SUSTAINABILITY AT VESTAS
SUSTAINABILITY IN EVERYTHING WE DO

**Carbon neutral company by 2030 – without using carbon offsets**
- Reducing CO₂ emissions in own operations by 55% by 2025 and 100% by 2030, compared to 2019, without the use of carbon offsets
- Reducing CO₂ emissions in the supply chain by 45% per MWh generated by 2030 compared to 2019

**Producing zero-waste wind turbines by 2040**
- Hub and blade to be 50% recyclable by 2025
- Hub and blade to be 55% recyclable by 2030

**Safest, most inclusive & socially responsible workplace in the energy industry**
- 25% women in leadership positions by 2025 and 30% by 2030
- Reduce the rate of Total Recordable Injuries to 1.5 by 2025, and to 0.6 by 2030
- Increase the share of women in the Board to 37.5% by 2022

**Leading the transition towards a world powered by sustainable energy**
- Take a leading role in driving electrification beyond the power sector
- Team up with other sustainability leaders to drive change
- Supporting our partners in their journey to become more sustainable
SUSTAINABILITY

Progress on strategy

**ENVIRONMENTAL**

**Carbon footprint**
- Emissions from own operations reduced by 33 percent
- 186m tonnes CO₂ emissions avoided through our installed fleet in 2020
- Set expectations to key suppliers to start measuring and set targets

**Circularity**
Several projects launched to help expand and scale the value chain for blade recycling

**SCIENCE BASED TARGETS**

**SOCIAL**

**Safety**
- Total Recordable Injury Rate at an all-time low of 3.3

**Diversity and inclusion**
- Review of recruitment processes
- Unconscious bias trainings to all recruiters

**Corporate Social Responsibility**
- CSR approach launched to address business-related human rights
SUSTAINABILITY GOVERNANCE

The Vestas Sustainability Committee prioritises, oversees, and coordinates cross-functional sustainability initiatives across the entire organisation.

The Sustainability Committee also ensures our company conforms and lives up to its international responsibilities as a member of the UN Global Compact.

In 2019, Vestas established a Sustainability Strategy department that consolidates efforts across the company on ESG matters. It is responsible for preparing, coordinating – and in close collaboration with the functional areas, driving, and practically supporting on the execution of the sustainability strategy.

Ultimately, responsibility for the sustainability performance of Vestas as a whole lies with our company line organisation – supported by the Sustainability Strategy department.
SUSTAINABILITY AT VESTAS

Areas of focus

**Environmental sustainability**
- Carbon footprint
- Energy payback
- Product waste & recyclability

**Social sustainability**
- Safety
- Emerging markets & Social due diligence
- Social license to operate

**Sustainability in governance**
- Management remuneration
- Business ethics
- Whistle-blower programme
CARBON FOOTPRINTS COMPARED

Vestas’ carbon footprint is significantly reduced compared to other electricity-generating sources.

Did you know?

Comparing carbon dioxide emission per kWh electricity generated, a Vestas 4 MW wind turbine only emits around 1% compared to a coal power plant.
VESTAS TURBINES ARE ENERGY NEUTRAL IN A FEW MONTHS

A Vestas wind turbine requires very little energy to be produced in comparison to its output.

A single Vestas Wind Turbine
Will generate around **30 to 50** times more energy than it uses in its entire life cycle.

Compared to Coal
If you invest 1 unit of energy in coal your return will always be less than 1 unit of electricity (typically around 0.34 kWh).

Vestas 4 MW Platform
Wind turbines are energy neutral in 4.8 to 7.6 months of operation. In that period of time, the turbines generate the same amount of energy that was needed to produce them.
RECYCLABILITY OF VESTAS TURBINES

Continuous reduction in end-of-life product waste

83-87% of a Vestas wind turbine is recyclable. Blades represent the most substantial barrier to realising a 100% recyclable wind turbine; multiple innovation projects in place to increase recyclability.

