Community meeting - Taiba, Senegal

Vestas' Social Management System

Version 01

Valid from June 2020

Table of Contents

1. INTRODUCTION

The world needs renewables in its transition to a low-carbon economy. By developing and delivering sustainable energy solutions, Vestas is playing an essential role in the transition to a low carbon economy, and ultimately tackling the issue of climate change. However, ensuring that this transition is inclusive and responsible for the communities where Vestas is present, is key to running our business sustainably. Vestas is therefore committed to respecting human rights by reducing our negative impacts on local communities where we are present, whilst enhancing positive impacts, as an integral part of how we do business.

Financiers are increasingly understanding that managing social risks is a critical success factor to complete large infrastructure projects, including wind parks, particularly in emerging markets. Without the SLO, the project risks becoming delayed or even failing as the local communities withdraw their support and potentially block the project's progress.

To operationalise our commitment, Vestas uses the concept "Social License to Operate" (SLO). Building on this concept, Vestas has developed its own social framework, informed by good international industry practice, to create the social license to operate connected to the construction and operation of wind parks. The international standards referred to include the International Bill of Human Rights, the fundamental conventions of the International Labour Organisation (ILO), and globally recognised international financial performance standards such as the IFC Performance Standards on Environmental and Social Sustainability.

Furthermore, core to Vestas' approach are the UN Guiding Principles on Business and Human Rights (UNGPs). The UNGPs provide the framework for how businesses can avoid causing or contributing to adverse human rights impacts, by having in place a (i) human rights policy, (ii) due diligence process, and (iii) access to remedy for victims of abuse.

This document outline how Vestas has operationalised our human rights methodology in our market approach supporting Customers creating a bankable project.
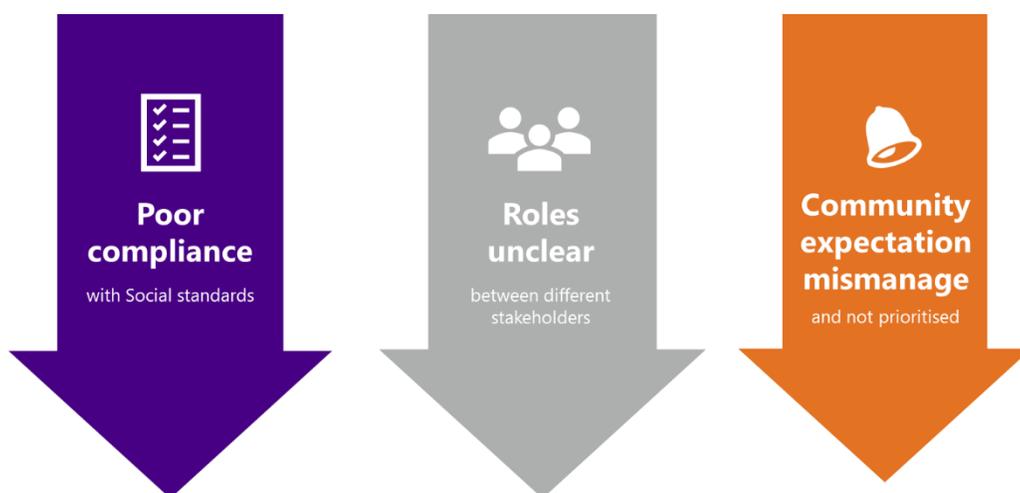
Kristian Heydenreich,
Senior Director, Compliance & CSR

2. VESTAS' SOCIAL LICENSE TO OPERATE

Gaining, and maintaining, the Social License to Operate (SLO) is increasingly recognised as a critical success factor to complete large infrastructure projects, particularly in emerging markets. If a wind park project fails to maintain the SLO, it is likely that the project will experience disruptions and delays, such as road blockades, strikes, and ensuing litigation, causing project cost overruns. Ultimately, continued degradation and eventually loss of the SLO can force the cancellation of a project, resulting in financial loss and reputational damage.

