

## Environmental Policy & Planning framework

Vestas strives to improve the environmental performance of its production and operations in order to match the performance of our products. Vestas' environmental strategy has been set for 2016 - 2020 aiming to support our business offering and operational excellence.

- In turbine performance, the target for reduction in product carbon footprint will be 5 % by 2020 from a baseline of 6.9 grams CO<sub>2</sub> per kWh in 2015. An improved performance measure covering all wind classes of the 3 MW platform and aligning more closely with our turbine range and commercial offering has been implemented. The target for recyclability is replaced with a measure for the amount of waste per kWh with a 3 % reduction by 2020 from a baseline of 3.7 grams waste per kWh. The product waste target is adjusted to reflect the same scope as for carbon footprint.
- In Vestas performance, the target for Vestas' energy consumption is to reach a 60 % share of renewable energy in 2020 from 55% in 2015. The road to the target will be both improvements in energy efficiency and further transition to renewable energy.

Vestas is committed to simultaneously reduce environmental impact and improve the business case certainty for our customers. This is addressed through a range of initiatives and programs. Extract from our mission:

*We deliver best-in-class wind energy solutions and set the pace in our industry to the benefit of our customers and our planet..... For us, it is not a choice between profit and sustainability, of good value for money or excellent service, of affordable energy or protection of our planet. At Vestas, we want to deliver on all of these demands.*

We show commitment through our environmental objectives and proactive support by for example signing up for World Economic forum, "Let's partner on climate actions. Now." as well as participating in COP15 in Paris and New York earlier in 2015 to push for climate actions.

We need to constantly improve to deliver to expectations. We work towards operational excellence in our environmental performance by complying with the following agreed principles.



### We all Contribute

Vestas' mission (see previous box) has consequences for our culture and values, we are all to walk the talk of being a green company. We all contribute to Vestas green image and environmental performance by our behavior and we are all to have awareness to realize consequences of our actions. Our decisions should always take into consideration not only the financial impacts, but also the ecological and social consequences. Environmental trainings are to be delivered locally to facilitate establishing this awareness.



### We fulfill requirements and push standards

We meet or exceed our environmental standards by engaging employees, contractors, suppliers and other stakeholders. Compliance is being more challenging since we extend our service to new countries. Also Product legislation is developing into new areas and becoming more demanding as the turbines are becoming more complex with the bigger size and additional add-on options.

Compliance is a pre-requisite never to be compromised but it is not enough, we are convinced it is good for business that we act pro-active in all decisions and operations. Examples;

- Wind industry is not included in many of the EU-directives requiring hazardous materials like lead to be removed from electronics and we can use SF6 gas while no one else can. By voluntarily applying such legislation in design and investments we could ensure turbines are “future proof”.
- Supplier requirements and assessments impose defined environmental standards along the supply chain and environmental risk is assessed and managed as part of the procurement process
- Processes set internal minimum environmental requirement and globally applies equally with special attention to environmental impacts of projects in emerging markets.
- Active partnerships and collaborative efforts intended to advance the sustainability agenda. One of our most notable partnerships is with the UN as members of the Global Compact.



### We prevent waste and pollution

We demonstrate commitment to preventing pollution and protecting the environment in everything we do from design to operational business. Examples:

- Turbines are designed not to cause leakage outside the turbine
- Product and production waste is prevented in process and product design
- Hazardous liquids are stored and handled to limit risk for spills
- We use 100% renewable electricity
- Use of renewable energy is to increase from 55% in 2015 to 60% in 2020.

### We use resources efficiently

We demonstrate environmental vigilance by having a life cycle approach in developing, planning, and execution of our operations, products and services. Saving resources saves both cost and environment and this relationship is expected to be even stronger as financial incentives and resource scarcity applies.

