



Political Risk Assessment

Ontario Teachers' Pension Plan's Investment in Mahindra Susten: A Political Risk Analysis

Prepared by the Leadership and Democracy Lab, The University of Western Ontario

Published August 2025



Figure 1: Commercial Area in India

Generated By

Devon Jarovi – Team Lead

Shelly Eh– Analyst

Marek Brooking – Analyst

Ethan Chin – Analyst

Varshini Ramansivakumar– Analyst

Helen Li – Analyst

Christian Mioceovich– Analyst

Democracy Lab Faculty

Dr. Cristine de Clercy

Professor Martin Eidenberg

Dr. Peter Ferguson

Mr. Bruce Fyfe

Graphic Design & Report Layout

Kenzi Noble

Leadership and Democracy Lab
The University of Western Ontario
1151 Richmond Street
London, Ontario, Canada, N6A 3K7

<https://www.leadershipanddemocracy.ca/>

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Table of Contents

Executive Summary4

Political & Geopolitical Risk5

Regulatory & Policy Risk7

OTPP Investment Strategy & Internal Risk Oversight10

Macroeconomic Volatility & Currency Risk13

Environmental & Social Risk16

Reputational Risk18

Legal & Compliance Risk20

Figures.....22

Endnotes23

Works Cited27

Executive Summary

This report assesses the political and regulatory risks surrounding the Ontario Teachers' Pension Plan's (OTPP) investment in Mahindra Susten, a leading renewable energy firm in India. OTPP has acquired a 30 percent equity stake in the company and co-sponsored India's largest renewable infrastructure investment trust. While the investment supports OTPP's long-term sustainability and Asia-Pacific expansion strategies, it is not without risk. This report examines India's evolving political and geopolitical landscape, regulatory uncertainties, environmental and social pressures, economic and financial vulnerabilities, reputational concerns, and legal challenges. Each section provides a grounded assessment and concludes with strategic considerations for OTPP's ongoing risk management.

Political & Geopolitical Risk

Introduction

India's domestic political institutions and its geopolitical posture carry important implications for OTPP's investment in Mahindra Susten. Although India has projected itself as a stable destination for foreign investment, recent democratic backsliding, bilateral tensions, and regional volatility introduce measurable political and geopolitical risk. This section examines how India's evolving democratic institutions, its bilateral relationship with Canada, and its role in the Indo-Pacific shape the risk landscape for institutional investors in renewable energy.

Democratic Backsliding and Institutional Risk

While India remains an electoral democracy, multiple international observers have raised concerns about its democratic backsliding. Democratic erosion increases regulatory unpredictability and raises reputational risks for foreign investors. Vaishnav argues that the weakening of referee institutions, such as the Election Commission and judiciary, has undermined the checks and balances traditionally considered essential to democratic governance.¹ This erosion of independent

institutions increases the risk of arbitrary decision-making in regulatory or judicial proceedings that directly affect investment security.

Freedom House downgraded India from "Free" to "Partly Free" in 2021, citing political interference in the media, judiciary, and civil society.² These institutional shifts are not merely political optics; they introduce tangible uncertainty in the enforcement of contracts, protection of property rights, and functioning of administrative agencies responsible for renewable energy oversight. A 2024 Chatham House report by Bajpae emphasizes that India's institutional weaknesses are likely to persist into the medium term, particularly given the dominance of the central executive over federal institutions.³ This poses a risk to long-term investments that rely on stable, rules-based governance.

