

Highlights

	2018	2017	2016	2015	2014
SOCIAL AND ENVIRONMENTAL KEY FIGURES					
OCCUPATIONAL HEALTH & SAFETY					
Total recordable injuries (number)	210	243	303	335	384
– of which lost time injuries (number)	80	92	82	56	53
– of which fatal injuries (number)	0	1	0	1	0
CONSUMPTION OF RESOURCES					
Consumption of energy (GWh)	614	569	567	516	501
– of which renewable energy (GWh)	294	325	296	283	278
– of which renewable electricity (GWh)	262	264	268	257	255
Consumption of fresh water (1,000 m ²)	470	454	428	427	366
WASTE DISPOSAL					
Volume of waste (1,000 tonnes)	81	71	75	67	51
– of which collected for recycling (1,000 tonnes)	42	39	37	33	27
EMISSIONS					
Emission of direct CO ₂ (1,000 tonnes)	69	60	58	49	50
Emission of indirect CO ₂ (1,000 tonnes)	32	26	26	25	29
LOCAL COMMUNITY					
Environmental accidents (number)	0	0	0	0	0
Breaches of internal inspection conditions (number)	0	0	1	0	3
EMPLOYEES					
Average number of employees	24,221	22,504	21,625	18,986	16,325
Number of employees at the end of the period	24,648	23,303	21,824	20,507	17,598
SOCIAL AND ENVIRONMENTAL INDICATORS					
OCCUPATIONAL HEALTH & SAFETY					
Incidence of total recordable injuries per one million working hours	4.0	5.3	6.9	8.7	11.8
Incidence of lost time injuries per one million working hours	1.5	2.0	1.9	1.5	1.6
Absence due to illness among hourly-paid employees (%)	2.1	2.3	2.2	1.9	2.3
Absence due to illness among salaried employees (%)	1.1	1.2	1.2	1.1	1.3
PRODUCTS					
CO ₂ savings over the lifetime of the MW produced and shipped (million tonnes of CO ₂)	275	317	281	224	173
UTILISATION OF RESOURCES					
Renewable energy (%)	48	57	52	55	56
Renewable electricity for own activities (%)	100	100	100	100	100
EMPLOYEES					
Women in Board of Directors ¹⁾ and Executive Management (%)	15	23	23	23	23
Women at management level (%) ²⁾	19	19	19	18	18

1) Only Board members elected by the general meeting are included.

2) Employees at management level comprise Leadership Track positions, i.e. managers, specialists, project managers, and above.

Vestas recognises its responsibility to be an active citizen and respect the rights of the stakeholders in the areas where it operates. Through its Social Due Diligence and local community development and engagement activities, Vestas translates this responsibility into action.



Vestas strives to provide renewable energy solutions in a sustainable way, ultimately contributing to addressing climate change. Assessing the environmental impact and contribution of its products and its business in general is part of how Vestas tracks its performance and ensures constant improvements.

Operating responsibly is core to Vestas' work. The company's high health and safety standards are non-negotiable and Vestas continuously works with the supply chain to ensure that the standards are reflected down the chain.



Sustainability at Vestas

Vestas produces renewable energy solutions across the globe. From manufacturing, installing, and servicing wind turbines, the heart of the business is anchored in producing affordable and clean energy for the benefit of the world's population.

Vestas understands that reaching its vision to be the global leader in sustainable energy solutions also requires delivering on its social and environmental performance. Continuous improvements in these areas form the baseline for how Vestas works, and partnerships are an important element contributing to this work.

Vestas' business connects directly or indirectly with all the UN Sustainable Development Goals (SDGs). There are six SDGs that Vestas has selected where Vestas has the greatest possible impact:

SDGs No. 13 Climate action and No. 7 Affordable and clean energy: the core of Vestas' business model is to produce affordable renewable energy solutions, and to continuously innovate to improve wind turbine efficiency, thus contributing to the fight against climate change.

SDG No. 4 Quality education: Vestas' community development activities are anchored in bringing education opportunities to locals.

SDG No. 8 Decent work and economic growth: how the organisation engages with Vestas employees, the suppliers' employees and in creating opportunities for local communities is a significant contribution to this goal.

SDG No.12 Responsible consumption and production: continuously improving wind turbine efficiency and reducing Vestas' environmental impact is part of the company's environmental commitment.

