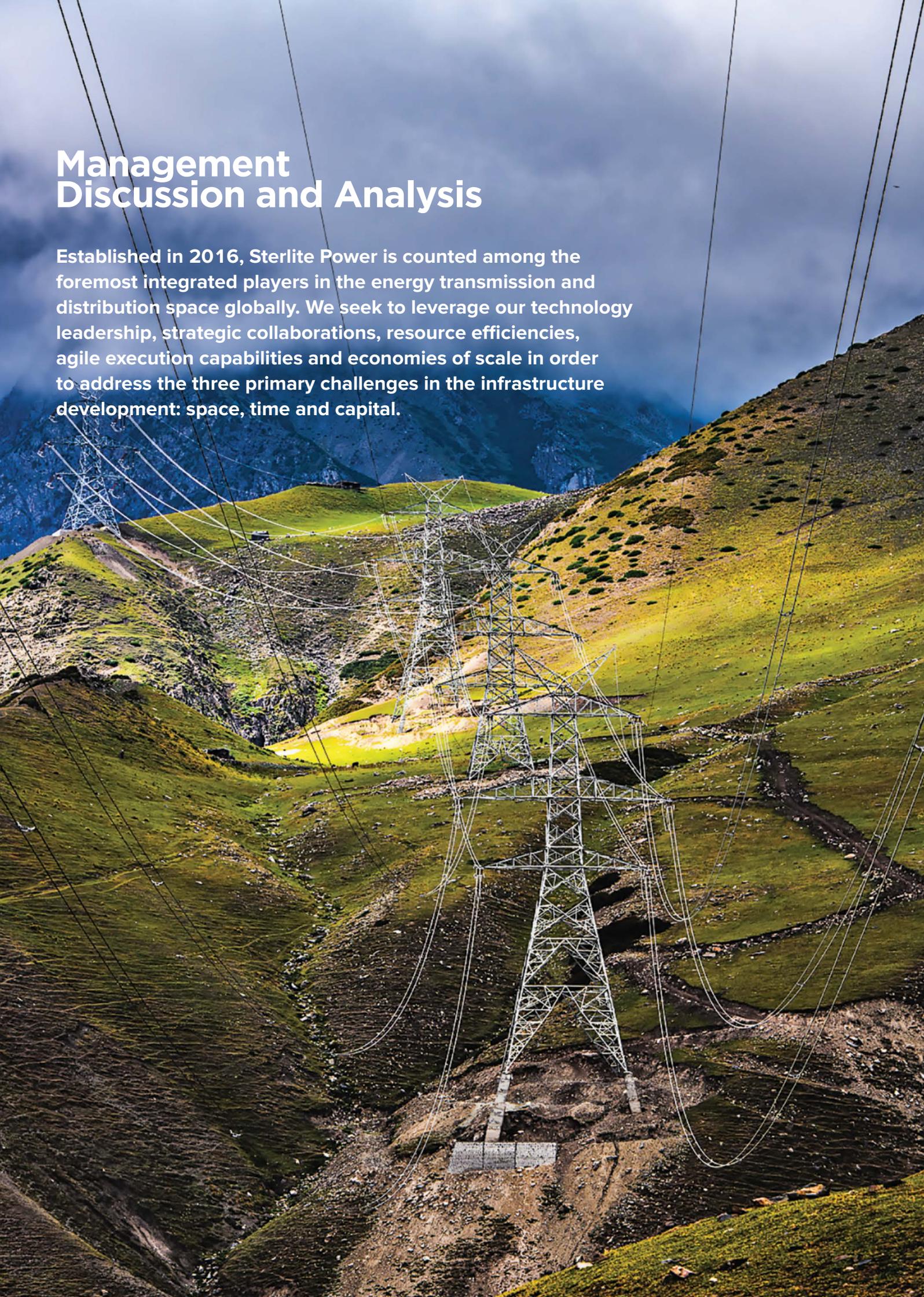


# Management Discussion and Analysis

Established in 2016, Sterlite Power is counted among the foremost integrated players in the energy transmission and distribution space globally. We seek to leverage our technology leadership, strategic collaborations, resource efficiencies, agile execution capabilities and economies of scale in order to address the three primary challenges in the infrastructure development: space, time and capital.

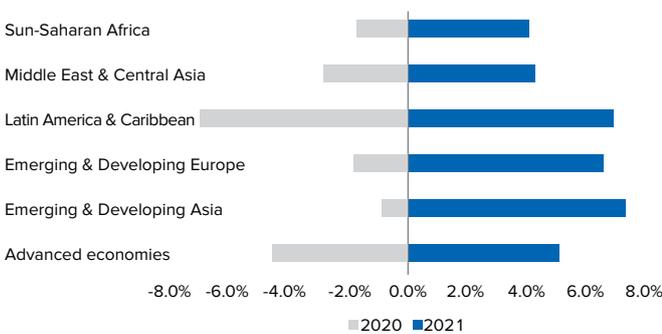


## ECONOMIC OVERVIEW

### GLOBAL

The global economy is presently riddled by several forces that are shaping its growth and outlook. While mass vaccination programmes across nations have provided the necessary fillip to economic activities, resurgence of the virus and its variants, along with the war in Ukraine could cast a shadow of uncertainty on the pace of economic revival. Rising energy prices, and supply restrictions have resulted in high and broad-based inflation across economies, notably in the United States and many emerging and developing economies. As per the World Economic Outlook, the world economy grew by 5.9% in 2021 after having shrunk by 3.1% in the year before. The growth was led by emerging and developing economies that grew at 6.5%. As is evident from the chart, developing economies in Asia shrunk the least in 2020 and have grown the fastest in 2021.