Canada-India Bilateral Tensions

The deterioration of diplomatic relations between Canada and India has introduced new risks for Canadian investors operating in Indian markets. In September 2023, Prime Minister Trudeau publicly stated that Canadian intelligence had credible evidence linking Indian agents to the extrajudicial killing of a Canadian citizen on Canadian soil.⁴ The Indian government dismissed the allegations and responded by suspending visa services for Canadian

citizens and ordering a reduction in Canadian diplomatic staff.⁵

A 2024 peer-reviewed study by Nippani et al. found a statistically significant decline in Canadian portfolio investment in Indian markets following the diplomatic fallout.⁶ While there is no direct evidence that Canadian pension funds have been targeted, the risk of informal retaliation or regulatory obstruction cannot be ruled out. Public Safety Canada and the Canadian Security Intelligence Service confirmed in 2024 that India is among the top foreign states engaged in interference in Canadian democratic institutions.⁷ This bilateral hostility creates an environment of strategic ambiguity for Canadian investors, especially in sectors with government oversight or involvement.

Indo-Pacific Geopolitics and China-India Tensions

India’s strategic rivalry with China continues to shape its foreign policy priorities and domestic regulatory choices. A 2025 Chatham House report by Bajpae and Jie notes that China’s expanding footprint in the Indo-Pacific has intensified India’s push for strategic autonomy and economic self-reliance.⁸ This is most visible in India’s industrial and trade policies, which now emphasize domestic supply chains, national security

vetting of foreign investments, and selective decoupling from Chinese technologies.

These developments are relevant for OTTP’s investment in Mahindra Susten, which may rely on global procurement of solar modules and components. India’s import restrictions on Chinese solar inputs, as well as possible scrutiny of foreign investors based on their country of origin, increase the risk of delays, cost overruns, or sudden regulatory changes. According to Reuters, Indian policymakers are particularly focused on reducing dependence on Chinese-origin technologies in critical infrastructure projects, including renewable energy.⁹ These geopolitical frictions are unlikely to abate in the near future and will continue to affect India’s regulatory environment and openness to foreign capital.



Figure 2: Commercial Area in India

Regulatory and Policy Risk

Introduction

OTPP's investment in Mahindra Susten is situated within a dynamic policy environment shaped by India's renewable energy ambitions, its federal governance structure, and a record of unpredictable regulatory shifts. While the country has made clear commitments to scale up solar capacity, the institutional and regulatory frameworks remain inconsistent. For a long-term investor such as OTPP, exposure to retroactive policy changes, project-level approval delays, and uncertain enforcement mechanisms can significantly alter the risk-return profile of large-scale infrastructure projects. This section assesses the regulatory and policy risks facing OTPP's position in India's solar sector, with a focus on volatility in energy policy, the implications of localization mandates, the fragmentation of state and central authority, and contract enforcement constraints.

Renewable Energy Policy Volatility

India's regulatory history in renewable energy has been marked by ambitious targets accompanied by a pattern of policy reversals and legal uncertainty. Since 2017, the government has used competitive reverse

auctions to lower solar tariffs, which reached record lows. However, this downward pressure has led to state-level pushback, including attempts to renegotiate signed power purchase agreements. Notably, states such as Andhra Pradesh and Punjab initiated retroactive reviews of solar contracts, undermining investor confidence and raising concerns about regulatory stability.¹⁰

A detailed study by Chawla and Ghosh at the Council on Energy, Environment and Water shows that frequent amendments to auction design and unclear contractual obligations continue to create uncertainty about project timelines and deliverables.¹¹ Even when tenders are awarded, protracted delays in signing power purchase agreements or securing transmission access often disrupt financial closure and expose developers to cost overruns and reputational loss.¹² The World Bank has also noted that, in the absence of strong legal safeguards, foreign investors remain vulnerable to politically motivated interventions at both the state and federal levels.¹³

India's lack of a standardized dispute resolution mechanism in the renewable energy sector further amplifies these risks. Most disputes arising from delayed payments or tariff renegotiations are settled through lengthy litigation, during which project cash flows remain frozen.¹⁴ These unresolved frictions highlight a mismatch

between India's global climate leadership and the implementation capacity of its institutional frameworks.¹⁵