SDG No. 17 Partnerships for the goals: to reach the SDGs, Vestas works with partnerships where possible.

Combined with additional information about Vestas' sustainability initiatives at the corporate website, this Annual report constitutes Vestas' Communication on Progress (COP) pursuant to the UN Global Compact. 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.¹⁾

One of Vestas' current main risks is adapting to markets with greater complexity. In some of these markets there are increased non-technical risks such as corruption, sanctions, increased security concerns, community

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

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impact, etc. In addition to this risk, the principal sustainability risks and opportunities related to Vestas' operations are identified as: occupational injuries of employees and contractors and carbon footprint of wind turbines. Policies and associated due diligence address these risks and opportunities. Read more about Vestas' main risks on page 046.

Social and environmental governance

Vestas is signatory to international initiatives in the UN Global Compact and the World Economic Forum's Partnering Against Corruption Initiative. These global commitments are 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. Core to this expectation is to conduct business with high integrity.

Supporting the governance is Vestas' whistleblower hotline "EthicsLine". EthicsLine works to ensure that compliance violations are always brought forward and dealt with accordingly. It is mandatory for managers to report Code of Conduct compliance violations to EthicsLine, and employees are strongly encouraged to report compliance violations to their managers, or directly to EthicsLine.

The substantiated cases closed in 2018 (including cases originating from 2017 but closed in 2018) have led to disciplinary actions including 15 warnings and 27 dismissals.

EthicsLine cases

Number

	2018	2017
Questions submitted to EthicsLine	8	14
Compliance cases reported	165	105
– hereof substantiated	42	31
– hereof non-substantiated	92	74
Cases under investigation end of year	31	19

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

In addition to Vestas' social and environmental governance, there are two material themes cutting across its sustainability pillars: business ethics and human rights.

Business ethics

Vestas works actively to continuously assess the company's exposure to the risk of bribery and corruption and establish robust preventative procedures. In 2018, the company has focused on strengthening its compliance programme in the regions by revising the compliance governance structure and anchoring compliance in the Sales Business Units.

To support the regional units in this process, Vestas has established a global compliance network to facilitate knowledge sharing on compliance initiatives across the organisation. In 2018, all regions performed country risk assessments and consequently developed mitigating actions. In addition, Vestas has strengthened its business partner screening and due diligence processes covering business ethics and sanctions.

Human rights

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 Vestas' expectations to its business partners, is outlined in the Vestas Human Rights Policy²⁾ and implemented across the organisation.

2) The policy can be found at www.vestas.com/en/about/sustainability#antislavery-statement

In 2018, Vestas, together with qualified external experts, updated its corporate-wide Human Rights Impact Assessment (HRIA). The results of the HRIA are currently being translated into updating and/or initiating new activities, starting with addressing the most salient human rights impacts.

Citizenship

Social Due Diligence

To support Vestas' emerging markets entry strategy and ensure that Vestas obtains the social license to operate, the company has developed a Social Due Diligence (SDD) methodology. The SDD focuses on identifying social risks and impacts associated with Vestas' wind parks, and preventing or mitigating such impacts.

Vestas strives to work closely with customers to assist them in securing and maintaining the social license to operate during construction and operation of wind park projects according to international standards. Overall, working with the customers on building a good relationship with the local community contributes to developing a wind park that is financeable and sustainable in the long term with local stakeholder approval.

Vestas understands the importance of sustainably investing in local communities, which is why it identifies and prioritises local community development and engagement opportunities via the SDD process.

In 2018, Vestas has been active in investing in several local community development initiatives, such as:

- In Honduras, close to the two wind parks Chinchayote and San Marcos II, Vestas has been active in both creating local jobs in connection with the wind parks and empowering local communities' development. During construction, Vestas created 1,645 jobs, of which 1,019 were filled by Honduran workers, including 323 workers from local communities. Vestas also initiated a poultry project with the purpose of developing self-employment and the local community's capacity to create sustainable and environmentally friendly food production. The initiative proved to be successful with more than 50 families benefitting from the first roll-out phase of this initiative.
- In Jordan, connected to the Fujiej project, Vestas has worked together with the developer to maximise local employment, employing over 75 percent of project workers from local communities. Vestas is also active in the local communities, and has, for example, provided support to 200 families during religious holidays, and donated sunshades, school materials, and furniture to four local schools.
- In India, Vestas is engaged in multiple community development activities connected to the wind farm project sites, the blade factory in Ahmedabad and service sites. For example, close to the Taralkatti wind farm, Vestas has invested in community skills development, focusing on training 60 young rural women in tailoring, sewing, and stitching, and providing equipment to a local industrial training institute supporting over 80 rural youths. Vestas has also prioritised education initiatives in the local area; approximately 550 school children from four local schools have benefitted from a solar powered digital education platform installed by Vestas, and the company has furthermore supported several schools with donating educational supplies impacting over 1,050 students.

To further understand the potential socio-economic impact of wind park developments in emerging markets, and contribute towards building knowledge in this area, in 2018, Vestas partnered with an external consulting specialist to develop a methodology and accordingly map the socio-economic impacts of the Lake Turkana Wind Farm in Kenya. Preliminary results assessing the socio-economic impact of the 208 km access road has already shown that increased development has reduced transport time, increased economic activity, and increased accessibility for education and health authorities in the area.

The study provides valuable input for the continued discussion on how to minimise impacts from large-scale renewable energy projects in emerging markets, and how to enhance potential positive contributions to the host country and the local communities.

Responsible operations

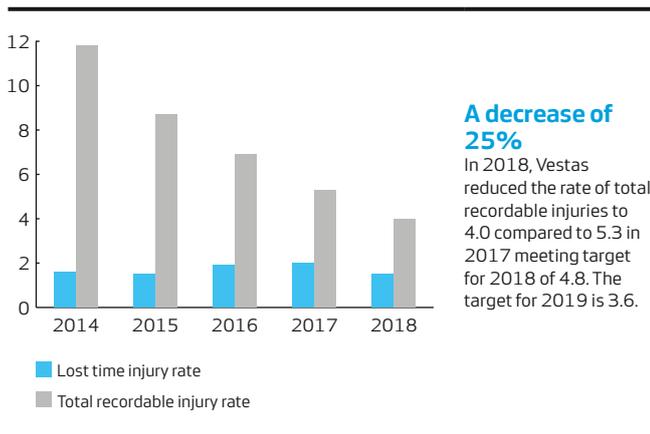
Health and safety

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 has seen significant improvements in relation to reducing the number of injuries. From 2005 to 2018, Vestas has reduced the incidence of lost time injuries by 96 percent.

Incidence of injuries

Per one million working hours



To anticipate injuries before they occur, Vestas employees register near-misses and hazard observations as well as injuries. Part of the incident handling is to assess if the incident in question had potential for serious injury, thereby preventing more injuries.

Although Vestas has achieved a significant improvement in the occurrence of workplace injuries, it has still seen a number of serious injuries and fatalities in past years.

Vestas is now placing increased focus on the incidents with high potential for serious injury or fatality. The incident management process has been strengthened in the identification and management of incidents with fatal exposure. Such incidents must be prioritised and immediately acted upon to ensure any potential risk to life is eliminated, and subsequently control mechanisms will follow up to ensure that no recurrence will take place.

In addition, Vestas is placing increased focus on Safety Leading indicators. These indicators give an overview of the country-specific and regional performance on a number of essential safety initiatives to ensure sufficient focus on safety is embedded.

Vestas has three behavioural safety programmes. The first, Safety awareness training, which explains why safe behaviour is critical to making Vestas a safe place to work and includes safety walks by managers, has been implemented globally.

The Vestas Behavioural Change program is an employee-led programme of peer-to-peer feedback loops of observed safety behaviour and improvements. The programme is currently implemented in 70 percent of the factories worldwide and will be further implemented as safety culture matures.

These two safety programmes were in 2017 supplemented by My Team My Responsibility (MTMR) as a pilot programme in selected segments of the business. In 2018, MTMR was implemented in most

manufacturing facilities and launched in the Sales Business Units, including selected contractors. The MTMR programme focuses on changing identified at-risk behaviours to safe behaviours throughout all levels of the business.

An occupational health and safety strategy was launched in 2017. In 2018, ergonomics and chemical exposure were identified as the main risks for Vestas employees and activities were initiated to improve both current practices as well as the design of new workplaces. 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.

Responsible supplier management

Vestas works very closely with suppliers and sub-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 Vestas' 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 2018, monthly supplier scorecards have officially been rolled out to 165 key suppliers with significant focus on safety and other sustainability aspects. The supplier's scorecard performance and agreed development activities are evaluated as part of monthly performance dialogue meetings.

In 2018, 154 suppliers were assessed on site by Vestas globally. Of these, 98 were approved, 14 were rejected, and 42 are under approval.

Sustainable products and services

Creating sustainable energy solutions and thereby contributing to the fight against climate change calls for a constant improvement of both the environmental impact of Vestas' products and of the overall environmental impact of Vestas' activities – in designing, manufacturing, installing, and servicing wind turbines.

A Vestas wind turbine in operation saves CO₂ emissions compared to electricity generated from fossil fuels; a clear contribution in moving away from a carbon intensive energy mix. In 2018, the CO₂ savings over the lifetime for the capacity produced and shipped by Vestas amounted to 275m tonnes, a decrease of 13 percent compared to 2017, due to a lower amount of MW produced and shipped in 2018 and lower world average CO₂ emissions from fuel combustion.

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.

Environmental impact of a Vestas wind turbine

Since 2010, Vestas has defined targets and pushed the bar on two essential parameters to reduce the environmental impact of wind turbines: carbon footprint and waste. These targets are informed by the Life Cycle Assessments (LCAs) that measure the 'cradle to grave' environmental impacts of Vestas' products and activities throughout the lifetime of a wind power plant.³⁾

The product carbon footprint over the lifetime of a Vestas wind turbine has been reduced significantly since the first target was set in 2010. The current target is a 10 percent reduction of carbon footprint by 2020 from a baseline of 6.60 grams CO₂ per kWh in 2017.



The current target for product waste is a 7 percent reduction by 2020 versus a baseline of 0.178 grams waste per kWh in 2017. Progress towards the targets is documented when new wind turbine versions are released.

Around 83-89 percent of a Vestas wind turbine is recyclable, depending on turbine type. 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' LCA 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 impact of Vestas' operations

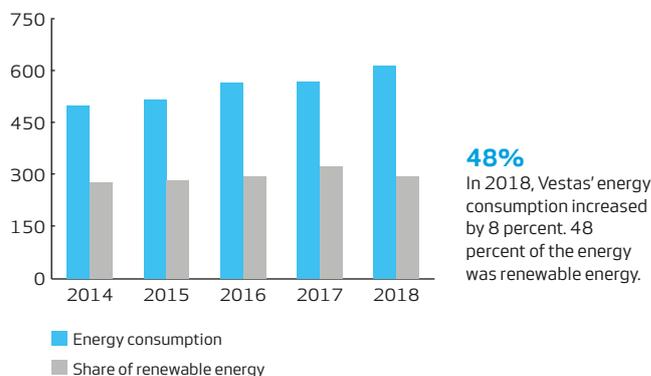
The LCAs reveal that Vestas accounts for 5-10 percent of the carbon footprint of a wind turbine. For Vestas' activities, performance is reported in terms of inputs of resources and outputs of CO₂ emissions and waste. Increased service in 2018 compared to 2017 was not to the same degree reflected in the consumption of water and energy and emissions of CO₂ and waste, which increased relatively less than the increased service level. With more frequent product upgrades, the manufacturing resulted in relatively higher energy and water consumption and emissions of CO₂ and waste than the change in production level.

Vestas' focus on increasing renewable energy share continues. 50 percent of the non-renewable energy is used in Service and the share is increasing as the business grows. Vestas is committed to increase

the carbon efficiency and reduce the carbon emissions from its Sales Business units relative to kWh produced from the wind turbines where Vestas has service agreements.

Energy consumption and share of renewable energy

1,000 MWh



It is Vestas' ambition that 100 percent of its electricity consumption must come from renewable energy sources, subject to availability, which continued to be fulfilled in 2018. 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.

3) 100 percent of MW delivered by Vestas are covered by LCAs based on ISO 14040/44 and are publicly available at www.vestas.com/en/about/sustainability#available-reports

Accounting policies

Basis for preparation of the statement

General reporting standards

Vestas' reporting contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

The below description of accounting policies of social and environmental performance refers to the social and environmental key figures and indicators presented on page 027.

All Vestas' wholly owned companies are covered by the report. Newly established companies are included from the time of production start and for acquired companies from the time when coming under Vestas' control. Companies are excluded from the reporting from the time when they leave Vestas' control.