**Chart 1: Growth in economies in 2020 vs 2021**  
Emerging economies in Asia shrunk the least and grew the most



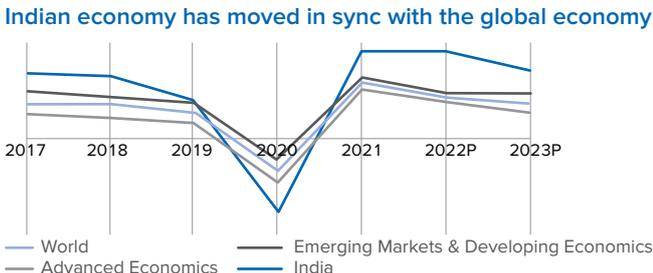
**Table 1: Growth in major world economies**

	United States	United Kingdom	Japan	China	India	Brazil
2020 growth	(3.4%)	(9.4%)	(4.5%)	2.3%	(7.3%)	(3.9%)
<b>2021 growth</b>	<b>5.6%</b>	<b>7.2%</b>	<b>1.6%</b>	<b>8.1%</b>	<b>9.0%</b>	<b>4.7%</b>
Effective growth	2.0%	(2.9%)	(3.0%)	10.6%	1.0%	0.6%

### Outlook

The supply chain disruptions and energy price volatility induced by the pandemic and the war have propelled inflation across all major economies. As per the World Economic Outlook, April 2022, global growth in 2022 is expected to moderate at 4.4%. This growth is expected to taper further in 2023. Developing economies of Asia are expected to outpace all other economies in both the years, growing at 4.8% and 4.7% respectively.

**Chart 2: GDP growth in India and major global economic groups**  
Indian economy has moved in sync with the global economy



### INDIA

The global economies looked up in 2021. India was no exception to this. New infections fell significantly, and vaccination rates have risen to surpass a billion and a half doses, causing the economy to expand the most among global peers, growing at 8.2%. The nation’s broad range of fiscal, monetary and health responses to the crisis have supported its recovery and, along with economic reforms, are helping to mitigate a longer-lasting adverse impact of the crisis.

### Outlook

The International Monetary Fund has projected a “fairly robust” growth of 8.2% for India in 2022, making it the fastest-growing major economy in the world, almost two times faster than China’s 4.4%. India’s prospects for 2023 are pegged at 6.9% on expected improvements to credit growth—and, subsequently, investment and consumption—building on better-than-anticipated performance of the financial sector. However, the rise in energy and food prices caused by the war in Ukraine, along with the possibility of additional waves of infection are caveats to these projections.

### BRAZIL

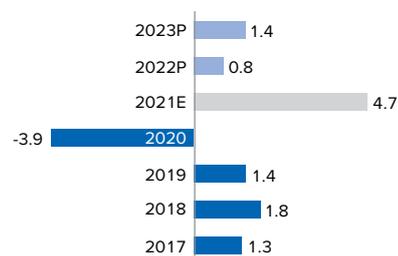
As Brazil turned tide in its economic growth from 2017 onwards (after shrinking for two consecutive years prior to that), COVID-19 halted the growth in 2020. As per the IMF, the economy shrunk by almost 4%. In 2021, Brazil recovered almost completely, growing at 4.7%, supported by booming terms of trade, robust private sector credit growth, and one of the biggest stimulus packages in emerging markets.

The stringent lockdowns through the year and the rollout of vaccinations have helped bring down infections in the country. Further, rise in inflation, initially driven by surging food and energy prices and later becoming broader, reflects monetary policy inertia as well as a strong recovery in demand. Inflation, along with the increased rates of unemployment have weighed on the economic outlook for this largest Latin American economy.

### Outlook

While Brazil responded briskly to the impact of the pandemic towards the end of 2020 and achieved the pre-COVID level of GDP in 2021, inflation in the country is the highest it’s been in 15 years. Consequently, the Central Bank has increased the policy rates by 975 basis points over the year. This is likely to weigh on the domestic demand in the economy and impact its growth. IMF projects the economy to grow by 0.8% and 1.4% in 2022 and 2023 respectively. In addition to this, the economy is expected to stabilise further as political uncertainty settles after the presidential elections.

**Chart 3: Historic GDP growth in Brazil and growth projections**  
In 2021, Brazil recovered fully from the contraction observed in 2020



