



Vestas has a goal of zero injuries and firmly believes that all injuries can be prevented if every hazard is managed and the correct behaviour is in place wherever Vestas employees and contractors are working around the globe.

Social and environmental performance

Vestas strives for driving social and environmental sustainability in operating the business and its impact on the communities where the company plays a role. This approach strives to achieve the company's mission of benefitting the planet in delivering best-in-class renewable energy solutions for Vestas' customers.

Vestas acknowledges that producing solutions to harness wind energy makes a small negative impact on the environment. Together with its suppliers and customers, Vestas is committed to reducing this impact to the greatest extent possible, and believes that it is a corporate obligation. Minimising Vestas' environmental impacts include those manifested over the operational lifetime of a wind turbine. Progress was made in 2017, with the product carbon footprint target set for 2020 – a reduction of 5 percent versus 2015 – reached three years ahead of schedule, and a target for further reduction by 2020 has been set.

Vestas continues to increase the share of renewable energy consumption and has joined the organisation RE100, underlining the commitment to 100 percent renewable electricity. Since end of 2016, Vestas has increased the share of renewable energy of its total energy consumption from 52 to 57 percent.

Vestas' commitments to sustainability are also reflected in the Code of Conduct and supporting policies on human rights, health, safety and environment. In 2017, the new Code of Conduct was rolled out to employees and business partners.

To support social sustainability, Vestas conducts Social Due Diligence to ensure social risks are mitigated and community development opportunities are identified. Such initiatives are right now ongoing in markets such as India, Mexico, and South Africa.

In 2017, Vestas continued to reduce the number of injuries and managed to stay below the target rate. Despite a continued reduction in injuries, a Vestas employee and a contractor employee suffered fatal injuries. A number of health and safety initiatives were started in 2017, complementing existing initiatives that continue to be rolled out.

Sustainability in Vestas

Vestas' vision is to be the global leader in sustainable energy solutions. This requires a global approach to sustainability that encapsulates the three core concepts: environmental, social, and economic sustainability. For Vestas, the concept of continuous improvements in these areas forms the baseline for how Vestas works.

In addition to creating sustainable products, Vestas also strives to produce them in a sustainable way. Key to sustainability at Vestas is partnerships with customers, suppliers, and local communities. Vestas believes that in the long term, it is in the best interests of the company, its employees, and its shareholders to be accountable for Vestas' impact on its surroundings: the environment as well as the local, national, and global communities.

One approach, globally

Vestas' commitment to sustainability goes beyond producing, installing, and servicing wind turbines. The company is a signatory to the international initiatives in the United Nations Global Compact and the World Economic Forum's Partnering Against Corruption Initiative. These public commitments form the foundation of Vestas' global business approach and are expressed in the company's Code of Conduct for employees and business partners.

UN Sustainable Development Goals

Furthermore, Vestas' approach is informed by the current global agenda: Vestas is committed to supporting the UN Sustainable Development Goals (SDGs). The SDGs are integrated into Vestas' sustainability approach, which allows identifying the goals where the company can add most value.

Six SDGs have been identified, which support the approach on how sustainability is powering development for Vestas and for its stakeholders and the many communities where the company plays a role. With SDG No. 7, Affordable and clean energy as the overarching goal, the other five selected SDGs are: Quality education (4); Decent work and economic growth (8); Responsible consumption & production (12); Climate action (13); and Partnerships for the goals (17).

The selected UN Sustainability Goals that will guide Vestas' sustainability approach.



Global certificates

Supporting its public commitments, Vestas' operations specifically builds on global certificates for these three standards: ISO 9001 for Quality, ISO 14001 for Environment, and OHSAS 18001 for Health and Safety.

In committing to, and implementing, international sustainability initiatives, standards, and goals spanning the sustainability spectrum, Vestas is able to back its intent to power sustainability, both within the organisation and beyond.

Communication on Progress (COP)

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 statutory duty of large enterprises to report non-financial information by referring to the COP report.

The principal sustainability risks and opportunities related to Vestas' operations are identified as: occupational injuries of employees and contractors; carbon footprint of wind turbines, and impacts on human rights in communities where Vestas operates. Policies and associated due diligence address these risks and opportunities.