Localization Mandates and Trade Risk

India's push for domestic manufacturing in renewable energy has introduced additional regulatory risks for foreign investors. As part of the government's *Atmanirbhar Bharat* initiative, solar developers are increasingly required to use domestically manufactured modules and components.¹⁶ These domestic content requirements are embedded in central policy frameworks and reinforced by procurement guidelines across multiple public agencies. While intended to bolster India's industrial capacity, such mandates constrain the flexibility of developers and may conflict with global trade obligations.¹⁷

In 2016, the World Trade Organization ruled that India's domestic content requirements in solar procurement violated international trade law. The WTO Appellate Body found that India's policy discriminated against foreign manufacturers and impeded free trade in clean energy technologies.¹⁸ Although India has since adjusted certain central policies to comply with the ruling, domestic content provisions continue to appear in viability gap funding programs and public sector

tenders.¹⁹ For investors such as OTPP, these mandates pose legal risk, raise equipment costs, and limit supplier diversity in a market affected by volatile pricing.²⁰

The potential for future trade disputes also looms large. As global competition over clean energy supply chains intensifies, any reinstatement or reinterpretation of local sourcing mandates could provoke diplomatic or legal challenges, particularly from Canada or the European Union. Moreover, developers that rely on global supply chains may encounter difficulties in aligning Indian content rules with contractual obligations to investors or off-takers.²¹ This regulatory misalignment increases legal exposure and further complicates risk management strategies for institutional investors.

State-level Regulatory Fragmentation and Execution Risk

India's federal system of governance presents structural challenges to the uniform implementation of energy policy. While the central government sets national targets and offers financial incentives, the execution of renewable energy projects often depends on state-level permissions, land acquisition approvals, and cooperation with state electricity boards. This federal-state divide generates uneven regulatory environments across the country, with

significant implications for project timelines, investor confidence, and return on capital.

A 2025 Deloitte report on energy resilience underscores the critical role that subnational governments play in renewable deployment.²² Differences in bureaucratic capacity, inter-agency coordination, and political alignment have created inconsistent execution conditions across states. For instance, while Gujarat and Karnataka have established investor-friendly environments with streamlined permitting processes, others such as Uttar Pradesh and Jharkhand face persistent delays in project clearances, often due to conflicting local land-use policies or opposition from electricity boards.²³

In Rajasthan, one of India's most solar-intensive states, a 2025 regulatory change introduced new stamp duties and land-registration requirements that significantly raised project development costs.²⁴ According to Reuters, developers estimate the increase at 8 to 10 percent for utility-scale solar installations.²⁵ These types of subnational policy shifts are particularly consequential for long-term investors such as OTTP, which may rely on predictable state-level frameworks to assess site viability, negotiate land-use terms, and manage cost exposure.

The lack of horizontal coordination between Indian states adds further complexity to interstate transmission

and project expansion. Delays in securing right-of-way for transmission corridors or in obtaining no-objection certificates from local authorities can disrupt project pipelines and reduce scalability. These obstacles are especially acute in states where renewable potential is high, but grid integration and regulatory preparedness remain limited.

Conclusion

India's clean energy sector offers strong growth potential, but the regulatory and policy environment remains marked by uncertainty. OTTP's investment in Mahindra Susten must be evaluated in light of persistent volatility in auction frameworks, the ongoing use of localization mandates, and fragmented authority between central and state governments. While India continues to signal global leadership in renewables, the disconnect between national ambition and institutional execution creates material risks for long-term foreign investors. Regulatory inconsistency, contract enforcement delays, and state-level divergence in project approvals can impose significant cost escalations and complicate investment planning. For OTTP, exposure to these risks underscores the importance of robust scenario analysis, long-term regulatory engagement, and strategic partnerships with actors who can navigate India's complex subnational landscape.