**INDUSTRY OVERVIEW**

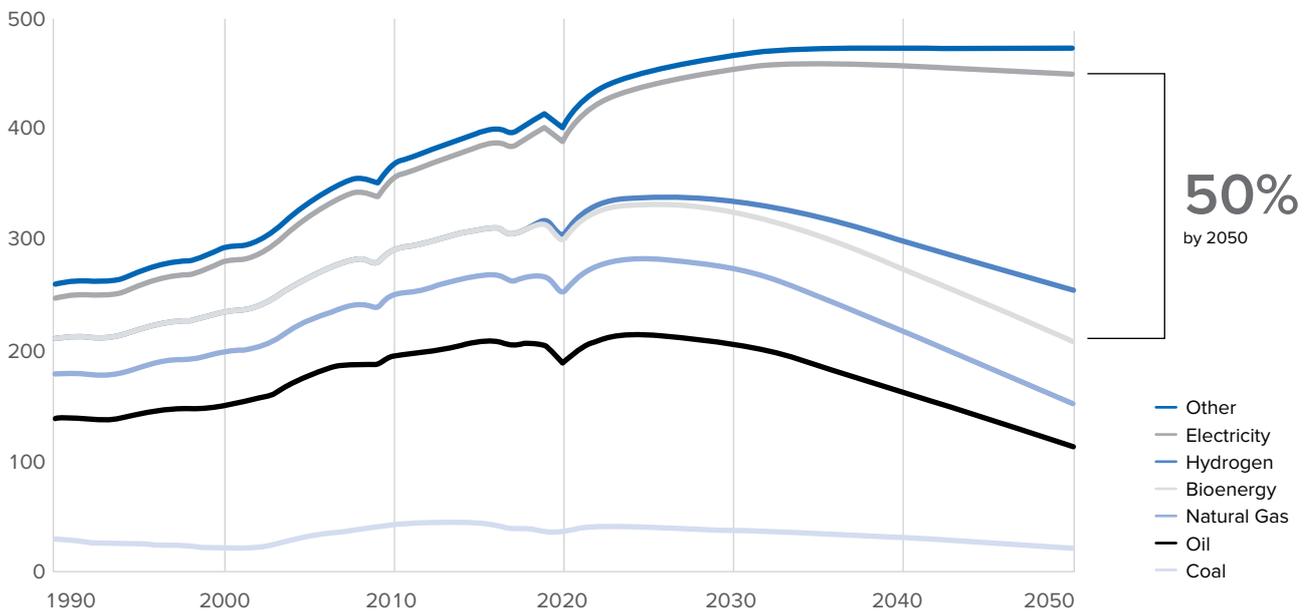
**GLOBAL**

The global chorus on decarbonisation has grown stronger than ever before. As per BNEF’s Energy Transition Investment Trends report, in 2021, global energy transition investment totaled US\$755 billion, up from US\$595 billion in 2020 and just US\$264 billion in 2011. The largest sector in 2021 was renewable energy, which attracted US\$366 billion for new projects and small-scale systems (up 6.5% from 2020). The commitments laid out by nations during COP26 are testament to the growing discourse and global commitment towards decarbonisation.

<p><b>US\$755 billion</b></p> <p>Global energy transition investment in 2021</p>	<p><b>~27%</b></p> <p>Year on year increase in energy transition investment</p>	<p><b>\$366 billion</b></p> <p>Global investment in Renewable Energy in 2021</p>
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**Chart 4: Final global energy consumption per fuel by 2050 (million TJ)**

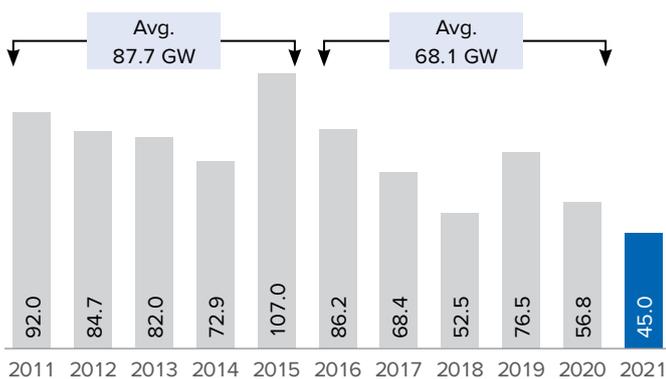
Electrification of economies, along with Hydrogen to cater to 50% of the needs



Electrification is likely to be one of the first decarbonisation levers, being the lowest cost and easiest to implement in most sectors. The demand for electricity is projected to triple by 2050, growing at a CAGR of 3-4% from 2019 to 2050. As per McKinsey & Company’s Global Energy Perspective, 2022, it is projected that electricity and hydrogen will fuel 50% of the final energy consumption by 2050.

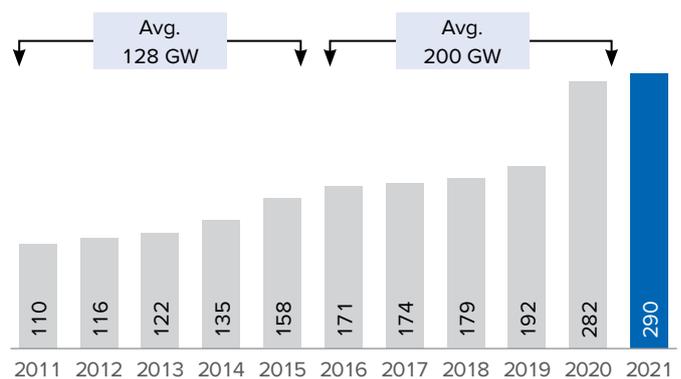
**Chart 5: Annual capacity addition for coal (GW)**

There is an evident decline in annual coal capacity additions over the past decade



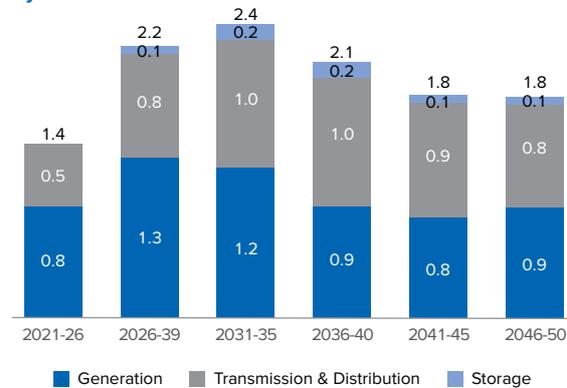
**Chart 6: Annual capacity addition for renewables (GW)**

Annual installed capacity for renewables has consistently grown over the past decade



A regimental shift in the energy mix is necessary to achieve the Net Zero targets. The trend has started to become more evident over the past years wherein the new coal fired power plant capacity has started to show a consistent fall. Between 2011 and 2015, the average new coal fired power plant capacity added per annum was close to 88 GW, which declined to ~68 GW in the 2016-20 period. In 2021, only 45 GW of such new capacity was added, which is the lowest since 2005. On the flip side, average 128 GW renewable capacity was added between 2011-15 which increased to an annual average of over 200 GW between 2015 and 2020. In 2021, ~290 GW of renewable power projects were commissioned, despite the rising cost of critical raw materials, signifying political will and investor confidence in the sector. It is projected that the future growth in energy investments could be driven almost entirely by renewables and decarbonisation technologies. Global Energy Perspective,

**Chart 7: Annual capex in energy delivery value chain 2021-50 (avg. over 5 years in \$ trillion)**  
Over \$25 trillion capex in grid required to achieve net zero by 2050



2022 projects investments in renewables to grow by 4% per year until 2035, accounting for 37% of global energy investments in the next 15 years. Developing nations are likely to corner a large proportion of this investment.

