



Sustainability Report

2019-20

October 2020

www.azurepower.com

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Message from the CEO

I am pleased to present to you the fiscal year 2019–20 Sustainability Report for Azure Power, our second sustainability update in less than a year. Last year, we conducted our first materiality assessment and have prioritized our material issues based on their importance to us and our stakeholders. Business growth, safety and security compliance, and innovation are the top three priorities and we continue to focus on these areas diligently. In FY20, we continued to build on this exercise and further enhance the engagement and prioritization process.

We are committed to evaluating our progress towards sustainability by not only continuing our focus on climate-related opportunities and risks but also evaluating and implementing best practices in social and governance aspects as well. In line with this, we started reporting our carbon emission to the Carbon Disclosure Project (CDP) beginning in August 2020. CDP is a global not-for-profit organization that helps the investor community in identifying risks in portfolios while achieving long-term sustainable returns. In addition, we are in the process of joining the Task Force on Climate-related Financial Disclosures (TCFD) and the United Nations Global Compact. Under the TCFD, we plan to make voluntary and consistent climate-related financial risk disclosures in our filings. Furthermore, by joining the United Nations Global Compact, we would continue to be committed to adopt sustainable and socially responsible policies that will include freedom of association and the effective recognition of the right to collective bargaining, as well as report on their implementation.

The recent reporting of all the good work we do on the ground has not gone unnoticed. We are pleased to report that we were ranked as a top 10 most sustainable global renewable energy company by Sustainalytics, a leading ESG rating agency. In addition, we were also recently named as the Most Sustainable Solar Company for 2020 by World Finance Magazine.

Sustainability is the core of our value proposition and the essence of our business; so much that we go beyond our business objectives at times to choose the green, safe and sustainable pathway. Such decisions have paid off for us and they make better economic sense over the long-term. We are pleased to report that we remain a net carbon neutral company and since inception of the company, we have helped avoid the release of 7.8 million tonnes of CO₂ equivalents into the environment. This year, we have achieved an additional 40% saving in water consumption per unit of electricity generated and we are on track to becoming water neutral by 2023. This year we have also formulated sustainability targets to promote sustainability in the coming years.

We consider ourselves to be a pioneer in India's renewable industry. Our portfolio, spread over 24 states across India, has grown to 7 GW over the last 10 years in a sustainable manner with a focus on nurturing the environment, giving back to the communities that we operate in, fostering the wellbeing and development of our employees, all of which is overseen by robust governance. We continue to feel proud that we are the India's first power company to be listed on the NYSE and that we issued India's first solar green bonds on the Singapore stock exchange.

The renewable industry has been witnessing strong government and policy support. In its drive

towards economic development and social progress, India has a significant need for new electricity supply. We, at Azure, firmly believe that solar power is not only the best solution to meet India's growing energy needs but crucial to the nation's sustainable future as well. Solar is the cheapest form of electricity and there is significant untapped potential as it currently accounts for only 8% of India's installed electricity generation capacity.

The COVID-19 outbreak in the first half of 2020 has adversely impacted almost all major industries across the globe and has presented a real test of how sustainable our business is. We are pleased to report that, to date, we have not seen a material negative impact on our business related to the pandemic. Our operating plants continue to run and receive payments as per normal and the plants under construction have received extensions to their commercial operations date avoiding any penalties for delays. In addition, we do not expect to see any increase in our costs for these projects given falling commodity and solar module prices since the COVID-19 outbreak.

Honesty and integrity are the pillars of our business, and we embed these values in every venture we undertake. We continue to foster the culture of entrepreneurship and encourage fresh perspectives, bold thinking and unconventional ideas. We continuously seek to innovate our systems and processes in order to further reduce costs and increase utilization. We are proud to state that all our projects comply with the World Bank's Equator Principles and, in addition, we conducted a total of 341 internal and 3 external audits in fiscal year 2020 with no significant incidents of non-compliance. The safety of our employees and their families remains one of our top priorities. We implemented an enhanced Health and Safety Policy this past year and we took pre-emptive steps, even prior to a government mandated lockdown, to prepare and safeguard our employees and assets. As it became increasingly clear that COVID-19 could present a danger to our employees, we implemented work from home policies and formed a high-level COVID-19 response team which includes the CEO, COO, CFO and the Heads of Construction, Operation, Administration and Health & Safety. The response team conducts daily meetings to evaluate Azure's exposure to ill health, actions taken to safeguard employees, issue advisories as well as take note of the situation in the country and globally. We also have partnered with medical facilities and government approved COVID testing centers to enable our employees preferred access to these services.

Apart from growing our business and delivering strong returns to our stakeholders, we are also committed to working for the overall betterment of society in general. Through our corporate social responsibility (CSR) efforts, we have been able to make a positive impact on the communities we operate in and improve livelihood among rural households — by creating local jobs, installing smart classrooms, commissioning solar power microgrids that electrify households, building houses for low-income families, and facilitating skill development training.

During the COVID outbreak, we dedicated our fiscal year 2020-2021 CSR fund to support communities impacted by the pandemic. As part of our efforts, we distributed meals to more than 6,000 beneficiaries across five states. In addition, Azure commissioned the manufacturing of over 100,000 masks and personal protection equipment to be distributed locally and much of the production was done by individuals that have received skill development training from Azure. We also distributed medical supplies as requested by local government administrations and medical facilities. We remain strongly committed to our social obligations towards communities that we work in even during times of crisis and to make a positive impact in their lives.

Azure Power continues to work towards creating strong value for our stakeholders, along with supporting the communities we serve, in its journey towards a sustainable future for the coming generations.



02

About
the Company

Azure Power is a leading independent producer of solar power as a developer and operator of utility and commercial scale solar photovoltaic power plants in India. The holding company, Azure Power Global Limited (APGL), is incorporated in Mauritius and conducts all its operations through Azure Power India (AZI) and its subsidiaries located in India.

Azure Power was founded in 2008 with its headquarters in New Delhi. The company sells solar power under long-term fixed price power purchase agreements (PPAs) at rates often lower than those of traditional non-renewable forms of energy. Azure Power is fully integrated with development, construction, ownership, operation, maintenance and management of solar power plants.

Azure continues to innovate to reduce our costs to build and operate our plants by way of value engineering, design and procurement efforts, operational performance monitoring and efficient financial strategy which substantially reduces the cost of energy for customers. Over the last 10 years, we have reduced project costs by over 86%. Furthermore, we constantly monitor project performance in near real-time. These measures have helped us in not only optimizing cost but also increasing yield.

Azure has undertaken a number of noteworthy projects over the last decade, including the implementation of India's first private utility scale solar power project in 2009. Since then, we have grown rapidly and now have over 1.8 GWs of operating capacity and a pan-India portfolio of over 7 GWs spread across 24 states and union territories, including 40+ operational utility scale projects and around 2,000 commercial rooftop projects. The company has delivered 98% annual growth in operational MWs since March 2009. Most of our clients (85%) for our portfolio consists of sovereign institutions which are backed by the Indian government.

Azure benefits from having access to international investors. It became India's first energy company to be listed on the New York Stock Exchange (NYSE) in 2016. The company also issued India's first solar green bond of USD 500 million which is listed on the Singapore Exchange (SGX) in August 2017. Recently, in September 2019, the company issued its second green bond of USD 350 million. Our majority shareholders include the Caisse de dépôt et placement du Québec (CDPQ), the second largest Canadian Pension fund and has a debt rating of AAA, as well the

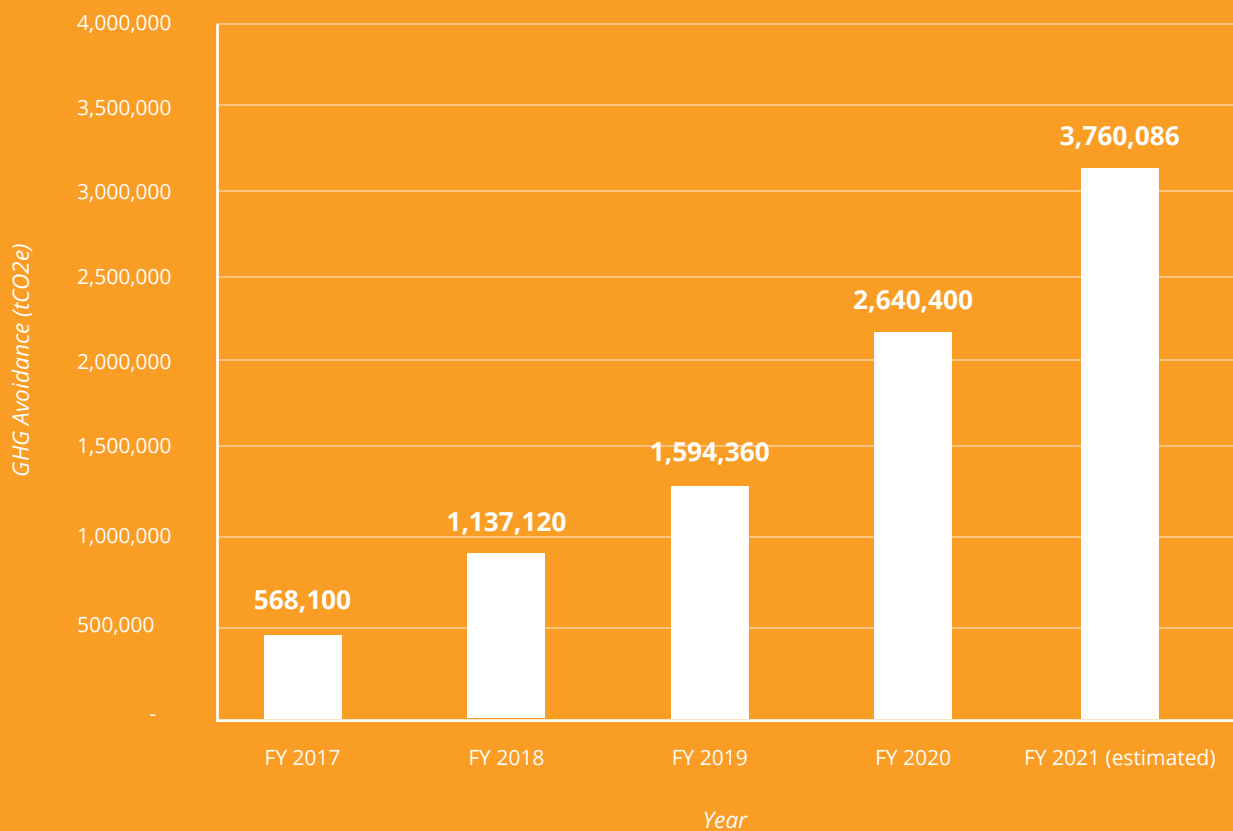


World Bank through the International Finance Corporation (IFC) and the Global Infrastructure Fund (GIF). These supporting organizations require the company to comply with world class sustainability practices embodied in the IFC Performance Standards (https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards).

As one of its core missions, Azure works to create a beneficial impact on the society. Through our efforts, we have electrified over 500 households through micro-grid power applications in areas with no or erratic supply of electricity. Azure ensures, to the extent possible, to use land that has no alternative use. We partner with the local communities when embarking on a new project, thereby building long-term relationships, improving project time completion, and reducing project development risk. Over the last decade, Azure has not only created over 18,000 job opportunities in the rural sector, but also provided local communities with discretionary cash flows without displacing prevailing businesses. We hired a total of 3,462 workers from local communities, out of which 2,375 local workers were employed as module cleaning and grass cutting staff and a further 1,087 local workers were employed as security guards during FY 19-20.

For us, sustainability is the essence of our business and lies at the heart of our value proposition. As Azure continues to promote sustainable economic development across the country, it actively collaborates with institutes in the solar industry to help drive policies and implement best

GHG Avoidance Trend and Forecast



sustainability practices across the industry. Azure is proud to be a member of several leading associations, mainly Solar Power Developers Association (SPDA), US-India Strategic Partnership Forum (USISPF), Confederation of Indian Industry (CII) and Federation of Indian Chambers of Commerce & Industry (FICCI) in the reporting period FY 2019-20. We also recently contributed to the Carbon Disclosure Project (CDP) and aim to be a part of the Task Force on Climate-related Financial Disclosures (TCFD) and UN Global Compact by the end of the next fiscal year. With regard to our Sustainability ratings by leading ESG rating agencies, we were ranked as the 10 th best global renewable energy company for sustainability by Sustainalytics. We are also rated AA (top 25% of all companies) by Morgan Stanley Capital International (MSCI) which aims to measure a company's resilience to long-term, financially relevant ESG risks. In addition, Azure Power was named as the Most Sustainable Solar Company by World Finance Magazine. We also participate in the Green Asset Wallet supported by Blackrock for easy validation and impact reporting of green bonds.

We actively seek quality assurance certifications from credible organizations in order to consistently meet the requirements of our customers and improve the quality of our systems and processes while ensuring fulfilment of our environmental responsibilities.

We have been awarded with ISO certifications from the Bureau Veritas for ISO 9001:2008, ISO 14001:2015 and ISO 27001 among others. With ISO 9001 and ISO 14001 we aim to provide a practical and workable quality management system for improving and monitoring all areas of our business. Such certifications are intended to continually meet the expectations of our customers and increase the efficiency of our systems and processes in engineering, procurement, construction and resource management, while ensuring we take the utmost care to fulfill our environmental obligations. ISO 14001:2015 is implemented for scope of design, development, procurement, construction, erection, commissioning, maintenance and operation of solar power plants for utilities and commercial areas. The main aim of the ISO 27001 is to protect the confidentiality, integrity, and availability of the information of our company. It is based on a risk assessment process to figure out where the risks are and then address them systematically by enforcing safety checks.

Our core values form the pillars of our business and we constantly embed them in the projects we undertake. This keeps our workforce motivated and passionate to achieve excellence each time, every time. Values such as honesty, integrity, excellence, entrepreneurship and social responsibility reinforce our goal of providing energy in a sustainable and responsible manner.

We have a highly skilled and knowledgeable employee base with over 600 members. We foster a culture of entrepreneurship across levels and do not shy away from fresh perspectives, bold thinking and unconventional ideas. Our strong management team has a proven track record of building successful businesses and leading domestic as well as international projects of varying sizes. Our leadership team and Board of Directors are independent and gender diverse. They include well-known experts in the areas of solar energy, energy finance, public policy and sustainability while our executives are experts in areas of engineering, procurement and construction.

Since solar energy is renewable, its electricity prices are insulated from commodity price volatility. However, our industry is exposed to certain market risks, such as interest rate and foreign exchange risks. In order to overcome these challenges, we use effective hedging strategies and follow a systematic approach to identify, measure and manage our risks. Additionally, we synchronize our decision-making, administrative and control functions to reduce duplication of processes and increase efficiency.

