

## **RISK MANAGEMENT POLICY**

### **1. Background**

- 1.1. Sorigin Green Solutions Fund is a Category II Alternative Investment Fund (the “**Fund**”), registered with the Securities and Exchange Board of India under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended from time to time (the “**Regulations**”).
- 1.2. Sorigin Investment Management Services Private Limited (“**Sorigin**”), a company incorporated under the provisions of the Companies Act, 2013, is engaged in the business of providing investment management and advisory services and, pursuant to the Investment Management Agreement dated 17<sup>th</sup> October 2024, has been appointed as the investment manager of the Fund.
- 1.3. Sorigin recognizes its fiduciary duty as an investment manager, to act in the best interests of the Fund’s contributors (“**Investors**”) and is responsible for managing the Fund’s capital commitments and investments in accordance with the Fund documents and the Regulations.
- 1.4. Sorigin recognizes the risk associated with the investee companies and that in the course of its investment activities, the Fund is exposed to various risks, including investment, operational, regulatory, environmental, social, governance, counterparty, and market-related risks, which may adversely affect the Fund or the interests of Investors if not appropriately identified and managed.
- 1.5. Sorigin acknowledges that, notwithstanding the absence of a mandatory requirement under the Regulations, adoption of a formal risk management policy is aligned with its fiduciary responsibilities and governance standards.
- 1.6. Accordingly, as a matter of good governance and prudent management practice, Sorigin has formulated and adopted this Risk Management Policy (the “**Policy**”) to set out the principles and framework for managing risks relating to the Fund.

### **2. Objective and Scope**

- 2.1. Sorigin places utmost importance on the sound management of risk. Good risk management underpins a successful organization and forms an integral part of the management processes and culture.
- 2.2. The Policy aims to establish a structured and consistent framework to identify, assess, monitor and manage risks that could severely impact the Fund, its operations and its investments. Generally, this involves reviewing the operations of the Fund, identifying potential risks & the likelihood of their occurrence and then take appropriate actions to address such potential risks.

- 2.3. The Policy sets out guidelines encompassing key risk areas across the Fund, including, without limitation, investment risk i.e., capital risk, risk of returns, ESG risk, concentration risk, strategic risk, operational risk, conflict of interest risk and reputation risk. The scope of this Policy further extends to recognizing and monitoring of risks associated with the investee company's businesses and to make a sincere attempt to identify, assess, measure and manage any potential issues that may result in a material loss in the value of the Fund's investments.
- 2.4. Sorigin recognizes that it is incumbent that its personnel understand the risk environment in which the Fund operates and be cognizant of the risks involved in the management, operation and administration of the Fund.
- 2.5. The principles set out in this Policy shall be applied taking into account the nature, scale, and complexity of the Fund's activities and investments.

### **3. Identification of Risk**

#### **3.1. Risk Management Approach**

- 3.1.1 This Policy forms part of the Fund's internal control and governance framework relating to risk management.
- 3.1.2 Sorigin shall, in line with its fiduciary duties, maintain a robust system of internal controls that aligns with the Fund's aims and objectives, while safeguarding the interests of its Investors.
- 3.1.3 Sorigin recognizes that the Fund is exposed to a range of risks that may affect its performance, operations, or the interests of Investors and accordingly, as a part of its risk management activities, identifies, measures and monitors the potential risks to it and its investment mandates in various ways. It reviews the risks to which the Fund is exposed, by taking in account the contractual arrangements, investment strategy and regulatory requirements applicable to the Fund.

#### **3.2. Key Risk Areas**

The risks impacting the Fund include, without limitation, the following broad categories. The detailed risks pertaining to the Fund are provided in Fund's private placement memorandum.

##### **3.2.1 Investment Risks**

The investment objective of the Fund is primarily to seek returns of investment along with capital appreciation by investing in unlisted companies (i.e., the portfolio entities). Sorigin endeavours to recommend investments that are consistent with the investment objectives. Such investments may offer the potential for higher returns but are also subject to higher volatility and concentration risk. The Fund's performance may be materially affected by the performance of a limited number of portfolio entities.