Defining materiality

Vestas bases its materiality assessment on an analysis of significant economic, environmental and social impacts of the Group's activities. The analysis is based on internal priorities as well as experience from dialogue with and direct involvement of customers, investors, policy makers, employees and media. The result of the analysis is incorporated in Vestas' COP.

Vestas has previously selected a number of social and environmental key figures that are relevant to understand Vestas' development, results and financial position. These key figures have been maintained after the materiality assessment. The status of the key figures is monitored closely and for relevant key indicators specific targets have been defined.

Change in accounting policies

The same measurement and calculation methods are applied at all Vestas sites. There have been no significant changes from previous reporting periods in the scope and boundary applied in the report.

Social performance

Occupational health and safety

Occupational health & safety is measured for all activities under the organisational structure. Lost time injuries of all employees are stated on the basis of registration of incidents that have caused at least one workday of absence after the day of the injury. Total recordable injuries include Lost time injuries, Restricted work injuries and Medical treatment injuries.

Injuries and working hours for external supervised employees are also included. The incidence of injuries is defined as the number of lost time injuries including fatalities per one million working hours. The number of working hours is measured on the basis of daily time cards registered in the payroll system for hourly-paid employees and prescribed working hours for salaried employees. For external supervised employees, the injuries are reported by Vestas, and working hours are reported by the external suppliers.

Absence due to illness does not include absence caused by lost time injuries, maternity leave and child's illness leave. Absence due to illness is measured by means of registrations in the payroll system based on daily time cards for hourly-paid employees and absence records for salaried employees, respectively.

Employees

The number of employees is calculated as the number of full time equivalents (FTE) who have a direct contract with Vestas. Employee information is determined on the basis of extracts from the company's ordinary registration systems with specification of nationality, gender and IPE level (Mercer's International Position Evaluation). Employee indicators are calculated based on head counts.

Environmental performance

Energy consumption, water consumption, waste generation and CO₂ emission are reported on the basis of significance. All production facilities are included as well as larger offices, warehouses and other facilities ensuring a comprehensive and sufficient statement of these environmental aspects.

Utilisation of resources

Electricity, gas and district heating are measured on the basis of quantities consumed according to direct meter readings per site including related administration. Consumption of electricity comprises electricity purchased externally and consumption of production from own wind turbines. Oil for heating is stated on the basis of external purchases adjusted for inventories at the beginning and at the end of the period. Fuel for transport has been recognised on the basis of supplier statements. Electricity from renewable energy sources is calculated on the basis of supplier statements. Only 100 percent renewable electricity is counted as renewable electricity.

Renewable energy is energy generated from natural resources, which are all naturally replenished – such as wind, sunlight, water and geothermal heat. Nuclear power is not considered to be renewable energy. Consumption of electricity from non-renewable sources purchased as a result of not being able to purchase renewable electricity at some locations, is in the Group statement balanced with renewable electricity produced by wind power plants owned by Vestas and sold to the local grid.

The consumption of water is stated as measured consumption of fresh water. Cooling water from streams, rivers, lakes, etc. that is solely used for cooling and released to the stream after use without further contamination than a higher temperature, is not included.

Waste disposal

Waste is stated on the basis of weight slips received from the waste recipients for deliveries affected in the accounting period, apart from a few types of waste and non-significant volumes which are estimated on the basis of subscription arrangement and load. Waste disposal is based on supplier statements.

Emissions of CO₂

Direct emission of CO₂ is calculated on the basis of determined amounts of fuel for own transport and the direct consumption of oil and gas, with the usage of standard factors published by the UK Department for Environment, Food & Rural Affairs. Indirect emission of CO₂ is calculated on the basis of direct consumption of electricity and district heating, with the usage of national grid emissions factors published by International Energy Agency. Indirect CO₂ emissions from electricity consumption based on non-renewable sources is balanced out by CO₂ emission savings in the production and sale to the grid from Vestas owned wind turbines.

Local community

Environmental accidents are accidental releases of substance and chemicals which are considered by Vestas to have a significant impact on the environment. Breaches of internal inspection conditions are stated as the conditions for which measurements are required, and where measurements show breaches of stated conditions.

Products

CO₂ savings from the produced and shipped MW are calculated on the basis of a capacity factor of 30 per cent of the produced and shipped MW, an expected lifetime of 20 years of the produced and shipped MW, and the latest updated standard factor from the International Energy Agency of average CO₂ emission for electricity in the world, at present 490 grams of CO₂ per kWh.