100% of the MW delivered by Vestas in 2018 were covered by a publicly available, full ISO 14040/44 Life Cycle Assessment (LCA). The ISO LCAs have been conducted since 1999 and are critically reviewed.

Life Cycle Assessment (LCA)

Vestas provides a “cradle-to-grave” evaluation of the environmental impact of our activities on key indicators:
✓ Carbon footprint (CO\textsubscript{2}-e grams per kWh)
✓ Return on energy (months or number of times paid back)
✓ Recyclability (percentage of turbine weight)
✓ Water use (litres per MWh)
SUSTAINABILITY AT VESTAS

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SAFETY ACHIEVEMENTS
Continuous improvements through targeted effort

96% reduction in LTIs
- Vestas has seen significant improvements in relation to reducing the number of injuries.
- From 2005 to 2020, Vestas has reduced the incidence of lost time injuries by 96%.

A decrease of 15%
- In 2020, Vestas reduced the rate of Total Recordable Injuries (TRIR) to 3.3 compared to 3.9 in 2019.

Three behavioural safety programmes
- Safety Awareness Training
- Vestas Behavioural Change programme
- My Team My Responsibility

In incidence of injuries
Per one million working hours
A decrease of 52%
Vestas has managed to reduce the rate of Total Recordable Injuries since 2016 from 6.9 to 3.3. The target for 2025 is a max. rate of 1.5
As a first-mover, Vestas sets standards for sustainability in non-OECD countries. Vestas has pioneered more than 38 wind energy markets. Engaging with embassies, policymakers, regulatory and other authorities to help create a positive investment climate. Sets standards regarding safety, sustainability and quality. Builds up local capacities to integrate wind energy into the electricity mix; increasing local knowledge and lowering electricity costs. Builds up infrastructure when missing, in order to develop the project.
Our commitments:

1. RESPONSIBLE
   We are committed to respecting human rights in Vestas’ operations

2. INCLUSIVE
   We create long-term value and local community engagement through strategic partnerships

3. LEADING
   We work towards consolidating Vestas’ human rights position in the future energy market

Human rights indicators:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community grievances</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Community beneficiaries</td>
<td>14,770</td>
<td>6,093</td>
</tr>
<tr>
<td>Social Due Diligence on projects in scope (%)</td>
<td>78</td>
<td>32</td>
</tr>
</tbody>
</table>
VESTAS’ SOCIAL DUE DILIGENCE

A powerful methodology to create alignment and value for customers and stakeholders

Our methodology is aligned with the UN Guiding Principles on Business and Human Rights. It is also benchmarked to the IFC Environmental and Social Performance Standards.

**Our methodology includes:**

- Assessment of the project and the affected local communities:
  - Review of stakeholder engagement
  - Review if there is resettlement
  - Potential impacts on health and safety, and cultural heritage of the local community
- Realisation of project-specific activities to increase the local community development
- Identifying and maximising local employment opportunities
THE VESTAS HUMAN RIGHTS JOURNEY

2009
Vestas signs the United Nations Global Compact

2010
Human Rights Policy is developed and launched
Responsible Supplier Management tool updated with human rights and labour self-assessment questions

2011
Vestas Dedicated Human Rights team is established

2012
Social Due Diligence tool v1 is developed and implemented on EPC projects
Community development tool to guide initiatives is developed and piloted in India

2013
Social Due Diligence is embedded into the Sales Business Units in high-risk markets
Our Grievance Mechanism is launched as a channel for communities to raise concerns

2014
The business case for social management “project bankability” is developed, in line with international standards

2015
Our Human Rights policy, social due diligence tool and procedures are reviewed by external experts

2016
Adopted six United Nations Sustainable Development Goals

2017
Social Due Diligence tool v2 is released

2018
A corporate wide Human Rights Impact Assessment was conducted by externals to map salient human rights. Recommendations were given to advance due diligence processes across the business.