Examples:

- Energy mappings are performed in factories and pilots show significant savings
- Waste is to be recycled to the extent available at each market from all operations. Only if recycling is not available or not justified from an environmental point of view can other options be used.
- Repair programs for spare parts are established and further developed to re-use components
- Design solutions ensuring high production compared to resources used are committed in environmental objectives for carbon footprint and product waste.
- We drive development on blade recycling through research projects



### **We avoid using hazardous materials**

Being in control of the chemicals and hazardous substances used in development, manufacturing and service of the turbines is part of our management system and essential for a sustainable company. This way we ensure a healthy workplace for our employees and minimum impact to the environment. Examples;

- We find safer and less environmental impacting products
- We assess and approve new chemicals before used in our sites and maintain inventory and Safety Data Sheets in the 3E Online database.
- We respect the Vestas Chemical and Material Blacklist

### **Internal continual improvements**

The externally committed objective of increasing renewable energy to 60% by 2020 is to be delivered by Sales and Manufacturing together. Targets are to be set by line functions to meet Vestas objectives and to improve local aspects.

- Energy to be main area, aiming both to reduce CO2 emissions and total energy consumption. Energy mappings are done in Europe and China in 2015-16 and mappings are in progress. Learnings will be used for 2017 initiatives.
- Waste is the second priority and increased focus bring savings of cost and environment through waste prevention and improved treatment.
- Water saving initiatives are to be driven where scarcity appears.



QSE are facilitating the target setting and monitoring by providing benchmark and related measurements. The incident management system is set up to show the quarterly reported environmental data relative to business activity.

### **Manufacturing targets**

From 2017 forward, the targets for each factory are to be set within one or several of five predefined focus areas with supporting measurements and monitoring established. The five focus areas are:



To contribute to the external target for renewable energy, energy efficiency and reducing gas used in factories in US and China are the main priorities.

### **Sales targets**

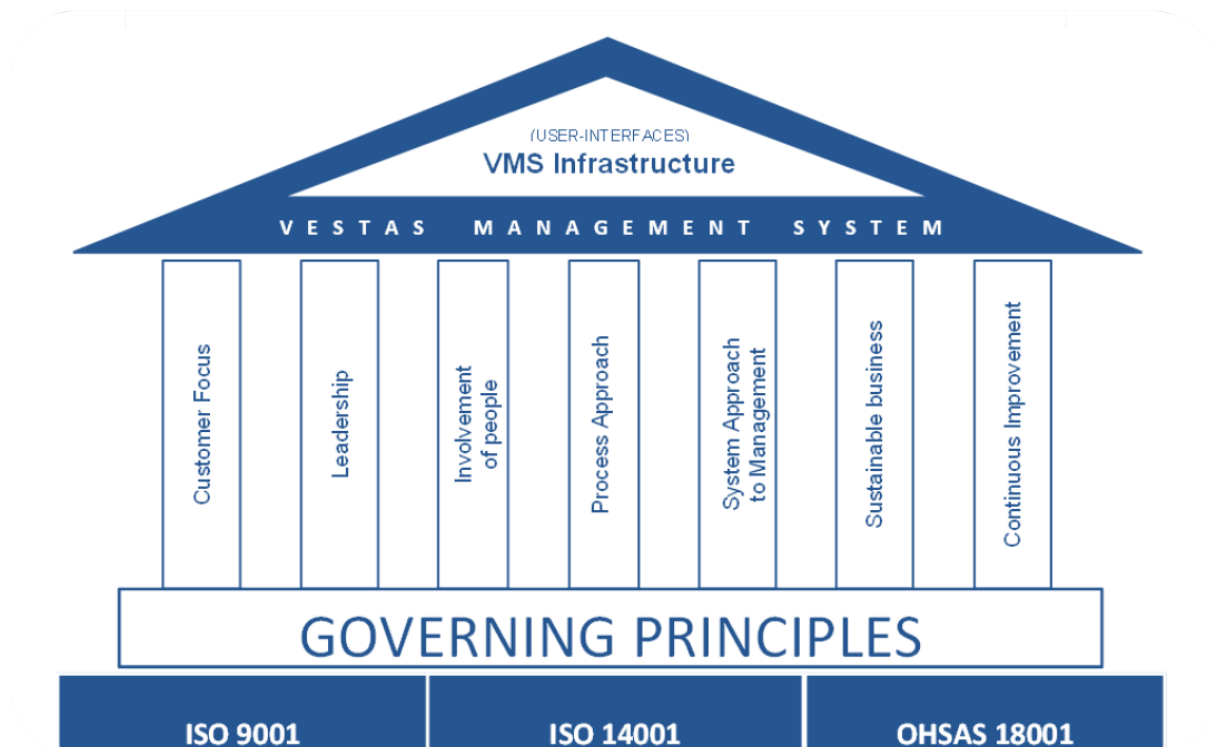
The target for Sales is to improve fuel efficiency to support Vestas objective on renewable energy. Fossil fuel usage is compared to MW with service contract. The potential for fuel efficiency is significant in some regions and savings of cost and CO2 can be gained in many ways including right sized vehicles and engines, eco-driving behavior and efficient planning. In addition to fuel, waste and water efficiency is to be addressed where relevant based on local conditions



