Risk management remains important
The Group is exposed to a variety of risks in the daily business. Vestas works actively to ensure that such risks are understood, monitored and, to the extent possible, mitigated to ensure that they do not adversely impact the realisation of Vestas’ strategic and financial targets.

In order for the Group to take risk-adjusted decisions, Vestas has integrated a group-wide enterprise risk management framework. This framework focuses on identification, evaluation, treatment, monitoring, and communication of risks, where risk owners are responsible for managing risks within their area of responsibility.

Group risk management governance
All parts of the organisation report relevant risks on a quarterly basis. A selection of these are discussed in the Group Risk Management Committee and mitigation activities are evaluated for potential implementation. The Group Risk Management Committee is chaired by Vestas’ CFO and includes other senior management members from relevant parts of the business.

On a semi-annual basis, the Executive Management as well as the Board of Directors review key risks. These reviews are based on the ongoing work in the Group Risk Committee and focus on the main risks of the Group.

Financial risks, including risks related to currency, interest rate, tax, credit, and commodity exposures are addressed in the notes to the consolidated financial statements. These risks are also reported to the Board of Directors and evaluated by the Audit Committee.

Main Group risks
The main risks of the Group are:

- Transition to auction-based markets and risk of reduced support to wind energy
- Adapting to markets with greater complexity hereunder sanctions and social performance
- Cyber risks
Transition to auction-based and risk of reduced support to wind energy

**Description**
While renewable energy continues gaining in importance in the energy mix, this is increasingly happening through competitive bidding and auctions and in some markets combined with demands for local content, which in turn has changed the market dynamics. This increased focus on price creates a pressure on the wind power industry in general and Vestas specifically to understand the dynamics of the competitive landscape.

**Impact**
The design of auction systems differs from market to market and can, depending on structure, create uncertainties in relation to size and timing of available projects and order intake. Auction-based markets are generally seen to be quite competitive, however the competitive structure of those markets vary significantly based on individual market characteristics.

**Mitigation**
Vestas monitors the developments in the different markets and works closely with its customers to continuously adapt sales strategies and product offerings to meet the different auction criteria.

Adapting to markets with greater complexity hereunder sanctions and social performance

**Description**
A number of the markets in which Vestas is exploring business opportunities has characteristics that differ from the more mature markets in Europe and USA. Some of the main differing areas and risks to be understood and addressed are:

- Security in relation to employees and subcontractors
- Corporate social responsibilities in relation to local communities
- Sanctions and export control according to international law
- Protection of intellectual property rights

**Impact**
The adverse impacts related to risk in complex markets are many and different but amongst others, adverse reputational impact may occur if risks are not mitigated. Risks related to intellectual property rights may amongst others lead to reductions in the competitive positioning of Vestas whereas other risks may prevent Vestas from engaging in business relationships or undertaking projects.

**Mitigation**
To prevent and mitigate potential risks within these areas, Vestas uses a stage gate based process to systematically evaluate and adapt the project offering during the contracting, construction, and servicing phases of the projects.

Cyber risks

**Description**
As many other corporations, Vestas’ dependence on its commercial, technical, and operational IT infrastructure is significant and hence, Vestas is exposed to potential loss or harm related to this.

**Impact**
Risks include economical theft and theft of intellectual property rights or personal data, which may result in monetary losses in the form of lost business opportunities or fines and penalties from authorities.

Malicious hacking activities can in addition harm the infrastructure and create physical loss of property and consequential difficulties for Vestas to meet its contractual obligations.

**Mitigation**
Vestas works systematically to educate its organisation in methods to address exposure and is continuously working on improving the technical ability to protect against, detect and to respond to any attempts to enter its commercial, technical, and operational IT infrastructure.