2019
Our Social Management System is developed as our approach to obtain and maintain social license to operate (SLO)

2020
Our CSR strategy is launched with a commitment to respect human rights as the foundation and endorsing mandatory Human Rights Due Diligence
Vestas renews its commitment to the United Nations Global Compact
Case: Taralkatti, 2017-2020

100 MW Turnkey Project

1st Vestas EPC project in India in many years

Community development programme rollout

Community grievances & local employment

Community development: Service phase

Community context and needs

Community ownership and local stakeholders’ support

Review, documentation and next phase planning

Covid-19 and the next phase

Q3 2017

Phase I: Oct’ 2017-Sep’2018


Phase II: June 2019-May2020

Phase III: June 2020 onwards
Achievements so far

Maintaining Social License to Operate

Fact Box:

▪ **Skill training and employability:** 260 rural youth from 14 villages benefited through direct training and equipment support for income generation and better learning

▪ **Education:** a total of 4860 children from 15 villages benefited through improved facilities at schools including introduction of solar powered digital learning platforms

▪ **Water:** enhancing community water resource through de-siltation of a dysfunctional water body for surface water storage and borewell recharge, benefiting about 500 farmers from 3 villages

▪ **Livelihoods:** a total of 4670 domestic livestock, a source of economic activity, benefited through vaccinations and preventive health-checks

▪ **Health:** a total of 2162 community members benefited from preventive health checkups, cataract surgeries, and better sanitary practices among adolescents

▪ **Capacity building:** about 1900 community members took part in various trainings, awareness sessions, exposure visits to understand different social and financial schemes available to villagers

SDGs linked:
SUSTAINABILITY AT VESTAS

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Sustainability in governance
- Management remuneration
- Business ethics
- Whistle-blower programme
A bonus is offered to every single Vestas employee – regardless of position.

The Bonus Program awards all employees when strategic KPIs and regional / functional KPIs are realised each year.

This eligibility of all employees to the bonus creates an ‘all for one and one for all’ mentality – where success is shared across the company.

This incentive ensures that our management is aligned to drive the sustained long-term performance of Vestas.

**Short-term incentives** for all employees

<table>
<thead>
<tr>
<th>Regional / functional KPIs</th>
<th>EBIT</th>
<th>Free Cash Flow</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Strategic KPIs – share of total bonus program varies**

- 60% EBIT
- 20% Free Cash Flow
- 20% Revenue

**Long-term incentives** for management

- 50% Earnings per Share
- 30% Return on Capital Employed
- 20% Vestas’ Market Share

- 20% Revenue
BUSINESS ETHICS

Codes of conduct, policies and the UNGC: Integrity in everything we do

Codes of Conduct

All Vestas employees are required to sign off on and comply with the Vestas Employee Code of Conduct. All Vestas business partners are required to sign off on and comply with the Vestas Business Partner Code of Conduct which includes:

- No forced or child labour
- Commitment to live up to Vestas' health and safety standards both directly and indirectly
- Working hours, wages, and benefits compliant with international standards and applicable laws
- Non-discrimination
- Zero tolerance towards direct or indirect bribery, corruption, and conflicts of interest
- Actively minimise environmental impact and comply with all legislative and regulative requirements

We have committed ourselves to the UN Global Compact, PACI and other international principles, rules and standards.

Examples include; 8 core conventions of the International Labour Organisation and the UN Guiding Principles on Business and Human Rights.

As such, we are required to live up to these commitments in both our operations and our dealings with business partners.
BUSINESS ETHICS

Responsibility towards the supply chain

Additional **specific requirements** to Vestas suppliers include:

- **Chemicals and hazardous waste** management requirements
- Minimum **health and safety and environment** requirements for sub-contractors

**Deployment** includes:

- **Pre-screening**: Code of Conduct, Safety and Ethics and sanctions screening
- **Self-assessment** on Code of Conduct topics
- Compliance with Vestas Business Partner Code of Conduct included in **contract**
- **On-site assessment** of significant suppliers
- Supplier performance and **relationship management**

**2020 audits and screenings**

- **2,989 supplier screenings** and 39 onsite supplier **qualification assessments** executed globally
  - 35 approved
  - 0 rejected
  - 4 under approval