### 3.2.2 Environment, Social & Governance (ESG) Risks

Given that the investment made by the Fund will be primarily focused on portfolio entities having renewable energy assets and/or electric vehicles, it is essential that ESG standards are adhered to. The Fund is committed to implementing strong governance practices, ensuring transparency, upholding ethical standards and maintaining full regulatory compliance.

### 3.2.3 Conflict of Interest Risks

The Fund may be subject to actual or potential conflicts of interest. To address such situations, the Fund has adopted a Conflicts of Interest Policy, which sets out the processes for identifying, managing and mitigating conflicts. While the policy and Fund documents provide guidance on managing such conflicts, they are not exhaustive and may not address all types of conflicts that may arise. The conflicts will also be dealt by way of disclosures being made in accordance with the Regulations.

### 3.2.4 Macro-Economic Risks

Given that the focus of the Fund's investment strategy and its success depend on the macroeconomic factors, regulatory frameworks and business conditions in India, adverse changes in these factors, including economic, political or market developments, may affect the performance of the Fund and the overall returns. Accordingly, the Fund's investment outcomes and returns may vary and are subject to market and economic conditions.

### 3.2.5 Management Risk

While the investment management team has been appointed following an assessment of relevant experience in investment management and execution, in accordance with the Fund's governance and onboarding framework, the Fund may be subject to management risk in relation to the formulation and execution of investment strategies by Sorigin. Such strategies or their implementation may not perform as expected under prevailing or evolving market conditions, which may adversely affect the Fund.

### 3.2.6 Operational Risks

The risk of loss from inadequate or failed internal processes, controls or systems not operating as intended to protect the organization against financial, legal or reputational harm.

### 3.2.7 Regulatory Risk

Given that the operations of the Fund are highly regulated, changes in applicable laws, regulations, or regulatory interpretation may adversely affect the Fund or its investments. Sorigin seeks to mitigate such risks by targeting sectors with well-defined regulatory frameworks and by ensuring that adequate insurance is maintained by portfolio entities/investee companies to cover its assets.

### 3.2.8 Counterparty Risk

Counterparty risk is the risk of loss due to a counterparty's default. Counterparties are third parties that enter into contracts either directly with Fund or with any of

its portfolio entities. If counterparty is unable or chooses not to meet its obligations, financial or otherwise, Fund may be adversely impacted.

#### **4. Risk Management Framework**

4.1. The objective of the risk management framework is to ensure that the Fund operates within its defined risk tolerances and limits, while safeguarding the interests of the Fund and its Investors. This is achieved by:

- 4.1.1. Ensuring effective and efficient continuity of operations;
- 4.1.2. Safeguarding of the Fund's assets;
- 4.1.3. Preservation and enhancement of the Fund's reputation;
- 4.1.4. Ensuring reliability of internal and external reporting; and
- 4.1.5. Ensuring compliance with applicable laws and regulations.

4.2. The risk management framework comprises of primarily three elements, i.e., risk assessment, management and monitoring:

##### 4.2.1. Risk Assessment

Risks are identified and analysed taking into consideration the likelihood and potential impact, in order to determine how they should be managed. Sorigin conducts its risk assessment by carrying out a detailed study of threats, vulnerabilities and resultant exposures at both the Fund and portfolio levels and develops effective risk mitigation strategies.

##### 4.2.2. Risk Management

Sorigin assesses and manages risks at both the Fund level and the portfolio/investment level to ensure that risks are identified, evaluated, and appropriately addressed.

###### a) Fund-Level Risks

Risks are assumed at the Fund level by taking into consideration the available data/information. Sorigin evaluates the likelihood of these risks and develops appropriate risk mitigation measures in the following areas:

- Investment concentration (sector focus);
- Technology environment;
- Market conditions;
- Change in legal, regulatory and tax regime;
- Reliance on external consultants/third party;
- Inflation and cost structure;
- Economic environment;
- Political environment; and
- Act of God, including natural calamities, pandemic, wars and terror attacks.

