk and security posture ratings from leading independent platforms: • RiskRecon: A rating of A (9.9/10), reflecting a mature and resilient cybersecurity posture • BitSight: A score of 790 (Advanced), indicating a high level of security performance relative to peers • Security Scorecard: A rating of A (100/100), demonstrating strong security controls and low exposure to cyber risk Persistent Systems maintains internationally recognised certifications to ensure robust information security, privacy, business continuity and emerging technology governance practices: • ISO 27001 – Information Security Management System (ISMS) • ISO 27701 – Privacy Information Management System (PIMS) • ISO 22301 – Business Continuity Management System (BCMS) • ISO 42001 – Artificial Intelligence Management System (AIMS) • SOC 2 Type II – Independent assurance on controls related to security, availability, processing integrity, confidentiality and privacy

Business Strategy

We are committed to ensuring data privacy and information security through a robust Information Security Management System (ISMS), multi-layered governance and globally recognized certifications, including ISO 27001, ISO 27017, ISO 27018, ISO 27701 and SOC 2 Type II. Our approach includes investments in advanced security technologies such as Zero Trust architecture, endpoint protection and stringent access controls to prevent unauthorized access.

We further strengthen our cybersecurity posture through comprehensive employee awareness and training programmes, complemented by the implementation of data protection measures such as data loss prevention (DLP) and encryption. Continuous threat monitoring through our Security Operations Centre (SOC), along with periodic security audits, enables proactive risk mitigation and safeguards our critical information assets.

Target/Metric Linked to Executive Compensation

Executive compensation incorporates ESG performance metrics related to information security, cybersecurity and data privacy for key leadership personnel with direct accountability for these areas. ESG KPIs are embedded within the performance management framework and are directly linked to variable remuneration, including performance-based incentives such as bonuses, financial rewards and recognition programmes.

For key leadership roles—Chief Financial Officer (CFO), Chief People Officer (CPO), Chief Information Officer (CIO), Chief Information Security Officer (CISO), Chief Risk Officer (CRO), Company Secretary, Global Head of Sustainability and ESG, Head of Administration and Head of Procurement—ESG responsibilities are formally embedded within individual performance objectives and People KRAs. Performance against these ESG objectives directly influences annual performance evaluations and variable compensation outcomes.

Incentivised KPIs

Cybersecurity and Information Security Performance

- Implementation and continuous enhancement of cybersecurity frameworks and controls, aligned with recognised standards and certifications
- Strengthening of enterprise-wide security posture through risk mitigation, vulnerability management and control effectiveness

Incident Prevention and Response

- Consistent achievement of zero material data breaches, measured through incident tracking, internal monitoring and independent security assessments
- Timely identification, response and resolution of security incidents, with continuous improvement of incident management processes

Data Privacy and Protection

- Implementation and monitoring of privacy governance frameworks, including data protection controls and regulatory compliance mechanisms
- Strengthening of privacy safeguards across systems, processes and third-party engagements

Assurance and Audit Performance

- Positive outcomes from internal and external security audits, certification reviews and independent assessments
- Maintenance of relevant certifications and adherence to established information security and data privacy standards

Performance against these KPIs is reviewed periodically and directly influences executive incentive outcomes. Variable remuneration reflects a balanced assessment of short-term and long-term performance, integrating financial metrics related to value creation and capital efficiency with ESG-linked KPIs aligned to strategic priorities. This approach reinforces a pay-for-performance culture and supports long-term sustainable value creation.

Material Issue 3: Human Capital Management

Category: Human Capital Management

Human capital management, including talent acquisition, retention, workforce planning, leadership development and integration of digital capabilities. This material issue reflects the potential impact of ineffective people management and lagging technology adoption on workforce productivity, attrition and competitiveness in rapidly evolving digital markets. It also encompasses opportunities to strengthen organisational resilience and performance through integrated talent strategies, succession planning, continuous learning and technology-enabled workforce optimisation, thereby supporting long-term value creation, innovation and sustainable growth.

Business Case

The evolving post-pandemic talent landscape presents a mix of opportunities and challenges. Ongoing market uncertainties and shifting workforce dynamics may influence voluntary attrition rates. While demand has stabilized, the limited availability of skilled talent in emerging technologies continues to impact retention. Furthermore, the increasing preference for hybrid work models introduces additional complexities in workforce management. These factors necessitate a proactive and strategic approach to talent acquisition, development and retention to support sustained business growth and organisational resilience.