Code of Conduct

Vestas' commitment to social sustainability is also reflected in the way that the company works. The Vestas Employee Code of Conduct and Business Partner Code of Conduct outline the rules and principles by which Vestas expects its employees and business partners to behave. These rules and principles are based on international rules and principles and cover the areas of health and safety, human rights, bribery and corruption, environment, and protection of company assets, information and reputation.²⁾

With the launch of the new Employee and Business Partner Code of Conducts in the fourth quarter of 2016, Vestas has been focused on rolling out the new codes throughout 2017.

Salaried employees were introduced to the Code of Conduct in late 2016, and in 2017, the roll-out continued to include hourly-paid employees, with a focus on increasing awareness of Vestas' global standards. As part of their introduction to the new Employee Code of Conduct, hourly-paid employees were invited to participate in case dilemmas and discuss issues within their teams. All new salaried employees are required to complete the new Employee Code of Conduct e-learning as part of their on-boarding. High-risk employees receive tailored face-to-face training, in conjunction with the business ethics training.

Key suppliers have been introduced to the Business Partner Code of Conduct at supplier days, and it has been implemented in all contracts.

Business ethics

Vestas' compliance initiatives and processes aim to address the risks arising from changing legal and market conditions. Development of new initiatives as well as modification of existing initiatives works to ensure a risk-based and adequate compliance setup. These initiatives support an ethical behaviour among Vestas' employees and business partners by ensuring that they are familiar with its business ethical standards. Sanction screenings and Integrity Due Diligence continue to be an integrated part of the business.

In 2017, the main activities have been aimed at:

- Increasing transparency through a company-wide web-based Gifts and Business Entertainment Register
- Ensuring risk-based screening and due diligence of business partners
- Ensuring easy access for employees to information about guidelines and contact information online for the areas covered in the Vestas Employee Code of Conduct activities
- Strengthening awareness through mandatory Code of Conduct sign-off (and associated guidelines) for all salaried employees

1) Read more: www.vestas.com/en/about/sustainability.

2) The Codes of Conduct can be downloaded from vestas.com/en/investor/corporate_governance#!governanceprinciples.

EthicsLine

Vestas works to ensure that compliance violations are always brought forward and dealt with accordingly. The Employee Code of Conduct makes it mandatory for managers to report compliance violations to EthicsLine and employees are strongly encouraged to report compliance violations to their managers or via EthicsLine.

Vestas continued to raise awareness of EthicsLine in 2017. Vestas' employees, business partners, and stakeholders should always feel empowered to report unethical behaviour – anonymously or openly.

Vestas received a total of 138 cases/reports through EthicsLine in 2017, compared to 111 in 2016.

EthicsLine cases

Number

	2017	2016
Questions submitted to EthicsLine	14	8
Compliance cases reported	105	87
– hereof substantiated	31	19
– hereof non-substantiated	74	68
Cases under investigation end of year	19	16

The substantiated cases closed in 2017, including cases opened in 2016, have led to various disciplinary actions such as 22 warnings and 14 dismissals.

Human impact

Vestas considers its employees to be its most important asset. Therefore, health and safety are consistently given highest priority to provide and maintain a safe and secure workplace for all employees. Vestas is strongly committed to human rights and employees' rights, as stated in the International Bill of Human Rights and the eight core conventions of the International Labour Organization.

Employees

Throughout 2017, Vestas has experienced an increase in activity level within the service area. As a result, Vestas has increased its number of employees with 1,479, compared to 2016.

Vestas employees as at 31 December 2017

FTE

	Europe, Middle East, and Africa		Asia Pacific	Total
	Americas			
Power solutions	5,699	3,039	3,354	12,092
Service	5,050	2,134	1,268	8,452
Others	1,646	344	769	2,759
Total	12,395	5,517	5,391	23,303

Employee satisfaction

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 September 2017, and the response rate was 95 percent – the same as in 2016, which is a very satisfactory level.

The result of the overall satisfaction and motivation index was 71 in the 2017 survey, compared to 72 in 2016. Although a small decrease on the main satisfaction score, there is an increase in three out of eight drivers, the rest remain the same as in 2016.

The drivers are important in working with how to improve engagement with employees, and the results are used as a guide for follow-up actions.

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 measure progress on Vestas' strategic goals.

As the targets for bonus pay-out were achieved in 2017, a global bonus of EUR 11.2m will be paid out to all employees (cash effect 2018), compared to EUR 12.0m in 2016 (cash effect 2017).

Health and safety

In 2017, Vestas reduced the incidence of total recordable injuries per one million working hours to 5.3, compared to 6.9 in 2016, keeping below the target of max. 6.0. A new target of max 4.8 has been set for 2018. For the more narrow category of lost time injuries, the incidence rate was 2.0.

