Orient Green
Power Company
Limited

RISK MANAGEMENT POLICY

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Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the Company's activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

The Risk Management Policy of **Orient Green Power Company Limited** ("the Company") is in compliance with the revised Clause 49 of Listing Agreement and any other amendments thereon, which requires the Company to lay down procedures about the risk assessment and risk minimization.

The Company has put in place Risk Management Policy whose objectives are to optimize business performance; and to promote confidence amongst the Company's stakeholders in the effectiveness of its business management process and its ability to plan & meet its strategic objectives.

A Risk Management Committee ("RMC") comprising Independent Director, Non-Executive Director, Managing Director and senior executives of the company, chaired by the Managing Director, is responsible for the review of risk management processes within the Company, and for overseeing the implementation of the requirements of this policy. The RMC provides updates to the Board on a regular basis on key risks faced by the Company, and the relevant actions for mitigating such risks.

At an operational level, the respective functional managers are responsible for identifying and assessing risks within their area of responsibility; implementing agreed actions to treat such risks; and for reporting any event or circumstance that may result in new risks.

The Board of Directors of the Company and the Audit Committee of Directors shall periodically review the Risk Management Policy of the Company so that the management controls the risk through properly defined framework.

The details of the Policy are as follows:

Risks and Concerns

Sl. No.	Risk factor (Wind Business)	Risk Mitigants
1	Transmission and evacuation constraints	a) Collaborate with industry association to have a joint stand and action since this is a common risk across the entuire industry. b) Legal recourse to be considered for honouring of the Must Run status for wind industry, preferably in a joint manner with other industry players or through the industry association. c) Constant and regular dialogue with the state distribution utility for ensuring that the Must Run status is not violated by the utility along with other collaborative measures to improve wind energy evacuation in a seamless manner during the season. d) If despite all efforts, the evacuation constraints are likely to persist beyond next three years, company to evaluate the possibility of shifting the machines to a more viable location. e) Company not to consider further expansion activities in the locations where evacuation constraints are prevalent. Such available locations to be evaluated based on strict wind energy assessment studies which give past data on generation and potential for future years.

2.	Right of way issues while implementing project or while operating wind mills	a) Company to expeditiously take up matter with the land owners for settlement, etc. keeping in mind the investment involved in wind mills and the potential loss of revenue in the case of already operating wind assets. b) Company to approach local bodies of Government and state utilities in order to facilitate the approvals and acceptance for providing right of way by the converned parties to the company. c) Company to consider legal recourse as a last resort provided there is evidence of unreasonableness on the part of the land owners and other concerned authorities.
3.	Strict compliance with regulatory environment surrounding Group captive mechanism, the deviation from which could entail loss of benefits or approval under the scheme	a) Close monitoring on a monthly basis to be maintained keeping in mind the off take of the customer as well as the prevailing shareholding pattern, in order to ensure compliance with the scheme ultimately on an annual basis. b) Continuous dialogue to be maintained with group captive consumers especially those who have reduced or stopped offtake, and to take action in order to facilitate their exit and substitution of other customers within the overall shareholding pattern. c) Applicable charges to be paid in a timely manner to avoid regulatory intervention and action.
4.	Tariffs are inadequate or insufficient	a) Petitions to be filed before APTEL / ERCs of the respective states for seeking suitable revision in tariff based on the change in

	leading to non – viability of unit operations	variable cost. b) If all other efforts prove futile, company to look into possibility of changing its sale model, i.e. change from group captive to merchant or utility supply or vice versa in order to make the project more viable. I
5.	Risk related to lack of compliance of Renewable Purchase Obligation (RPO) by obligated entities	a) Dialogue / liaison with Ministry for New and Renewable Energy for stricter enforcement of RPO obligation. b) Engage with MNRE / Banks for soft financing of outstanding REC receivables. . c) For all new projects to be implemented as part of expansion plan, company to explore only such sale models which do not depend of REC benefit.
6.	Discontinuance / suspension of Operation and Maintenance activities by the O&M service contractors could pose significant risk in proper running and upkeep of the wind mills	a) Company to explore alternate sources of such skills and services from other third party service providers with the requisite expertise and experience b) Company to impart training and skills to existing in house O&M personnel on the specific wind mills so that operations can be continued seamlessly.
7.	Many old wind mills which are nearing their	a) The company should explore options at least 2-3 years before the expiry of useful lives of the machines in order to take

	useful lives would need to be overhauled / replaced in a time bound manner and could lead to loss of revenue if not done so	action for overhauling, replacement or repowering of the machines in a time bound manner so that revenue loss is minimised or eliminated at the time of change - over/ make - over. b) In the case of re-powering, proper study to be conducted for ensuring adequate evacuation capability for the larger machines once repowering is completed. c) If it is not found feasible to suitabky replace the old machines in a profitable and viable manner, the company should dispose off the machines together with the appurtenant land if the same cannot be put to economic use.
8.	Uncertainty in regulatory environment poses problems of viability of projects	a) Company to take proactive steps to pre-empt adverse regulatory changes through realigning the business policies, sale model, etc. in order to mitigate the impact. b) Company to go for legal recourse including filing petitions with APTEL, ERCs, High Court, etc. if t e regulatory change adversely impacts the business and the company does not have any other alternative to mitigate the impact.

Sl. No.	Risk factor (Biomass Business)	Risk Mitigants
1.	Non – availability of biomass with the right calorific value and	a) Company is to broadbase its fuel base by sourcing different types of fuels within close proximity of the units.

	moisture content	b) Company is to penalise suppliers suitably for lower calorific value or more moisture content and incentivise those suppliers who supply the right type of fuel.
2.	Seasonality of the fuel availability in some regions leads to closure of units	a) Com;pany to plan ahead before the season to procure the entire quantity of fuel required for the next 12 months, in a phased manner during the season. b) Company to ensure availability of adequate working capital finance at the beginning of the season for procurement of entuire annual requirement of fuel in a phased manner.
3.	Tariffs are inadequate or insufficient leading to non – viability of unit operations	a) Petitions to be filed before APTEL / ERCs of the respective states for seeking suitable revision in tariff based on the change in variable cost. b) Company to constantly review its efficiency paramters in order to ensure that the plants are operated in the most efficient manner so that costs can be reduced which would go to mitigate to some extent the negative impact of fixed tariffs over a period of time. c) If all other efforts prove futile, company to look into possibility of changing its sale model, i.e. change from group captive to merchant or utility supply or vice versa in order to make the project more viable.

4.	Uncertainty in regulatory environment poses problems of viability of projects	a) Company to take proactive steps to pre-empt adverse regulatory changes through realigning the business policies, sale model, etc. in order to mitigate the impact. b) Company to go for legal recourse including filing petitions with APTEL, ERCs, High Court, etc. if t e regulatory change adversely impacts the business and the company does not have any other alternative to mitigate the impact.

1. **Quality Risk**
   Wind Energy Segment – Getting optimum wind speed at different wind mill sites is a must to result into optimum wind energy generation. Maintaining maximum wind mill machine availability at different locations especially during the monsoons is another big challenge to get optimum generation results.

- **Risk Mitigation**
   Wind Energy Segment – Entering into long term engineering and servicing contracts with reputed engineers/contractors takes away a lot of risk factors in giving optimum wind energy generation.

2. **Foreign Exchange Risk**
3. **The company could be exposed to significant foreign exchange fluctuation risk in respect of it borrowings in foreign currency.**

- **Risk Mitigation**
   The Company hedges its foreign exchange exposure through forward foreign currency covers. The detailed risk policy is enclosed as an Annexure to this policy.

4. **Other Risks**
   A) Financial Reporting Risks
   Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock Exchange listing regulations have been rapidly evolving. These new or changed laws, regulations and standards may lack specificity at times and are subject to varying interpretations. This could result in continuing

uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

The Company is committed to maintaining high standards of corporate governance and public disclosure and its efforts to comply with evolving laws, regulations and standards in this regard would further help address these issues. This includes continuous training to its personnel handling the financial reporting functions so that they keep abreast of the latest laws and changes and amendments and take steps for full compliance with the existent laws and guidelines.

The Company's preparation of financial statements in conformity with Indian GAAP and in accordance with the Accounting Standards issued by ICAI, requires it to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Company's financial statements and the reported amounts of revenue and expenses during the reporting period. The Company's Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances including consultation with experts in the field, scrutiny of published data for the particular sector or sphere, comparative study of other available corporate data, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These may carry inherent reporting risks.

B) Risk of Corporate Accounting Fraud:
Accounting fraud or corporate accounting fraud are business scandals arising out of misusing or misdirecting of funds, overstating revenues, understating expenses etc.

Risk Mitigation

The Company mitigates this risk by -

- Understanding the applicable laws and regulations;
- Conducting risk assessments;
- Enforcing and monitoring code of conduct for key executives;
- Instituting Whistleblower mechanisms;

- Deploying a strategy and process for implementing the new controls;
- Adhering to internal control practices that prevent collusion and concentration of authority;
- Employing mechanisms for multiple authorisations of key transactions with cross checks;
- Scrutinising of management information data to pinpoint dissimilarity of comparative figures and ratios;
- Creating a favourable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals and a host of other steps throughout the organisation and assign responsibility for leaving the overall effort to a senior individual like Chief Financial Officer.