## Vestas Management Systems

### Introduction

Vestas operate an integrated management system covering the requirements set out in ISO9001 (Quality), ISO 14001 (Environment), OHSAS 18001 (Health & Safety) and Vestas governing policies and corporate requirements. The standards specify what to do, whereas Vestas Management System describes how Vestas do it. The management system is a tool to ensure a unified and controlled approach to business critical tasks and to ensure continuous improvement of performance. All Vestas locations and operations are operated under the same Vestas Management System (VMS)



The integrated Vestas Management System is applied through:

- Identification of the processes needed for the VMS and its implementation throughout the organization
- Establishing the structure and interactions between the processes in the process management system (Vestas Process Portal)
- Determining criteria, methods, and availability of resources needed to secure that operation and control of the processes are successful
- Establishing a system to monitor, measure and analyse the processes and determine their continuous effectiveness

Where applicable, ensuring control and continuous improvement of outsourced processes;

determining the criteria and availability of information to secure that required regulations and implemented standards are met



## Vestas Quality, Health, Safety and Environmental **Policy**

We deliver best-in-class wind energy solutions and set the pace in our industry to the benefit of our customers and our planet. We operate a certified integrated management system to manage risk and drive continuous improvement of business performance through innovation, benchmarking, and learning from experience.

We satisfy applicable legal and voluntary requirements and ensure transparency in our Quality, Environmental, Health and Safety performance through disclosure of the annual external statement available at [Vestas.com](http://Vestas.com)

We will live up to our policy by:

### Health and Safety:

- Preventing injury and work related illness through management commitment.
- Demonstrating Safety First by considering health and safety in developing, planning, and execution of our operations, products and services.
- Meeting or exceeding our Health and Safety standards by engaging employees, contractors, suppliers, and other stakeholders.
- Ensuring Safety is a prerequisite of doing business at and with Vestas.

### Quality:

- Adherence to processes, specifications and procedures in order to achieve Customer Satisfaction.
- Preventing defects through proactive quality assurance and fact-based continuous improvements.
- Reducing risk and associated cost of poor quality by focusing on quality across the value chain.
- Ensuring a life cycle approach to our products and services by focusing on levelized Cost of Energy.

### Environment:

- Demonstrating commitment to preventing pollution and protecting the environment in everything we do.
- Demonstrating environmental vigilance by having a life cycle approach in developing, planning, and execution of our operations, products, and services.
- Meeting or exceeding our environmental standards by engaging employees, contractors, suppliers and other stakeholders.

On behalf of Vestas  
**Anders Runevad**  
President and Chief Executive Officer

October 2015

## Planning Framework

The environmental Policy & Objectives are deployed through the Quality, Safety & Environmental Framework. The systems and processes are integrated into the business processes

### QSE Framework



## Corporate Social Responsibility (CSR) in Vestas

Vestas follows the principles of sustainable development (economic, social and environmental development) as the basis for successful, forward-looking business activities. The CSR Department focuses on the social and economic part of the sustainability agenda.

CSR in Vestas is about securing the accountability and integrity of Vestas as a global company by supporting the business to execute.