Investment Strategy & Internal Risk Oversight

Ontario Teachers' Pension Plan's (OTPP) investment in Mahindra Susten reflects a deliberate expansion of its global renewable energy portfolio, particularly in the Asia Pacific region. In 2022, OTPP acquired a 30 percent equity stake in Mahindra Susten for an equity value of USD 300 million, establishing a long-term partnership with one of India's early entrants in the solar energy sector.²⁶ As part of this agreement, OTPP and Mahindra Susten jointly established the Sustainable Energy Infrastructure Trust (SEIT), an Infrastructure Investment Trust (InvIT) seeded with 1.54 gigawatts peak (GWp) of operational solar assets.²⁷ SEIT is currently the largest InvIT in India's renewable energy market.²⁸ Over the next seven years, Mahindra Susten and OTPP will contribute an additional USD 368 million and USD 428 million, respectively, to grow the business and expand SEIT's asset base.²⁹

This investment aligns with OTPP's broader strategic objective to scale climate-focused investments while diversifying geographically. Although OTPP manages over USD 250 billion in net assets, only USD 22 billion is currently deployed across the Asia Pacific region,

compared to USD 100 billion in the United States and USD 48 billion across Europe, the Middle East, and Africa.³⁰ India's rapidly expanding renewable energy market, supported by ambitious national targets, growing power demand, and evolving policy incentives, offers a timely opportunity for OTPP to expand its global footprint and deploy capital in line with its environmental objectives.

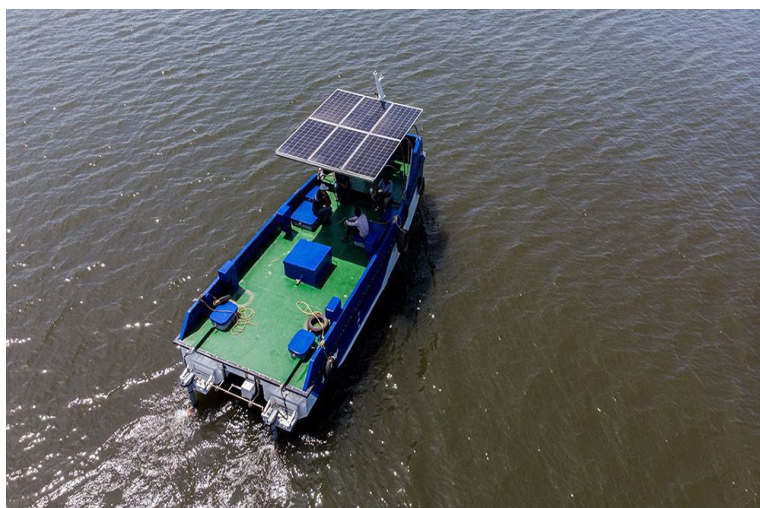


Figure 3: Solar Powered Fishing Boat

OTPP has emphasized advancing environmental action as a core investment theme.³¹ This includes a commitment to reducing real world greenhouse gas emissions, investing in scalable decarbonization solutions, and supporting the global energy transition.³² In this context, Mahindra Susten represented a strong strategic partner. The company's successful development track record, access to domestic infrastructure, and alignment with sustainability goals made it a compelling entry point into India's clean energy sector.³³ Through SEIT, OTPP gains exposure to

operating assets and the opportunity to co-develop new projects alongside a locally embedded partner.³⁴

Beyond environmental alignment, OTPP's investment strategy also prioritizes long term scalability and governance strength. The Mahindra partnership allows OTPP to benefit from Mahindra Susten's local land acquisition capabilities and regulatory expertise. These are critical advantages in a jurisdiction where project execution often depends on coordination with state authorities and complex permitting processes.³⁵ OTPP's patient capital approach, combined with its focus on operational risk management and sustainability integration, positions it to benefit from the rapid growth of India's renewable energy sector while navigating the challenges associated with investment in emerging markets.