The growing need for electrification, with an emphasis on distributed renewables creates a strong case for a complementary grid infrastructure to facilitate decarbonisation. It is estimated that a capital expenditure of ~US\$25 trillion would be required in transmission and distribution to enable a Net Zero 2050 scenario.

## INDIA

### Overview

The power sector plays a crucial role in socio-economic growth and is instrumental to the development of a nation. Consistent and steady investments in the sector are therefore imperative to propel growth. Over the years the country has achieved the key milestones of achieving a 100% electrification. As it strides further in its journey of development of the power sector, Hon. Prime Minister’s commitments announced during the COP26 summit shall act as a guiding principle.

Raise the non-fossil fuel-based energy capacity of the country to 500 GW by 2030	To meet 50% of the country’s energy requirements using renewable energy sources by 2030	To reduce the total projected carbon emission by one billion tonnes between now and 2030	To reduce 45% carbon intensity by 2030	To become carbon neutral and achieve net-zero emissions by 2070

As the dependence on fossil fuel decreases, the complementary rise in renewables and storage shall necessitate a rise large-scale build out of a transmission network. In addition, as the gap between the capita power consumption of India and the globe narrows, potential grid congestion would further propel grid modernisation and build out. Early seeds of increasing power demand have become evident in the previous fiscal.

In FY22, as the economy opened, the power demand grew by an 8.5% y-o-y to 1384 BU. During the year, the peak demand surpassed the previous high to reach ~200 GW. These numbers are likely to shoot further up as the country embarks on the journey of becoming “Atmanirbhar” and consolidates itself as a manufacturing hub of the world. Great strides have been made in the previous year towards

it: several Performance Linked Initiative (PLI) schemes have been rolled out and have garnered positive reception from the industry. The PLI scheme to promote solar manufacturing was subscribed 5.5 times, while the scheme to promote battery manufacturing was subscribed 2.6 times. This indicates investor confidence in the Indian economy at large and in its power sector, in particular.

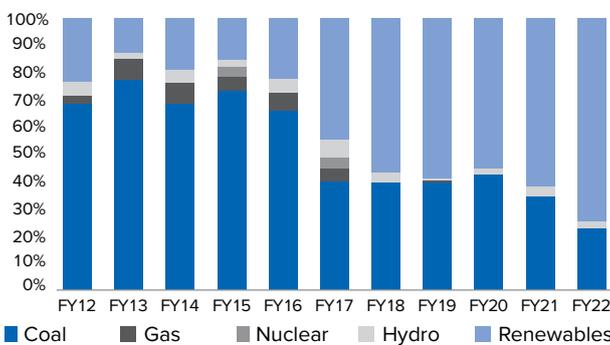
### Generation

India achieved the landmark of 100GW of installed RE capacity during FY22. The country has an installed generation capacity of ~400 GW, of which over 25% is renewables at present. In FY22, ~19 GW capacity was added, of which over 14 GW was solar alone, the highest annual installation ever. Despite the rise in input costs and supply chain constraints, capacity auctions for renewables have continue to witness

intense competition and discovery competitive tariffs implying continued investor focus and confidence in the sector. Large number of small and big-ticket acquisitions and the multiples on which they were valued further augment the assertion on the attractiveness of the sector. In a reflection of investors' interest in India's green economy, the total value of acquisitions in India's renewable energy sector surged by more than 300% to \$6 billion in the first ten months of 2021 (till October) from less than US\$1.5 billion reported in 2020. In all, \$14 billion were invested in energy transition in India in 2021, according to CEEW's Clean Energy Investment Trends 2021. (Add source)

**Chart 8: Distribution of source-wise capacity addition in previous decade**

Annual addition of renewable capacity outpacing other energy sources



**Transmission**

Placed critically between the generation and distribution, transmission plays a pivotal role in ensuring energy delivery to the centres of consumption. India's shift to a cleaner economy is bound to create a need for a robust grid to connect the renewable energy rich centres in the West and South to the demand centres in the North. Unlike conventional thermal capacity, which requires 4-6 years for commissioning, renewables require ~2 years to develop. Consequently, pace of transmission build-out will require expediting to keep pace with the growing renewable mix. In alignment with this, the CTU in its ISTS rolling plans for 2026-27 has identified transmission schemes comprising of 31,895 ckm of transmission lines and transformation capacity of 2,16,840 MVA at estimated cost of ₹1,24,148 crores of these, 13 projects with an estimated cost of ₹14,766 will be developed under Tariff Based Competitive Bidding (TBCB).

In addition, the government is committed to reforming the transmission sector- The ISTS planning regime has been refined to expedite the planning process, deadline for transmission charge waiver for green projects has been defined to augment the transmission charge pool and

**14,895**

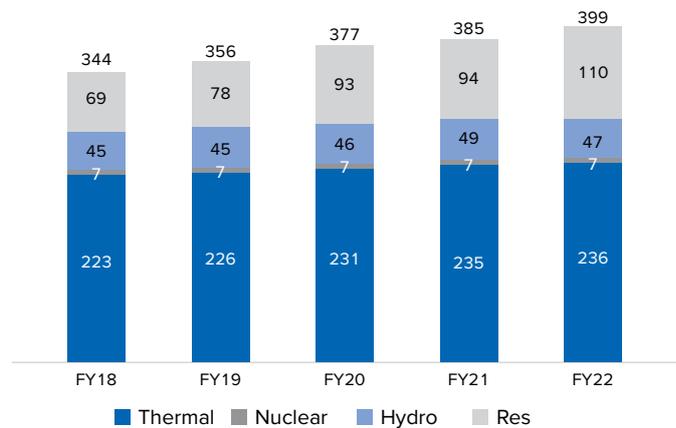
Ckms transmission line added in FY22

**78,982**

MVA of transformation capacity added in FY22

On the flip side, supply chain constraints accompanied with international geo-political factors caused a severe shortage of coal in the country. The spike in power exchange volumes and prices is a testament to the demand-supply asymmetry caused by the shortage. Coal shortage, accompanied with an unprecedented increase in power demand has resulted in load-shedding and loss to productivity and proves a further tailwind to generation from renewables. The global trend of declining installation of fossil fuel-based capacity is visible in India as well.