Unlike legal licenses, it is not possible to apply for a social license. The SLO exists when a project has the ongoing approval and acceptance from the local community and other stakeholders. Hence, Vestas – or its Customer -- may have a social license for one project but not for another project in the same country/region.

Vestas' experience in several emerging markets shows that the below three core factors may contribute to loss of SLO if not managed well.

| **Poor compliance** with Social standards | **Roles unclear** between different stakeholders | **Community expectation mismanage** and not prioritised |

The Vestas' SLO framework addresses the core factors throughout Vestas' involvement in a project.

3. VESTAS' FRAMEWORK

At Vestas, we act with integrity in everything we do. This means making the right decisions when faced with difficult situations and ensuring that our actions match our values of Accountability, Collaboration, Simplicity and Passion.

Our values and external commitments are transferred into our Code of Conduct, policies and procedures setting the global standard for all employees in Vestas and for Vestas business partners, and extending beyond national borders, cultures and local traditions.

3.1 Commitments & Policies

Vestas is a signatory to the United Nations Global Compact and the World Economic Forum's Partnering Against Corruption Initiative. Furthermore, we are guided by the International Bill of Human Rights, the Fundamental Conventions of the International Labour Organisation, the IFC Performance Standards on Environmental and Social Sustainability, and the UN Guiding Principles on Business and Human Rights (UNGPs).

The Code of Conduct and related global policies are approved by Vestas' Executive Committee, routinely reviewed and communicated to internal and external stakeholders on Vestas's intranet and website.

- [Vestas Employee Code of Conduct](#) and [Business Partners Code of Conduct](#)

The Vestas Employee Code of Conduct sets the standard for all employees to be able to act with integrity and to make the right decisions when faced with difficult situations. The Vestas Business Partner Code of Conduct outlines the minimum requirements that our Business Partners shall respect and comply with when conducting business with Vestas.

- [Vestas Human Rights Policy](#)

Vestas recognises its responsibility to respect human rights as set out in the United Nations Universal Declaration of Human Rights and according to the framework outlined in the UN Guiding Principles on Business and Human Rights. This commitment, which includes our expectations for Vestas' business partners, is described in the Vestas Human Rights Policy and implemented across the organisation globally.

- [Vestas Freedom of Association and Collectively bargaining](#)

Vestas commits to respecting employees' rights to freedom of association and collective bargaining without interference and free from discrimination. Vestas promote these rights in relations with business partners, as described in the Business Partner Code of Conduct, and will seek to prevent or mitigate any adverse impacts on this right by business partners which are directly linked to Vestas' operations, products or services.

- [Vestas Anti-Slavery and Human Trafficking Statement](#)

Pursuant to the United Kingdom's Modern Slavery Act 2015, and to support greater transparency in this area, Vestas prepares a statement annually. The Statement addresses the steps Vestas has taken to ensure that there is no modern slavery in our own business and our supply chain. Vestas recognises that Modern Slavery (slavery, servitude and forced or compulsory labour and human trafficking) is an emerging global issue, which we need to be alert to and prepared to act on.

3.2 Vestas' Social Due Diligence

Vestas' Social Due Diligence (SDD) methodology identifies and assesses adverse social risks[1]. Through this assessment, Vestas then seeks to avoid, minimise and where not possible compensate for the adverse impact caused by Vestas or our contractors. This approach ensures that Vestas has in place a social mitigation plan on a project, tailored to the particular risks, whilst also seeking to maximise local community opportunities.

The SDD is tailored to the wind industry, implemented globally, and is today an integral part of Vestas' Sales gate process. The SDD process is applicable to Engineering, Procurement and Construction (EPC) projects outside high income OECD countries[2]. Supply & Installation projects are assessed on a case-by-case approach depending on a set of criteria i.e. location and size.

Identification of social risk

Customer and cross-functional dialogue are key during the implementation of the SDD process. This ensures that we in a timely manner clarify any uncertainties linked to identified potential social risks and the division of social roles and responsibilities around i.e. stakeholder engagement, land acquisition, local employment, cultural customs and heritage, community health and safety, or access to remedy for impacted communities and workers.