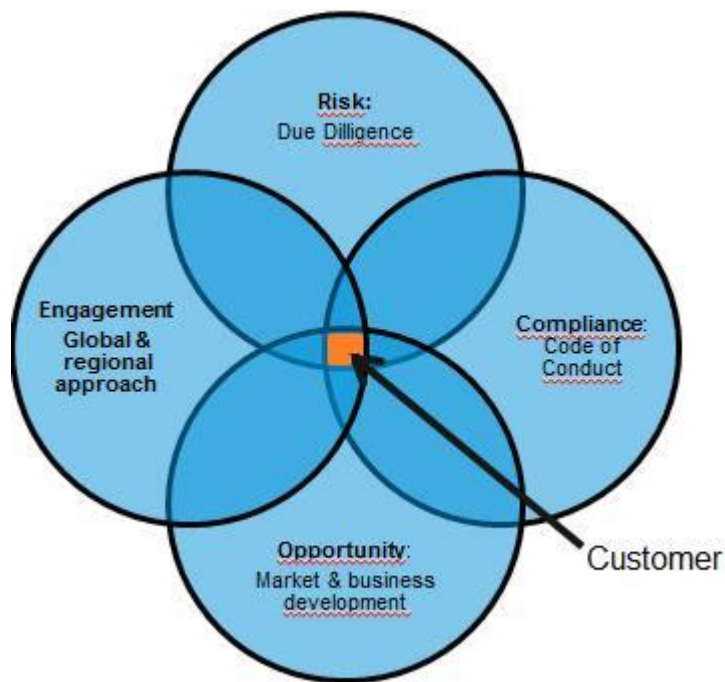
The CSR Department does this by developing and supporting the business in:

- Securing that we have an overall global approach linked to international standards and guidelines so that we can show our customers and the market that Vestas operates with one set of standards
- Making sure that our global approach is adapted to regional settings in order to support the SBU's in the best possible way; and
- Obtaining and maintaining our Social License to Operate, contractually and geographically.

In order to implement this in an efficient and simple way, we focus and work within four key areas:

1. Code of Conduct
2. Social & Environmental Due Diligence
3. Engagement
4. Market Development





## Standards & Commitments

Vestas is signatory to:

### [The UN Global Compact \(UNGC\)](#)

The UNGC is the world's largest sustainability initiative. Companies voluntarily sign up to the UNGC and commit to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption.

Vestas is a member of the UNGC. Vestas reports annually a "Communication on Progress" that outlines the company's efforts to operate responsibly and support society.

Because we are signatory to the UN Global Compact and have agreed to conduct our business according to international principles, we must implement these principles into our business. We do this primarily through our Code of Conduct, due diligence processes and management plans.

As an example, there is a common belief that if a customer is not setting any requirements to follow international standards on social and environmental areas, Vestas can agree to comply only with the local laws and regulations. However, this is not acceptable. If our Code of Conduct sets higher standards than local laws and regulations, these higher standards must be respected. As an international company, we cannot hide behind complying with the bare minimum legal requirements, where these requirements fall short. Our reputation as a global leader in wind will be compromised if we do not live up to the principles we have publicly committed ourselves to.

Vestas is committed to respecting:

### [The International Bill of Human Rights](#)

Covers the Universal Declaration of Human Rights, the International Convention on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights.

### The 8 Core Conventions of the International Labour Organisation

The 8 core conventions (also known as the Fundamental Conventions) cover:

- Freedom of association and the effective recognition to the right to collective bargaining
- Elimination of all forms of forced or compulsory Labour
- Effective abolition of child Labour
- Elimination of discrimination in respect of employment and occupation

### United Nations Guiding Principles on Business and Human Rights (UNGPs)

Vestas commits to respect human rights, supported by our CEO Anders Runevad - Human Rights Policy. When it comes to salient human rights impacts, our position depends on whether we are causing, contributing or being linked to such impacts, and this can be influenced by our role as either co-developer, EPC contractor or Supply & Install contractor. We are adapting our social due diligence processes and project-level grievance mechanisms to the UNGPs.

### IFC Performance Standards and the Equator Principles

The IFC Environmental and Social Performance Standards define IFC clients' responsibilities for managing their environmental and social risks. Compliance with these Standards is a precondition to obtaining IFC financing.