Incidence of injuries

Per one million working hours



The significant improvement of total recordable injuries in manufacturing is in part attributable to the Vestas Behavioural Change (VBC) programme, which is now firmly implemented in 13 factories, plus at all service sites in New Zealand and Australia. The VBC programme, which is to be rolled out to all Vestas factories and service sites, depending on local safety maturity, is an employee-led observation programme, which identifies safe and at-risk behaviours with the opportunity of immediate remedial action to prevent injuries. The VBC programme also encourages safety dialogues between employees at every level of the organisation.

While the overall incidence rate on injuries was kept at a satisfactory low level, a fatal incident tragically occurred in 2017, when a Vestas service technician fell from the nacelle of a wind turbine. Investigations by the authorities have not yet been concluded, but the incident is nevertheless a reminder of the dangers of working at heights and the importance of following Vestas' safety procedures at all times.

In addition, in March a tragic accident occurred in India at a wind power plant when an employee of a service contractor moved beyond the lockout-tagout electrical isolation boundaries. He received an electric shock and later died of his injuries. The root cause of the incident has been identified and appropriate remedial actions implemented.

Safety initiatives

With the implementation of safety initiatives, Vestas contributes to SDG No. 8, Decent work and economic growth.

A key behavioural safety training programme has been developed which, when implemented, will support the development and maturity of the Vestas safety culture. The programme, called My Team My Responsibility (MTMR), complements existing Vestas safety tools and will eventually cover all Vestas employees, customised to particular environments and job roles. Vestas' contractors will likewise be introduced to the programme.

MTMR introductory pilots have been successfully conducted in Northern Europe and several factories globally. A full internal MTMR implementation roll-out plan, dependent on the safety maturity of each region, will be identified. MTMR contractor safety workshops have also been held in Europe, China, Australia, India, and the USA. The intention is to carry out workshops on an annual basis.

An occupational health and safety strategy was launched in 2017. The overall ambition of the strategy is to raise the profile of occupational health and establish and implement a baseline standard. The ultimate goal is that when employees leave or retire from Vestas they should be able to reflect on their career and consider that their physical and mental wellbeing has been enhanced due to the conscientious focus Vestas places on occupational health and safety. The first phase of this strategy, which was to conduct a global mapping of occupational health practices, has been completed. A white paper giving guidance to the business will be produced and communicated.

In 2017, absence due to illness increased by 0.1 percentage points for hourly-paid and remained stable for salaried employees compared to 2016.

Social sustainability

Vestas has actively integrated social sustainability into its business. Building on its established sustainability approach, there is a natural link to the UN Sustainable Development Goals (SDGs). The social sustainability work contributes in particular to SDG No. 4: Quality education, and SDG No. 8: Decent work and economic growth.

Vestas recognises its responsibility to respect human rights as set out in the UN Guiding Principles on Business and Human Rights. This commitment, which includes its expectations for Vestas' business partners, is outlined in the Vestas Human Rights Policy and implemented across the organisation. Vestas' responsibility to respect human rights forms the foundation of the social sustainability approach.

Social Due Diligence

To support Vestas' emerging markets entry strategy and ensure that Vestas obtains the social license to operate, Vestas has developed a Social Due Diligence (SDD) methodology. The SDD is targeted at ensuring that social risks and impacts are identified, prevented and mitigated in Vestas wind power plant projects.

For projects in scope, Vestas conducts an assessment of the project and the affected local communities. The SDD enables, for example, identification of local community development projects. The clear strategy to work with the SDGs therefore enables prioritisation of which local community development projects to initiate.

Vestas strives to work closely with customers to assist them in securing and maintaining the social license to operate during construction and operation of projects, according to international standards. Vestas' SDD process plays a central role in informing the dialogue with the customer concerning its social license to operate in the particular project. In addition to the ongoing dialogue with relevant stakeholders, the establishment of project-level grievance mechanisms available to workers, affected local communities, and other stakeholders play a vital role. Overall, Vestas' approach contributes to lowering the societal risks associated with a project.

Local community development

Vestas understands the importance of sustainably investing in local communities. When Vestas enters new markets, builds wind power plants, sets up new factories, or expands its existing presence, the company seeks opportunities to sustainably support the local communities in which Vestas is present, with a long-term mindset.

