



Social and environmental performance

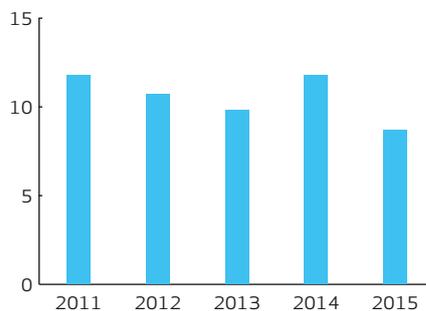
100%

100 percent of Vestas' electricity consumption comes from renewable sources.

CO₂ emissions

Vestas saved the environment of 110,000 tonnes of CO₂ emissions in 2015 by using electricity from renewable sources.

Total recordable injuries
Per one million working hours



Sustainability inherent in Vestas' way of working

Vestas' vision is to be the undisputed global wind leader and this requires excellence in everything that Vestas engages in. Not only does Vestas create sustainable products, it also strives to produce them in a sustainable way.

Vestas believes that in the long term, it is in the best interests of the company, its employees, and its owners to be accountable for Vestas' impact on its surroundings: the environment as well as the local, national, and global communities.

Standards, goals, and priorities

Vestas' standards and goals within sustainability build on global certificates for the three standards ISO 9001 for Quality, ISO 14001 for Environment and OHSAS 18001 for Health and Safety as well as recognised conventions established by international organisations such as the UN, ILO, and OECD.

These standards and goals are reflected in Vestas' social and environmental priorities:

- The lowest possible incidence of recordable as well as lost time injuries – the ultimate goal being to avoid accidents altogether.
- CO₂ impact from wind power must excel against other energy forms.
- As much of the wind turbine as possible must be recyclable after decommissioning.

Vestas joined the UN Global Compact in 2009. The UN Global Compact is a commitment to ten universally accepted principles in the areas of human rights, labour, environment, and anti-corruption.

Combined with additional information about Vestas' sustainability initiatives at vestas.com, this annual report constitutes Vestas' 'Communication on Progress' (COP)¹⁾ under the UN Global Compact. In this way Vestas applies the option stipulated in section 99a of the Danish Financial Statements Act concerning the duty of large enterprises to prepare a corporate social responsibility report by referring to the COP report.

To take sustainability at Vestas to the next level, a Sustainability Committee with cross-functional participation has been established. The role of the Sustainability Committee is to oversee, prioritise, and coordinate cross-functional sustainability initiatives in Vestas and ensure sustained conformity according to UN Global Compact. The committee reports to the Executive Management and the first meeting was held in 2015, with a planned meeting frequency of four times a year going forward.

Code of Conduct

Vestas' Code of Conduct is an inherent part of Vestas' approach to pursuing its strategic objectives and it is continuously being refined and improved as Vestas conducts its business. Such improvements would for instance include revising the Code of Conduct, strengthening the third-party programme, and raising awareness of the whistle-blower system EthicsLine. During 2015, Vestas has also undertaken a bribery risk assessment to ensure that bribery and corruption risks are understood and appropriately managed.

Vestas' Code of Conduct outlines the principles by which the company expects its employees and partners to behave. As a global company operating in many countries and being exposed to a wide range of business cultures, it is essential that the Code of Conduct is continuously reviewed to reflect the changing regulatory and business environment, and ensure it is clearly understood by both employees and partners.

In order to help embed the values and principles outlined in the Code of Conduct, employees must acknowledge Vestas' Code of Conduct during onboarding and at regular intervals, depending on their position within Vestas. It continues to be expected that should any employee become aware of a violation of the Code of Conduct or unethical behaviour, the employee will report this to a manager or EthicsLine.

EthicsLine

Vestas' employees and stakeholders should feel empowered to anonymously report unethical behaviour; to this aim the company has continued to raise awareness of the EthicsLine throughout 2015, in particular the visibility of the reporting facility.

Vestas received a total of 91 inquiries through EthicsLine in 2015 compared to 46 in 2014. For all substantiated compliance cases closed in 2015, various disciplinary sanctions and other actions such as training, policy updates etc. have been taken leading to eight warnings and 15 dismissals.

Reporting categories

Number

	2015	2014
Questions submitted to EthicsLine	4	3
Compliance cases reported	87	43
– hereof substantiated	21	7 ²⁾
– hereof non-substantiated	53	36 ²⁾
– Case under investigation end year	13	0
Total	91	46

Safety

Through the dedicated efforts of its employees and supervised contractors, Vestas reduced the rate of lost time injuries in 2015. At the end of 2015, the incidence rate was 1.5 compared to 1.6 in 2014. By putting safety first, Vestas has significantly improved its lost time injuries per one million working hours for ten years in a row.

Total recordable injuries

In 2015, a new safety KPI was introduced in Vestas focusing on 'total recordable injuries', which in addition to 'lost time injuries' includes 'restricted work injuries' and 'medical treatment injuries'. Total recordable injuries represents a broader number of injuries giving a broader perspective of where unsafe behaviour takes place and unsafe material is used. This allows Vestas to evaluate and target injury reduction programmes more effectively. The target for 2015 was 10.1 total recordable injuries per million working hours and with a year-end incidence rate of 8.7, the target was reached. The target for 2016 is 8.0.