The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risks in Projects. The EPs are based on the IFC Performance Standard 1. As a precondition to funding, financial institutions require their clients to perform due diligence against the sustainability standards set forth in the EPs.

The majority of Vestas wind farms are funded with project finance, and many loans from investors are guaranteed through export credit guarantees. Project finance and export credit guarantees in most cases must comply with the Equator Principles.

Our tools are designed to be in compliance with the IFC Performance Standards and the Equator Principle, and therefore support our customer to be in compliance with these principles.

Normally it is our customers (i.e. the client obtaining international financing) which are obliged to comply with these standards. We support our customers' compliance with these standards by, for example, preparing some of the technical management plans within our scope of responsibility.

In co-development Projects however, the roles of Vestas and our partner are not as clear and will depend on how they are defined in the particular project. Vestas will to some extent take on responsibilities set by such international financing institutions (e.g. it could be that we conduct the ESIA). Contact CSR (BETEN) when defining the co-development framework for assistance in defining CSR responsibilities.

### **Social License to Operate**

**The Social License** exists when a project has the ongoing approval within the local community and other stakeholders. This requires business to ensure that its activities respect the rights of all those in the community. The social license is important to Vestas in all of the areas where we are present. If Vestas loses the social license to operate within a community, it can evolve to a security issue with blockades, strikes and even violence.

The CSR Department makes sure that Vestas, together with our customers, gains and maintains the social license. We do this as a part of our [Social Due Diligence](#), where we define roles and responsibilities towards the communities with our customers. So for CSR, the creation of Social License in a project starts early in the sales process by site visits and interaction with Vestas sales team and our customers, continues during contract negotiation and materializes through engagement in the communities during construction.

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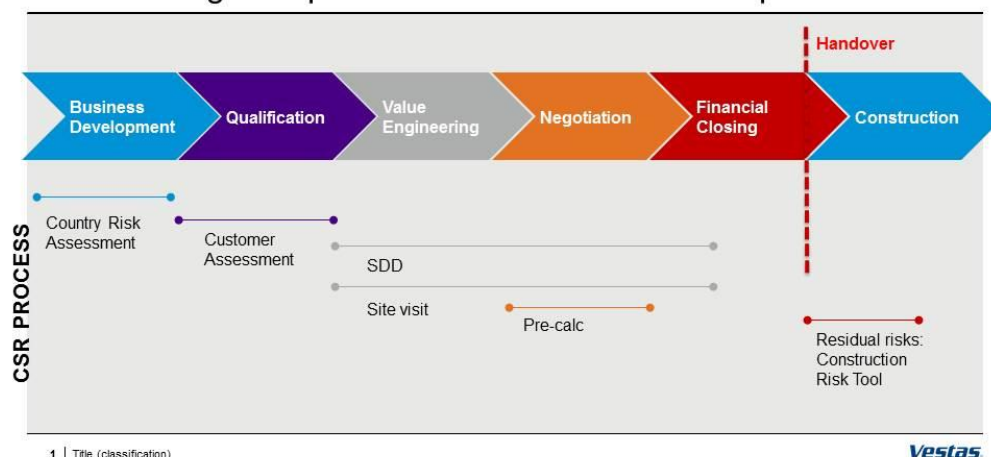


It is important to realise that a social license is usually **granted** on a site-specific basis. Hence Vestas may have a social license for one operation but not for another in the same country/region. Furthermore, the more expansive the social, economic and environmental impacts of a project, the more difficult it becomes to **get** the social license.

A key role for the CSR Department is to constantly monitor projects during construction, since community opinions and perceptions are subject to change as the project progresses. Hence the Social License has to be earned and then maintained throughout the life of the project.

## Social & Environment Due Diligence

### CSR due diligence process interaction with Sales process



The CSR Department conducts social & Environment due diligence on projects which fall within our scope. The purpose of conducting a social due diligence is to assess the (1) country (2) customer and (3) project risk, in order to identify social risks to the project and affected local communities, and accordingly develop mitigation actions.