As a globally active pension fund, OTPP employs a comprehensive risk management framework that governs how it approaches investment exposure, operational uncertainty, and sustainability-related risks. The investment in Mahindra Susten is supported by internal oversight systems designed to ensure that long-term commitments align with OTPP's fiduciary obligations, governance expectations, and responsible investing principles. At the institutional level, OTPP relies on a

multilayered governance system to monitor and manage risk. The Investment Committee of the Board reviews and approves the organization's investment risk budget annually and evaluates the risk exposure of active and prospective investments.³⁶ It also ensures compliance with OTPP's risk management policies and provides high-level oversight of asset class teams and sector-specific strategies.³⁷

This committee-based oversight is supported by OTPP's enterprise risk management framework, which is organized around a three-tiered structure. The first level of risk ownership lies with the investment teams that originate and manage transactions. These teams are responsible for identifying, evaluating, and reporting risks in accordance with OTPP's investment policies and regulatory obligations.³⁸

The second level is composed of independent control functions, such as the Risk Division, which monitors enterprise and asset-level risk. These units provide oversight, conduct stress tests, and escalate risk-related concerns to senior management and the Board when warranted.³⁹ The third level of assurance is OTPP's Internal Audit function. This function provides independent evaluation of the effectiveness of controls, processes, and policies across the organization.⁴⁰

Together, this model offers a robust institutional platform for managing complex investment environments such as India's renewable energy market.

OTPP's risk governance is reinforced by a formal set of Responsible Investing Guidelines. These guidelines set expectations for how environmental, social, and governance (ESG) factors are considered during the investment life cycle.⁴¹ The guidelines emphasize due diligence prior to capital deployment, regular engagement with investee companies, and integration of ESG considerations in asset management decisions. For transactions in emerging markets, OTPP may engage external consultants to assess legal, environmental, or reputational risks that may not be captured in traditional financial modeling.⁴²

After an investment is made, OTPP prioritizes active stewardship. Investment teams engage directly with management and boards of investee companies to monitor ESG performance and identify long-term risks and opportunities.⁴³ This engagement is part of OTPP's belief that strong ESG performance is positively correlated with financial performance over the long term.

In addition to its active ownership approach, OTPP maintains an exclusion framework that prohibits investment in companies where risks are deemed

irreconcilable with the fund's values and long-term interests. This framework considers a range of factors including violations of international norms, severe environmental harm, or systemic human rights abuses.⁴⁴ While exclusions are rare, they reflect OTPP's recognition that certain risks cannot be effectively mitigated through engagement or policy influence. The framework provides assurance to stakeholders that OTPP's capital will not support activities that pose unacceptable levels of risk to beneficiaries or society.

Macroeconomic Volatility & Currency Risk

Macroeconomic stability in India has improved in recent years, supported by prudent fiscal policy, strong foreign exchange reserves, and an inflation-targeting monetary regime. Nevertheless, structural challenges and external shocks continue to present risks for foreign investors such as the Ontario Teachers' Pension Plan (OTPP). These include fluctuations in inflation, unexpected shifts in interest rates, and volatility in the Indian rupee (INR), all of which can affect investment returns and cost structures.

In fiscal year 2023 to 2024, India's inflation fell to 2.82 percent. In response, the Reserve Bank of India reduced interest rates by 50 basis points in June 2025.⁴⁵

⁴⁶ The central bank also shifted its policy stance to neutral, emphasizing the goal of stimulating domestic consumption and investment. This policy direction may benefit renewable energy developers such as Mahindra Susten that depend on low-cost capital for expansion.

Recent currency movements underscore the persistence of currency risk. In May 2025, the rupee declined by approximately one percent, underperforming most Asian

currencies. Geopolitical instability and higher global oil prices contributed to the downward pressure, with the rupee touching a three-month low in June 2025.^{47 48} A weaker rupee can significantly impact the profitability of projects with foreign currency exposure, especially in sectors that rely on imported solar components or technology priced in United States dollars.