Azure's threats and risks

- **Customer concentration.** A large portion of Azure Power's contracted MWs are committed to three offtakers. Although two of these customers are central government entities, Azure Power's revenues are not highly diversified.
- **Counterparty credit.** PPA customers may become unable or unwilling to fulfil contractual obligations. AZURE has little bargaining power in such a scenario.
- **Solar demand.** Long term growth is partially dependent on the Indian government's ability to meet capacity targets. Lower than anticipated commercial and industrial demand would also adversely affect the company.
- **Exchange/Currency risk.** AZURE conducts business and incurs costs in India's local currency, the Rupee. As a result, the company is exposed to currency depreciation, transaction, and inflation risks.
- **Competition.** AZURE competes with Indian and international, renewable and diversified IPPs. Competition from other renewable IPPs may adversely affect Azure Power's market share. Competition from developers of other fuel sources may adversely affect Azure Power's sales
- **Project development.** The inability to secure land or financing could negatively impact Azure Power's ability to develop projects, and thus earnings.
- **Transmission infrastructure.** India's lack of grid infrastructure impedes the delivery of power to India's population. This may in turn impede the growth of India's power generation.
- **Debt burden.** Azure Power's borrowings require significant interest payments and also impose covenants which could adversely affect AZURE if they are breached
- **Refinancing risk.** In 2017, AZURE issued a \$500mn green bond that matures in 2022. The principal value is not amortized over the life of the bond and a bullet payment is required at maturity. If AZURE cannot refinance the bond before the principal payment is due, the company's liquidity could be adversely affected.

Response to COVID-19

The coronavirus (COVID-19) outbreak, which began in the first half of 2020, has adversely impacted businesses around the world and still continues to do so with governments trying to take measures to minimize the impact of the pandemic.

Azure Power considers its employees as vital assets and is committed to ensuring their health and safety. In January when the news of the COVID-19 outbreak first came out, Azure issued a travel advisory cautioning travel to China in January. The company sent multiple awareness mails (including Shared Advisories from UNICEF/Ministry of Health and other agencies) and issued health alerts about COVID-19 to spread awareness.

To ensure safe interaction with external vendors and visitors, Azure initially designated separate areas of interaction at our headquarters. However, access of external vendors at our headquarters was stopped on 15 March onwards. Furthermore, in view of rising cases of COVID-19, the company imposed international and domestic travel restriction with effect from 5 March and canceled booked international travel as well. The company conducts regular sterilization of the workplace as well as at the sites. Additionally, the company imposes social distancing, mask wearing and hand washing protocols across all sites and head office.

As cases of COVID-19 surged worldwide, Azure prepared a work-from-home contingency plan and implemented it on 18 March. This enable the company to continue its business operations while ensuring the safety of the employees once a lockdown was announced by the government on 23 March. Although the lockdown ended in 54 days, we have maintained a work from home policy because we wanted to keep our employees safe. To further monitor the situation during this period, Azure formed a high-level COVID response team which is comprised of the CEO, COO, CFO, and the Heads of the Construction, Operation, Design, Administration and Health & Safety teams. The response team holds daily meetings to evaluate Azure's exposure to ill health,

actions taken to safeguard employees from the pandemic, issue advisories and be updated of situations in the country and globally. The minutes of these meetings are circulated among the employees to keep them up to date of the COVID situation. Azure also initiated the COVID 101 series to build awareness daily in the form of quizzes, posters, advisories, etc. In addition, Azure partnered with medical facilities and government approved COVID testing centers so that the employees can avail these facilities. In addition, we have commissioned a doctor and a psychologist to be available to all our employees and consultants.

Azure has planned safeguards, along with medical preparedness and a response plan, during remobilization. The company prepared a work resumption plan considering all government guidelines as well as going beyond these minimum guidelines to ensure safe working conditions. In addition, all vendors are being advised on health requirements at the sites. The company is focusing on worker's accommodation, sanitation and social distancing. The company is also seeking prior permission from district administration and other relevant government authorities before taking the decision to remobilize employees amid the coronavirus pandemic.



Azure remains committed to supporting its communities and has taken steps to help support them during the COVID-19 crisis. For instance, it has dedicated its entire CSR Fund for the year 2020-21 to providing support to communities impacted by COVID-19. The company has distributed food to more than 6,000 beneficiaries across five states including Rajasthan, Uttar Pradesh, Punjab, Karnataka and Andhra Pradesh. In addition, the company has commissioned manufacturing of over 100,000 masks and Personal Protective Equipment (PPE), most of which was assembled by beneficiaries of the company's community skill training programme, to be distributed locally in and around its plants. Furthermore, Azure is distributing medical supplies for the needy.

Despite the disruption resulting from the pandemic, Azure has not registered any material adverse impact. Azure's steady performance to date illustrates the quality and predictability of its assets and cash flows. Azure's plants remain fully operational and the company continues to receive payments as per normal, as most of its counterparties are central government entities. Azure has not faced additional curtailment due to COVID-19 despite the reduction in electricity demand as renewable energy has been designated as an essential service and a 'must run' resource by the Ministry of New and Renewable Energy (MNRE), a governmental regulator.

After a 54-day country-wide mandated lockdown, Azure's plants under construction have resumed activity, with 1,306 MWs under construction and development which are expected to be

commissioned between the end of this calendar year and the middle of next year. The plants are expected to be completed by the revised scheduled commercial operation date (COD) and the company is not expected to incur any penalty for delays related to COVID-19. In addition, project costs are expected to be on budget as metal and module prices have dropped due to softness in global demand amid the pandemic. With regard to Azure's access to finance, all funding remains on track with the majority of the MWs under construction having funding in place and the company is in advanced stages of discussion with lenders to finance the final project, expected to be completed by the middle of next year.

Highlights of COVID-19 Response

Prior to Lockdown between 17th January – 23rd March



- Issued travel advisory cautioning travel to China on 17th January
- Multiple awareness mails / Health alerts about COVID-19 issued
- Shared advisories from UNICEF / Ministry of Health and other agencies
- Imposed international and domestic travel restrictions wef. 5th March
- Cancelled already booked international travel in March
- Designated separate areas of interaction with visitors at HO
- Stopped access of external vendors at from March 15th onwards
- Regular sterilisation of work place at HO and site
- Prepared work from home contingency plan and initiated work from home protocols from 18th March onwards
- Imposed social distancing and took other actions at sites as safeguard

During the Lockdown from 23rd March Onwards



- Formed high level COVID-19 response team which is comprised of the CEO, COO, CFO, Head Construction, Operation, Administration and Health & Safety
- Daily meeting by the response team to evaluate Azure's exposure to ill health, actions taken to safeguard the employees from the pandemic, issue advisories and take note of the situation in the country & globally. Minutes recorded & circulated
- COVID 101 series initiated to build awareness daily in the form of quizzes / posters / advisories etc
- Site wise details of Azure's tie up with medical facilities & Government approved COVID-19 testing facilities were circulated
- Construction stopped at all sites. Operating sites installed hand washing and other facilities to safeguard against the pandemic
- Expert appointed to counsel staff dealing with stress due to the pandemic

Safeguards Planned during Remobilisation



- Work resumption plan prepared with focus on safeguards related to COVID-19. Our plans went beyond minimum government guidelines to ensure safe working conditions
- Medical preparedness and response plans prepared
- All vendors are being advised on health requirements at Azure's sites
- Focus on worker's accommodation, sanitation and social distancing
- Prior permission being sought from District Administration and other relevant government authorities before taking the decision to remobilize employees amid the coronavirus pandemic

Supporting Communities during COVID-19



- Fiscal year 2020-21 CSR funds are being dedicated to providing support to communities impacted by COVID-19
- Food was distributed to more than 6,000 beneficiaries across Rajasthan, UP, Punjab, Karnataka and Andhra Pradesh
- Skill development beneficiaries trained by Azure in the last 2 years are being utilised to manufacture 100,000 masks which are being distributed locally in and around our plants. 1,200+ beneficiaries in 25 villages across 4 states
- Distribution of medical supplies as requested by administration and medical facilities



03

**Sustainability
Reporting**

Azure Power

3.1 Fiscal Year 2019–2020 Sustainability Performance (Period ending March 31, 2020)

The major highlights of the sustainability report of Azure Power Global Limited for fiscal year 2019-20 are divided into three sections — Environmental, Social and Governance. The location/ business units covered in this sustainability report include Azure Power’s Head Office in New Delhi and plant locations across India. Unless otherwise stated, information presented in this report pertains to these business units.

Highlights:

Environmental

- All projects are developed and implemented in accordance with the World Bank owned **International Finance Corporation (IFC)’s Performance Standards** which requires extensive and rigorous protocols for environmental, social and governance sustainability
- Environmental management practices are laid out in comprehensive detail in our Social, Health, Environmental and Safety (SHES) manual, and we are committed to develop environmentally safe and benign practices in line with our SHES Policy
- We are a net carbon-neutral organization (all electricity generated is from solar which does not produce carbon or other non-carbon GHGs)
- No effluent discharge from any of our facilities
- Avoided **7.8 million tonnes of CO₂ equivalents** since inception
- **40% reduction in water consumption** per MWh generated in FY2020 and we aim to become water neutral by 2023
- No non-GHG emissions
- Strong supplier environmental policies that engages suppliers to encourage the reduction of emissions through rewards and penalties
- 344 audits in FY2019-20, reported with no significant noncompliance, comprising 341 internal and 3 external audits

Social



Dedicated Human Rights policy, prohibiting the use of all forms of forced labor, including prison labor, indentured labor, bonded labor, military labor, modern forms of slavery and any form of human trafficking, as well as prohibiting the hiring of individuals under 18 years of age for positions in which hazardous work is required



16,040 man-hours of training during the reporting period



INR 36 million allocated for charity for 2019-2020



21 smart classrooms installed in FY2019-20



400+ streetlights for communities installed in FY2019-20



Skill development training offered to over 1,240 individuals in local villages during FY2019-20



Equal Pay - 1:1 ratio of wage for males and females at entry level



Extensive employee engagement monitoring employee satisfaction, encouragement of diversity, and programmes for succession and development



Equal opportunity employer that expressly forbids any discrimination against any employee or job applicant because of race, color, religion, national origin, gender, sexual orientation including LGBTQ, physical or mental disability, or age.

Governance

- CSR Committee at the Board level
- Enhanced Health and Safety Policy implemented in FY2019-20
- Introduced ESG Policy
- All projects comply with World Bank Equator Principles and IFC Performance Standards
- Compliance with SEC, NYSE, SGX governance standards
- Gender diversity at the Board level
- Strong governance and enforcement of anti-bribery, anti-corruption, and insider trading policy including required periodic training, and surprise internal and external audits
- Whistleblower and whistleblower policy in place for efficient reporting of unethical behaviors and actions
- Social Health Environment and Safety (SHES) system in place for safe operations and monitoring

3.2 Sustainability Targets and Initiatives

Adaptation and decarbonization;

- Become water neutral by 2023
- Recycle all waste modules by 2021
- Do not emit and continue to not emit Non-GHG air emissions
- Remain net carbon neutral
- Increased supplier engagement to cultivate cultural change including reporting and implementation of projects to reduce their environmental impact



Diversity and Capability;

- Gender Initiatives
 - Azure to hold at least 4 women's networking events for women staff including an external speaker or skills development opportunity by December 2021

- Azure to install a 25,000-liter water tank in at least 2 villages benefitting approximately 1,500 women and girls by December 2021
- Azure to build a toilet block for girls in at least 3 rural schools benefitting approximately 300 girls by December 2021



Health and Safety

- Zero fatalities
- 5% annual reduction in lost time incidence (LTI) per million man-hours worked





04

Our Priorities: Mission, Vision and Values



The overarching objective of our business is to offer affordable and sustainable renewable energy. We are committed to enhancing sustainability of our operations by prioritizing and adhering to our Social, Environmental, Health & Safety principles. Our emphasis has been on developing long-term and trusting relationships with our investors, clients, partners and employees. Social value creation is the foundation of our corporate strategy. Both the future of business and social advancement is entangled, and one cannot flourish at the detriment of the other.



Vision

Our vision is to grow profitably as an innovative company that provides affordable solar power to future generations and is a responsible producer of energy that brings sustainable value to our stakeholders.



Mission

Our mission is to be the lowest-cost power producer in the world.



Values

Our values of integrity, honesty, entrepreneurship and social responsibility determine how we work as an organization, with our partners and with our clients. Our values are what steer our company's vision and help shape its culture. They are the core to the identity of the company and determine our priorities.

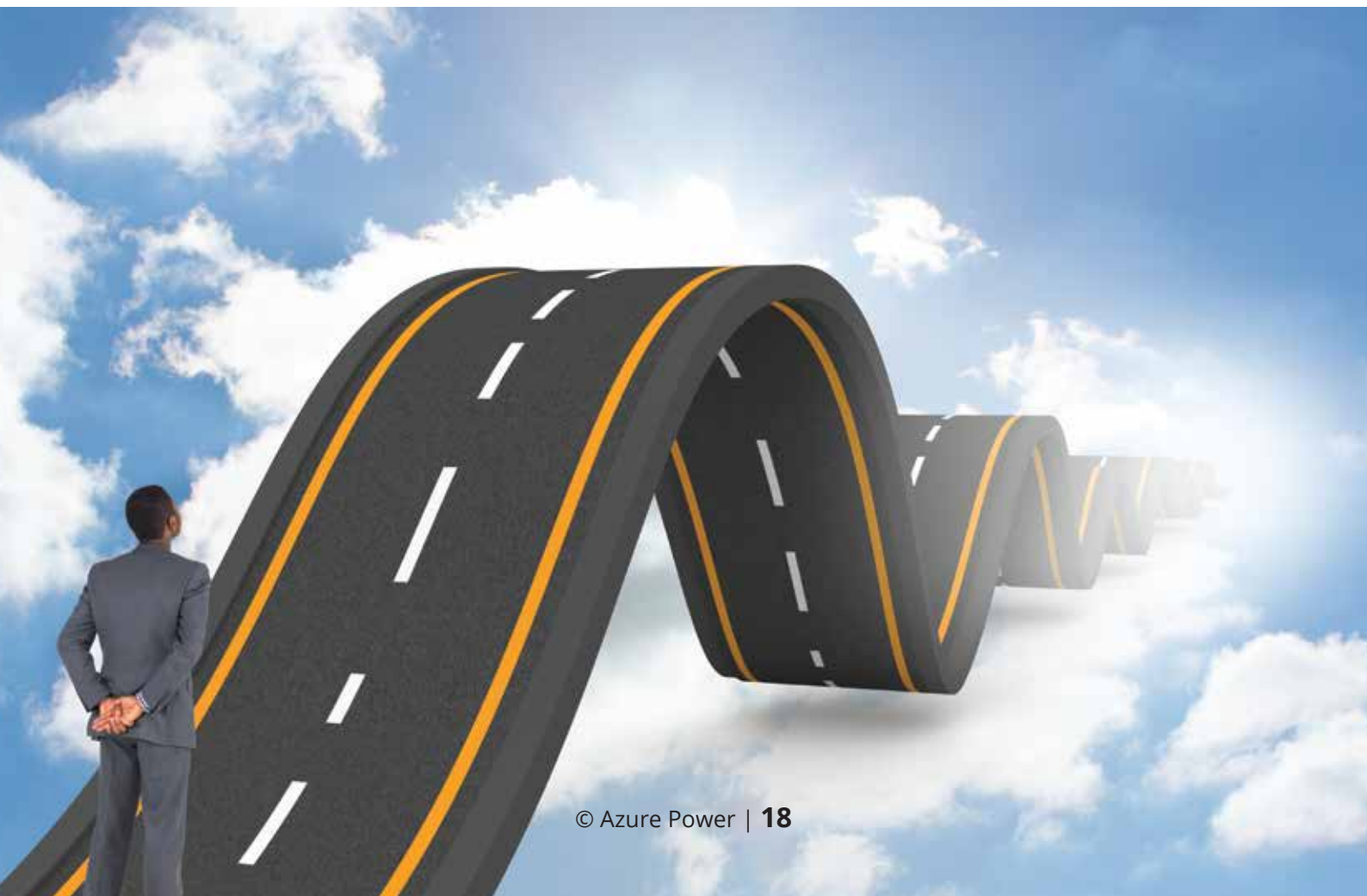
About the Report

We are publishing our second sustainability report, for the reporting period 1 April 2019 to 31 March 2020. Since inception in 2008, we have been at the forefront of sustainability in India and we have monitored and disclosed our performance related to the environment, social and governance aspects, so that we keep raising the bar on ensuring even higher sustainable practices.