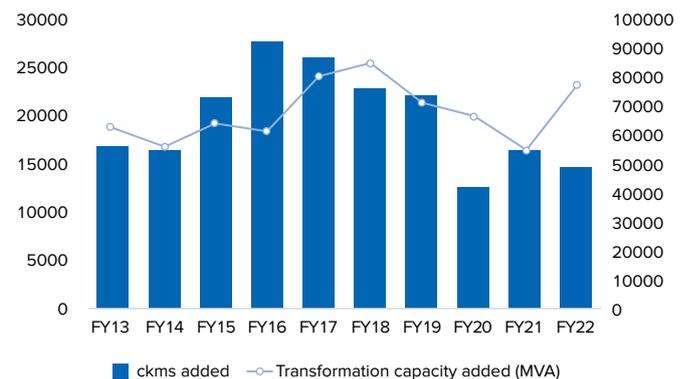
**Chart 9: Absolute annual capacity addition by source**  
Annual addition of renewable capacity outpacing other energy sources



transmission projects of over 45,000 crores have been identified as a part of the National Monetisation Pipeline to infuse private capital in the sector.

Transmission buildout has been impacted since the outbreak of COVID-19, owing to supply chain disruptions and imposition of partial lockdowns across states. In FY22, 14,895 ckms of line length as against over 24,000 average additions between FY15 and FY19 (pre-COVID). 78,982 transformation capacity was added to the grid. As has been evident in the previous years, the private sector growth in network has outpaced the growth in the central and state transmission and its share in the overall grid length has been steadily expanding.

**Chart 10: Annual addition to transmission infrastructure- line length and transformation capacity**  
India has consistently added ~15,000 ckm. Annually since FY13 energy sources



**TABLE 2: SECTOR-WISE GROWTH IN TRANSMISSION BUILD-OUT IN INDIA OVER THE YEARS**

Transmission ckm at the end of		Central	State	Private	Total
6th plan	ckm	3,472	48,562	-	52,034
	%	7%	93%		
7th plan	ckm	17,626	61,827	-	79,453
	%	22%	78%		
8th plan	ckm	31,199	86,177	-	1,17,376
	%	27%	73%		
9th plan	ckm	42,017	1,10,252	-	1,52,269
	%	28%	72%		
10th plan	ckm	64,295	1,31,828	-	1,96,123
	%	33%	67%		
11th plan	ckm	91,950	1,57,116	8,415	2,57,481
	%	36%	61%	3%	
12th plan	ckm	1,41,033	2,02,197	24,621	3,67,851
	%	38%	55%	7%	
2017-22 (up to March 22)	ckm	1,75,164	2,46,709	34,843	4,56,716
	%	38%	54%	8%	

**Distribution**

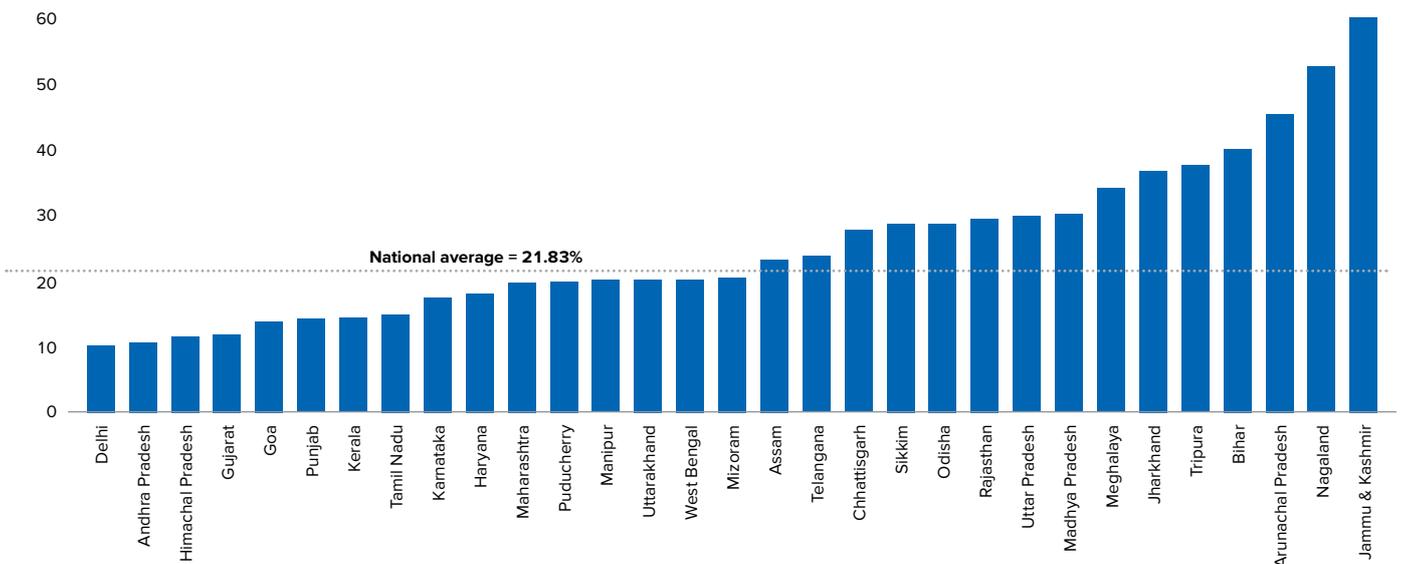
Distribution is the last-mile, consumer facing end of the energy delivery value chain. Over the years, under-investment in infrastructure and loss reduction has resulted in distribution becoming the highest loss maker in energy delivery. In FY20, the average loss across DISCOMs was 21.83%, as per PFC's report on Performance of Power Utilities. The high losses impact the financial viability of the DISCOMs, thereby impacting their ability to pay to the GENCOs.