Tracking of agreed development activities of **154 key suppliers** to support Vestas Sustainability Strategy
WHISTLE-BLOWER PROGRAMME

An independent whistle-blower programme demonstrating our commitment to ensuring ethical behaviour

EthicsLine

- Provides for anonymous reporting
- Can be used to report inappropriate behaviour
- An Ethics Line Committee reviews cases for disciplinary decisions

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<tbody>
<tr>
<td>Compliance cases reported</td>
<td>287</td>
<td>224</td>
<td>165</td>
<td>105</td>
<td>103</td>
</tr>
<tr>
<td>- Hereof substantiated</td>
<td>54</td>
<td>44</td>
<td>42</td>
<td>31</td>
<td>19</td>
</tr>
<tr>
<td>- Hereof non-substantiated</td>
<td>199</td>
<td>145</td>
<td>92</td>
<td>74</td>
<td>68</td>
</tr>
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### Environmental

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</thead>
<tbody>
<tr>
<td><strong>Renewable electricity for own operations</strong></td>
<td>Percent</td>
<td>100%</td>
<td>100%</td>
<td>82%</td>
<td>68%</td>
<td>66%</td>
</tr>
<tr>
<td><strong>Carbon footprint</strong></td>
<td>CO₂/kWh</td>
<td>Reduction of 55% (2025) and 100% (2030)</td>
<td>-</td>
<td>5.9</td>
<td>-</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Direct CO₂e (scope 1)</strong></td>
<td>1,000 tonnes</td>
<td>71</td>
<td>71</td>
<td>69</td>
<td>60</td>
<td>58</td>
</tr>
<tr>
<td><strong>Indirect CO₂e (scope 2)</strong></td>
<td>1,000 tonnes</td>
<td>2</td>
<td>38</td>
<td>61</td>
<td>70</td>
<td>66</td>
</tr>
<tr>
<td><strong>Product waste</strong></td>
<td>1,000 tonnes</td>
<td>0 (2040)</td>
<td>-</td>
<td>0.17</td>
<td>-</td>
<td>0.18</td>
</tr>
<tr>
<td><strong>Consumption of energy</strong></td>
<td>GWh</td>
<td>621</td>
<td>638</td>
<td>614</td>
<td>569</td>
<td>567</td>
</tr>
</tbody>
</table>

### Social

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<tbody>
<tr>
<td><strong>Incidence of total recordable injuries</strong></td>
<td>Per 1m working hours</td>
<td>1.5 (2025); 0.6 (2030)</td>
<td>3.3</td>
<td>3.9</td>
<td>4.0</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Gender diversity, leadership pos.</strong>*</td>
<td>Percent</td>
<td>25 (2025); 30 (2030)</td>
<td>19</td>
<td>19</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td><strong>Gender diversity, Executive Management</strong></td>
<td>Percent</td>
<td>29</td>
<td>29</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>Employee survey score</strong></td>
<td>Index</td>
<td>75</td>
<td>73</td>
<td>71</td>
<td>71</td>
<td>72</td>
</tr>
<tr>
<td><strong>Employee turnover</strong></td>
<td>Percent</td>
<td>11.9</td>
<td>13.8</td>
<td>13.7</td>
<td>13.6</td>
<td>14.6</td>
</tr>
</tbody>
</table>

### Governance

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<tbody>
<tr>
<td><strong>Gender diversity, BoD</strong></td>
<td>Percent</td>
<td>37.5% (2022)</td>
<td>33</td>
<td>25</td>
<td>12.5</td>
<td>25</td>
</tr>
<tr>
<td><strong>Board meeting attendance</strong></td>
<td>Percent</td>
<td>97</td>
<td>97</td>
<td>98</td>
<td>97</td>
<td>-</td>
</tr>
</tbody>
</table>

* Leadership positions comprise managers, specialists, project managers, and above
THANK YOU FOR YOUR TIME