While the overall incidence rate on injuries was kept at a satisfactory low level, tragically, during 2015 a Vestas employee and an employee of a Vestas contractor suffered fatal injuries. The root causes of the accidents have been identified as human errors due to lack of compliance with existing safety processes.

New safety initiatives implemented

The Vestas Behaviour Change (VBC) program uses observation and feedback conversations to correct behaviour and decision-making processes that still result in risks of accidents and ill health. Behaviour programmes have been implemented in nine factories globally and all wind power plants in Australia, New Zealand, Canada, and the USA. Another four factories are in the pipeline and the remaining Vestas factories

1) Read more: www.unglobalcompact.org/participant/9947-Vestas-Wind-Systems-A-S.

2) Numbers updated with cases that were open end 2014 and were closed in 2015.

are implementing safety culture maturity programmes in preparation for the VBC. Sites implementing the program have experienced more employee involvement and ownership of safety and a greater focus on working in a safe way.

As Vestas' own internal safety performance has improved and matured strongly over the years, increased focus has been placed on contractors to improve their safety performance. To support this initiative, Vestas has established a set of Global Contractor Health and Safety requirements. These requirements clearly define the health, safety, and training standards mandatory for its contractors on any Vestas site. And in 2015, subcontractor health and safety workshops were established to harmonise standards.

The Global Wind Organization

Vestas also plays an important and instrumental role in actively supporting and promoting the Global Wind Organization (GWO). The GWO has become the recognised industry organisation that has identified and established the basic safety training for all people working on wind turbine sites.

This is in line with Vestas' strategy to never compromise Vestas' leading position within the areas of quality, technology, and safety.

Human rights and labour practices

Vestas recognises its responsibility to respect the Bill of Human Rights. Commitments, including expectations to Vestas' business partners, are outlined in the Vestas Human Rights Policy implemented across the organisation. The policy is available at vestas.com.

To ensure that social and environmental risks and impacts are identified, prevented, and mitigated, Vestas conducts Social and Environmental Due Diligence (SEDD) on its wind power projects. The SEDD follows the Environmental and Social Performance standards of the International Finance Corporation and the World Bank Environmental, Health, and Safety guidelines for wind power plants. The due diligence process generates a Social Risk Report with mitigation actions that are integrated into project plans to ensure integrity in the project execution.

A recent example of applying this framework is the wind energy project in Tafila, Jordan, where Vestas has installed 38 V112-3.0 MW™ turbines. In the planning phase, social risks were identified within the area of local employment and livelihood, and the mitigation actions involved setting up a local employment system that took into consideration a balance in the workforce between the different villages. To ensure awareness of the project and communication about the project development, Vestas engaged with the affected communities.

Employees

Throughout 2015, Vestas has experienced an increase in activity level within the production area. As a result, Vestas has increased the number of employees with 2,909 compared to 2014. The increase can primarily be attributed to an increase in the amount of hourly-paid employees.

Diversity

As stipulated as a requirement in section 99b of the Danish Financial Statements Act, Vestas has a policy to offer all employees equal opportunities. Vestas aims for a more equal distribution of gender among employees in leadership positions. In 2015, the share of women at management level within Vestas was 18.2 percent, compared to 17.9 percent in 2014.

When recruiting, Vestas has always strived at assuring that both genders are represented in the search process and continues to do so. Where possible, both genders are always represented in the short-list for management positions. Further, Vestas is making an effort to

expose the engineering opportunities to women, in order to attract more female candidates to the company.

By the end of 2015, Vestas' workforce represented 85 nationalities. Non-Danish nationals held 57 percent of the positions in the top management layers – an increase of 8 percentage points over the course of the last five years. The development mirrors the continued globalisation of the Vestas Group with Vestas' Executive Management team itself as an example of increased diversity with members from Denmark, France, Spain, and Sweden.

The Board of Directors believes that its members should be chosen for their overall competences, yet it also recognises the benefits of a diverse board in respect of culture and gender etc.

The Board of Directors pursues the goal of having several nationalities of both genders. In addition, the Board of Directors focuses on having a diverse age distribution. However, these goals must not compromise the other recruitment criteria.

The Board of Directors consists of eight members elected by the shareholders:

- two women and six men;
- one from Finland, three from Sweden, and four from Denmark; and
- mean age of approx 56.

The Board of Directors' ambition regarding diversity is unchanged – the under-represented gender should constitute two to three board members elected by the general meeting no later than in 2017.

Global bonus programme

All employees contribute to the same value creation and provide support to the same customers, regardless of whether they work in a support function or in developing, manufacturing, marketing, selling, installing, or servicing wind turbines. As such, all employees are rewarded when Vestas achieves a set of KPIs, which helps accomplish Vestas' strategic goals.

As the targets for bonus pay-out were achieved in 2015, a global bonus of EUR 101m will be paid out to all employees (cash effect 2016), compared to EUR 82m in 2014 (cash effect 2015).