The International Monetary Fund (IMF) acknowledges India's resilient macroeconomic fundamentals, including strong gross domestic product (GDP) growth and a stable external sector. However, the IMF cautions that elevated global interest rates and potential supply-side shocks, such as surging energy prices, could reintroduce currency volatility and increase capital outflow risk. India's large foreign exchange reserves, which now exceed USD 685 billion, provide a buffer. Nevertheless, currency hedging costs and inflation-linked input prices may still influence OTPP's net returns.⁴⁹

For OTPP, macroeconomic volatility translates into operational uncertainty and the possibility of mismatch between input costs and output pricing. Given that most power purchase agreements (PPAs) in India are denominated in rupees, any sustained depreciation could reduce margins unless counterbalanced by effective hedging or contractual adjustments. This risk is

particularly salient for infrastructure investment trusts (InvITs), where asset yields depend on predictable macroeconomic conditions.

Solar Market Dynamics and Cost Structures

Global solar module prices have experienced substantial volatility since 2023. Prices declined more than 50 percent between early 2023 and mid-2024 due to global oversupply, before rebounding slightly in 2025 as manufacturers curtailed production.⁵⁰ These price fluctuations have direct implications for OTTP's investment in Mahindra Susten. Even modest price changes can significantly affect project economics in markets such as India.

According to the International Energy Agency (IEA), solar panel costs fell by approximately 30 percent over the past two years. Commodity prices for core materials such as polysilicon and silver have also declined.⁵¹ These trends create a structural tailwind for OTTP's renewable energy portfolio, particularly the projects held under the Sustainable Energy Infra Trust (SEIT). Lower input costs enhance project viability and return potential. However, the benefits depend on financing conditions. With the global era of low interest rates ending, higher borrowing costs may offset recent cost savings.⁵²

A 2023 report by the Climate Policy Initiative notes that the cost of capital remains significantly higher in developing economies, including India.⁵³ Financing costs for solar projects in India can reach 10 to 12 percent, compared to 4 to 6 percent in the United States or European Union. For OTTP, these financing terms will materially influence the net present value of solar assets. Regulatory clarity, capital structuring, and contractual security are therefore essential in managing these risks.

Subsidy Dependence & Fiscal Risk

India's transition to renewable energy continues to rely on government subsidies and fiscal incentives. In fiscal year 2023, the central government allocated INR 14,843 crore (approximately USD 1.8 billion) to solar sector subsidies, representing an 8 percent increase over the previous year.⁵⁴ These programs include capital grants, inverted duty relief, and rooftop solar schemes under the Pradhan Mantri Surya Ghar Muft Bijli Yojana, which offers households subsidies and concessional interest rates.⁵⁵

While these measures lower upfront project costs, they also introduce vulnerability to fiscal fluctuations and policy changes. The World Bank estimates that India will require USD 1 to 6 billion annually in clean energy subsidies to meet future renewable targets.⁵⁶ This raises

concerns about long-term affordability, particularly during periods of fiscal consolidation. States such as Maharashtra require central viability gap funding in addition to local subsidies for battery energy storage, creating intergovernmental complexity.⁵⁷ OTTP must therefore assess the durability of public financing across jurisdictions to ensure alignment between investment timelines and fiscal support.

Payment Delays and Counterparty Risk

India's public distribution companies, or DISCOMs, continue to face chronic financial stress. As of March 2023, DISCOMs owed renewable energy generators over USD 11 billion, with payment delays averaging 163 days.⁵⁸ These liquidity challenges reduce predictability for investors that depend on timely revenue flows.

In 2024, 8.5 gigawatts of renewable energy tenders were either undersubscribed or canceled, largely due to concerns about the financial health of DISCOMs and implementation delays.⁵⁹ The Stanford Precourt Institute for Energy notes that high counterparty risk in India's power sector results in higher capital costs and deters foreign investment.⁶⁰ For OTTP, long-term cash flow stability is critical. Without improvements to DISCOM governance and solvency, the credit risk borne by investors remains elevated.

Finally, the sector has faced governance scandals. In 2024, the cancellation of multiple contracts following allegations of bribery involving the Adani Group highlighted vulnerabilities in procurement integrity.⁶¹ These episodes underscore the importance of rigorous due diligence and careful selection of counterparties with strong credit and compliance histories.