In order to identify and prioritise opportunities, Vestas primarily focuses on education, training, and job possibilities (SDGs Nos 4 and 8) in the local area. Examples of this work include initiatives in Mexico, India, and South Africa, as described below.

In Tamaulipas, Mexico, Vestas has made an agreement with 16 universities on education and training in the field of wind energy. In cooperation with the state's Ministry of Education, Vestas will be offering the training, including onsite learning, to prepare the local labour market for the future demands in the wind power industry.

In India, Vestas' community development and engagement projects relate to manufacturing facilities and service sites, as well as wind power plants under construction, and education is a major priority area.

One ongoing initiative near Vestas' new blade factory, inaugurated in March 2017, involves training of 200 school teachers in science, math, and environmental issues. Eventually, the aim is to reach around 20,000 primary and high school students in the Indian state of Gujarat.

Similar projects have been initiated in 2017, which will benefit more than 1,700 rural school children near the EPC project site in Karnataka state and 250 school children in two villages near a service site in the Maharashtra state, through technology-aided learning and a safe school campus. The initiatives are planned to continue throughout 2018.

Apart from initiatives focused on education, in India Vestas is also working to improve sanitation in rural communities and will reach out to 2,000 children on sanitation awareness and behavioural change. This project includes the plan to provide around 800 rural households near Vestas' new blade factory with clean water in 2018.

In South Africa, Vestas complies with the Broad-Based Black Economic Empowerment (B-BBEE) legislation via initiatives that are aligned with Vestas' local community development approach and focus on education. Vestas works actively to improve educational outcomes in primary school learners, increasing capacity of teachers and principals of partner schools, and partnering with local organisations to address the contextual issues that hinder educational advancement. These initiatives target primary education as a foundation that enables broad-based economic empowerment.

Environmental impact

A single Vestas wind turbine:

- will generate around 30 to 50 times³⁾ more energy than it uses in its entire lifecycle and
- over its entire lifecycle only emits around 1 percent of carbon dioxide per kWh when compared to a coal power plant.

As the wind power industry is expected to account for a growing share of the future energy mix, it is important that Vestas acknowledges that when producing solutions to harness wind energy, a small negative impact on the environment is made.

Vestas is committed to reducing this impact to the extent possible, together with its suppliers and customers, and believes that it is a prerequisite for Vestas' continued development. Improvement in wind turbine efficiency and reduction in environmental impact both contribute to SDG No. 7, Affordable and clean energy.

3) Return on energy varies, depending on e.g. wind turbine and wind power plant configuration, including factors such as plant siting, site-specific wind conditions (i.e. low, medium, or high IEC wind), blade-swept area, wind turbine generator rating, and wind turbine hub height.

A wind turbine in operation saves CO₂ emissions. The CO₂ savings over the lifetime for the MW produced and shipped in 2017 were 317 million tonnes, an increase of 23 percent compared to 2016, due to a higher amount of MW produced and shipped in 2017.

Life cycle assessment

In 2017, 99 percent of the MW delivered by Vestas was covered by a publicly available, full ISO 14040/44 Life Cycle Assessment (LCA). The 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 reduce overall environmental impacts.

Carbon footprint

The target for reduction in product carbon footprint of 5 percent by 2020 – from a baseline of 6.9 grams CO₂ per kWh in 2015 – was met in 2017. Carbon footprint has been reduced by 7.1 percent⁴⁾ on wind turbines on the 4 MW platform. This is primarily due to significantly increased energy production in all wind classes and optimised wind turbine design, leading to lower material requirement per kWh.

A new target has been defined, which is a reduction of carbon footprint by 10 percent by 2020 from a baseline of 6.60 grams CO₂ per kWh in 2017. The carbon footprint performance has been adjusted from the 2015 baseline, which shows a slight increase in the reported CO₂ emissions due to these accounting changes.

Product waste

Vestas' target for product waste has been met and significantly exceeded, achieving an improvement of 12.5 percent, compared to a target of at least 3 percent versus a 2015 baseline. This is primarily driven by advanced blade design and construction, increasing wind turbine energy production without increasing product waste in all wind classes.

A new target for product waste is adjusted to reflect the same scope as carbon footprint, with a target of 7 percent reductions by 2020 versus a baseline of 0.178 grams waste per kWh in 2017. It should be noted that a calculation correction is made for product waste, where previously the annual energy production (AEP) was calculated for one year rather than the 20-year design life.⁵⁾

The majority of a Vestas turbine is recyclable. On the road to achieving 100 percent recyclability, the composite materials of the blades comprise the largest component yet to be made recyclable. To address this issue, Vestas continues to work in the DreamWind project (Designing Recyclable Advanced Materials for Wind Energy) that aims at developing new sustainable composite materials for blades.