Satisfaction survey

Each year, Vestas conducts an employee engagement/satisfaction survey to measure how Vestas employees perceive their daily workplace, and subsequently finds areas where Vestas can become an even better place to work. Vestas conducted the annual employee satisfaction survey in October 2015, and the response rate was 94 percent – 1 percent higher than in 2014. The overall satisfaction and motivation index was 71 in 2015, compared to 69 in 2014, which is a very satisfactory development, and the best result ever for Vestas.

Environmental footprint

Manufacturing, transporting, installing, and servicing wind turbines consume large volumes of steel and concrete and require energy-intensive global logistics. A V112-3.3 MW™ turbine weighs more than 340 tonnes, and thousands of wind turbines are installed every year. A prerequisite for Vestas' continued development is therefore a constant focus on minimising its environmental footprint.

Carbon footprint target for the V112 turbine reached

Vestas had set a goal to reduce the CO₂ emissions by 15 percent from 2011 to 2015, based on the Life Cycle Assessment (LCA) of the V112-3.0 MW™ turbine and medium wind speed conditions. With the new LCA report that was released in the third quarter of 2015, the data show that Vestas has reached this ambitious product-related reduction target and that the environmental impacts of Vestas' turbines have improved.

The main reasons for the improvements are environmentally-led initiatives (for example SF₆ gas take-back scheme) and product upgrade initiatives (increased energy production and product optimisation such as reduced steel needed in the tower).

Environmental strategy

Vestas' environmental strategy has been set for 2016-2020 aiming to support our business offering and operational excellence.

Turbine performance

The target for reduction in product carbon footprint will be 5 percent by 2020 from a baseline of 6.9 grams CO₂ per kWh in 2015. An improved performance measure covering all wind classes of the 3 MW platform and aligning more closely with Vestas' wind turbine range and commercial offering has been implemented. As such, the carbon footprint performance over the previous five years has been adjusted, which gives a slight increase in CO₂ emissions due to these accounting changes.

The target for recyclability is replaced with a measure for the amount of waste per kWh with a 3 percent reduction by 2020 from a baseline of 3.7 grams waste per kWh in 2015. The product waste target is adjusted to reflect the same scope as for carbon footprint.

Vestas performance

The target for Vestas' energy consumption is to reach a 60 percent share of renewable energy in 2020 from 55 percent in 2015. The road to the target will be both improvements in energy efficiency and further transition to renewable energy.

Renewable electricity

Vestas has defined a goal that all electricity consumption in Vestas must come from renewable energy sources, subject to availability, which continued to be fulfilled in 2015. This was achieved partly by purchasing renewable electricity where available, partly by compensating for the consumption of non-renewable electricity with Vestas-owned wind power plants, which at the end of 2015 comprise approx 180 MW.³⁾ As a result, Vestas also lives up to the WindMade™ criteria by having all of its electricity coming from WindMade™ compliant energy.

Life Cycle Assessment

In 2015, 97 percent of the MW delivered by Vestas was covered by a publicly available, full ISO 14040/44 LCA. LCA is used to identify and evaluate the environmental impact throughout the lifetime of a wind power plant. Based on the LCA, informed decisions are made to minimise overall environmental impacts.



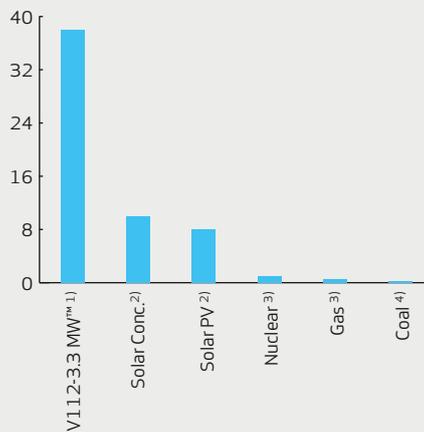
Energy payback

A V112-3.3 MW™ turbine is energy neutral within six and a half months of operation. This means, that within six and a half months, the wind turbine has generated as much energy as the suppliers and Vestas together spend on manufacturing, transporting, installing, and dismantling the wind turbine in its 20-year lifetime.

Over the life cycle of a V112-3.3 MW™ wind power plant, it will return 38 times more energy back to society than it consumed. So when 1 kWh is invested in a wind energy solution, the return is 38 kWh. Whereas an investment of 1 kWh in coal typically provides 0.28 kWh in return.

Energy payback by energy source

Number of times



3) Read more: Consolidated social and environmental statement. Vestas annual report 2015, page 129.

1) Vestas, (2015). Life Cycle Assessment of Electricity Production from an onshore V112-3.3 MW Wind Plant – 21 September 2015, version 2.1. Vestas Wind Systems A/S, Hedeager 42, Aarhus N, 8200, Denmark.
 2) The Offshore Valuation: A valuation of the UK's offshore renewable energy resource. Published in the United Kingdom 2010 by the Public Interest Research Centre. ISBN 978-0-9503648-8-9.
 3) PE International (2012). PE International - GaBi 6 databases 2011, LBP, University of Stuttgart and PE INTERNATIONAL GmbH.
 4) World Coal Association. Coal & the Environment - Coal Use & the Environment - Improving Efficiencies.