Environmental & Social Risk

Mahindra Susten's operations in the Indian solar sector bring with them a range of environmental and social risks, especially given the geographic scale and infrastructural demands of utility-scale renewable energy projects. While Mahindra Susten has signaled a strong commitment to sustainability, including adherence to environmental and social impact assessments (ESIAs) and regular stakeholder consultations, the broader operating environment in India reveals persistent systemic challenges that can directly affect the viability and long-term social license of such investments.

On the environmental front, Mahindra Susten has integrated emissions tracking, waste minimization, and biodiversity impact assessments into its development model, as outlined in its 2024 Sustainability Report. The company emphasizes responsible land use, ecological conservation, and local job creation as key tenets of its project delivery model. This is consistent with OTPP's responsible investing guidelines, which prioritize ESG compliance, community engagement, and sustainable development outcomes for all portfolio companies.⁶²

However, despite this stated alignment, a deeper analysis of the Indian solar landscape reveals recurring challenges that may present reputational and operational risks for institutional investors like OTPP. One primary issue is the contentious relationship between solar infrastructure and land acquisition practices. India's solar energy ambitions have led to the development of large solar parks across ecologically fragile and socially contested areas. These projects often involve the conversion of agricultural or common land, raising concerns around displacement, loss of livelihoods, and inadequate compensation for local communities.⁶³

In 2023, the Centre for Social and Environmental Innovation published a detailed study outlining how weak enforcement of environmental regulations, gaps in impact assessments, and underdeveloped grievance redressal mechanisms have contributed to tensions between developers and communities.



Figure 4: Pollution

Among its findings was that while private developers often conduct ESIA's, their scope and enforcement vary significantly by state, and public access to such assessments is limited.⁶⁴ The World Bank's Environmental and Social Management Framework for solar parks in India further reinforces these concerns. It underscores that inadequate stakeholder consultation, limited transparency in land acquisition, and insufficient capacity within state-level implementing agencies pose critical risks to the social legitimacy of solar park development. Although this framework has improved ESIA norms for World Bank-funded projects, its uptake in private-sector developments like Mahindra Susten's may be uneven, especially in less-regulated jurisdictions.⁶⁵

Cases of grassroots resistance have already demonstrated how social risks can translate into direct project threats. In 2025, the Asian Development Bank withdrew funding from a planned 1,000 MW solar park in Assam following sustained protests by tribal communities who had not been adequately consulted. Protesters argued that the project violated local land rights and failed to comply with constitutional protections for Scheduled Tribes.⁶⁶ Although Mahindra Susten was not involved in this project, such examples highlight the vulnerability of solar investments in areas

with unresolved land tenure issues and politically sensitive demographics.

Further empirical research confirms this pattern. In a peer-reviewed study published in *Energy Research & Social Science*, Mara Cadena documents extensive local resistance to solar park development in Gujarat and Andhra Pradesh. Communities cited involuntary displacement, disruption of pastoral livelihoods, and the lack of prior informed consent as key drivers of opposition. The study also identifies how power asymmetries between corporate developers and rural communities can exacerbate mistrust and create enduring reputational harm for investors.⁶⁷

OTPP's exposure to these risks is amplified by its prominent public profile and fiduciary responsibilities to members. While Mahindra Susten has taken proactive steps to institutionalize ESG practices, OTPP's oversight must remain robust and adaptive. Comprehensive due diligence, continuous monitoring, and ongoing stakeholder engagement will be essential to mitigate these risks and ensure long-term project success.