###### b) Portfolio-Level Risks

Risks are assumed at the portfolio level by taking into consideration the available data/information. Sorigin evaluates the likelihood of these risks and appropriate risk mitigation measures in the following areas:

- Subsequent capital raise;
- Business strategy / model;
- Specified regulation / licence / approval;
- Product / Service offering;
- Financial wrongdoings;
- Corporate governance;
- Financial leverage;
- Competition;
- Reputation; and
- Realization / Exit.

The above list is illustrative, and basis subsequent information gathered, Sorigin may include additional risk factors.

#### 4.2.3. Risk Monitoring

In line with the objectives of this Policy, Sorigin continuously monitors risk exposures at both the Fund level and the investment/portfolio level, to ensure early detection of emerging risks, timely escalation, and effective implementation of mitigation measures. Monitoring activities are proportionate to the size, complexity, and risk profile of the Fund.

##### a) Fund-Level Risk Monitoring

Sorigin reviews and tracks the overall risk profile of the Fund on an ongoing basis and at defined periodic intervals. This includes assessing actual risk exposures against established risk tolerances, strategic objectives, and key risk indicators.

##### b) Investment-Level Risk Monitoring

Portfolio investments are monitored throughout their lifecycle against the assumptions, performance milestones, and risk parameters established at the time of investment. Monitoring includes regular evaluation of operational, financial, regulatory, and market developments relevant to each portfolio asset.

### 4.3. Risk Mitigation Strategy and Measures

#### 4.3.1. Risk Mitigation Strategy

Sorigin recognizes that risk is an integral and unavoidable aspect of the Fund's activities and is committed to mitigating such risks in a proactive and effective manner, consistent with the Fund's objectives and governance practices. While risks cannot be entirely eliminated, Sorigin seeks to manage risks through one

or more of the following strategies (as may be appropriate to the nature of the risk):

- a) reduction of risk by having in place effective internal controls, systems and continuous monitoring;
- b) transfer or assignment of risk through insurance arrangements or appropriate control mechanisms, including by entering into a forward contract;
- c) retention of risk where the cost of mitigation is disproportionate to the anticipated benefit and/or profits;
- d) sharing of risk through suitable structuring arrangements, including by following a middle path between assigning and/or retaining risk; and
- e) avoidance of risk where the risk is assessed as unacceptable or inconsistent with the Fund's risk appetite.

#### 4.3.2. Risk Mitigation Measures

Risk mitigation is applied at both the Fund level and the portfolio/investment level and is reviewed on an ongoing basis as part of the Fund's monitoring processes.

The mitigation measures set out in this section have been formulated with reference to, and are aligned with, the key risk areas identified above and are intended to address such risks in a manner proportionate to their nature, scale and potential impact on the Fund and its investments.

- a) **Investment Risk:** Investment risk, including the risk of capital loss or underperformance, is mitigated through defined investment processes/procedures, prudent liquidity and treasury management, preparation and review of cash flow projections, and stress testing of key assumptions. The Fund primarily seeks to invest in portfolio entities with an established performance track record in order to moderate such risks.
- b) **Strategy Risk:** Strategy risk, arising from inappropriate strategic decisions or changes in external conditions, is mitigated through periodic review of strategy and performance against approved plans and through timely corrective action where required.
- c) **Operational Risk:** Operational risk, including risks arising from internal processes, systems or personnel, is mitigated through the implementation of the following measures:
  - Effective implementation of internal policies, procedures and controls;
  - Adoption of robust personnel selection processes to ensure adherence to professional & ethical standards;
  - Segregation of duties through separation of critical functions;
  - Clear delegation of authority;
  - Enforcement of strict disciplinary procedures;