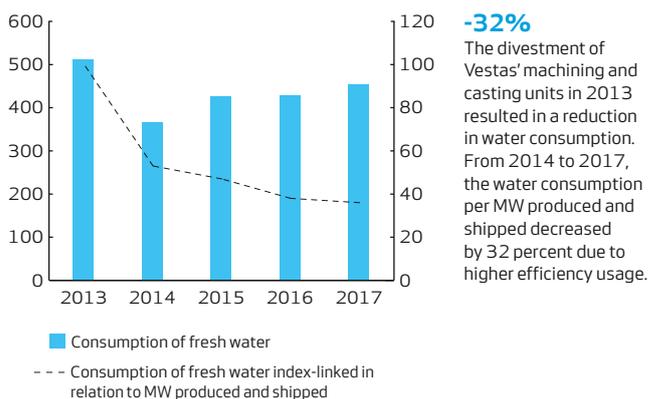
Furthermore, during wind turbine operation and maintenance, Vestas has developed new advanced repair services which include a comprehensive offering of up- and down-tower repair solutions for gearboxes, generators, minor components, and blades. This retains the maximum value of materials from an environmental and circular economic perspective. For example, Vestas' Life Cycle Assessment is used to determine the environmental benefits of repair, which shows up to 90 percent savings in material weight and up to 95 percent saving of carbon footprint for the repaired item.

Environmental performance

For Vestas' activities in designing, manufacturing, installing, and servicing wind turbines, performance is reported in terms of inputs of resources and outputs of CO₂ emissions and waste. Increased production and service in 2017 compared to 2016 was not to the same degree reflected in the consumption of water and energy and emissions of CO₂ and waste, which increased relatively less than the increased production level due to improved efficiency.

Consumption of fresh water

1,000 m³ · Index

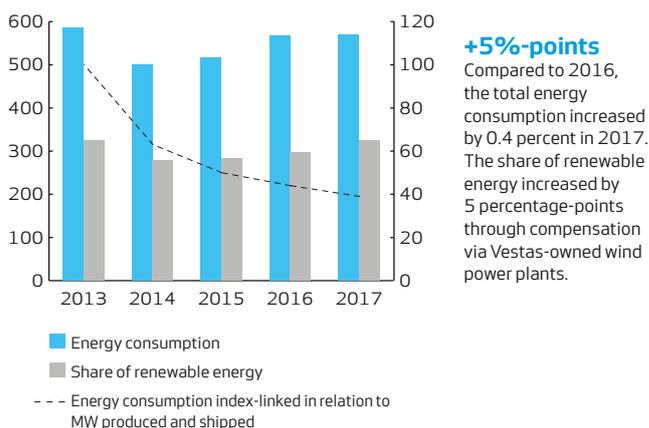


Resource utilisation

In 2017, Vestas' total energy consumption increased by 0.4 percent. When index-linked to MW produced and shipped, Vestas' energy consumption decreased 11 percent compared to 2016.

Energy consumption and share of renewable energy

1,000 MWh · Index



The target for Vestas' energy consumption is to reach a 60 percent share of renewable energy in 2020 from 55 percent in 2015. The non-renewable energy is used in equal share in Power solutions and Service. To reach the target, Vestas will improve energy efficiency, gradually transition to renewable energy, and compensate with renewable electricity from Vestas-owned wind power plants. With a combination of these options, the share of renewable energy in Vestas' total energy consumption increased from 52 percent in 2016 to 57 percent in 2017.

Vestas has defined a goal that 100 percent of electricity consumption in Vestas must come from renewable energy sources, subject to availability, which continued to be fulfilled in 2017. This was achieved partly by purchasing renewable electricity where available, and partly by compensating for the consumption of non-renewable electricity with Vestas-owned wind power plants. In 2017, Vestas joined the organisation RE100, whose members commit to 100 percent renewable electricity.

4) Results are based on the ISO LCA reports published in July 2017 for the V112-3.45 MW* (IEC1a), V126-3.45 MW* (IEC2a) and V136-3.45 MW* (IEC3a).