This report has been prepared in accordance with the requirements of the Global Reporting Initiative (GRI) Standards: Core Option. Applicable national and local laws, rules and regulations have been considered for the calculation and disclosure of environmental, social and safety performance indicators. The location/business units covered in this sustainability report include Azure Power's Head Office in New Delhi and plant locations across India. Unless otherwise stated, information presented in this report pertains to these business units.

Forward Looking Statements

This report contains forward-looking statements about our current expectations and views of future events. We have looked at presenting data for the reporting year FY2019-20. All statements, other than statements of historical facts, contained in this report (including statements about our strategy, future operations, plans and future megawatt goals of management) are forward-looking statements. These statements relate to events that involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from any future results expressed or implied by the forward-looking statements. Please review our annual report on Form 20F on our website at www.azurepower.com for a more complete description.



NEW YORK STOCK EXCHANGE



AZRE
LISTED
NYSE

AZRE
LISTED
NYSE

05

**Financial
Performance**

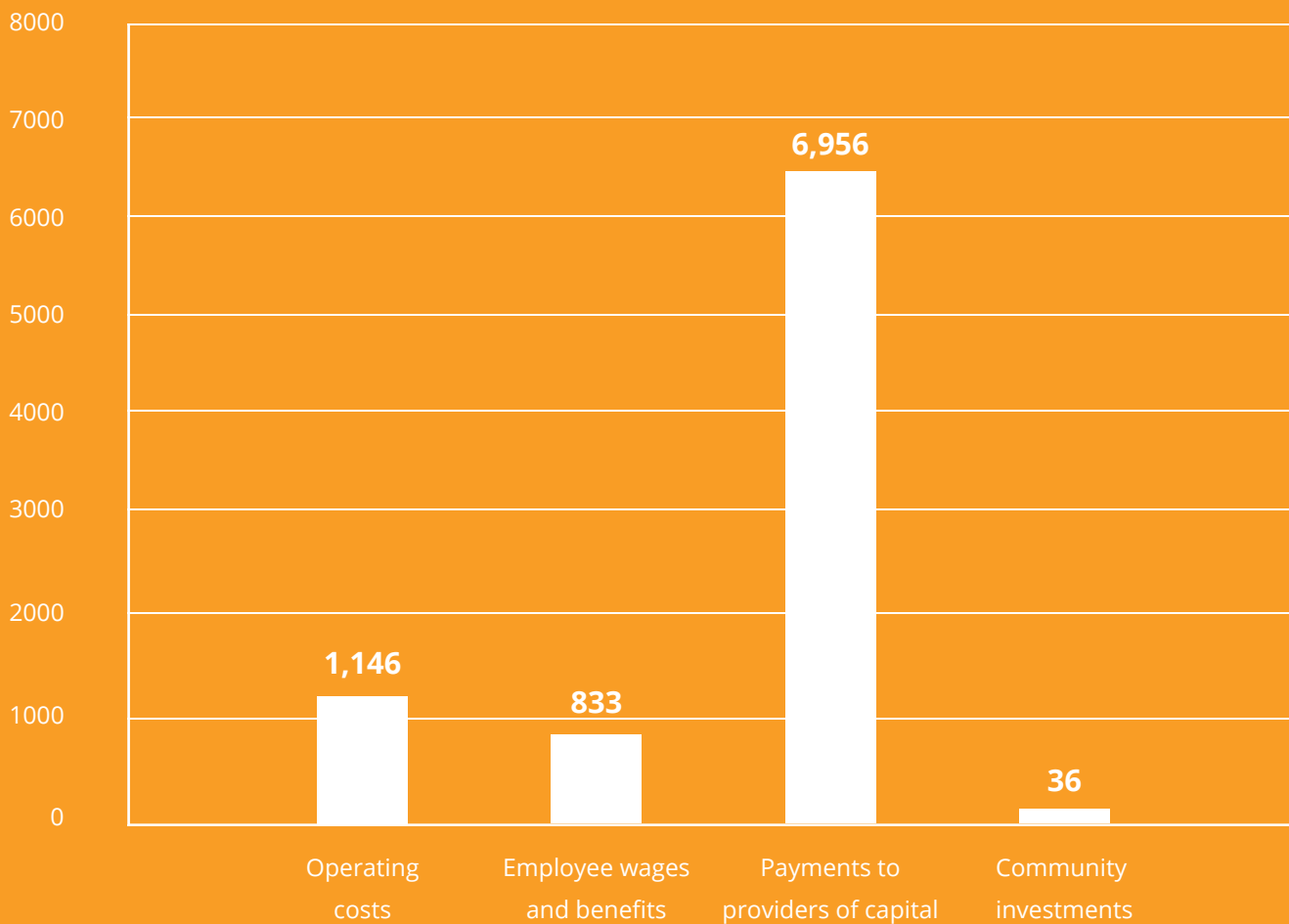
On a quarterly and annual basis, we release our financial performance on our company's website and they are filed with the Securities and Exchange Commission (www.sec.gov) and are available to all our stakeholders. The economic figures on the value generated and distributed enable us to understand our economic impact beyond profit. Relevant key highlights of financial disclosure for FY2019-20 are included in this report as well. Our economic performance in FY2019-20 are highlighted in the tables and figure below.

The Financial Statements for the fiscal year ended 31st March 2020

Financial Statements (FY 2019-20)

Parameter	Amount (INR Million)
Economic value generated	
a) Revenues	12,958
Economic value distributed	
b) Operating costs	1,146
c) Employee wages and benefits	833
d) Payments to providers of capital	6,956
e) Payments to government	0
f) Community investments	36
Economic value retained	3,987
Financial assistance received from government	153

Economic Value Distribution (INR Million)



The Economic Value Distribution of the company in FY 2019-2020

Political Contributions

To uphold the principles of Code of Business Conduct and Ethics, we do not contribute, whether in cash or kind, in support of any political parties or candidates. Any direct or indirect contribution by the company to any political party, committee or candidate for public office is strictly forbidden, even if permitted by local regulations, without obtaining advance formal approval from the CEO.

We at Azure Power intend to make steadfast efforts to ensure sustainable growth, not just strengthening our bottom line but also creating positive social and environmental impact. This further allows us to generate new employment opportunities and contribute towards the economic growth of the country.

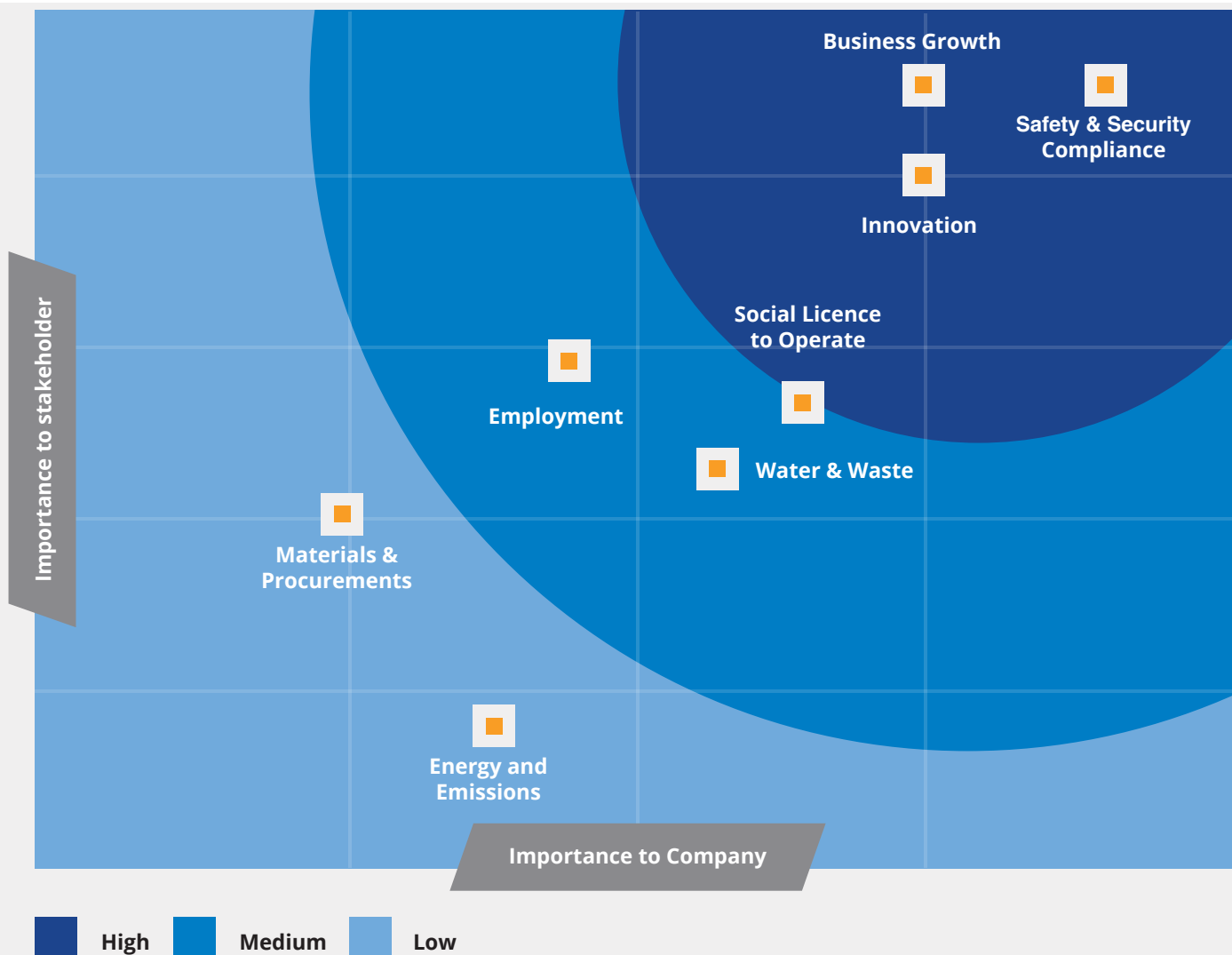


06

Commitment
to
Sustainability

6.1 Materiality and Stakeholder Engagement

At Azure Power, materiality is one of the main processes in defining and prioritizing the most important issues. Every year, after consultations with our stakeholders, we review the progress of our material topics and, if necessary, update certain elements of the materiality matrix. In assessing the material topics, we consider the opinions of both internal and external stakeholders. A comprehensive questionnaire is built on the sustainability aspects applicable to the company and their respective indicators. The leadership team comprising the CEO, COO, Business Heads, Functional Heads, as well as several selected employees rate the topics on a scale of 1 to 10 based on the level of importance to the organization and stakeholders. All topics rated to be material are included in the materiality assessment process.



The material topics indicated in the materiality matrix have been primarily concentrated in the social, economic and environmental sectors under the leadership of Human Capital, Innovation and Environmental Management.

Stakeholder Engagement

At Azure Power, we believe in the philosophy of creating shared values with our stakeholders. We follow various strategies and level of interaction to ensure we recognize the needs and concerns of stakeholders. We strive to meet these needs through business processes and collaborate proactively with stakeholders to find solutions to any concerns.

We engage with our stakeholders through a range of communication channels such as

workshops, conferences, operational reporting, action plans and routine feedback. Stakeholder groups are classified based on their significance to our business and their role in the upstream and downstream processes, as well as their relationships in the internal and external environments.

Initial identification of stakeholders is undertaken by a licensed sociologist who are commissioned at the time for a third-party Environment and Social Impact Assessment (ESIA) study. The expert visits sites interact with stakeholders and company personnel and formulated project specific Stakeholder Engagement Plan (SEP) to guide stakeholder engagement across the lifecycle of the project. Appropriate management strategies to effectively engage stakeholders throughout the lifecycle of the project, based on the analysis of their needs, interests and potential impact on projects is also developed at the ESIA stage. The scope of site-specific SEP is as follows:

- Stakeholder Identification (names, affiliation, contact details) and Categorization
- Stakeholder Analysis
- Mapping based on Project Stage, Contribution, Legitimacy, Willingness to Engage, Influence, Necessity of Involvement
- Determine frequency of interaction based on results of stakeholder mapping
- Formulate a site-specific implementation strategy which includes Purpose of the Consultation, Mode of Engagement, Responsible Person and Reporting Format
- Formalize institutional arrangements for implementation of a Site-specific SEP through the formulation of an Organizational Chart, Engagement and Reporting Structure
- Formulate Stakeholder engagement and communication strategy

The following stakeholder groups have been identified, which are consulted at different phases of the project as and when required:

- Project Facilitator / Government Nodal Agencies
- Land Sellers
- Local Community
- Government Officials (village council / local administration)
- Local and Migrant labors
- Contractors / Suppliers
- Academic Community
- Health Staff
- Azure Power Site and Corporate personnel
- NGO and conservation organizations
- Lenders / Investors
- Customers / Electric Distribution Companies
- Policy Makers
- Grid Authorities



Stakeholder engagement and communication strategy takes into consideration the various stakeholder engagement and CSR activities already being undertaken by the company and existing communication routes being followed. The presence of CSR agencies needs to be considered, as they are an extension of the project and staff is considered to be a representative for the project. The construction team mobilized at the site serves as another extension. Coordinated flow and collation of information, concerns and grievances is important and procedures following our polices ensure this is accomplished.

In order to ensure effective consultation with community members during construction and operation of the Project, the site Project manager of Azure establishes a Community Consultation medium that will comprise community representatives and aims to disseminate project information to community members. Stakeholder feedback is gathered about the development of the management and mitigation measures for potential impacts, particularly where stakeholders have a potential role to play in these measures.