The Government has floated several reform initiatives over the past years to block the value leakage in distribution and to improve their working capital management. In the previous

fiscal, the cabinet approved a Revamped Distribution Sector Scheme (RDSS) with an outlay of over 3 lakh in the next 5 years. The objective of the scheme is to reduce AT&C losses to pan-India levels of 12-15% by 2024-25 and to completely negate ACS-ARR gap by 2024-25. The result-based, reform linked scheme endeavours to provide financial support for Prepaid Smart Metering and System Metering and up-gradation of the Distribution Infrastructure. Further, the intent of the scheme is to attract private participation and infrastructure developers by offering services on a Design-Build-Finance-Own-Operate mode (DBFOOT), akin to the transmission infrastructure.

**Chart 11: State-wise AT&C losses in India**

Average losses in Indian DISCOMs remain high, making it a large value leakage sector in the energy delivery value chain



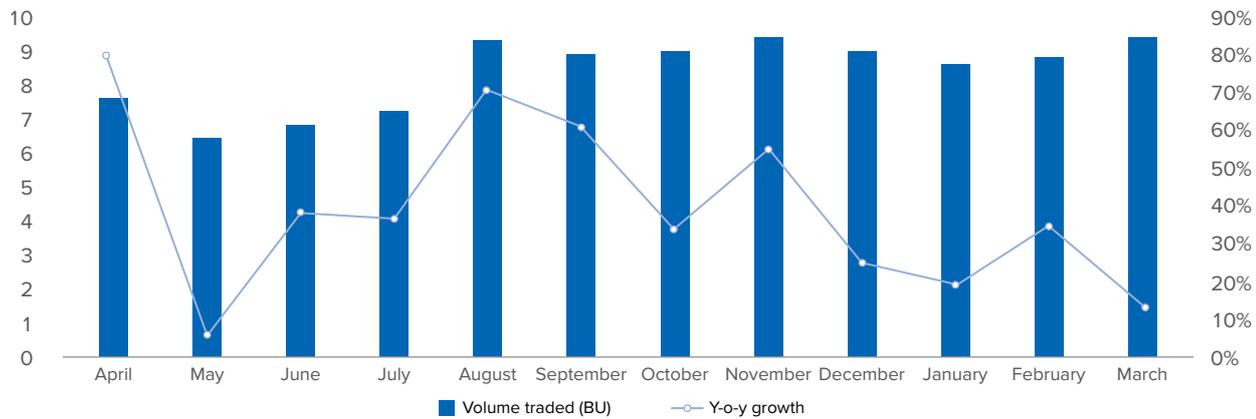
**Power Exchanges**

A power exchange is a platform on which power is traded. It is a system that enables power purchases through bids to buy and sales through offers to sell. All major developed economies have a vibrant power exchange economy. At present, there are two power exchanges in India, the India Energy Exchange (IEX) and the Power Exchange India Limited (PXIL). They facilitate easy access to power and market-based price discovery.

While the share of spot power markets in India at present is in low, single digits, the government intends to expand this share to 25% by 2023-24. In this sense, the previous fiscal was a significant year as the energy traded through the IEX grew to 101 BU, a y-o-y expansion of 37%. The growth was specifically accelerated by the shortage of coal that compelled the consumers to resort to energy exchanges. The peak prices in September and October reached ₹7.1/kWh and 11.1/kWh, almost triple the average peak prices that typically range between ₹3 and 4 per kWh.

**CHART 12: MONTH-ON-MONTH ELECTRICITY VOLUME TRADED AND YEAR ON YEAR GROWTH AT IEX**

Power traded through the energy exchange has grown significantly in the previous fiscal



**BRAZIL**

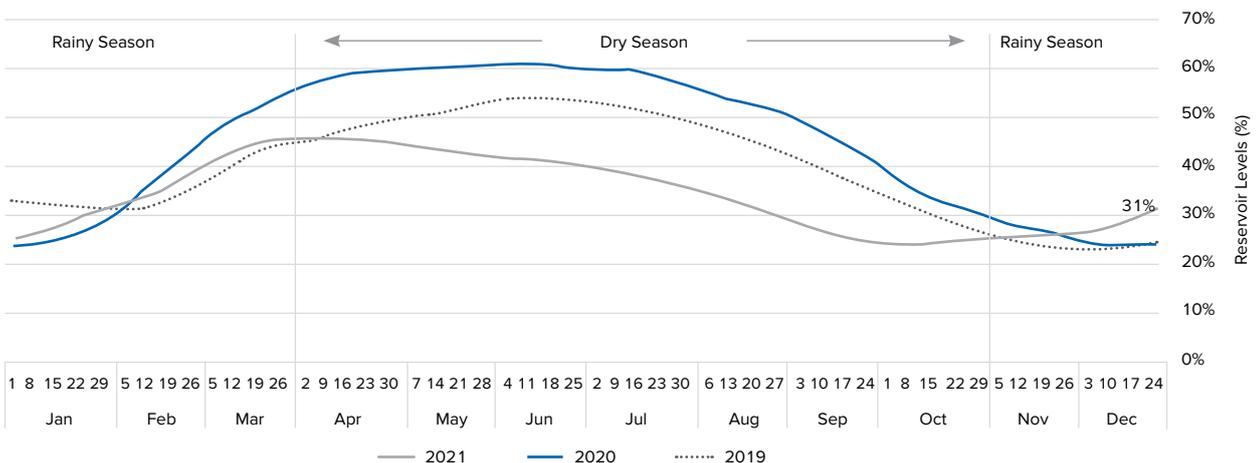
**Overview**

FY22 was a difficult year for the Brazilian economy as well as the energy sector. The economy battled with the second wave of pandemic, the ensuing double-digit inflation, and subsequent hikes in the interest rates. The country also faced the worst hydrological crisis since the last 90 years, resulting in decreasing reservoir levels, power rationing and hike in electricity charges in some regions. At present, over 65% of the installed capacity is hydro. This high dependence on rainfall has created an immediate need to diversify electricity production.