Social risks refers to risks that do not relate to the technicalities (i.e. engineering) of the wind turbine and its Construction, but rather have a social element. Examples of social risks which CSR handles include:

- Management of community expectations, for example local employment and social development.
- Flagging issues on the land acquisition process (i.e. consultations, compensation, physical and/or economic displacement), which have not been handled adequately by the customer.
- Issues with local community health & safety.
- Community grievances raised via the project grievance mechanism, including where there is a lack of proper communication channels and/or inappropriate grievance management.

Our Social & Environment Due Diligence is applicable dependent on project type and market. We take a combination of these factors into consideration:

**Project type:** All EPC Projects are in scope. They involve the greatest risk and the greatest possibility for having a positive impact on the customer through dialogue and through Vestas' role in the project. All co-development projects are also within scope. Supply & Install Projects can be within scope, depending on the size of the project, the customer's experience and the country.

**Market:** All countries falling outside of the High-Income OECD Countries are in scope. High-Income OECD Countries are not within scope because the Equator Principles permit Financial institutions to

perform their due diligence against national and local legislation in these countries. In all other markets, international financing institutions use the IFC Performance Standards, or a bank-specific version, as the benchmark for their due diligence processes. Such standards require a social due diligence to be conducted.

Vestas customers care about social and environmental standards. Very clear Commercial drivers demand that our customers pay attention to social and environmental issues, not solely financial. Customers invest in studies, assessments and community consultations because international commercial banks, development banks and export credit institutions perform social and environmental due diligence on their investments, from development through to decommissioning. These international financial institutions (IFIs) commonly perform their due diligence against the Equator Principles and the IFC Performance Standards, which can exceed the requirements of local laws.

## Sustainable Development Goals (SDGs)



### Vestas and the SDGs

The 17 Sustainable Development Goals (SDGs) aims to tackle poverty, climate change and inequality for all people in all countries by 2030. It is a United Nation's framework that all 193 member states have adopted. When they were adopted, it was also clear that companies globally have a big role to play if the SDGs are to succeed. Vestas, as the world leader in wind energy, will also contribute.

### Why Vestas has chosen these six goals?

Vestas contributes to a varying degree to all 17 goals; however, we have selected six goals that are high impact areas for our operations.

Vestas is committed to advancing **Goal 13** on climate change and **Goal 7** on affordable and clean energy through our core product where we have known business value and positive impact. Therefore, sustaining the environment and mitigating climate change, whilst increasing the competitiveness of clean energy is both a high impact area and a top priority for us.

Vestas contributes to **Goal 8** on decent work and economic growth by creating jobs both during our manufacturing processes, as well as in the construction phase and through our service solutions. Vestas promotes local employee skills, infrastructure and development, to contribute to the basis of prosperous societies and increased social equity.

**Goal 4** on quality education is the key to social mobility as well as a driver of employability, and a catalyst to development, innovation and to generating stable, resilient and more prosperous societies.

It is an essential part of community development near Vestas' wind farms, both within training, skills and knowledge development. This is an important part of our installation process, as well as a Means to help develop and train a work force to meet the skills requirements of the industry.

Furthermore, Vestas engages in numerous activities focused on education at all levels, which is both a means to building a more diverse employee pipeline, but also a way to empower and equip societies with the Means to make economic progress in jobs vital for sustainable development.

**Goal 12** on sustainable production and consumption concerns Vestas' material footprint and our strong focus on how to reduce, reuse and recycle. Developing turbines that have the least environmental impact and a documented environmental performance, ensures a responsible interaction with the environment.

Finally, **Goal 17** on partnerships constitutes Vestas' way of doing business, and it is a vital part of how Vestas has evolved into what we are today. As Vestas engages in inclusive partnerships with other companies, governments, local authorities and civil society, we regard the SDGs as a set of shared goals that we turn into a solution-focused approach to make our global operations more holistic and integrative.

By consolidating the SDGs with our mission on providing best-in-class energy solutions and our vision on sustainable energy, Vestas' operations are in line with global sustainable Development objectives for a more desirable and sustainable future.

Specific projects will be linked to the goals as Vestas begins to work more actively with the SDGs.

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