Reputational Risk

OTPP's exposure to India's renewable energy sector presents reputational risks that are heightened by the country's complex governance landscape. While Mahindra Susten has not been the subject of public controversy, its operations exist within a broader industry context that has attracted international scrutiny.⁶⁸

A recent example is the ongoing investigation into the Adani Group, one of the largest renewable energy developers in India. According to international media reports, United States prosecutors have alleged that Adani officials paid approximately USD 228 million in bribes to secure solar energy contracts in the state of Andhra Pradesh. The deal was reportedly approved despite objections from Indian government officials.⁶⁹ Although these allegations are not connected to Mahindra Susten, the prominence of the Adani Group in India's renewable energy market has drawn attention to governance practices across the sector.⁷⁰ For foreign institutional investors such as OTPP, reputational risk may arise not only from direct association with controversial actors, but also from broader concerns about sectoral integrity and regulatory oversight. This reputational exposure is particularly relevant given OTPP's public commitment to expanding its footprint in

India. In 2022, OTPP's Chief Executive Officer, Jo Taylor, stated that the fund expects India to represent between five and ten percent of its global assets over the next fifteen to twenty years.⁷¹ This strategic priority increases the visibility of OTPP's investments in the region and elevates stakeholder expectations regarding the governance and ethical standards of its partners. Any perceived misalignment between OTPP's public commitments and its on-the-ground investments could invite political and public scrutiny in Canada.

Reputational risk also intersects with OTPP's responsible investing framework. OTPP has positioned itself as a global leader in sustainable finance and has emphasized advancing environmental action as a key priority.⁷² However, the credibility of this commitment depends in part on the governance quality of its investees. Allegations of corruption or misconduct within the renewable energy sector could weaken OTPP's ability to demonstrate that its investments are consistent with its ESG principles.

To mitigate reputational risk, OTPP can apply enhanced ESG due diligence in emerging markets, engage in sustained dialogue with Mahindra Susten's leadership, and ensure transparent reporting on the investment's performance and governance.⁷³ These measures can help

maintain public trust, reinforce OTPP's credibility, and safeguard the long-term integrity of its international investment strategy.

Legal & Compliance Risk

Foreign investment in India's renewable energy sector continues to expand, but persistent legal and compliance risks must be accounted for. While national targets and federal incentives have attracted global capital, structural issues in India's regulatory and legal systems impose significant barriers to long term investment certainty.⁷⁴

Solar developers in India face extensive regulatory complexity. A 2025 analysis by TeamLease RegTech found that a standalone solar plant in Maharashtra with administrative operations in Haryana is subject to nearly 800 separate legal obligations and more than 2,700 compliance actions per year.⁷⁵ These include permitting, taxation, environmental regulation, and electricity-related laws at both the state and central levels.⁷⁶ Frequent amendments, overlapping jurisdictions, and unclear enforcement protocols make compliance an operational burden.

These challenges are compounded by weaknesses in contract enforcement. Investor surveys conducted by Stanford University's Precourt Institute for Energy rank contract enforcement as one of the top legal risks facing both domestic and international investors.⁷⁷ Power

purchase agreements (PPAs), a foundational instrument for project bankability, have been unilaterally renegotiated or delayed by state governments, raising concern about the enforceability of long-term commitments.⁷⁸ According to the Stanford report, investors view India's judicial backlog, absence of binding regulatory timelines, and politicization of tariff revisions as central contributors to legal unpredictability.⁷⁹

In addition, the federal structure introduces another layer of uncertainty. Renewable energy is a concurrent subject under the Indian constitution, meaning that both state and central governments exercise overlapping authority. Disputes between state electricity regulators and central institutions can delay project approvals or alter implementation timelines. These dynamics increase legal exposure, especially in land acquisition, interconnection, and tariff settlement phases.⁸⁰

To mitigate these risks, OTPP should continue leveraging Mahindra Susten's legal and regulatory expertise while employing safeguards recommended by Stanford researchers. These include embedding international arbitration clauses in power purchase agreements, using political risk insurance where applicable, conducting recurring legal audits, and maintaining dedicated compliance staff with regional legal

experience.⁸¹ A deliberate and jurisdiction-sensitive legal strategy is essential to ensure that OTPP's long-term investment in Mahindra Susten aligns with its risk management standards.

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