- Conduct of appropriate level of due diligence (operational, legal and/or taxation);
  - Adoption of stringent vendor-selection processes;
  - Effective budget setting and financial management; and
  - Regular assessment and monitoring of internal controls.
- d) Regulatory and Tax related Risk: Regulatory and tax risks are mitigated through the following measures:
- ensuring compliance with applicable laws and regulatory requirements;
  - effective application of laws, regulations, policies, procedures and controls;
  - liaising with regulatory and industry bodies and legal and tax advisers;
  - adoption of internal controls designed to address regulatory and compliance matters.
- e) Reputation Risk: Reputation risk is mitigated through ethical conduct of business, transparency in dealings, and ongoing engagement with investors, regulators and other stakeholders.
- f) Technology Risk: Technology risk is mitigated through adoption of appropriate information security measures, access controls, password management protocols, monitoring and maintenance of technology systems, and technical due diligence prior to the adoption of new technologies.
- g) Risks related to Fund: Fund-Related Risks are mitigated through diversification consistent with the Fund's investment strategy, sponsor commitment in accordance with the Regulations, prudent liquidity and treasury management, monitoring of cash flows and reserves, and ongoing review of the Fund's operating and external environment.
- h) ESG Risk: ESG risks are mitigated through implementing Environmental and Social Impact Assessment (ESIA) processes for proactive assessment and mitigation of environmental and social impacts. Further, it will be mitigated through monitoring of compliance with applicable standards, and engagement with relevant regulatory bodies/authorities to identify and address potential concerns.
- i) Counter Party Risk: Counterparty risk is mitigated through assessment of counterparties' financial capacity, operational capability and regulatory standing, independent due diligence, and ongoing monitoring of contractual performance. Where relevant, due diligence is undertaken on developers, operators and off takers, including assessment of creditworthiness and payment history.

- j) Conflicts of Interest Risk: Conflict of Interest risk are mitigated through adherence to fiduciary obligations, arm's length dealing, appropriate escalation, where applicable, and disclosures in accordance with the applicable laws and the Conflicts of Interest Policy of the Fund.

#### 4.3.3. Risk Monitoring Measures and Action-Items

In furtherance of its risk mitigation strategy and measures, Sorigin undertakes risk mitigation activities at the following levels, which may include the actions set out below:

- a) Fund-level action items:

At the Fund level, Sorigin strives to define the risk indicators, manage and oversee the liquidity and disclose risk related information to the Investors, as appropriate.

- b) Structuring-level action items:

At the structuring level, Sorigin seeks to mitigate risks by assessing and addressing jurisdictional, tax, regulatory and/or any other statutory or regulatory considerations, and by assessing and monitoring the credit and liquidity risks embedded in the structure of investments.

- c) Underlying Asset-level action items:

At the underlying asset level, Sorigin mitigates risk by conducting stress testing at investment level i.e., assessing the impact of adverse changes on valuations, validating and back-testing financial models, and back-testing financial models, and monitoring appreciation or depreciation of portfolio investments on an ongoing basis.

#### 4.4. Development of culture towards risk management

Risk is an inherent aspect of investment activities. Accordingly, Sorigin seeks to foster a culture of risk awareness and accountability across its organisation. All personnel are expected to remain mindful of risks in the course of their day-to-day responsibilities and to act in a manner consistent with the Fund's risk management framework. It is incumbent upon each member of Sorigin to understand the risk environment in which the Fund operates and to contribute to the effective identification and management of risks.

#### 4.5. Disclaimer

The risks identified in this Policy are only indicative and not exhaustive in nature and does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Investors are therefore requested to exercise their own judgment in assessing various risks associated with the Fund.

#### 4.6. Record Keeping

All documents which form the basis of risk management (the approval notes or any supporting documents) shall be maintained in either electronic or physical form, in accordance with the Regulations.

4.7. **Review of the Policy**

This Policy may be reviewed and updated once every year, or earlier, based on changes in regulatory requirements.