5) AEP was calculated for 1 year rather than over the 20-year lifetime, giving a figure for grams waste per kWh as twenty times higher than should have been for the 2015 baseline.

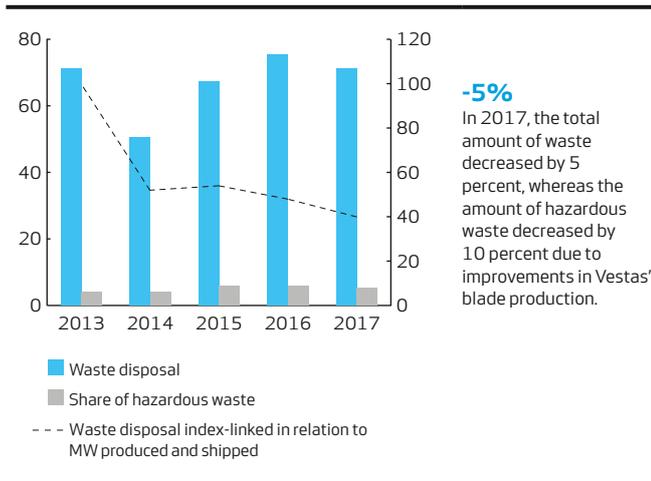
In 2017, water consumption increased by 6 percent compared to 2016, as production has started at the new blade factory in India. When index-linked to MW produced and shipped, water consumption decreased 6 percent compared to 2016.

Emissions

In 2017, the amount of waste decreased by 5 percent compared to 2016. When index-linked to MW produced and shipped in 2016, Vestas decreased its amount of waste by 16 percent compared to 2017. In 2017, 55 percent of the total volume of waste was recycled. The share of recycled waste increased 6 percentage point compared to the year before due to dedicated efforts at the blade factories in the USA. In 2017, the share of hazardous waste was 5,274 tonnes compared to 5,930 tonnes in 2016.

Waste disposal and share of hazardous waste

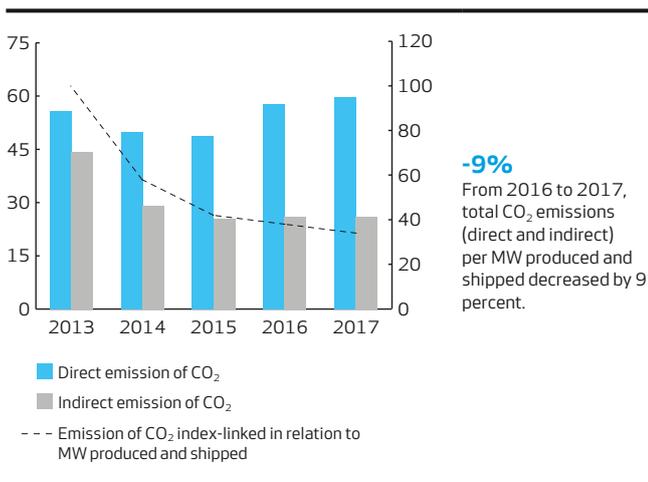
1,000 tonnes · Index



Vestas increased its direct CO₂ emissions by 3 percent in 2017, and the indirect CO₂ emissions remained stable. When index-linked to MW produced and shipped in 2017, Vestas decreased its CO₂ emissions by 9 percent compared to 2016.

Direct and indirect CO₂ emissions

1,000 tonnes · Index



Suppliers

Vestas works very closely with suppliers of components and raw materials to improve the sustainability of Vestas' products and operations. The risk management process spreads over the whole product life-cycle, starting from supplier selection. The expected conduct of its suppliers is deployed via the Business Partner Code of Conduct and is an integral part of purchase agreements. Vestas takes action to ensure that suppliers comply with its policies by screening significant suppliers on compliance with the Code of Conduct, environment, health and safety through the standards in a supplier assessment tool.

In 2017, monthly supplier scorecards have officially been rolled out to 129 key suppliers with significant focus on safety and other sustainability aspects. The supplier's scorecard performance is evaluated as part of the monthly performance dialogue meetings with suppliers as well as following up on the agreed development activities.

In 2017, 25 specific third-party Code of Conduct assessments have been executed. Additionally, 186 suppliers were assessed on site by Vestas in all regions. Of these, 116 were approved, 16 were rejected, and 54 are under approval.

Accounting policies

Accounting policies for health & safety, employees, resource utilisation, waste disposal, CO₂ emissions, local community, and products are available on page O62.