The Environmental and Social Impact Assessment (ESIA), Environmental and Social Management Plan (ESMP) and the Stakeholder Engagement Plan (SEP) prepared by the developer are the main documents for Vestas' SDD. These documents contain a wealth of information about the local context and potential social risks and is relevant to Vestas when preparing a project specific Vestas' social mitigation plan.

In case of complex projects, or where the project documentation does not meet Vestas' SDD standards, Vestas can decide to make use of external consultants and experts to inform our SDD.

Finally, the SDD is a live document and can be reviewed if there are significant changes to the project development, construction or service phase.

Key social mitigation measures

To oversee implementation of the Vestas Social Management plan, Vestas may decide to hire a project-level social coordinator. The social coordinator is working in close coordination with the Customer's Community Liaison Officer and the respective Vestas project team towards gaining and maintaining SLO.

Based on our experiences and informed by the corporate-wide Human Rights Impact Assessment Vestas has defined four core areas, highlighted below, as being critical to gaining and maintaining the SLO, and supporting successful delivery and commissioning of a project:

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[1] Social risks: Vestas has conducted a corporate-wide Human Rights Impact Assessment across our Value Chain. Part of the process was to "translate" and link social issues addressed in the Vestas Social Due Diligence methodology with potential adverse human rights impacts.

[2] High income Countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea Rep, New Zealand, Netherlands, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Slovenia, UK, US.

(a) Local Employment and 'Local-Local'[3] procurement
Vestas seeks to foster project ownership amongst the communities by creating and offering suitable local direct job opportunities through contractors and subcontractors and enhancing alternative sources of livelihoods through indirect employment/income generation opportunities. Most job opportunities are provided in the construction phase where there is a need for civil and electrical work. In addition, Vestas seek to enhance unskilled job opportunities by employing traffic marshals and patrol leads (especially for projects in difficult and distant terrains), road safety educators, green teams, among others. Sourcing of project construction related materials as per local laws and international norms and standards needs to be taken into consideration and as much as possible this needs to be 'local-local', referred to as from immediate vicinity, district, province as applicable.

(b) Empower and Demystify facts about wind parks through Social Awareness Training
Educating local communities about wind energy is an important step to dispel any misconceptions and unfounded fears, provide community safety training and community liaison as part of efforts to obtain the SLO. Furthermore, training of employees in cultural behaviour is key to avoid any tension between migrant workers and local communities.

(c) Community Engagement
Initially, the project developer is responsible for establishing relations with the people affected by a wind park through public consultations, whereby project information is disclosed, and communities can voice concerns. Community engagement will continue throughout the project life. Vestas also plays an important role in maintaining a sound relationship with the people impacted by the project.

Furthermore, a robust and effective operational grievance mechanism does not only establish avenues to air concerns or grievances but also involves regular interactions from the local communities through the social coordinator. This process ensures that the concern or grievances from community members are heard, responded to and managed through a defined process.

(d) Community Development
The project should identify and work on critical community development areas to uplift the communities socially and economically and improve their overall quality of life in aspects such as social infrastructure development support (i.e. support for healthcare, education, drinking water), skills training for local employment, local cultural activities for community bonding, among others. This not only creates goodwill for the project in the communities, but also provides opportunities to create 'ambassadors' in community who can further communicate to community members positively about the project.

As a practice, Vestas' focus on community development activities is primarily for the period of construction, in order to show commitment in a project area.

Vestas coordinates community development activities with the Customer, so as to synergise efforts and ideally resources too, and to maximise the outcomes and reach.

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[3] "local-local" procurement: Differs from Local Content by providing benefits to the local community by creating business opportunities with local enterprises in immediate vicinity to a project i.e. from the district or provincial level.

Monitoring of actions

Following the SDD process and subsequent action planning for SLO and related activities, it is important to have an in-built monitoring, reporting and communication mechanism in place in order to track mitigation measures, capture progress and resolve any issues or establish necessary course correction that may be needed.