Meetings and discussions are an essential component of the stakeholder communication exercise. The site SHES team together with site-in-charge employee of Azure undertakes regular interactions with their counterparts at the project in order to review the current engagement with the local community. These discussions are communicated to the target stakeholders to allow for the collective opinion of the groups which is captured and assessed. All communications are noted down in the stakeholder communication register.

We have a Stakeholder Engagement Plan (SEP) for engaging with the stakeholders concerned during the project lifecycle. The SEP is a systematic instrument that enables us to establish and analyze stakeholder involvement activities during the planning, construction, operation and decommissioning phase of the project. Appropriate plans are developed based on an overview of the needs, desires and effects of the stakeholders involved in the project. The SEP must be used in coordination with stakeholder engagement and community relation management tools, including:

Grievance Redressal Mechanism (GRM): This offers a forum for communities and interested parties to register their concerns and allows the project/plant manager to respond to and address problems in an acceptable manner. A list is maintained at the project site to document all recorded grievances.

Documentation and Record Keeping: Site-specific monitoring and record-keeping systems have been set up to ensure that the specifications stated in the SEP are maintained and documented. The site project manager is responsible for maintaining a database and activity file recording all public consultation, dissemination of information and complaints received during the project, which is accessible upon request to the public.

Azure Power's site project manager provides quarterly reports on stakeholder engagement activities and reports to the Corporate EHS Manager / EHS Director. The stakeholder involvement process is reviewed on a regular basis by Azure Power's senior management. Continued interaction with stakeholders helps us to obtain feedback from them as well as better understand of their views on value creation and aspirations. It allows us to identify risks and market opportunities as well as opportunities for cooperation, co-innovation and co-creation. This also helps us identify and develop approaches that can mitigate these risks.

The table below outlines our stakeholder engagement activities, key issues, participation trends and the most frequent level of interactions with our main stakeholder groups.

Details of Stakeholders Engagement

Stakeholder Group	Areas of Concern	Frequency	Mode of Engagement
Local Community/ Academic institutions/ Health institutions	Transparency of information Insufficient compensation (for new operations) Inequitable distribution of benefits	Monthly	Meetings on regular basis
Sub-contractor / Local labor / Migrant workforce	Working conditions and terms of employment Conflict of migrant population with locals	Weekly	Meetings on regular basis
Civil Society / Local NGOs / Media	Transparency around project Impact on local community	As and when required	Meetings
Suppliers	Timely payment	Monthly	Email, Phone, Meetings
Policy Makers	Timely disclosures Adherence to norms	As and when required	Email, Phone, Meetings
Customers	Grid issues Interruption in power supply	Monthly	Email, Phone, Meetings

A frequent area of concern raised by the regulatory authorities was related to the adherence to contracts and the grid enforcement of our plants. We addressed these concerns by uploading the necessary enforcement documents on a regular basis to the respective regulatory website. Likewise, we resolve the transparency issues posed by local NGOs and the media by supplying them with relevant information.

6.2 Corporate Governance and Risk Management

As of October 2020, Azure Power's Board of Directors consisted of nine members, five of which have been deemed independent, including the Chairman of the Board, and two are female. We have 12 members in the management team including the CEO, of which three are female.

BOARD OF DIRECTORS



MR. RANJIT GUPTA

Chief Executive Officer



MR. BARNEY RUSH

Chairman of the Board of Directors



MR. ARNO HARRIS

Independent Director



MR. CYRIL CABANES

Non-Executive Director



MR. DEEPAK MALHOTRA

Non-Executive Director



MR. MUHAMMAD KHALID PEYRYE

Independent Director



MRS. YUNG OY PIN (JANE) LUN LEUNG

Independent Director



MRS. SUPRIYA SEN

Independent Director



MR. M. S. Unnikrishnan

Non-Executive Director

Sustainability Board Committee

Azure Power has a CSR committee at the Board level which includes the Chairman of the Board who is Independent, one Independent Director of the Board, and the CEO (who is also a Director on the Board).

The Committee's Key Functions are:

- Formulate and recommend a Policy to the Board for approval
- Take note of the impact evaluation report. The annual review of risks is performed by the Executive Management Team based on regular risk reporting from the projects and functions and reported to the Board of Directors.
- Approve projects and geographical locations of CSR activities. Ensure that the CSR projects are not undertaken in the normal course of business of Azure Power
- Perform such other functions as may be delegated and/or assigned by the Board from time to time with respect to sustainability



The Board receives an annual CSR and environmental impact report performed by the Executive Management Team based on reporting from the projects and functions and reported to the Board of Directors. The Committee develops a plan that provide major plans of action with performance objectives, risk management policies, and sets a budget for investments to accomplish the plan. Monitoring of the implementation then occurs throughout the year.

Risk Management

Azure Power has a comprehensive framework for defining, classifying and managing financial and non-financial risks, and systematically assessing each and every risk possibility. We follow IFC Performance Standards to identify and mitigate environmental and social risk as a key component of our management of environmental and social risks. Further to manage the risks, we have effective governance and enforcement of anti-bribery, anti-corruption and insider trading policies, along with periodic trainings and surprise audits. The identified risks are communicated regularly to the Board Members, the Leadership Team and all other relevant stakeholders. Risk reporting helps us incorporate them into management decision-making and ensure continuity of operations. It also presents opportunities for improvement, internal innovation, and innovative approaches that can give us a competitive edge.

At a corporate level, the threshold for categorizing a risk as having a substantive financial impact is if the risk has a potential financial impact of 5% of assets or 10% of net profit and these risks are reviewed by the Board. At an asset level, an assessment of the potential financial impact of

various activities is created at the beginning of the project with regular reviews. The threshold of what is substantive can vary by asset depending on what activities present the greatest risks.

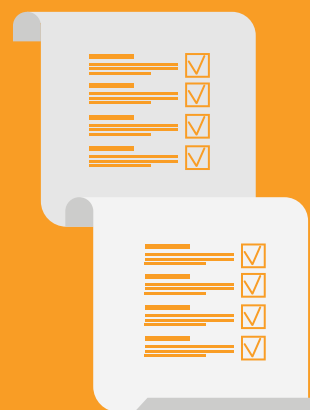
The Head of SHES reports directly to the CEO at least bi-monthly who oversees the implementation of environmental impact projects and policy approved by the Board. All climate related issues are identified and discussed during these meetings. Additionally, updates on the implementation of climate-related mitigation initiatives (like reducing water consumption) is monitored by the Head of Operations & Maintenance and reported to the COO and CEO on a regular basis. Environmental impact reduction is part of the bonus determination for various senior management with overall KPI's on implementation of projects and various senior management have KPIs related to achieving milestones related to improved environmental impact efficiencies and reductions targets.

We are subject to a broad range of environmental, health, safety, climate and other risks and the main risks are related to the development, construction and operation of each solar project. For each project, risks are identified, reported and actively managed through all phases of the projects including defining potential impact in terms of financial, reputational or organizational impact measures. At a parent level, a quarterly review of the entire risk picture and the risk management system is performed by senior management and reported to the Board of Directors. The Company applies a risk review matrix whereby all key risks for the company are assessed and mitigation discussed.

All projects report status on risk management which are regularly reviewed by both the top management team and the Board. To assess impact risks, we follow the International Finance Corporation's Performance Standards as the basis of our periodic review which is integrated into our environmental and social management system (ESMS) which is then integrated into our core operations. This helps us anticipate environmental and social risks posed by our activities and avoid, minimize, and compensate for such impacts as necessary.

We follow a six-step rapid cumulative impact assessment which includes:

- Determining spatial and temporal boundaries
- Identify valued environmental and social components in consultation with affected communities and stakeholders and then identify all developments and external natural and social stressors affecting these
- Determine the present conditions of the valued environmental and social components
- Assess the cumulative impacts and evaluate their significance over valued environmental and social components' predicted future conditions
- Design and implement a) adequate strategies, plans and procedures to manage cumulative impacts, b) appropriate monitoring indicators, and c) effective supervision mechanisms.



6.3 Awards and Accolades

We have been recognized as the Most Sustainable Solar Company by the World Finance - Sustainability Awards 2020. We were selected for the award because of our consummate partaking in sustainability practices, implementing ESG measures and continually looking for ways to improve them.

We have cut emissions, reduced our water consumption and ensured all our physical waste is disposed properly and with as little carbon footprint as possible. Our CSR efforts have made a positive impact on our surrounding communities and improved livelihood among rural households through various activities around the thematic areas of skill development, water and education. Our core values of honesty, excellence, entrepreneurship and social responsibility reinforce the approach to providing energy in a sustainable way.

We have also been acknowledged for integration of sustainability in our business strategy and corporate governance in the ESG Investing Report by one of the largest global bond investors, PIMCO. Our example has been quoted as a case study for our commitment to drive positive environmental and social impact in the businesses.

We are ranked the top 10 global renewable energy company for sustainability by a leading ESG rating agency, Sustainalytics, which places the company in the top 14% of all companies for sustainability that Sustainalytics covers. In addition, we have received a AA rating for sustainability by MSCI which would rank the company in the top quartile of all companies reviewed by MSCI.

These recognitions bring a positive affirmation of our corporate ethics and activities and is therefore a source of pride for us.

In addition, we have also received several other awards in our sustainability journey.



Best Employer Brand Awards 2019



Top Organizations with Innovative Practices



ETNOW Industry Leadership Award 2019



National Excellence Award from the Ministry of New & Renewable Energy (MNRE) in 2016

6.4 Innovation

Azure Shield Application

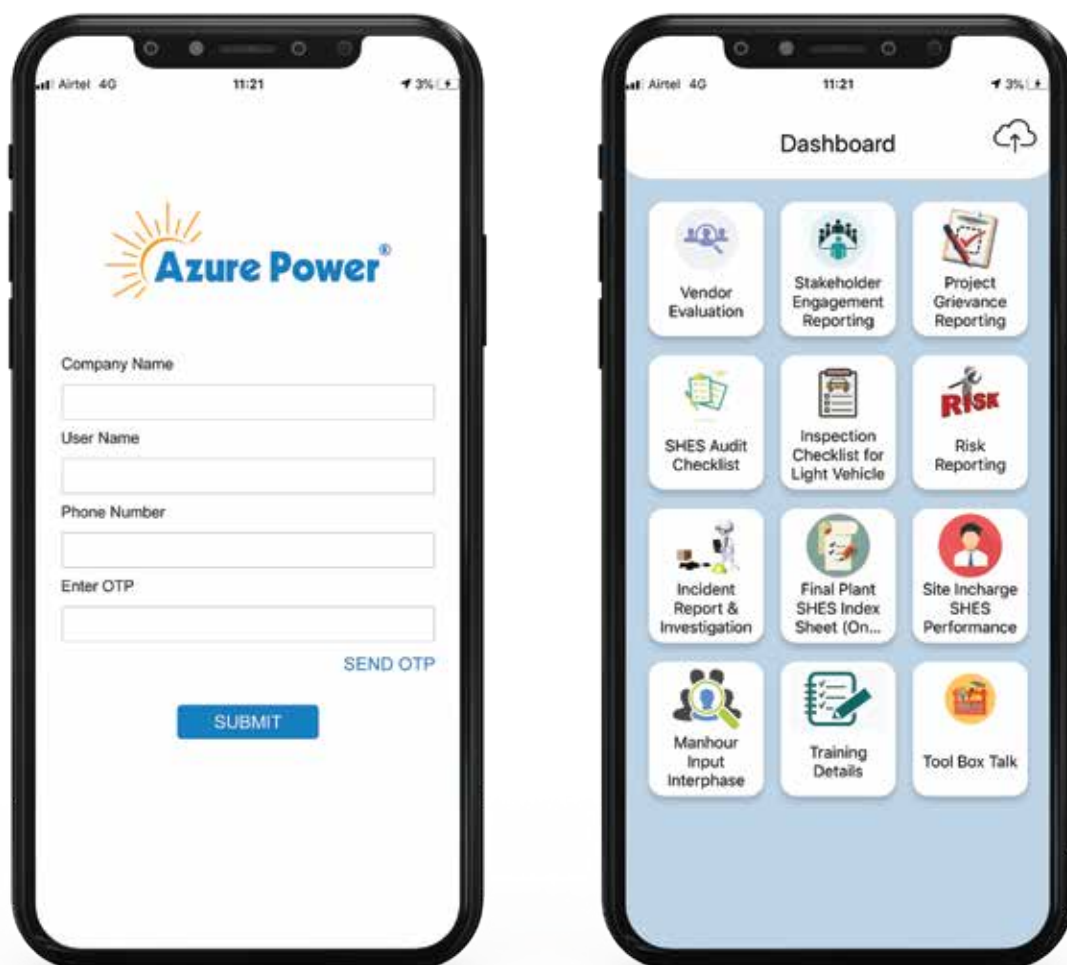
A mobile based App focused to manage the Social, Health, Environment and Safety (SHES) aspect of our operation "Azure Shield" was developed. SHIELD not only automates the SHES functions of our company but also provides a dashboard of performance to all staff through a web-based interface. As Azure has multiple projects operating pan India, this app enables the collection of all the required information on a single platform with just a few taps on the screen.

The App is being used by all staff to submit Risk & Incident Investigation Reports (RIR), Grievance from local stakeholders, Incident details and stakeholder engagement minutes.

SHES personnel are using the App to undertake all internal Audits, vendor evaluation, vehicle inspection, Site in charge SHES performance, etc.

The site-in-charge employees are using the App to provide updates on man-hours worked at the site and Toolbox Talks undertaken at site. The web interface linked to the app is being used to close Corrective and Preventive Action (CAPA) items linked with RIRs, incidence reports, audit non-compliances, grievances, etc.

This is a leading initiative in the industry and is helping us to track our sustainability performance across our portfolio



Automated Cleaning Robots

We have deployed automatic module cleaning robots at some of our sites with a goal of deploying them broadly over the next several years. The biggest advantage of these robots is that they do not require any water in the complete cleaning process. These lightweight robots are connected to a cloud-based platform and can be controlled remotely. For cleaning modules, they have a rotating soft fiber dowel with a controlled airflow to push dust particles downward from the panel. This system increases the efficiency of the modules, as daily cleaning is possible, and it reduces cleaning time. Currently, automated cleaning robots are installed at 500 MWs, which account for around 25% of the whole portfolio and has resulted in reduction of ~25% in total water consumption across the company. The company is aiming to have fully implemented dry cleaning on all operating facilities, where feasible, by 2023. For the plants that we are not able to retrofit, we intend to build water harvesting facilities to offset our water usage.





07

Our

Environmental

Impact

7.1 Environmental Policy

Azure Power, being a solar company, is committed to a clean future. As a responsible corporate, we promote sustainable development and hold ourselves accountable towards safeguarding the environment. We are committed to monitoring the company's environmental performance and to create environmental awareness amongst our employees, stakeholders and more broadly. For example, we have engaged with our suppliers to provide their emission data to us and have provided incentives and penalties to encourage behavior change. We will report annually on our environmental and ESG issues.