Business Impact Risk

Type of Impact	Target/ Metrics	Target Year	Progress
Risk and Opportunity	Achieve learning coverage of 92%	FY 2026-27	96.8% Learning Coverage (FTE & Contractors) 106.8 hours - Average learning hours per FTE
	Aim to improve gender diversity by at least 0.5% year-on-year (Y-o-Y) and achieve 35% by FY2040	FY 2039-40	13 Average learning days / FTE 29.63% of Women in workforce 12.51% women in leadership positions

Business Strategy

We foster a positive and productive work environment through a multi-dimensional approach that emphasizes employee well-being, engagement and performance.

- Talent and Skill Management: Persistent University promotes continuous learning, upskilling and career advancement through structured technical training programmes and industry-recognized certifications
- Well-being Focus: We support holistic employee well-being encompassing physical, financial, social and mental health—through regular feedback surveys and continuous enhancement of our well-being programmes
- Strong Employer Brand: Our sustained growth, expanding global footprint and impactful initiatives strengthen our employer brand and reinforce our positioning in the market
- Inclusive Workplace: We promote diversity, inclusion and a positive work culture to foster innovation, enhance employee engagement and drive organisational success
- This integrated approach enables us to empower our employees, strengthen our employer brand and cultivate a dynamic and high-performing workplace

Target/Metric Linked to Executive Compensation

At Persistent Systems, ESG-related performance metrics are embedded within the Balanced Scorecard, performance evaluation and compensation framework for key executives, including the **Chief Operating Officer (COO)**, Chief People Officer (CPO), Head of ESG, Head of Learning & Development, Head of Talent Acquisition and Talent Management and Business Unit leadership. These KPIs are formally linked to annual performance assessments and directly influence variable compensation elements, including performance bonuses, financial incentives and long-term rewards (e.g., ESOPs), ensuring accountability for delivery against ESG priorities.

The following KPIs are linked to executive compensation:

- Skill development programmes - Measured by the implementation and reach of training initiatives, no. of certifications etc.
- Employee Annual Policy Compliance - Code of Conduct, Human Rights, Safe Workplace, Environmental Health and Safety - Tracked through participation rate, completion rate, programme's effectiveness & impact
- Leadership development programmes - Evaluated based on the effectiveness and participation levels, movement into next level of career
- Promoting diversity through events that recognize different cultures, traditions and perspectives. Ensuring digital and physical accessibility for all employees, including those with disabilities, educating employees on unconscious biases and fostering an inclusive mindset

Performance against these KPIs is reviewed periodically and has a direct influence executive incentive outcome. Variable remuneration reflects a balanced assessment of short-term and long-term performance, integrating financial metrics related to value creation and capital efficiency with ESG-linked KPIs aligned to strategic priorities. This approach reinforces a pay-for-performance culture and helps drive long-term sustainable value creation.



About Persistent

Persistent Systems (BSE: 533179 and NSE: PERSISTENT) is a global services and solutions company delivering AI-led, platform-driven Digital Engineering and Enterprise Modernisation to businesses across industries. With over 27,500 employees located in 21 countries, the Company is committed to innovation and client success. Persistent offers a comprehensive suite of services, including software engineering, product development, data and analytics, CX transformation, cloud computing, and intelligent automation. The Company is part of the MSCI India Index and is included in key indices of the National Stock Exchange of India, including the Nifty Midcap 50, Nifty IT, and Nifty MidCap Liquid 15, as well as several on the BSE such as the S&P BSE 100 and S&P BSE SENSEX Next 50. Persistent is also a constituent of the Dow Jones Best-in-Class World Index. The Company has achieved carbon neutrality, reinforcing its commitment to sustainability and responsible business practices. Persistent has also been named one of America's Greatest Workplaces for Inclusion & Diversity 2025 by Newsweek and Plant A Insights Group. As a participant of the United Nations Global Compact, the Company is committed to aligning strategies and operations with universal principles on human rights, labor, environment, and anti-corruption, as well as take actions that advance societal goals. With 468% growth in brand value since 2020, Persistent is the fastest-growing IT services brand in 'Brand Finance India 100' 2025 Report.

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