The in-built monitoring mechanism will also help in preparing for any external or third-party audit by the lenders of the project, if this should be requested. Documentation and transparent reporting is key and regular monitoring provides an opportunity to improve.

3.3 Stakeholder engagement & the Operational Grievance Mechanism

Stakeholder engagement

Meaningful stakeholder engagement is key to Vestas. In addition to Vestas' commitment to respect the human rights of local communities and other stakeholders, we also believe that building a sound relationship with stakeholders, and in particular Project Affected People[4], will strengthen our understanding of local communities' concerns, doubts, and expectations. Moreover, a sound stakeholder relationship will contribute to maintaining the SLO.

While approval and acceptance of a project is gained during the project development phase by the Customer through public consultations, the trust building typically first starts when the project begins to materialise during construction and later operation. Vestas' role is to support our Customer maintaining the SLO by ensuring an ongoing reporting back to the communities. Vestas' reporting will depend on our Scope of Work, but can include:

- update if new Environmental, Health and Safety or Social risks emerge;
- progress on construction work;
- progress on implementing project commitments;
- monitoring results on issues that interest the community;
- communicate the benefits generated by the project;

Vestas' stakeholder engagement toolbox includes a variety of engagement tools that can be applied depending on whether we need to inform, involve or collaborate with the stakeholder. The tools are adapted to reflect cultural customs, literacy levels, languages, and educational levels. Furthermore, Vestas seeks to maintain continuity in who deals with the community. Its effectiveness will be reflected in the acceptance, dialogue and business continuity.

Operational Grievance Mechanism

Vestas' Operational Grievance Mechanism (OGM) provides a transparent and fair way for workers, groups or individuals impacted by a project, to raise a concern, complaint or doubt. The Vestas OGM should not be seen as a stand-alone process or a substitute for stakeholder engagement, but rather

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[4] Project Affected People: people or organisations that might be directly affected by the project and/or have been identified as most vulnerable to change. They need to be engaged in identifying potential impacts and decision-making on mitigation measures.

an integral element of Vestas' approach to obtain and maintain the SLO and thereby reduce risks, act as early warning, build relationships and save cost.

In addition, Vestas' global whistle-blower hotline "EthicsLine", can be used to report observed or suspected malpractice.

The process
The Vestas OGM is tested globally. It enables an effective handling of concerns or grievances raised by a project affected party. Moreover, the grievance can be anonymous; the stakeholder is not obliged to facilitate any personal data.

Roles and responsibilities are clearly defined between the Customer and Vestas before the commencement of the project. While the Customer is responsible for concerns and grievances related to i.e. land acquisition and a fair compensation in case of resettlement or economic displacement, Vestas is responsible for concerns and grievances relating to operational impacts i.e. noise, pollution, community's health & safety, and labour conditions on site.

The communication channels can vary depending on local customs and characteristics. The main channel is face to face, but Vestas also uses suggestion boxes, an email address, a toll-free telephone hotline, and regular meetings with affected communities.

In case of a grievance, the Customer and Vestas shall conduct a due diligence to determine (a) if the grievance has any merit, (b) to gain an understanding of the facts associated with the case, (c) if Vestas or any contractor is involved. The closing timeline of the grievance will depend on each case, however, regardless of whether a complaint is accepted or not, a response to the stakeholder must be promptly provided, in an understandable and transparent way.

Vestas ensures that records and evidences are kept in the Vestas global Incident Management System (IMS).

4. IMPLEMENTATION OF THE SOCIAL MANAGEMENT SYSTEM

The development and implementation of the Social Management System is anchored with the Group CSR Department, whilst operational management of the social mitigation plans are anchored with the Construction teams.

To ensure that the SMS continues to meet external expectations, the Group CSR team remain up to date with current trends and changing global and national scenarios, changes in industry practices, and developing international norms and standards with direct or indirect implications to Vestas. Continuously developing the Group CSR team's knowledge and skills is key to our work in informing and preparing the business on social risks and supporting their management.

Lastly, this SMS manual will be reviewed on a regular basis and where found necessary, related policies and procedures will be corrected and improved.

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Classification: Public