C) Environmental Risk

The Company endeavours to protect the environment in all its activities, as a social responsibility. The legal exposure in this regard is when polluting materials are discharged into the environment by causing danger to fragile environmental surrounding which is an offence.

- **Risk Mitigation**

  The Company mitigates this risk by adequately treating all the effluents generated from its manufacturing plants before disposing them off suitably in line with the requirements under the Anti-Pollution Laws. The Company also carries out audits at regular intervals in all its relevant areas of operations to check the various anti - pollution measures for their adoption and implementation.

D) Business Operations Risks:

These risks relate broadly to the Company's organisation and management, such as planning, monitoring and reporting systems in the day to day management process namely:

- Organisation and management risks

- Production, process and productivity risks
- Business interruption risks
- Profitability
- **Risk Mitigation**

- The Company functions under a well defined organization structure;
- Flow of information is well defined to avoid any conflict or communication gap between two or more Departments;
- Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads;
- Proper policies are followed in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programmes;
- Effective steps are being taken to reduce cost of production on a continuing basis taking various changing scenarios in the market.
- On the job training to all personnel across the organisation is provided in order to enable them to keep abreast of the changes and to suitably alter the processes and systems in order to create a more robust internal control system and reporting mechanisms.

E) Liquidity Risks

- Financial solvency and liquidity risks
- Borrowing limits
- Increase in borrowing costs
- Cash management risks
- **Risk Mitigation**

- Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organisation.

- Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc.

- These budgets with Variance Analysis are prepared to have better financial planning and study of factors giving rise to variances.

- Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.

- Cash management services are availed from Bank to avoid any loss of interest on collections.

- Prioritisation of payments is strictly followed in order to ensure that all statutory and other critical payments take precedence and the available cash resources are used in an optimal manner.

- Constant efforts are put in to comply with required financial and other covenants agreed with all lenders in order to get the optimum level of interest cost from such lenders.

f) Human Resource Risks:

- Labour turnover risks, involving replacement risks, training risks, skill risks, etc.
- **Risk Mitigation**

- Proper recruitment policy for recruitment of personnel at various levels in the organization is adopted.

- Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly.

- Employees are trained at regular intervals to upgrade their skills.

- Activities relating to the welfare of employees are undertaken from time to time.

- Employees are encouraged to make suggestions and discuss any problems with their Superiors.

G) Disaster Risks:

- Natural risks like Fire, Floods, Earthquakes, etc.

- **Risk Mitigation**
  - The properties of the Company are insured against natural risks like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.
  - Fire extinguishers have been placed at fire sensitive locations.
  - First aid training is given to watch and ward staff and safety personnel.
  - Workmen of the Company are covered under ESI, EPF, etc., to serve the welfare of the workmen.

H) System Risks:

- System capability
- System reliability
- Data integrity risks
- Coordinating and interfacing risks
- **Risk Mitigation**
  - EDP Department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
  - Password protection is provided at different levels to ensure data integrity.
  - Licensed software is being used in the systems.
  - The Company ensures “Data Security” by having access control/ restrictions.

I) Legal Risks:

These risks relate to the following:

- Contract Risks
- Contractual Liability
- Data integrity risks
- Frauds
- Judicial Risks

- Insurance Risks
- **Risk Mitigation**

  Following are the risk mitigation measures adopted by the Company to mitigate the risks relating to Legal aspects:

  - A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
  - The Legal Department vets all legal and contractual documents with legal advice from Legal retainers for different branches of legislation.
  - Contracts are finalized as per the advice from legal professionals and Advocates.
  - Insurance policies are audited to avoid any later disputes.
  - Timely payment of insurance premium and full coverage of properties of the Company under insurance.
  - Internal control systems for proper control on the operations of the Company and to detect any frauds.

Risk Strategy and Management System

The Company recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company believes that the risk cannot be completely eliminated. However, it can be –

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Reduced, by having good internal controls;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

As a diversified enterprise, the Company has always had a system-based approach to business risk management. The current risk management framework consists of the following:

- A combination of centrally issued policies and divisionally – evolved procedures bringing robustness to the process which ensure business risks are effectively addressed.

- Appropriate structures have been put in place to effectively address the inherent risks in businesses with unique / relatively high risk profiles.

- A strong and independent Internal Audit Function carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved.

The Audit Committee of the Board reviews internal audit findings and provides strategic guidance on internal controls, monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with the Company's businesses.

The senior management of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

Disclaimer Clause

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

Place – Chennai
Date – November 14, 2014