The National Energy Plan has been designed in cognisance of this and seeks to expand production through biomass, wind, solar, natural gas, coal and nuclear energy. It has targeted 45% renewable capacity by 2050. As per the Decennial Energy Expansion Plan, the Ministry envisages an investment of around BRL182 billion (US\$37 billion) for the expansion of the generation capacity. The generation mix will be predominated by thermoelectric plants, comprising 60% of the total capacity. In addition, Brazil is on the verge of finalising the framework for offshore wind and is also eyeing the global green hydrogen market, signifying a strong commitment to bring a change in the energy mix.

**CHART 13: RESERVOIR LEVEL IN BRAZIL IN 2021 VS 2020 AND 2019**

Brazil faced the worst hydrological crisis in last 90 years during the dry season



**Transmission**

The shift in the energy mix envisaged in Brazil is expected to catalyse the build out of a complementing transmission network. The transmission system is expected to increase from 1,75,200 km of lines to 2,08,900 km and from 4,21,900 MVA to 5,39,000 MVA in transformation capacity between 2022 and 2031 as per the Decennial Energy Expansion Plan approved by the Ministry. It has also highlighted the challenge of country’s aging electricity system infrastructure and the need to replace it. By 2031, BRL56 billion (US\$11 billion) has been forecasted to be needed in assets at the end of their regulatory useful life.

In a separate development, Brazilian energy agency EPE has also announced its plans to complete 85 transmission projects by 2033, specifically in the southeast and south regions of the country, focusing on the states of Minas Gerais, Paraná, Santa Catarina and Rio Grande do Sul. BRL30.8 billion has been estimated to be invested by 2031 in these works. The regulator has also indicated that at least 2 auctions for transmission shall be held every year till 2024, signifying a robust pipeline for developers.

The two transmission auctions scheduled for June 2022 and December 2022 are expected to attract investments worth

BRL 11 billion (US\$4 billion), 160% more as compared to 2021. The first auction to be held in June 2022 will offer a total of 4,810 km of transmission lines and 6,030 MVA of transformer capacity to be installed, which will generate an investment worth about BRL8 billion (US\$1.46 billion). The auctions to be held in 2023 are expected to have an even stronger pipeline.

The success of the auctions held in the previous fiscal, despite the challenges posed by the pandemic and the economy is a testament to the confidence of the investors in the Brazilian ecosystem. The developers have continued with their strategy of capital recycling as several transmission assets have been flipped in the previous fiscal with a steady number of investors willing to buy these assets. This further emphasizes the robustness of the transmission asset landscape in Brazil.



**ENABLERS FOR INVESTMENT IN TRANSMISSION**

**GROWING MOMENTUM FOR RENEWABLES**

The discourse on adoption of cleaner fuels has strengthened more than ever. To combat climate change, countries have set ambitious targets to transform their energy mix. For instance, UK and US target to become net zero by 2050, India aims to base 40% installed capacity from non-fossil fuel by 2030. As the location for power generation becomes geographically further diverse, there is an innate need to develop a robust grid to transport energy to the centres of consumption.

**THE PUSH FOR ATMANIRBHAR BHARAT AND THE PULL FROM INCREASING DEMAND**

The demand for electricity in India is set to outpace the world up to 2030. As the per capita income of the country increases, the depth of access to electronic equipment in India will follow, thereby diversifying the centres of extensive power consumption. Additionally, the industrialisation expected to result from the Government’s push promote indigenous manufacturing and production will further propel growth. Investment in greenfield and brownfield transmission projects will become imperative to support this demand

**CROSS-BORDER INTERCONNECTION**

The difference in time-zones and the resultant time-difference in peak power demand across geographies gives rise to a unique opportunity of power trade across boundaries. Power can be supplied from nations witnessing lower demand load at a given time to nations that are power deficient as the demand peaks during the day. Cross country transmission lines will need to be built to support this cross-country power trade. Intercontinental grids, such as the one envisaged under India’s One Sun, One World, One Grid initiative shall be necessary to fully harness the solar capacity across borders. International Solar Alliance.

**DIVERSIFYING END USES OF ELECTRICITY**

The push for clean energy does not singularly entail the shift to cleaner power generation for electricity. It is being further augmented by electrification of transportation. The switch to Electrical Vehicles or EVs is bound to create a further fillip for investment in power grids to make them more resilient. In addition to EVs, electrification of cooking, heating, heavy machinery and equipment will further augment this demand. As this enhances pressure on the grid network of densely populated cities, upgrade and uprate of existing grid infrastructure would be necessary to save on space.

### GRID UPGRADES FOR AGEING INFRASTRUCTURE

Grid black out, a phenomenon that has become more frequent in the recent years is a consequence of ageing transmission infrastructure - an infrastructure that is not designed to up take the increasing demand and the erratic nature of supply that gets absorbed in the system because of connecting intermittent sources of supply such as wind and solar. Thus, making a case for investment in grid upgrades. Developed countries globally require upgradation of their ageing grid infrastructure. As per BNEF, of the US\$14 trillion envisaged in grid investment up to 2050, 41% or US\$5.8 trillion, is sustainment capital to replace ageing assets.

### INCREASING SCOPE FOR PRIVATE PARTICIPATION IN TRANSMISSION

State owned utilities continue to own and operate transmission in several developing countries. As these countries prepare for 100% electrification and adoption of RE targets, they require large investments that will make PPP critical to facilitate private investment. Consequentially, several nations are proposing PPP in transmission, opening more markets for private players. Additionally, existing PPP markets such as Peru and Chile have a pipeline of ~US\$1 billion and US\$3.2 billion up to 2026 resp.

In the US, a renewed push for grid investments is evident. The regime has committed US\$100 billion for investment in grids and clean energy delivery.