7.2 Environmental Resource Management

We enforce our Social, Health, Environmental and Safety (SHES) policy which contains our environmental management practices and commitment for developing environmentally safe practices. Our environmental management system is approved by our CEO after review with the Board and we remain committed to maintain it.

For comprehensive management, we have the SHES department at our corporate level. The head of the SHES department is appointed by the top management of the company and reports to the CEO and is responsible for managing all aspects of environmental management.

Our environment management system has the ISO 14001:2015 certification. We have implemented the ISO 14001 for scope of design, development, procurement, construction, erection, commissioning, maintenance and operation of solar power plants for utility and commercial areas.

All our projects are developed and implemented in accordance with the IFC's Performance Standards on environmental and social sustainability. We also strictly comply to all national and local environmental regulations and laws, including:

- Hazardous Wastes (Management and Trans-boundary Movement) Rules, 2016
- Solid Waste Management Rules, 2016
- National Green Tribunal Act, 2010
- Forest (Conservation) Act, 1980 and Forest Conservation (Rules), 2003
- Biological Diversity Act, 2002
- Water (Prevention and Control of Pollution) Act, 1974



Before the implementation of any new project, we voluntarily carry out an Environmental Impact Assessment even though it is not required by law. Depending on the project requirements, we may conduct additional specialized studies such as a Ecological Management Plan and Biodiversity Assessment to mitigate the impact on the environment and biodiversity. In all our

projects, the objective and targets are identified and aligned to the Reduced, Reused and Recycle (3R) principle, which is a subset of our SHES Policy and emphasizes a healthy and clean environment to protect vital resources.

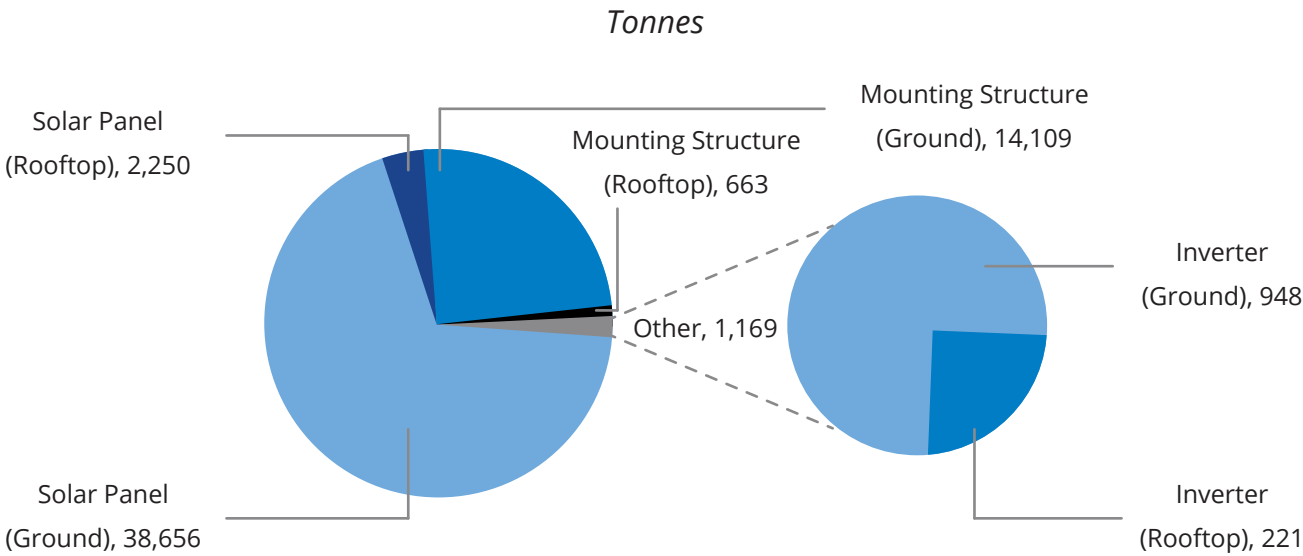
Azure Power has a Grievance Redressal Mechanism (GRM) in place, which is applicable throughout the lifecycle of a project. It covers all stakeholders including project staff as well as members of the community at project locations. The mechanism facilitates prompt resolution of any grievances raised on the grounds of environmental and social impact through an exhaustive and transparent process.

During the reporting period, there was no case of penalty or sanction imposed on us for non-compliance to environmental laws and regulations.

Material Consumption

Our staff is equipped and trained from a SHES viewpoint and is capable of handling products, mitigating harm to safety, the environment and resources.

In our solar power plants material that is consumed is mainly solar panels and mounting structures. In FY2019-20, we constructed 610 MWs and put in place over 40,900 tonnes of solar panels, over 14,700 tonnes of mounting structures and around 1,169 tonnes of inverters.



Material Consumed in FY 2019-20

7.3 Energy and Emissions

As a generator of solar energy, our reliance on conventional fuel is minimal, restricted to the use of petrol and diesel for operating vehicles. In our constant endeavor to increase the share of green energy in India’s electricity mix, our aim is to reduce greenhouse gases (GHG) which would otherwise be released because of the use of non-renewable fuels.

The table below depict the solar energy which we have generated and sold in FY2019-20

Solar Energy generated and sold in FY 2019-20

Parameter	Type of energy	Quantity (GJ)
Solar Energy Generated	Renewable	10,337,302
Solar Energy Sold	Renewable	10,292,268

The tables below represent the Fuel and Energy consumed in FY2019-20

Fuel and Energy Consumption in FY 2019-20

Parameter	Type of energy	Quantity (GJ)
Diesel Consumed	Non-renewable	4,770
Petrol Consumed	Non-renewable	363
Electricity Consumed	Non-renewable	1,214

Solar electricity generated in our plants is sold to the grid, aiding in reducing the demand for conventionally produced electricity, making our organization effectively net carbon neutral (as the clean energy we produce avoids the production of GHG from conventional sources which is significantly more than offsets the carbon we produce). With several gigawatts of solar projects in the pipeline, we continue to foster the avoidance of carbon emissions and thus help mitigate climate change. The table below shows the generated solar electricity and emission avoided by our solar plants across India. Since our net carbon emission is neutral, our carbon intensity is zero.

The table below shows the GHG reduction achieved in FY2019-20

Reduction in greenhouse gases achieved in FY 2019-20

Effective Capacity (MW)	Total Generation (million kWh)	CO2 Avoided (tCO2e)
1,739	2,870	2,640,400

The operational capacity at year end FY19-20 was 1,808MW but after adjusting for the partial year some of the recently completed projects were operating for, the effective MW for FY19-20 was 1,739MW

Our own emissions are insignificant considering the scale of our organization. Our scope 1 emissions account mainly from the consumption of diesel and petrol in vehicles owned by us, while scope 2 emissions result from the electricity purchased at our plants and guest house.

We regularly participate in carbon offset programmes and sell the excess carbon credits that we create as a clean energy solar company.

Since the beginning of FY2019-20, we have started monitoring scope 3 emissions. At the moment, we have only been able to track scope 3 emissions from personal vehicles used by our employees for commuting. We endeavored to estimate scope 3 emissions from our suppliers including surveys and follow ups but found that our suppliers have not estimated their own emissions as of date. We have engaged with our suppliers to track their GHG emissions including a requirement for mandatory reporting by various dates to qualify as a supplier with an aim to provide a broader scope 3 emissions report in the future.

Emissions (Scope 1, 2 & 3) in FY 2019-20

Type of emission	Quantity (tCO2e)
Scope 1	323
Scope 2	310
Scope 3	523
Total Emissions	1,156
Less: Carbon Avoided	2,630,246
Net Carbon Impact	Net Carbon Neutral

We expect to reduce our Scope 1 & 2 emissions per MWh generated over the next three years by at least 30%. To do this, we are implementing efficiency measures including reducing our office space and evaluating the use of electric vehicles over the medium term. At the same time, we expect that we will increase our generation significantly resulting in significant improvements in our emissions per MWh generated. We review our processes annually to identify opportunities to improve our productivity to stimulate continual improvement.

We have further strengthened our vendor onboarding process to include only those vendors and suppliers which are progressive towards the environment and monitor their GHG emissions. From the next fiscal year onward, our scope 3 emissions should be more comprehensive including emissions from purchased goods and services.

Non-GHG Air Emissions

As an organization that produces only solar energy, we don't use conventional fuels in our operations, so we do not emit air pollutants (Non-GHG emissions) and we would continue to do so in future. Because we don't generate air pollution, we do not require monitoring of air pollution. Our non-GHG emission policy is to continue to not produce GHG emissions.

7.4 Water and Waste Management

Water Management

Azure Power considers the use of water through the intertwined lens of efficiency, conservation and our position as a responsible citizen. Our Chief Operating Officer (COO) regularly measures and monitors our water risk at the company's operations. Our water management goals are predicated on these three dimensions.

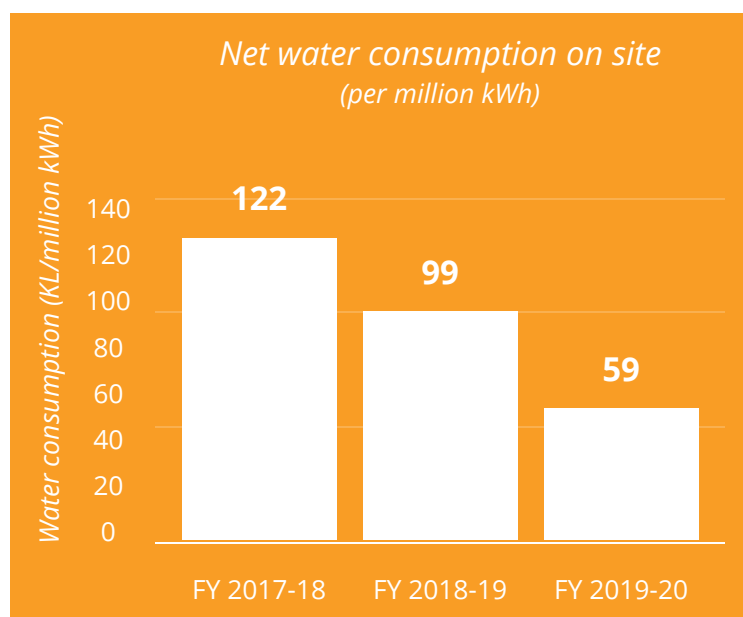
Efficiency: We are continuously trying to improve our water efficiency in our operations, focused towards reducing the water requirement for cleaning solar modules. Depending on the predisposition of module soiling, water requirement may vary from one site to another. We have also adopted a new robotic technology for dry cleaning of solar panels without the use of water.

Sourcing: We ensure responsible sourcing and water management in proximate communities, especially in locations that are prone to water scarcity. We do not withdraw groundwater, and the water used at the operating sites are supplied by authorized vendors; hence, we have no direct impact on water availability for the local communities.

Responsible citizen: Some of the areas where we operate are arid and water stressed. Responsible stewardship of water resources is therefore an important aspect of our environmental management framework. All the water used for cleaning soiled module is absorbed by the ground surface, so there is no effluent discharge from any of our facilities. The total water consumed at all our operational sites including head office is 171,305 kl for the FY2019-20.

Table below represents water consumption in FY2019-20.

Purpose	Water consumed (in KL) (FY 2019-20)
Drinking	1,836
Plant Operations	169,469
Total Consumed	171,305
Net Consumption per MWh generated	0.06



The company is aiming to have fully implemented dry cleaning technology on all operating facilities, where feasible, by 2023. For the plants that we are not able to retrofit, we intend to build water harvesting facilities to offset our water usage.

Water Conservation Measures

Freshwater is a finite resource and is getting scarcer with the increase in demand from the growing population and climate change. Therefore, it is an important aspect of our environmental management, especially during operations. Our major water usage relates to cleaning of solar modules. We try to increase efficiency and adopt measures to reduce the water consumption by avoiding unnecessary washing cycles and using more effective washing methods such as spraying.

We are aiming to become water neutral by 2023. To achieve that we have adapted the following methods to conserve water at our operational sites.

Robotic Cleaning of Solar Panels

We have implemented an innovative technology that does not require water for cleaning soiled modules by using robotic machines. These lightweight robotic machines are mounted on the array and controlled remotely by connecting to the cloud-based platform. The robots consist of soft fiber and has controlled airflow to push dust particles downwards and off the panel. This method increased the cleaning efficiency as daily cleaning is possible and reduces time as there is no manpower involved in the process. Currently, automated cleaning robots are installed at 500 MWs project sites, which account for around 25% of the whole portfolio, resulting in saving of ~25% of the total water consumption



Rainwater Harvesting

While implementing water-efficient technology, we also incorporate steps to protect and recharge the groundwater by practicing rainwater harvesting. Year on year we are increasing the rainwater harvesting structures at our operational sites, to help enrich the groundwater level.



Waste Management

Being a solar energy generation company, our waste mostly comprises broken modules and old discarded batteries. The waste is segregated based on the category and temporarily stored in dedicated segregation and storing area to avoid any kind of land contamination, before sending it to the authorized recyclers. All our recycling vendors are authorized by the Pollution Control Board.

A standardized waste management plan is in place which governs the proper disposal of debris generated from each site. All hazardous and non-hazardous wastes are disposed as per the latest norms of the Hazardous Wastes (Management and Transboundary Movement) Rules, 2016 and Solid Waste Management Rules, 2016. We follow a principle of reduction by avoiding over scaling of systems, reuse by repurposing what all can be sold to interested parties for second life functions, recycle and recover minerals from what cannot be reused.

The table below shows the type, amount and the disposal method of the waste generated during the reporting period.

Waste Generated and Disposal Method in FY 2019-20

Waste Type	Unit	Quantity	Disposal Method
Batteries	Nos	0 (Nil)	Sent to authorized recycler
Broken Modules	KG	725,471	Temporarily stored at sites before sending to authorized recycler

Supplier Engagement on Environmental Performance

In Fiscal Year 2019 – 2020, we implemented a programme to monitor and engage with our suppliers on their environmental performance with an aim to effectuate cultural and behavioral change at our suppliers to improve their environmental performance. One goal for suppliers is to continue designing and implementing new ideas for sustainable technology. We remain committed to reporting on the environmental issues in our supply chain annually.

For all new suppliers, data on their environmental performance is required. This data is uploaded into our internal information technology systems which is presented whenever a purchase decision is made. Our Head of Supply Chain Management (SCM), who reports to our CEO on supplier environmental performance, evaluates the supplier’s environmental performance in coordination with other factors when making purchasing decisions. If a supplier cannot provide their environmental performance data, we will choose between the remaining suppliers that can provide the data, if other options exist.

We have engaged with our existing suppliers to provide us data on GHG emissions, Non-GHG emissions, water usage data and ISO 14001 certifications. Unfortunately, we have found that the vast majority of our suppliers do not have this data available and we have implemented a timeline by which they will need to provide their environmental data. If the environmental data is not provided by this point, we expect to reopen the bid to new suppliers that can provide the data.

Over the next two years, once we are able to collect the data on our suppliers’ environmental performance, we aim to further engage with our suppliers to encourage them to improve their performance through rewards and penalize them if they don’t. On-site training on all aspects is organized and we have an online training platform and other online training tools for supplier’s development.



08

Enhancing a
Sustainable
Workplace

Azure Power has a diverse and highly skilled workforce that is committed toward achieving excellence and success in every project it undertakes. This approach is propelled by a continuous drive of engagement and motivation among the employees to help Azure realize its objectives and grow at a steady pace. The company derives its strength from its talented pool of employees, who bring with them unique skill sets and expertise.

The Azure family comprises over 600 members, with robust knowledge and extensive experience in the field of solar energy and its effective use. Our Board of Directors and management team members possess years of experience in the areas of solar energy, public policy, energy finance, engineering, construction and procurement, with a positive reputation in the market.

Our people come from diverse social and cultural backgrounds and we pay close attention to inclusiveness, equality and equity, with an aim to foster a culture of togetherness across business lines. Furthermore, we encourage a culture of entrepreneurship at every level, regardless of the team or position. Our colleagues are provided with equal opportunities to grow in their respective careers, as well as voice their opinions and present ideas to help improve the work culture and business. Azure continuously works to identify the right talent. For this, a talent management framework is in place, which explains a set of behaviors that Azure seeks to inculcate in its employees. The company makes an objective and tangible evaluation of talent at each step of the employee lifecycle.

Azure dedicatedly works toward imparting a set of professional behaviors in its employees, to create a healthy work environment where employees feel comfortable in one another's presence and meet business targets without compromising on work ethics. Our core values of honesty, integrity, excellence and social responsibility ensure that our employees remain passionate and motivated in their work and achieve success the right way. During FY 2019-20, Azure had an employee turnover rate of 22.18%. In addition, Azure also provides a long notice period for operational changes (three months) for employees, in line with the applicable regulations. In the reporting period we hired 83 third party employees and 3 retainers (consultants).

Over the past 10 years since Azure's inception, its people have been a driving force behind the company's accelerated growth, by repeatedly demonstrating outstanding capabilities and appropriate conduct.

The tables below represent the turnover rate of workforce and new joiners in terms of age and gender diversity:

Workforce turnover (including Voluntary Retirement Scheme (VRS), retirement and death) (in numbers) in FY 2019-20

Category	Male	Female	<30 years	30 - 50 years	> 50 years
Senior management	21	2	0	16	7
Middle management	29	9	10	27	1

Category	Male	Female	<30 years	30 - 50 years	> 50 years
Junior management	59	9	43	25	0
Workers (Permanent)	5	0	4	1	0

New Joiners Turnover (in numbers) in FY 2019-20

Category	Male	Female	<30 years	30 - 50 years	> 50 years
Senior management	1	1	0	2	0
Middle management	0	0	0	0	0
Junior management	7	3	10	0	0

8.1 Our Fundamental Principles and Policies

The successful business operations and reputation of Azure are built upon certain key principles and policies that are embedded in the company's code of conduct as well as day-to-day processes. These fundamental principles and policies primarily relate to fair dealing and ethical conduct of the employees, which are achieved by carefully observing the spirit and letter of all applicable laws and regulations, as well as displaying the highest standards of personal and professional integrity. Such practice also involves prompt reporting of any violations of the established code of conduct.

Azure is committed to provide a professional and dignified workplace, which offers equal opportunities in all aspects of employment and is free from any form of discrimination or harassment. In line with this, the company has formulated a set of policies that every employee needs to comply with. These policies are prepared keeping in mind that we pursue best in class policies surpassing applicable governmental laws, rules and regulations. This helps foster long term sustainability as well as protecting the company and its employees against any regulatory penalties and/or lawsuits and ensures an environment of discipline among the employees in adhering to legitimate business practices.

Human Rights Policy

Azure strongly believes in treating every individual with dignity, giving equal importance to their interests. The respect for human rights is a core value of our work culture. Our commitment

toward human rights begins with our own employees, as we ensure they always feel safe at the workplace.

Azure has in place a dedicated human rights policy under which the company explicitly prohibits all forms of human trafficking and forced labor, including bonded labor, indentured labor, prison labor, military labor, and modern forms of slavery at the company as well as our suppliers. In addition, we forbid hiring of persons under the age of 18 years for positions involving hazardous work. In FY2019-20, there have been no instances of forced or compulsory labor in any of our activities or our suppliers.

On Freedom of Association, we promote a culture of open and transparent two-way communication between the employees and the management and adheres to Indian Law. We have a standard grievance resolution system to resolve any issues of our employees. Further, collective bargaining is not formalized as we have annual appraisal for all our employees.

We firmly believe that we are part of the society we operate in and, thus, are fully responsible for carrying out sustainable development in an accountable manner. When embarking on a new project, we communicate and partner with the local community to ensure smooth and collaborative project implementation and prevent any associated risks. While performing our site operations, we strive to maintain a harmonious relationship with the local community including indigenous people, by considering their viewpoints and honoring their values and customs. In FY2019-20, no event has been reported about the abuse of rights of the indigenous people during the course of our operations.

Anti-Bribery and Anti-Corruption Policy

Azure strictly performs all its operations lawfully, complying with applicable domestic as well as international anti-bribery and anti-corruption laws and regulations, particularly the Foreign Corrupt Practices Act (FCPA) of the US. The company forbids bribery and other similar illegal payments in the conduct of its business activities and has established the Anti-Bribery and Anti-Corruption Policy to ensure compliance. This policy applies to Azure Power and each and every subsidiary, affiliate, division, director, employee, officer, agent, and all entities or persons acting or purporting to act as a representative, advisor, or otherwise on behalf of Azure.

In particular, the prohibition under FCPA comprehensively covers cash



payments, non-cash payments, favors, benefits and, under certain circumstances, gifts and entertainment offerings.

The Anti-Bribery and Anti-Corruption Policy is formally conveyed to all employees to ensure compliance with the FCPA and embed a culture of ethical conduct at the workplace. The company requires anti-bribery and anti-corruption training for all employees. Such compulsory training programs are held for all employees annually, as well as for all new employees at the time of joining. All of our operations have been audited by third parties.

Azure does not tolerate any form of non-compliance with this policy and related laws by its employees, and any alleged breach is investigated thoroughly, and disciplinary action is taken accordingly. Such strict measures are necessary as failure to comply with these policies and laws by directors, employees and officers of Azure can pose substantial risk to the company as well as jeopardize its reputation and operations. There is a designated Compliance Officer at Azure who reports all matters in this regard to the CEO and the Board of Directors on a quarterly basis. During FY2019–20, no breach related to business ethics and governance was reported.

Whistle-blower Policy

The Whistle-blower Policy has been formulated with the intention to provide all employees of Azure Power Global Limited and its subsidiaries with a favorable atmosphere for confidential, fearless and efficient reporting of unethical behaviors and actions.

This policy sets out the guidelines for all employees to raise any complaints related to unethical conduct without any fear of retaliation. The policy has adequate checks in place to safeguard the whistleblowers against victimization. In necessary or exceptional cases, the policy also offers direct access to a Director who is nominated for the role of the Audit Committee. A whistleblower can disclose any observed or identified breaches of the Code of Practice and any activities that have taken place or are suspected of having taken place.

The company urges employees, who feel threatened and/or harassed, to come forward and share any concerns with their immediate superior, head of the department and/or the ethics committee members through the whistleblower mechanism.

Whistle-blower Protection Policy

Azure also has a Whistle-blower Protection Policy wherein the identity of the whistleblower, who exposes any alleged wrongdoing in the conduct of operations of the company, is held secret to the extent feasible and allowed by legislation. The wrongdoing may relate to unethical behavior, conduct and/or action by an employee while working for the company in any of its business operations.

Code of Business Conduct and Ethics (COBC)

The Code of Business Conduct and Ethics is intended to define and clarify the standards for conducting business and behavior at Azure Power India Private Limited. The Code is designed to be in line with the requirements of Section 406 of the Sarbanes Oxley Act of 2002 and Companies Act, 2013.

This Code is designed to promote:

- Honest and ethical conduct
- Fair dealings with stakeholders
- Compliance with applicable laws, rules and regulations
- Prompt reporting of violations of the Code



Prevention of Sexual Harassment (POSH)

Azure Power is committed to ensuring employees are treated fairly and equally in an environment free of intimidation and sexual harassment. Sexual harassment is an unacceptable form of behavior which cannot be tolerated under any circumstances. It is also unlawful. All complaints of sexual harassment are treated seriously and promptly, with due regard to confidentiality. Disciplinary action will be taken against any employee who breaches the policy.

Sexual harassment is not just unlawful during working hours or at the workplace itself. It is unlawful in any work-related context including conferences, work functions, business or field trips, and interactions with clients.

The company required mandatory training and testing annually on our POSH policy. The training is created and provided by a third-party expert.

Our other Policies

We have established a number of other policies for our employees related to ethical and transparent conduct of work. Details on such policies can be found on our company website at <http://investors.azurepower.com/corporate-governance/governance-documents>.

8.2 Gender Equality and Empowerment

Gender diversity is critical to the long-term success and sustainability at the company. We aim to become gender neutral. At Azure, gender neutrality is focused on and progress towards this aim is being realized through various means including a formal diversity and inclusion policy, an Equal Pay Policy, quantitative diversity targets in recruitment, programmes to facilitate diversity and employee training on our diversity policy which is overseen and supported by senior management. Diversity oversight is overseen by the Head of Human Resources which reports directly to our CEO which reviews progress towards targets at least quarterly.

The leadership of Azure advocates a women-friendly workplace that promotes and facilitates growth and learning. Azure recently undertook an initiative of regularly holding townhall meetings for all female employees, so that they could network and collaborate with one another in order to improve efficiency and solve shared problems at the workplace. The meetings also provide female employees a platform to share open and honest feedback related to their work and office culture, thereby supporting the company in sound decision-making on a number of employee-centric issues.

Azure continues to strengthen its commitment toward gender equality. As of 31 March 2020,

approximately 9% of Azure’s employees were female. During FY2019–20, of the new hires, females represented nearly 18% of new joiners. Gender diversity has also been made a priority at the Board level, and as of today, Azure has two female directors on its Board of Directors, both of which have been added in the last six months. The percentage of female employees of senior management is nearly twice as high as the overall company.

To further increase the gender diversity, we have following gender hiring targets to be achieved by 2021-

- Azure to hold at least 4 women’s networking events for women staff including an external speaker or skills development opportunity
- Azure to increase the number of women-staff in technical or engineering roles to be 28% of total hires for these positions.



The table represent the new joiners in FY 2019-20 in terms of age and gender diversity:

New Joiners (in numbers) in FY 2019-20

Category	Male	Female	<30 years	30 - 50 years	> 50 years
Senior management	12	2	0	12	2
Middle management	6	1	1	6	0
Junior management	45	12	47	10	0
Workers (Permanent)	7	0	4	3	0

The following tables provide a breakdown of our governance body members in terms of age and gender diversity:

Percentage of individuals within the organization’s governance bodies in each of the following diversity categories till March 2020

Employee category	Gender		Age Group			Minority Group membership/ other
	Male	Female	<30 years	30-50 years	>50 years	
Senior management	67% (2)	33% (1)	0	3	0	Grievance Redressal Committee

Employee category	Gender		Age Group			Minority Group membership/ other
	Male	Female	<30 years	30-50 years	>50 years	
Senior management	40% (2)	60% (3)	0	5	0	ICC
External Member	0	100 % (1)	0	1	0	ICC

Percentage of employees per employee category in each of the following diversity categories till March 2020.

Employee category	Gender		Age Group		
	Male	Female	<30 years	30-50 years	>50 years
Senior management	84% (32)	16% (6)	0	28	10
Middle management	87% (112)	13% (17)	18	104	7
Junior management	92% (312)	8% (28)	174	157	9
Workers (Permanent)	99% (96)	1% (1)	44	45	8



Fostering a Philosophy of Integrity, Equality and Inclusiveness: Equal Pay and Benefits

For Azure, a holistic work culture entails all the necessary values that allow for equal opportunities at the workplace. This begins at the entry level at Azure where the ratio of wage for males and females is 1:1, in accordance with our Equal Pay policy.

Azure recognizes that equality at the workplace is accomplished when individuals enjoy the same benefits, resources and opportunities, irrespective of race, color, sex, ethnicity, political opinion, social background, etc. 99% of our employees are non-white, considering that our operations are based in India. We strictly implement all necessary laws and regulations at our workplace, such as the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Equal Remuneration Act and the Maternity Benefit Act, and have zero tolerance for any non-compliance. No incident of discrimination as reported during FY2019-20.

While we continually develop and expand our employee base, we respect the different cultures, traditions and languages of people at Azure, who belong to various parts of the country. To us, an inclusive workplace means where all employees feel a sense of belonging, are valued and respected, and have the freedom to be the individual they are, without the fear of being judged. We believe that inclusiveness is further established within a company when employees receive the support of leaders and colleagues in their daily tasks as well as career development.

Details of benefits for the full-time employees of the organization are represented in the table below:

Benefits that are standard for full-time employees of the organization, but are not provided to temporary or part-time employees by significant locations of operation	FY 2019-20	Documents referred / Supporting documents for validation
Group Personnel Accident Policy	Yes	
Group Health insurance Policy	Yes	
Joint Group Personnel Accident Policy	No	
Stock ownership	Yes	For Selective Employee
Retirement provision	Yes	
Life insurance	No	
Disability and invalidity coverage		Covered in Personal Accident Policy

Benefits that are standard for full-time employees of the organization, but are not provided to temporary or part-time employees by significant locations of operation	FY 2019-20	Documents referred / Supporting documents for validation
Parental leave	Yes	
Any other benefits	Yes	Maternity Benefits with Creche Facility. Cab Facility, Long Service Award, access to company employed physician and mental health expert.

Note: Full time employment benefits are extended to all Consultants and Retainers

Table shows the number of parental leave availed by the full-time employees in the FY2019-20

Parental Leave availed by employees	FY 2019-20	
	Male	Female
Employees entitled to parental leave	307	11
Employees that availed parental leave	10	0
Employees who returned to work after the end of parental leave	10	0
Employees retained for 12 months after resuming from parental leave (consider employees who resumed in the previous FY)	0	0

Table depicts the ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation in FY 2019-20

Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.

Employee category	Location of operation	Ratio of basic salary of women to men
Senior management*	HO, New Delhi	1:1.75
Middle management	HO, New Delhi + RO Punjab	1:1.12

Employee category	Location of operation	Ratio of basic salary of women to men
Junior management	HO, New Delhi + RO Punjab	1:1
Workers (Permanent)	Various Project Sites+ HO, New Delhi	1:0.94

*Excludes CEO, COO, CFO, and Executive Vice Presidents.

Case Study: Women's Townhall Initiative

A company's work culture and environment are often a reflection of its openness to a diverse workforce. This diversity is not just about hiring people from varied backgrounds and age groups but also about adopting gender equality across departments and levels. Needless to say, women make an important part in realizing this diversity. The top management at Azure Power is committed to promoting women's rights and well-being at workplace. In this endeavor, the company has been regularly conducting 'Women's Townhall' since August 2019.

Led by the Head of Human Resources and the Lead Employee Engagement team, the townhall initiative promotes teamwork and collaboration among women employees and encourages them to network internally and provide senior management direct feedback on ways to further enhance the working environment. Azure is of the firm belief that listening to and interacting with fellow colleagues followed by implementation of recommendations can lead to a better and holistic work environment. In line with this, women employees working in the different departments at Azure are encouraged to familiarize with one another and, in the process, build long-lasting relations, benefiting both the individual and the company. Moreover, this can help them find solutions to shared problems.

Through these townhall meetings, Azure intends to reinforce its culture and values as well as raise awareness among the women employees about its business and strategic alignment. To achieve this, the townhall offers a platform for all the women employees to provide open and honest feedback on their work and the workplace culture as well as any challenges faced by them. This eventually enables for sound decision-making on areas that otherwise would take a long time. On the whole, the initiative is aimed at promoting diversity of thought, social networking, career discussions, learning, mentoring and achievement orientation.

In the second half of the townhall meeting, the focus is laid on questions and comments from the audience. During this session, the women colleagues present their ideas on improving work processes and culture, voice their opinions on pertinent matters affecting the company and its workforce, and ask questions on a number of topics related to their career development and welfare. The inputs and suggestions shared by them, till now, have greatly helped Azure in generating ideas and formulating new initiatives for the overall well-being of its employees.

These townhall meetings continue to strengthening Azure's commitment toward ensuring gender equality. Such meetings will also serve as an example for future leaders and management at Azure in creating and ensuring a women-friendly workplace that enables growth and learning.

Case Study: Coffee and Conversation with CEO Initiative

It has been rightly said that successful leaders are those who are aware of the expectations and needs of the people they lead. To achieve this, the leaders need to engage in transparent communication with the people. Thus, it is imperative that they regularly interact with the people to ensure a shared vision. In line with this, Azure Power's CEO has taken significant measures to interact with the company's employee and understand their views on different topics concerning work and culture. One such measure has been the launch of 'Coffee and Conversation with CEO' sessions, which are aimed at bridging the gap between the leadership and employees through in-person interactions.

This initiative was started in September 2019 by the CEO, Head HR and Lead Employee Engagement across all office locations of Azure. The sessions, conducted on a regular basis, are highly interactive, and provide an opportunity for the CEO and employees to discuss various matters. Such a platform enables employees to highlight their views to the CEO. Under this initiative, employees are encouraged to not only share their suggestions and provide candid feedback, but also raise any queries related to career development and work environment.

With this program series, Azure aims to foster a sense of connection, belonging and two-way communication to strengthen the work culture. The company deeply values the opinions of its employees and believes that they can positively impact business decisions while maximizing productivity and effectiveness at the workplace.

When the series was launched, employees initially hesitated to participate in discussions and share feedback. However, as more and more sessions were conducted, employees started feeling comfortable in talking to the top leadership and expressing their views. Today, employees feel confident in sharing their inputs with the management, which subsequently help in generating new business ideas and building a better workplace.

Over the past few months, the sessions have strengthened the relations between the leadership and the employees, and also created a more open and honest work environment. This practice will definitely help Azure in creating more collaborative working conditions as well as growing as a team to achieve further success.



Fostering a Philosophy of Integrity, Equality and Inclusiveness: Equal Employer

We are an equal opportunity employer that expressly forbids any discrimination against any employee or job applicant because of race, color, religion, national origin, gender, sexual orientation including LGBTQ, physical or mental disability, or age. This is codified in our Diversity and Inclusion Policy.

Employee Awards and Recognition

Employee appreciation is a prompt, indirect or formal acknowledgment of the actions, initiative or business result of an individual or a team that reflects the goals and principles of the company. Appreciation is an intrinsic human demand. Employees respond to gratitude conveyed by acknowledgment of their good work as it shows that others appreciate their work. When workers and their jobs are respected, their happiness and morale increase, and they are encouraged to sustain or enhance their good work.

At Azure Power, we have a very formal incentive and appreciation program to encourage our employees to deliver excellence. Employees are recognized for their efforts through four types of awards:

Spot Award: This award acknowledges valuable contributions within the department and is given at the discretion of the head of the department. A letter of appreciation shall be posted on the notice board of the company and a token of appreciation shall be issued to the employee.



Performers of the Quarter: This award recognizes the excellent contributions made by the employee to the accomplishment of the goals of the company. Employees are measured based on productivity and creativity, cost savings, production time, consumer orientation and revenue generation. Performers shall earn public recognition by way of an announcement in open media, a certificate of appreciation from the company and a token of appreciation from the company.

Team Award: When any cross-functional team working on the task meets the criteria laid down for the job or hits a milestone, the team, in recognition of its commendable work, is eligible for a team outing.

Annual Awards: The awardees are named among the quarterly award winners. HR Manager, along with the management committee, finalizes the award winners; the award provides a family holiday in a resort.

Value Ambassador Award: The winner is selected from those who display good conduct and stand by the core values of Azure Power — Entrepreneurship, Excellence, Socially Responsible and Honesty. Any person may nominate his or her peers or subordinates for this award. The awardees are granted a token of appreciation.

Our incentive and recognition program are aimed at encouraging employees to demonstrate excellence in different aspects of their roles. Azure Power's reward scheme also includes an

element in which people earn bonuses based on their individual contribution to the company's income.

Azure Power's Reward and Recognition Initiative for Excellence in SHES (ARIES) was introduced in order to motivate field staff to meet the overall objectives of SHES at Azure Power. The introduction of the ARIES award helped to re-energize the SHES role of site-level workers and promote a high-performance culture by covering all facets of SHES. As a result, consideration based on the value of the work is granted to the site workers involved, enabling the site staff to instill SHES as a way of life at Azure Power.

The following are the various awards under ARIES:

Award	Frequency
ARIES Champion of the year / CEO Award	Annually
ARIES Compliance Award	Bi-Annually
ARIES Social Enabler Award	Bi-Annually
ARIES Labor and Working Condition Enabler Award	Quarterly
ARIES Safety Award	Quarterly
ARIES Exemplary Performance Award	Monthly
ARIES Enabler Award	Quarterly

Suggestion Program

All employees are eligible to submit suggestions to the HR department, which directs them to the Management Committee. Special recognition shall be granted to employees whose suggestion is implemented.

8.3 Strengthening a Safer Workplace

Azure Power considers its employees a vital asset and hence is committed to providing a safe and conducive workplace for them. Our key priorities are focused on the Social, Health, Environment and Safety (SHES) aspects. In line with this, we have formulated a SHES management system manual to provide guidelines and objectives for safe operations and monitoring. We regularly update the manual to adhere to the latest compliances and procedures released by government entities; the last revision was made in June 2018. The Head of SHES reports directly to the CEO and is responsible for ensuring the implementation of the SHES management systems at all the project sites across India. In addition, we strictly follow the state- and national level health and safety laws such as the Labor Act, Factories Act, Compensation Act, Child Labor (Prohibition and Regulation) Act, Contract Labor Act, and the World-Bank owned IFC Performance Standards.

The SHES policy is applicable to all our employees as well as contractual associates. This policy highlights the safety protocols and procedures that we have implemented across all our sites. Through this policy and procedures, we aim to:

- Continually improve our business processes to ensure safe work practices for the prevention of pollution, ill health and injury, as well as minimize risk through objective-driven targets from each stage of the project and operation phases;
- Increase awareness of all stakeholders through effective communication and training from a SHES perspective; and
- Ensure all our business activities adhere to the applicable labor standards and fundamental human rights norms laid down by the International Labor Organization and the Universal Declaration of Human Rights.



Facilitating SHES training and awareness

In FY2019-20, we have delivered 5.9 million accident free man-hours with only 27 cases of incidents and 3 injuries were recorded while engaging in 6.2 million man-hours. Our targets for health and safety are zero fatalities and a 5% annual reduction in lost time incidence (LTI) per million man-hours worked for the next three years.

To spread awareness around SHES among our workforce, we have put in place various training sessions on health, environment and safety. These sessions are mandatory for all personnel, including direct and indirect employees. The SHES Head and HR are responsible for preparing training sessions, which are customized in a language platform comfortable for the target audience. The training sessions are conducted on a monthly basis, or as and when required, depending on the skill level of the associates and the scale of the project they are engaged in. A total of 3956 man-hours were trained in FY2019-20. Through these training sessions, the company mainly aims to help its staff and workers understand the various aspects of SHES risks related to the projects undertaken. These training sessions cover various safety topics such as safety



induction, fire safety, material handling, hazard identification and risk assessment (HIRA), control of hazardous materials, first aid training, incident/accident reporting investigation, near miss reporting, and electrical safety. These sessions have enabled our employees to acquire a better understanding of the surroundings and processes at the workplace as well as be prepared to respond to any risk-related incident.

Conducting inspections and audits

Azure Power has a mandate for regular/periodic inspections and audits to assess compliance to the SHES guidelines at all the sites. In FY 19-20, we had 341 internal and 3 external audits; in case of any non-compliance, swift corrective actions are formulated and exercised to resolve the issue. Furthermore, non-compliance cases need to be specifically closed by the department concerned within a stipulated time frame. All findings of the audit are documented, and the outcome is communicated to the top management.

Encouraging active employee participation in SHES

In our drive to secure the well-being of our people, we also encourage all our employees — particularly, our field staff — to actively participate in meeting various SHES objectives as we firmly believe employee engagement is vital to ensuring their health and safety. For instance, to recognize their contribution, we present the ARIES Awards (Azure's Reward & Recognition Initiative for Excellence in SHES) to the employees who show excellence in SHES. The awards are presented under the following categories — Champion of the Year/CEO Award, Enabler Award, Compliance Award, Social Enabler Award, Labor and Working Condition Enabler Award, Safety Award, and Exemplary Performance Award. Through these awards, we have successfully enabled site-level staff to foster a high-performance culture with the SHES function at its core.

In line with our commitment towards ensuring employee well-being, we have taken various measures. For instance, we provide medical insurance to all employees. To provide our employees working at remotely located sites access to medical care, we have partnered with hospitals at those locations. We have installed air purifiers at our workplace and have distributed anti-pollution masks to our site employees to provide a healthy work environment. In addition, we organize regular health checkup camps for employees at the corporate office as well as at all our sites.

Below is a table of Health and Safety statistics from all our project locations for FY2019-20.

S.No.	Item	Unit	Total
1	Man-Hour	Hours	6,224,672
2	RIR (Unsafe Act/ Condition/ Near Miss)	Nos.	345
3	Incident/Accident	Nos.	27
3.1	First Aid	Nos.	11
3.2	Injury	Nos.	3
3.3	Fatality	Nos.	1
3.5	Incident without injury	Nos.	12
4	Lost Time	Hours	144
5	Accident free man-hour	Hours	5,939,904
6	Grievance Received	Nos.	147
7	Manpower Trained in SHES	Nos.	3,956
8	Audit Performed	Nos.	344

Case study: Saathi - We Care initiative

In the current hectic corporate environment, professionals often undergo high levels of stress. The stress may be due to various reasons — inability to properly balance their professional and personal lives, work-related issues or any personal issues. Regardless of the cause of the stress,

it may significantly affect the professionals and hinder them from working at their full potential. To address this issue, Azure is fully committed to improving the engagement levels of employees by providing a platform to help them deal with issues at workplace as well as those in their personal lives. In line with this, Azure launched '**Saathi - We Care initiative @ Azure**' on 4 October 2019. The annual cost of this initiative is estimated at INR 400,000. It is led by the HR Head and Employee Engagement Lead.

The **Saathi - We Care** initiative is aimed at reducing stress in personal lives as well as combating professional stress of all kinds. It focuses on the upkeep of physical, emotional and mental health of the employees, as well as strives to improve their sense of well-being, alleviate feelings of distress and help resolve any crises.

As part of this initiative, Azure has collaborated with Ms. Tanuja Singh, who has been a counselor at Sanjivini Society for Mental Health since 2000. She has about 20 years of experience working with clients having diverse mental well-being needs. She has a proven track record of effective results and positive outcomes in varied and challenging situations.

The **Saathi - We Care** initiative is a strictly confidential program between the counselor and the employee — i.e., personal information shared during the counseling sessions remains strictly confidential. This encourages employees to express their feelings without any hesitation, which enables the counselor to understand the situation with better clarity.

Azure firmly believes that professional counseling not only helps the employees but the company as well, as only when employees are healthy both physically and mentally, they can deliver their best at work — resulting in a win-win situation at the workplace.

Azure has put in place a convenient process for availing counseling. Head office employees can book appointments directly through Google Calendar, while site employees can connect with the counselor directly through Skype.

Initially, the company faced a few challenges after launching the initiative. For instance, employees would book an appointment, but at the last minute because of some work-related urgency, they were not able to attend the session, which was rescheduled for another day. This would affect the appointment of other employees. However, the company has now taken steps to better manage this issue by ensuring that meetings are not canceled at the last minute. Rescheduling an appointment is done well in advance so that each appointment slot is well utilized.

Azure strives to be an emotionally and healthy place to work. Its employees have greatly benefited from the **Saathi - We Care** initiative. Such initiatives play a very important part in helping professionals tackle stress and anxiety as well as maintain a balance between personal and professional lives, juggling multiple roles.

Case study: Chai Pe Charcha initiative

The COVID-19 outbreak has resulted in an abrupt halt to daily commuting and social gatherings. Lockdown was implemented to control the pandemic, with almost everyone confined to their homes. In such a situation, Azure Power adopted remote working to ensure business continuity as well as employee safety. As the lockdown continued, employees also continued to work from home; however, it started taking a toll on their overall well-being. It was noticed that being

physically away from the office environment for an extended duration tends to lower employees' interest level, and lack of workplace engagement activities also brings down their motivation level. As a result, employees started to experience stress, anxiety as well as a feeling of loneliness.

To address this issue, Azure launched the '**Chai Pe Charcha**' initiative from 13 April 2020. It was led by the HR Head and HRBPs. The idea behind this initiative was to organize an interactive and informal virtual session based on the concept of 4PM tea time in the office cafeteria to network and interact with colleagues.

As part of this initiative, the Heads of Departments and team members at various sites and the head office shared a common platform to discuss various issues such as planning and implementing their workload. Apart from work-related topics, employees also discussed how they help and support their families during such testing times as well as problems faced by them while working from home.

These virtual sessions were held regularly, which greatly benefited the employees and fostered a spirit of team bonding despite being physically away from one another. They felt a sense of togetherness and hence actively participated in all such meetings. Not only the employees but also their families participated in the sessions to share their experience during lockdown. These virtual meetings helped employees beat the stress as well as enabled them to adapt to the new normal amid the pandemic.



Case study: Standardised safety induction video

A standardized safety induction video covering the following topics was developed internally:

- Message from the CEO to all workers
- Personal Protective Equipment (PPE)
- Hazard Identification and Risk Assessment (HIRA)
- Do's and Don't
- Permit to Work System and LOTO implementation (PTW)
- First Aid
- Emergency Evacuation plan & Assembly points
- Risk Investigation and Reporting (RIR)
- Grievance Reporting Mechanism (GRM)

- Safety Pledge

The induction video is available on YouTube and is being used to provide safety induction to all our internal and contractual work force.

Our contractors and their subcontractors are using the publicly available video to give focused standardized induction training to all workers initiating work at our sites across the country. This is then supplemented by site specific induction requirements.



Link: <https://www.youtube.com/watch?v=Q1LgZ84ZbuY>

8.4 Supplier Management

Our dedication to Corporate Governance, Responsible Business Practice, Environmental Custodianship and Sustainability also applies to our supply chain. This helps us reduce and control the risks posed to our company and activities by the supply chain. The Environmental, Social and Governance (ESG) criteria work assessment is carried out for suppliers / service providers as per standard operating procedure (SOP). All suppliers are required to comply with the supplier code of conduct, which must be followed and endorsed otherwise the we will not work with the supplier. We require the following affirmations of compliance with:

- A strictly enforced Anti-Bribery and Corruption policy (ABC),
- Banning of Child and Forced Labor,
- Non-Discrimination (Equal Opportunity) and Freedom of Association policies,
- Provides acceptable living conditions
- Banning of corporal punishment or similar disciplinary practices
- Limits maximum working hours,
- Policies that address health and safety, and
- Pays minimum living wages.

We conduct risk assessment during the vendor onboarding based on key production parameters at multiple locations, capacity, new technology road map and third-party insurance for warranty products. We give a preference to ISO accredited suppliers and 35% of our suppliers have ISO 14001 certifications.

We have a detailed screening and vendor onboarding process, which includes:

Financial Audit: Financial reports of vendor are sent to the finance team for approval.

Technical Audit: Site/Factory audit is conducted, and a checklist is prepared.

Reference check: Reference check/visit is conducted by SCM/technical team.

In case a vendor selected that has a relationship to government agencies, due diligence by a third party is conducted. Supplier audits by third-party agencies are carried out before onboarding, and before starting new production. In addition, we follow this practice at the factory and line levels to prevent any gaps.

In addition, we conduct due diligence on technological, financial and commercial aspects, feedback from current customers, capacity and site / site visit feedback from the Quality and D&E team. Compliance with the laws and regulations is part of vendor onboarding process and part of the MSA / PO / EL. Supplier / Service provider has to comply with the rules, regulatory regulations, ABC regulation, human rights law, environmental legislation and, during invoicing, the required relevant documentation form part of the Azure Compliance Team monitoring Annexure against which payments are made. Supplier performance monitoring is part of SOP and we get a sign-off document from supplier on EHS, and monitoring is performed by the SHES team. Where there is some ambiguity with the supplier in terms of EHS regulations, we either urge the supplier to formalize the policy or we will not take them as a supplier.

Our key procurement items are Solar Panel, Inverter, Mounting System Unit, Cables, Transformer and AC / DC Items. During 1 April 2019 and 31 March 2020, the monetary value of goods purchased amounted to INR 18.3 billion. The company has a total of around 3,004 suppliers from 28 states and we onboarded 1,206 suppliers in the reporting period and sells its essential components to its Tier 1 suppliers. Our procurement operates directly from the corporate office as centrally controlled and managed procurement allows the business to better monitor the pooling of acquisition numbers, know-how or capital. We also have site procurement teams, supported by the central team, to maintain an adequate inventory for the ongoing business as well as to develop new projects.

We are collaborating with our suppliers to begin the process of reporting, updating and evaluating the GHG emissions of the supply chain. Our goals for suppliers are to continue designing and implementing new ideas for sustainable technology. Upon completion of the project, we perform a vendor quality assessment and, if the vendor rating is low, we discuss on supplier developments with team on steps required for improvement. After onboarding and deployment of the supplier team, on-site training on all aspects is organized and we have an online training platform and other online training tools for supplier's development.

Azure Power | **ROAM**

सी.एस.आर. कार्यक्रम
के तहत
अइयोर पावर की पहल
निःशुल्क कोर्स



बेसिक कंप्यूटर कढ़ाई
बाईक रिपेरींग खेली

BASIC COMPUTER CLASS

- ① File operation → copy
- ② delete file
- ③ print
- ④ Save word document
 - ① save name
 - ② select file
 - ③ choose file name



09

Learning and
Development

Azure is fully committed to ensuring that all employees have the relevant knowledge, skills and expertise to perform their work to consistently high standards and achieve their full potential. To fulfill this objective, it is crucial to provide appropriate training and support the overall development of employees on a regular basis. Imparting training and building an ecosystem of learning and development form an integral part of Azure’s strategy of improving operational performance and achieving goals. It, thus, firmly integrates training and development across departments and functions.

In its learning and development strategy, Azure ensures that all employees are treated equally when it comes to provision of and access to training and development opportunities that are relevant to their needs. Azure offers both in-house and external (including overseas) training programs so that employees get ample scope to acquire all the necessary knowledge and skills. Employees are provided with functional, behavioral and managerial training, depending on their respective competencies and need. In addition, all employees are provided with sufficient training on quality to improve their daily work efficiency through innovation and creativity. They are also given adequate training on health and safety, including information on emergency procedures, before they start work.

A unique way in which Azure ensures further learning and development is through inter-disciplinary development or job rotation. Under this practice, employees are shifted among different assignments or jobs with the aim to provide them exposure to the various disciplines of the company. This helps employees explore their hidden potential and interests and gain experience in different fields or operations.

At Azure Power, we provide internal training to our employees and we hire external consultants and leading experts on environmental standards as applicable to renewable energy to provide training. We have also sent employees internationally to locations all over the world to learn environmental best practices and reporting and additionally we are in International informational exchange programmes with leading solar companies and financial lenders on environmental best practices.

During FY2019–20, Azure provided 16,040 man-hours of training to its workforce, of which 1,862 man-hours were for the female employees.

Number of Trainings and Man-hours for Employees during FY 2019-20

Category	Units	Male	Female
Senior management	Number	147	33
	Man-Hour	734	163
Middle management	Number	518	105
	Man-Hour	2,725	669
Junior management	Number	1,488	132
	Man-Hour	8,577	1,029
Workers (permanent)	Number	412	1
	Man-Hour	2,142	2

Percentage of employees receiving regular performance and career development reviews in FY 2019-20

Employees receiving regular performance feedback	Males	Females
Senior management	84% (32)	16% (6)
Middle management	87% (112)	13% (17)
Junior management	92% (312)	8% (28)
Workers (permanent)	99% (96)	1% (1)

Below table represent the training or assistance programs to upgrade skills in FY2019-20

Employee training and assistance programs to upgrade skills		Documents referred / Supporting documents for validation
Internal training courses	Compliance - COBC, ABC and POSH Behavioral - Self leadership, Unconscious bias, email etiquette, etc. Technical - Purchase Order and Vendor Creation Training, ISO awareness and documentation implementation, etc. Safety - First aid, RIR, emergency response, etc.	Training MIS
Funding support for external training or education	Employee took courses from recognized institutes for skill development. Trainings - MS Excel, MS PowerPoint, Python, CAN, etc.	Training MIS, SAP SF employee education policy applications

Note: Employee Education Policy is applicable only for on-roll employees

Mentorship Programmes: We intend to partner with FICCI regarding 'Empowering the Greater 50%' initiative and FICCI Ladies Organization. It is a special initiative to improve women's entrepreneurial and decision-making skills through engagements such as mentorship programmes, access to finance, business accelerators, training for women to achieve next levels, special guidance for women on a business framework and financial models.

To measure the employee satisfaction, we quantify the employee engagement. For FY2018-19 we conducted an employee engagement survey, 83% of the employees participated resulting in 59% of overall engagement score. We are finalizing a recent new engagement survey and will provide the statistics in our next sustainability report.

Case study: Employee Education initiative

One of the most important factors behind a company's success is its employees as well as their continuous growth. A highly skilled and motivated workforce can successfully drive the business of a company. This is applicable to Azure Power as well. Hence, Azure Power is committed to ensuring the continuous learning of all its employees and developing their skill set. In line with this, the company launched the Employee Education initiative in August 2019. The total approved cost of this initiative is INR 848,393. The company's Learning and Development team spearheaded this initiative.

Azure Power's Employee Education initiative is aimed at enabling all employees to pursue their career aspirations by supporting any academic or skill development courses that they would like to undertake. The Employee Education policy defines the process of applying for such courses, approval and reimbursement or prepayment process.

The company initially found it challenging to motivate employees to opt for these courses. One of the major reasons was the lack of an automated process for applying for the courses and receiving approval. To overcome this hurdle, the company has set up an online system for automating the application and approval process. This has enabled Azure Power to encourage employees and ensure they are able to conveniently opt for any academic courses of their choice. A total of 37 employees had applied for the courses, of which 11 got the final approval to pursue their courses.

By completing the academic courses, these employees have been able to acquire new knowledge and further develop their skill set, which have enabled them to better perform their job as well as gave them the confidence and ability to take up additional responsibilities, and thereby make significant contributions to the company's growth.

Case study: Talent Framework initiative

The prospects of a company's success highly depend on its employees and the conduct and capabilities displayed by them. A talented workforce can effectively realize a company's vision as well as pave the way for its continuous growth. Azure Power, a pioneer in solar power production in the country, firmly believes in this philosophy. In line with this, the company undertook the 'Talent Framework' initiative in January 2020.

The initiative, led by the Learning and Development team, is aimed at bringing objectivity and tangibility to Azure's talent management process. As it's a core principle, the framework follows a structured approach to recruiting, developing, promoting and retaining the right talent in the company. The focus of the initiative is to meet both organizational and individual needs pertaining to talent management.

In laying the foundation to meet the company's objectives, the framework clearly defines a set of competencies that explain the behaviors that Azure would like to inculcate in its employees. The entire employee lifecycle has been mapped to this framework in order to ensure that tangible and objective evaluation of talent is made at each step of the employee lifecycle.

While implementing the framework, Azure faced a number of challenges. To start with, Azure had to identify the key behaviors that it would like to inculcate in its employees. Thereafter, each set of behaviors had to be defined at multiple levels, to project a gradual improvement. The defined behaviors and levels then had to be calibrated with the key stakeholders and management. Finally, all employees at the company had to be educated about the new competencies and framework, and how these would impact their life at Azure. These processes were finalized and performed with the consensus of all employees in the company.

In the end, despite the varied challenges and complexities, Azure was able to successfully implement an objective and tangible talent management process. This initiative has already started reaping benefits for employees across the company and instilled trust among them in the company's employee engagement policy.



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**Engaging with
Communities**

As a solar electric utility, our assets and activities are of a large scale, which at times also impact neighboring communities. As a responsible corporate citizen, we proportionately invest in the development of the communities residing close to our operational sites.

Azure Power has its own CSR Policy in alignment with its CSR vision, principles and values, for delineating its responsibility as a socially and environmentally responsible corporate citizen. The Policy lays down the areas of intervention, principles and mechanisms for undertaking various programs in accordance with Section 135 of the Companies Act 2013. Our corporate responsibility activities are overseen by a Board Committee, titled "Corporate Social Responsibility Committee," which formulates and makes recommendations to the Board CSR Policy.

We conduct socio-economic need-based assessment before initiating CSR activities, and we also conduct regular monitoring to ensure their effectiveness to the intended beneficiaries. Assessment is done using the secondary data and with consultation of local stakeholders like panchayat head, panchayat members, educational institutions, health centers, anganwadi, self-help groups (SHGs), and local and neighboring communities. The board has identified the need for intervention around the following pillars, sanitation, drinking water, education, land & livelihood and energy, in nine (9) states, Rajasthan, Assam, Chhattisgarh, Karnataka, Gujarat, Punjab, Telangana, Uttar Pradesh and Andhra Pradesh.

Number of Trainings and Man-hours for Employees during FY 2019-20

CSR Initiative	States	Value (Million)	Number
Skill Development/ Livelihood Enhancement	Rajasthan, Assam, Punjab	8.632	1,240 Participants
Solar Street Light	Gujarat, Rajasthan, Assam, Chhattisgarh, Karnataka, Telangana, Andhra Pradesh, UP	6.693	419 Lights
Reverse Osmosis (RO) -Water Purifier Installation	Rajasthan, Assam, Karnataka, Punjab, U.P.	5.664	30
Smart Class implementation	Rajasthan, Assam, Karnataka, Telangana, Andhra Pradesh, UP	4.807	21
Dredging/Desilting of Waterbodies	Gujarat	0.839	1
Infrastructure Support for Animal Husbandry 3. Farm Animals: Assam 4. Fencing: Gujarat	Assam, Gujarat	2.317	3
Livelihood enhancement of Armed forces veterans (Distribution of wheelchairs)	Punjab	2.929	20
Tricycles for disabled individuals	Punjab	1.449	40

CSR Initiative	States	Value (Million)	Number
Blankets for vulnerable	UP	0.037	100
Entrepreneurship development	-	0.59	-
Donation Tools of trade for Skill development students	Rajasthan, Assam, Punjab	0.569	131
Donation to NGO Sapna (old care home)	-	0.375	-
CSR Consultancy	PAN India	1.446	-
Total		36.347	

Details of some of the community interventions are as follows:

Provision for Implementation of Skill Development/Livelihood Development Training in Assam, Rajasthan and Punjab

From a socio-economic need assessment study, we have assessed that there is a need for skill development that would enable the stakeholders to take up jobs.

Our intervention was focused towards training of unemployed youth of age group 18-25 years to make them capable of skilled industrial occupations. Other than training and certification, we also try to place them in employment. This will not only upgrade their skills but also help them earn a livelihood. We have trained total of 1,240 participants in three states, namely Rajasthan, Punjab and Assam.



Installation of solar streetlights

Most of our project locations are remote, and do not have access to grid electricity. During our interaction with the stakeholders, we have understood that lighting up the roads and streets is

their basic requirement. So, under this initiative, 419 solar streetlights have been installed in states, namely, Gujarat, Rajasthan, Assam, Chhattisgarh, Karnataka, Telangana, Andhra Pradesh and Uttar Pradesh. The installation of solar streetlights at an affordable cost has increased the level of safety on roads and streets, allowing for more economic and social activities.



Reverse Osmosis (RO) – Water Purifier Installation

Most of the villages under the socio-economic need assessment study lack clean drinking water. From the stakeholder consultation, particularly with the local community president (Panchayat), we understood that there was fluoride contamination in the water and the locals were facing various health ailments. So, to improve drinking water standards and minimize resulting health conditions, we installed a RO water purification system at the village for treating drinking water which is supplied to every household.

The Memorandum of Understanding (MoU) was signed with the Panchayat in the presence of the government department concerned. The capacity of the RO system is built based on an estimate of the population of the village and water demand.





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Annexure

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