### INCREASING IMPETUS ON DIGITAL ECONOMY

With the enhanced push for digitisation, there is an innate need for data connectivity across the country. The MBiT report released by Nokia, projects data traffic in India to grow nearly 60 times in 5 years. This creates the case for creation of a dense optical fiber network. For a country like India where the population density is high and RoW issues severe, transmission assets can be uniquely leveraged to transmit data using the OPGW fibers on them.

### REFORMS FOR INTRA-STATE TRANSMISSION IN INDIA

The government's push for rural electrification and the consumer switch from sources such as diesel generators and other alternate sources will create an additional case for investment in intra-state transmission lines. Additionally, grid upgrades are necessary to combat high transmission losses to ensure efficient energy delivery. The impetus for 24X7 un-interrupted power delivery is likely to create an additional case for such investment.

## PERFORMANCE OVERVIEW

During FY20, the Company secured 3 new transmission projects in India under TBCB route, with a cumulative capex value of ~₹56,000 million (US\$759 million). The Company won 30% of market share of the projects bid during the period. The global infrastructure business continues to maintain its leadership position in ensuring on time project execution within budgeted cost. Leadership in leveraging technology, ability to attract rich talent, cost competitiveness has been instrumental in driving the growth strategy of the Company. This year the Company commissioned its first project in Brazil, Arcoverde Transmissao De Energia S.A, 28 months ahead of schedule.

Profitability has been the key focus for the Company. During FY22, Sterlite Power sold balance 26% stake in commissioned project i.e. NER-II Transmission limited to India Grid Trust and recorded a gain on sale of ₹7,032 million (US\$96 million). The capital generated through these monetisation activities is used for reinvesting in under-construction projects in India.

## FINANCIAL PERFORMANCE:

Our consolidated income for FY22 was at ₹59,946 million (US\$ 789 million), a 57% increase from ₹38,170 million (US\$522 million) in FY21. The Company's consolidated EBITDA was ₹13,538 million (US\$178 million) in FY22, a 25% decrease from ₹17,932 million (US\$245 million) in FY21. Our consolidated profit was ₹4,401 million (US\$58 million) in FY21 compared to profit of ₹8,698 million (US\$119 million). The profit was mainly driven by profit on sale of commissioned assets in India. Consolidated Net worth improved to ₹16,988 million (US\$224 million) in FY22, compared to ₹10,966 million (US\$150 million) in FY21.

## EMPLOYEES

- We have world-class talent with diverse experience and are continuously working on creating a dynamic environment to keep our diverse workforce engaged. While our current Gender Diversity is at around 13%, we also have a diverse population of workforce coming from multiple industry segments ranging from but not limited to FMCG, Defence, Banking, Non-Banking Financial Company (NBFCs), Manufacturing, Aviation, etc.

- Our contemporary people processes help us put the right talent in the right roles at the right time and it is one of the differentiators that keep Sterlite Power in front. While we continue using our established processes and trusted sources to acquire the best talent from the industry, a razor-sharp focus is also on grooming the in-house talent and preparing them to succeed as the future leaders. Our robust and continuous talent review process help us to identify the right talents who then undergo bespoke development interventions in line with business strategy of the organisation. Internal mobility of 45% is testimony to our superior talent development processes helping to ensure we are able to replace key talent internally.
- With the stated objective of digitising the HR processes to enhance the employee experience, we have digitised the learning process so that learning is delivered efficiently and conveniently so that employees can have personalised learning experiences available to them, from anywhere and at any convenient time.
- Past few years have been tough but we have done well to limit the impact of COVID-19 on employee health by swiftly putting together a Business Continuity Plan for all employees that outlined 100% work-from-home guidelines for office employees and clear safety protocols for on-site employees.
- Linking Talent to Value initiatives has helped mobilise the organisation by focusing on top 2% roles that deliver 80% of the value agenda. We continue to focus on critical talent and subsequently building talent pipeline, ensuring an optimum balance of skill set vis-à-vis business demand.

## RISK MITIGATION

### Internal Financial Controls

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations.

The Company had documented a comprehensive Internal Control system for all the major processes to ensure reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with the policies, procedures, laws and regulations, safeguarding of assets and economical and efficient use of resources. The formalised system of control facilitates effective compliance as per relevant provisions of the Companies Act, 2013 and other applicable Law(s).

To maintain its objectivity and independence, the Internal Audit function reports to the Board of Directors. The Internal Audit function monitors and evaluates the efficacy and adequacy of Internal Control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of Internal

Audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations, if any and corrective actions thereon are presented to the Board. The Board of Directors regularly reviews the observation of the Statutory Auditors on the financial statements, including financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of internal controls and systems followed by the Company.

### Business Risk Management

Risk can be viewed as a combination of the probability of an event occurring, the impact of its consequence and the current mitigation effectiveness. Events with a negative impact represent risks that can prevent value creation or erode existing value.

The Board has constituted a Risk Management Committee comprising of Ms. Haixia Zhao, Independent Director as Chairperson of the Committee, Mr. A.R. Narayanaswamy and Mr. Pratik Pravin Agarwal as Members, to review, identify, evaluate and monitor both business and non-business related risks and take requisite action to mitigate the same through a properly defined framework.

The Company has framed a Risk Management Policy to identify and assess the risk areas, monitor and report compliance and effectiveness of the policy. Copy of the Risk Management policy is also available on the website of the Company at [www.sterlitepower.com](http://www.sterlitepower.com). A detailed exercise is being carried out to identify, evaluate, manage and monitor both business and non-business risks. The policy seeks to create transparency, minimise adverse impact on the business objectives and enhance the Company's competitive advantage. The business risk policy defines the risk management approach across the enterprise at various levels including documentation and reporting.

### Disclosure Regarding Risk Control

As a result of its businesses and the global nature of its operations, the Company is exposed in particular to market risks from changes in foreign currency exchange rates and interest rates, while commodity price risks arise from procurement. The Company has established internal guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controlling. The guidelines upon which the Company's risk management processes for financial risks are based are designed to identify and analyse these risks throughout the Company, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems.