

UN Global Compact Communication on Progress 2012 and 2013

Based on GRI G4 guidelines

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Introduction

When we launched the first ever company-wide sustainability campaign for the employees in 2013, we deliberately tried to keep it simple and down to earth. We introduced four animated characters, each representing the four focus areas of our Sustainability drive and each providing examples of what we do. The purpose was to make the somewhat abstract and intangible concept of sustainability, specific and engaging, - to inspire and invite people to contribute. The sustainability mascots are now present in all of our locations around the world, helping the local teams to communicate about their sustainability efforts and provide food for thought about what kind of company we are and how we want to be. They have been very well received.

A sustainable industry

The four focus areas also provide the overall structure for this report in yet another attempt to keep it simple. Sustainability is key for LM Wind Power on so many levels. We are part of a strategically important industry for many countries around the world, committed to meeting the increasing energy needs of their growing populations and at the same contributing to the challenge of mitigating climate change. Wind power is part of the solution, but it needs to be competitive with other energy sources, not least fossil fuels.

Long term political support is crucial. It provides the required foundation for innovation and economies of scale to be applied in full to reduce the Cost of Energy and together with the rest of the industry, we have taken important steps. In the last four years alone, the average cost of onshore wind energy has been reduced by 20% and is in many parts of the world, fully on par with or cheaper than conventional energy sources. That is wind power at its best, contributing to long term sustainability, providing environmental benefits, energy supply stability and local job creation.

Green, clean and lean

The focus on reducing Cost of Energy is also the cornerstone of our approach to sustainability, and we work with our customers, suppliers and colleagues around the world to do that every day. It's about creating a cheaper, more reliable and low maintenance product while ensuring the social and environmental impacts of our operations are minimized. Our corporate vision expresses it well *Together we capture the wind to power a cleaner world*. That is what we aspire to and that is what our sustainability strategies and activities derive from. It's all interlinked. Sustainability targets are business targets. Some of them are very directly linked to daily operations, some of them are rather high level and strategic, aiming to drive behavior towards a more sustainable and ethical way of doing business. We joined the UN Global Compact in 2010 to signal our firm commitment and it is still the overall framework that guides our approach, aligning well with our Code of Conduct and the way we do business in a globalized world.

The blades business is a people business

It is no secret that we have experienced significant ups and downs in recent years with the fluctuating global market and a severe financial crisis which has impacted the entire value chain. That situation has required resources for restructuring and continuous capacity adjustments, and it has at times put significant strains on the organization and our people. We have managed by communicating as openly as possible along the way, and by making an effort to deploy people redundant in one part of the business to other geographies or functions to keep them employed and ensure their valued competences were kept within the organization. In the fall of 2013, we did the first ever Employee Engagement Survey (EES). 83% of the employees responded and I was impressed to see that despite the challenges in the past years, the general level of satisfaction, motivation and loyalty was high and even higher than in comparable organizations. I see every day how LM Wind Power employees go out of their way to collaborate and consistently deliver on our business objectives. As the EES also confirmed, they are highly motivated to stay and fight! We do not take that for granted and in the coming months and years we will further increase our focus on people, using the EES data to develop specific plans and programs for employee development, talent management and communication.

The economy and market are starting to show positive signs and when we return to growth, we continue to be highly aware of the impact of our business activities on our people and the communities in which we operate. Our new Joint Venture plant in Brazil is a good example. We are getting to know a new political, cultural and social context, a new geography, new people and new regulations and we need to implement our global standards and deliver the same quality product as in the rest of the world. It's certainly challenging

but there are valuable lessons to be learned that we can utilize as we expand into new geographies and business models. Brazil was put online in the fall of 2013 and has not contributed to the data featured in this report. They will be fully included as of the 2014 report.

Performance and a look to the future

When looking at our sustainability metrics, not least on our Health, Safety and Environmental performance, there are clear indications that we are moving in the right direction. We are reducing our waste to landfill; our energy consumption in our operations and our Lost Time Accident rate is continuing its downward trend to a level better than industry standards. We can't say that we are making quantum leaps. Rather it is measured progress. This is in line with our expectations, which derive from the fact that we operate in a highly dynamic business, where one of the challenges is to balance ambitions with a realistic assessment of what can reasonably be achieved. We do not have the resources and capacity to initiate huge sustainability programs that require big short term investments. Cash is king – a simple premise that we cannot ignore. We are determined to continue our progress which will be driven by further increasing awareness and changing our processes, materials and behavior where it makes the biggest difference. We still have work to do to reduce the carbon footprint of our operations and to engage more with customers and suppliers on mitigating social and environmental impacts, looking at the full life cycle of our product and activities. Short term, we will continue to focus on the areas where we have a direct impact: Energy consumption, waste reduction and health and safety within our own operations. But the stakeholder dialogues with suppliers, customers and end users have begun and will only intensify as we continue to identify more shared goals. In the long term, we see ourselves as an interactive player in a circular economy where the full value chain is considered and work together to achieve long term sustainability.

Leo Schot, CEO

About this report

This report covers calendar years 2012 and 2013. The report for 2012 was postponed to be able to apply the more focused G4 framework, which was launched in the spring of 2013. This means that the most recent report (applying the G3 framework) submitted to the UN Global Compact in 2013 is covering the year 2011 and that this report is a special version which combines 2012 and 2013 reporting in one document. Going forward, the annual reporting cycle will continue, traditionally in connection with the company's annual report which is published in Q2 in the year following the fiscal year in question. The annual report includes a non-financial highlights section which presents some of the information featured in this more elaborate report as well.

Since this report is LM Wind Power's first, applying the G4 framework, there are significant changes compared to previous versions. The elaborate description of the Supply Chain and a more structured approach to the materiality assessment are two of the most notable differences. As any G4 pioneer we have had to get to know the framework and decide on the level of detail for its application, balancing the ability to report in a meaningful way and the practical ability to obtain the required data and information. It is a learning process and it has taken us longer than expected.

Apart from the reporting methodology, the organization has undergone structural changes during the reporting period which impact the representation of content. In 2010 and 2011, the performance of LM Wind Power group was made up with input from three different entities and was to some extent reported for each separately: LM Wind Power Blades, which represents the vast majority of the business, LM Wind Power Service & Logistics and Svendborg Brakes. During 2013, the Service and Logistics operations were integrated into the Blades business and at the end of the year, Svendborg Brakes was sold off. Therefore, for this report, the data for the blades and service and logistics units have been combined under one also for the year 2012 for the sake of comparison. Since Svendborg Brakes contributed to the performance for more than three quarters of the year 2013, they are included in the presentation of the quantitative data in this report to the point of their exit. The report has been approved by the Sustainability Board members – the VP for Communications & HR, the VP of Operations, the VP of Quality and HSE, and the CEO as well as the Head of Sustainability at the company's owners.

The report is prepared in accordance with the guidelines at Core level. The [GRI content index](#) can be found on page 30.

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Organizational profile

In 2012 and 2013, LM Wind Power provided development, manufacturing, transportation and service of wind turbine blades as well as brakes through the industrial brakes provider Svendborg Brakes (until December 2013 when Svendborg Brakes was sold off). The company's headquarters is located in Kolding, Denmark and it has a global business office in Amsterdam, The Netherlands. Its global manufacturing footprint includes factories located on four continents in 8 countries including Denmark, Spain, Poland, Canada, USA, India, China and Brazil – on or close to all key markets for wind power to better serve our customers. Svendborg Brakes has three assembly facilities located in Denmark, Germany and China and a number of smaller sales offices around the world. LM Wind Power's blades and brakes division operated on close to all major wind energy markets, serving wind turbine manufacturers in Asia, North America and Europe. The service division serves wind farm operators all over the world, among them large utilities and conglomerates.

Ownership

The principal shareholders of LM Wind Power are the partnerships managed by Doughty Hanson & Co. Managers Ltd, a company incorporated in England and Wales and headquartered in London. As an independent fund management company, Doughty Hanson & Co. has offices in New York, Frankfurt, Luxemburg, Madrid, Milan, Munich, Paris and Stockholm. Doughty Hanson & Co.'s principals have many years of experience in the successful management of international private equity funds and have led and arranged a number of large acquisitions and sales. Further details can be found in the [2013 annual report](#) on page 60.

For an overview of the scale of the organization (G4 9), please see [the latest annual report](#) available on page 4.

Facts

LM Wind Power has produced more than 166,000 blades since 1978, corresponding to approximately 65 GW installed wind power capacity which each year effectively replaces approximately 110 million tons of CO₂. This corresponds to offsetting the annual emissions (2012) of Denmark twice. Almost one in four turbines in the world have LM Wind Power blades.

Significant changes during the reporting period

2013 was an eventful year for the LM Wind Power group. The Service & Logistics division was merged into Blades (a process that was close to completion at the end of the year), and Svendborg Brakes was acquired by US based Altra Holdings Inc. in December 2013 thereby leaving the LM Wind Power Group. The footprint was expanded into a new continent with a new blade manufacturing facility in Suape, Brazil which came online in October 2013. The plant in Xinjiang, China was closed down in the course of the summer 2013, and the factory in Castellon, Spain was announced idled for a year in November 2013. Furthermore, the company initiated a refinancing process in 2013 to raise EUR 130 million through issuance of high yield bond and obtained new revolving credit facility of EUR 35 million. See page 21 in [the annual report](#).

LM Group Holding A/S is a limited company based in Denmark. The Consolidated Financial Statements for 1 January - 31 December 2013 includes the consolidated financial statements for LM Group Holding A/S and its subsidiaries (the Group).

The Consolidated Income Statement and its relevant Notes include comparative figures excluding Svendborg Brakes Group due to disposal of Svendborg Brakes that has been separately accounted for as discontinued operations. This deviates from the sustainability reporting where Svendborg Brakes data is included up to the date of its disposal. The full Group structure is available on page 64 in the [2013 annual report](#).

An integrated approach

LM Wind Power works in a two tier management structure. First tier is the Supervisory board which is the highest governance body. It features three members representing our owners Doughty Hanson and two employee representatives. The Supervisory board sets the strategic direction, exercise control over Executive Management, and ensure financial viability (high level). Second tier is Executive Management, also referred to as LM Wind Power’s Management Team. They are responsible for the daily management of the business including execution of decisions made by the Supervisory board. In addition to the two-tier management, there’s an independent organ of two industry experts in place which acts as a sounding and review board to both the Management Team and the Supervisory Board.

These bodies are responsible for any decisions with economic, environmental, and social impacts. The practical application of sustainability activities, however, is much more rooted in daily operations. It’s a deliberate choice not to have a formal sustainability department or unit, although we might need to reconsider this structure as we mature further and need more dedicated resources to drive progress. We see 2010 as the starting point for the first structured efforts of tying all relevant activities into a sustainability program or catalogue for the company. It started with a group of passionate employees from a wide range of departments and functions across the business. Together, they formed a cross-functional Core team with people from HR and Communications, Engineering, Operations, Sourcing, and HSE, that challenged the Management Team to fully embrace a sustainability drive. They report to a Sustainability Board consisting of the VP Operations, VP Communications & HR, and the VP Quality and HSE who review, endorse, challenge and drive sustainability activities suggested by the Core team, seeking and ensuring the support of the full Management Team including the CEO. The most notable examples were joining the UN Global Compact and the introduction of a company-wide sustainability reporting tool which is now used to track performance on the full range of sustainability activities across environmental, social, labor and anti-corruption.

With hands on knowledge of the business and a global network into each function, this team is pushing the sustainability agenda, suggesting policies, initiatives and objectives to drive progress aligned with core business strategies and objectives. They also manage the sustainability reporting.



Illustration of LM Wind Power’s sustainability organization and interfaces.

Health and Safety is an important focus area which has received special focus over the past five years. Determined to develop a safety culture while improving on hardcore safety metrics, we established a dedicated governance structure anchored at the very top with a Global HSE Council chaired by the CEO.

The Global HSE Council sets the strategic direction for the safety improvements throughout the company and has formal ties to regional as well as site level safety organizations that work with the operational aspects and drive implementation. The safety groups are mandated to review and establish local policies and procedures, as well as drive safety improvement initiatives with local management to raise awareness and promote safe behavior.

Values & Integrity

LM Wind Power's Code of Conduct is the core document, providing the ethical framework for how we interact and do business. It addresses the following main items: Business Principles, Anti-Corruption and Anti-Bribery, Human Resources and Rights, Environmental Principles, and Responsibility of Managers and Employees. The document which was formalized for the first time in 2007, is signed off by the CEO and has been reviewed and updated regularly to reflect changes in regulations, most recently the UK Anti-Bribery Act which we are covered by through our British ownership. All new salaried employees sign the Code of Conduct when joining the company and since 2012, e-learning has been in place to remind and train people on the content. Updates are typically managed in collaboration between HR, Legal and the Internal Audit function.

LM Wind Power leaders are responsible for fostering a culture in which compliance with the Code of Conduct and its spirit is a natural component. The Code of Conduct is supported by policies and guidelines that are continuously expanded, reviewed and updated to keep up with the development of our company. Introduction to the Code of Conduct is mandatory for all employees, including new hires, to ensure that all embrace what we call the "the spirit of integrity". However, the Code of Conduct is not only communicated internally. It is also a core element of our continuous collaborative engagement with suppliers where it sets out clear expectations and requirements to their ethical practices as a premise for doing business with us. We expect them to follow all applicable laws and regulations, conduct business with integrity, promote fair employment practices, safe workplaces and protection of the environment and avoid conflicts of interests between personal and work affairs.

LM Wind Power is a value-driven organization. Our values serve as an overall framework that guides the behavior and decisions of everyone in our company. By integrating the corporate values into our daily work, we have a strong common foundation for active collaboration required to create cutting edge technology.

We employ a company appraisal system, the Performance Management Process (PMP), which facilitates a yearly cycle of objective setting, development reviews and assessment. The assessment of the employees' performance gives equal weight to the ability to meet business objectives and to how the results were achieved, i.e. whether they have applied the values. Tying behavior directly to appraisals and remuneration is a strong driver to promote a collaborative culture, characterized by respect and customer focus.

LM Wind Power's corporate values

Focus on customer and market

We dedicate ourselves to superior and long-term partnerships with our customers. We proactively develop solutions that meet their expectations. And we meet customers with the same friendly, helpful and collaborative behavior anywhere in the world. Our focus is on creating outstanding value by listening and reacting according to our customers' and markets' needs.

Work as one team

At LM Wind Power, we work together towards clear common goals and objectives. We strive for consensus by recognizing the value of others' opinions and proactively share experiences to drive continuous cross-organizational learning. We cooperate closely and in alignment across geographical, cultural and functional boundaries to make sure we act as one company all around the world.

Trust and respect

Our most important asset is our people. We believe that the diversity of our employees and partners enriches us and contributes to creating an exciting workplace with room for personal growth and development. Trust and respect are the foundation for this complemented by open and honest dialogue at all levels. We recognize the value of peoples' differences and enjoy learning from others!

Take ownership

We recognize that we all need to take ownership to make our company a success. - Both as individuals and

as a team. This means that we demonstrate and recognize personal initiative. We meet our commitments and do what we say! We do not let functional or role responsibilities prevent us from achieving common goals and we are always prepared to take the necessary decisions.

Innovate for excellence

Our company was founded on a spirit of entrepreneurship and innovation and this has become a part of our identity. This means that we relentlessly challenge status quo to continuously improve. We think out of the box using our collective creativity to pursue quantum changes. And we foster an environment that encourages innovation and attracts outstanding talent! Our focus on innovation helps us develop and produce class-leading, reliable products and services.

Our values are the cultural framework under which we do business but it is our Code of Conduct that governs how sustainability is ensured in business operations. It offers guidance to ensure ethical behaviors and integrity at all times, aligned with international conventions and national laws.

Building on the foundation provided by the UN Global Compact, to which we've been a signatory since 2010, the Code of Conduct overarches the policies and guidelines we have in place on labor, health and safety, environment and anti-corruption. It is a non-exhaustive list of invariable guidelines and rules, dealing with issues such as legal compliance, conflicts of interest and accounting. The document details our commitments in relation to the triple bottom line with an emphasis on promoting safe workplaces, non-discrimination, equal opportunities and environmental stewardship.

Stakeholder engagement: *‘Together we capture the wind to power a cleaner world’*

We believe that sustainability performance needs to be adopted and driven by the whole organization. That is the reason why we deliberately opted for an integrated approach and appointed a sustainability board with high level representation from key business functions. Each brings different perspectives to the table and the cross functional dialogues ensure that we harness essential knowledge of social and environmental impacts across different business activities, that we apply various perspectives to the identification of material issues, that we build ownership and facilitate integration of sustainability into business practices.

The strength of the bottom-up approach is that it ensures an integrated starting point. The backside, however, is the dependence on senior leadership attention and focus to assign any required resources and clear the way for implementation of larger projects. Generally, however, our leadership has been highly supportive, and fully backed by the Head of Sustainability at our owners, who acts as an advisor, reviewer and driver of sustainability activities working directly with the Core team and the Sustainability Board on long term value creation.

One of the main criteria for identifying our key stakeholders was their significance and contribution to our current and future business success, and their fundamental impact on our sustainability performance. We also looked at those stakeholders on whom we have a direct impact and can influence in a meaningful way - our engagement in community and environmental stewardship came out at the top of the list.

Employees

Our employees are not surprisingly a key stakeholder group. They act as ambassadors and direct implementers of business success and we engage with them on several levels to improve their skills and knowledge, raise their awareness about sustainability strategy and build ownership. The PMP system is an important backbone of those efforts and the formal structure to ensure regular engagement and dialogue on career aspirations, development and more. Another example of employee engagement was the launch of the first internal, global employee campaign in 2013 featuring four animated mascots called The Sustainables. An animated video, explaining the program accompanied real life cardboard figures which are now present in all LM Wind Power locations around the world. The video presented The Sustainables and the sustainability facts, providing the global perspective and context and the mascots are used to narrate the local sustainability initiatives, helping to make the program specific for all employees regardless of location and culture.

2013 was also the year when we conducted the first company-wide Employee Engagement Survey (EES) with the purpose of taking the temperature on the organization and gauge the level of satisfaction and motivation among employees. With a participation rate of 83%, we received lots of helpful and constructive feedback in the areas of management, communication and support, general well-being, collaboration and development opportunities. People development and communication to boost the company’s reputation and thereby employee pride, were some of the topics that were highlighted as potential areas for improvement. Based on the results, each function has now developed actions plans to address the concerns specific for their department and these will be implemented during 2014. We expect to repeat the Employee Engagement Survey bi-annually.

Suppliers

Our suppliers are our business partners and play a crucial role in our efforts and ability to achieve high quality products and safety standards while delivering innovative technologies. We continuously engage in cooperation with our suppliers to reduce the use of hazardous chemicals, improve safety, quality and processes, with the purpose of delivering better, cheaper and more sustainable products. Suppliers are not only required to live up to high standards on quality management and processes, we also expect them to adhere to ethical, social and environmental standards, as defined in our Code of Conduct and Global HSE policy. However, we recognize that there might be potential sustainability issues in our supply chain which cannot necessarily be discovered through random audits and screenings. And so we have engaged in an intensified dialogue with our key suppliers to assess their maturity level on sustainability and extend an

invitation to collaborate to achieve shared goals. The first round of supplier dialogues focused on the suppliers of balsa and the ones representing the majority of our spend. They are based in various locations across the US, Europe, Turkey, Papua New Guinea and Ecuador and differ in size and capabilities in terms of sustainability. Some of them are large companies with dedicated sustainability departments; others are smaller companies that drive their activities through a highly committed management. We will continue the close contact and follow up with supplier visits by our HSE representative who will look at the supplier from a wider sustainability perspective and assess the necessity of further engagement.

Customers

Our customer relationships are often long-term partnerships and we need to engage closely to ensure our solutions meet their needs and expectations to quality, reliability and cost. Traditionally, the customer requirements related to wider sustainability concerns have been limited, but in recent years we have seen an increased focus which is expressed among other things in the customers' regular supplier assessment programs and screening processes when exploring a potential collaboration with us. Several times during the past couple of years, we have received surveys from customers inquiring about our sustainability policies and performance. When responding, we have noted that the questions very much reflect the principles and structure of the UN Global Compact which confirms to us that our activities and approach align well with our customers' requirements. We see a potential for further engaging with our customers to identify shared sustainability gains. An example could be to develop a sustainable blade disposal solution which we already work on with industry partners and academia in the Danish GenVind project.

Communities

As a global business with operations in eight different countries often placed in somewhat remote industrial areas, the employment we bring is much appreciated by the local citizens. Our manufacturing facilities generate new jobs within categories such as construction, technical and engineering, and the presence of us and our employees has proven to attract further investment from other companies and institutions. An active policy on local sourcing helps foster a local supply chain, contributing to local growth and indirect job creation. The economic development is an important benefit but we often go further to improve the quality of life of community populations in other meaningful ways. In many parts of the world, our staff engages in a variety of community outreach programs ranging from charity donations, support for education, disaster relief, and collaborations with NGOs to support the most vulnerable citizens of the local community.

Owners

Doughty Hanson was one of the first private equity funds to appoint a dedicated Head of Sustainability to work with sustainability as a driver of long term value creation and risk management in the portfolio companies. This commitment has been a main driver to promote and develop LM Wind Power's sustainability efforts, ensuring that it remains a strategic activity with top level engagement and endorsement. With specialist knowledge on sustainability and a clear view to the potential for the company to do more, they challenge us to further embed sustainability into our business processes, pointing to the areas where it makes the biggest difference. We engage with our owners on sustainability several times every month through direct contact between either the Core team or the Sustainability Board members.

Responsible supply chain management

As an international company with manufacturing facilities across four continents and eight countries including Denmark, Spain, Poland, Canada, USA, India, China and Brazil we have built a global network of suppliers from whom our global sites purchase raw materials and core components. We do business with over 200 suppliers, a handful of which are our strategic partners representing the majority of our spend. These are big, reputable companies, with well-established brands and certified quality management systems to ensure security of supply and high standards for their operations.

The supply chain of the wind industry is a complex entity which needs to continuously drive out cost while developing the processes and systems required to making a quality product with max reliability. LM Wind Power's Supplier Management strategy focuses on selecting the best suppliers based on their performance and capability to deliver world class products in terms of safety, quality, delivery, cost and features. All potential suppliers should have a Quality Management system complying with ISO 9001:2008, and we also strongly encourage suppliers to get certified according to ISO 14001:2004 & ISO 18001:2008.

All new suppliers undergo thorough scrutiny checks (Supplier Quality Assessment/Agreement) to ensure that they live up to our product quality, good governance and environmental standards. We screen suppliers on a variety of metrics to find out if they have, for instance risk assessment, change management, process control, or employee training programs in place. Supplier will have to score sufficient points as a threshold for acceptance, and we develop an action plan for poor performers. As of 2013, **92 per cent** of suppliers were covered by the Supplier Quality Agreement which includes requirements to sustainability practices.

We rely on the commitment from our suppliers to succeed in our mission to deliver high performing and safe products at the right price. And we actively engage with suppliers to improve our sustainability performance, e.g. through the development of safer and more environmentally friendly chemicals or implementing innovative projects to boost material performance or reduce waste. The best projects have multiple benefits, which could be improved workflows and efficiency at the supplier site, a better work environment for our people, or a more cost effective process or product to the customer.

Our purchasing agreements with suppliers, aside from specifying obligations concerning ordering, delivery and price, put a clear emphasis on the compliance with our Code of Conduct. Code of conduct compliance is also an integral part of our Supplier Quality Manual (SQM) that the supplier needs to sign before engaging in a business relationship with LM Wind Power. As an overarching principle we require our suppliers to conduct business with integrity and compliance with the laws and regulations, and thereby commit to respecting human rights, creating decent working conditions, protecting the environment and combatting corruption. We make clear that we do not accept child labor, forced labor, discrimination or any other misconduct as part of our relationship. As of 2013, the great majority of our suppliers – **over 75 percent** representing about 90 percent of the total spend, signed the quality manual, and thus committed to complying with our Code of Conduct.

Suppliers by Commodity	% of Suppliers who signed the SQM requiring Code of Conduct compliance
Core	95.45
Glass	70
Liquids	64
Metals	75
Plastics	76

Compliance is key but so is communication and we are committed to increasing the dialogue with our suppliers to further address sustainability. In the fall of 2013, we hosted a meeting with approximately 40 suppliers represented, where sustainability were explicitly on the agenda. We shared our ambitions to promote sustainability further in the supply chain and stated our expectations to them as partners. Shortly after, we initiated the informal interviewing process mentioned previously with a number of our suppliers to have a more complete picture of their sustainability performance and find common ground for greater cooperation.

Fostering a more responsible supply chain is a challenge which we have only recently embarked on. We recognize that it requires ongoing efforts, including active communication and collaboration to make sure the initiatives move beyond monitoring and “check the box” assessments, towards an engaging and mutually beneficial partnership. The course we have set is based on a staged approach, targeting our limited resources towards the areas representing the highest risks and potential gains.

Sustainability commitments: Defining material aspects

LM Wind Power is a green company but are we green enough? This statement is the driving force for our sustainability activities and priorities. We operate in the renewable energy industry, providing a product that contributes widely to long term sustainability, but we are a manufacturing company which uses material and energy, produces waste, puts strain on people and influences local infrastructure and communities. Aspiring to minimize our impact and be a truly sustainable company made us take a closer look at the challenges we face and ways to address these issues in a more structured, systematic and informed manner.

Joining the UN Global Compact in 2010 marked the kick off to a more structured approach, setting in motion a process of continuous improvement. Guided by a leading sustainability consultancy, the Sustainability Board and Core team initiated a process to identify key stakeholders, map their interests and expectations, and making an assessment of their impacts on the triple bottom line. After completion of the high level stakeholder analysis and review of business and industry challenges and opportunities, the group went on to identify specific performance indicators based on the GRI G3 framework. Our current sustainability headlines: Safety, People, Environment and Technology/Innovation are a direct outcome of this mapping exercise.

We selected the GRI framework for our reporting as the most robust framework available at the time, and providing specific guidance. The indicators identified for our first reports based on the G3 version, form the basis for the aspects now included in this G4 report with some added in line with the expanded scope of the G4 framework. Again, we went through a diligent process of assessing the relevance of these aspects to our business and stakeholders. Various factors were considered, such as the significance of the impact to the company and its stakeholders, risks to ourselves and our identified stakeholders, our external compliance commitments both voluntary and with regards to laws and regulations, global sustainability trends and challenges, the potential for achieving operational efficiencies and competitive advantages and our ability to influence the performance in a meaningful way. The fundamental requirement is that the sustainability metrics make good business sense and the process of measuring on their performance becomes part of a value-adding strategy.

The Core team, representing the interests and perspectives of key stakeholders, was the core driver behind the assessment process, suggesting a complete list which was then endorsed the Sustainability Board.

For a company in the renewable energy industry, the environmental metrics not surprisingly represent a big part of the list. We are part of the solution to environmental and climate change challenges and so it is of strategic importance to us to reduce our own impact as well e.g. through focusing on carbon emissions, and water consumption even though our operations do not apply water in the manufacturing processes. As a manufacturing company with thousands of employees working on building blades in our plants around the world, health and safety aspects are also key priority. We need to keep our people safe and efficient and we have focused a lot on this area particularly within the last five years. HSE performance is at the very heart of our sustainability program not least because it is directly linked to the bottom line.

Through our focus on technology and innovation, we wish to strengthen our competitive positioning and growth opportunities, while contributing to the expansion of sustainable and clean energy. Our main sustainability challenge and opportunity lies in promoting the progress and growth of renewable energy and this can be accomplished through more effective products, processes and services which are achieved through innovations and economies of scale. The future of the industry rests on our joint ability to remain competitive, better harness wind power and improve its attractiveness as a mainstream energy source. The innovative products we launch are all built with the purpose in mind and we continue to innovate for excellence in development and manufacturing.

List of material aspects, their boundaries and significance to stakeholders:

Material Aspects	GRI Aspects	Boundary	Key stakeholders
ENVIRONMENT			
<p>Reduce carbon footprint through reduction of material use, energy consumption and waste generation</p>	<p>Energy, Water, Emissions, Effluents and waste Supplier Environmental Assessment</p>	<p>The company is mapping its carbon footprint in its global manufacturing operations from material consumption, energy consumption, and transportation of people. In the process of including waste and moving towards a full Life Cycle Assessment (LCA) approach.</p> <p>Environmental protection is one of the targets of our HSE policy which requires commitment to and accountability for preventing pollution and promoting sound environmental practices from all employees and suppliers.</p> <p>Various projects, primarily locally, focus on reducing the energy consumption in the plants e.g. by upgrading or replacing ventilation systems and machinery, sourcing electricity from renewable energy where possible and installing energy management systems. We also work internally and with our suppliers on optimizing our material consumption to reduce waste and cost. This includes implementing initiatives to reduce, re-use and replace hazardous materials in our manufacturing.</p>	<p>Employees Environment</p>
PEOPLE			
<p>Compliance & integrity</p>	<p>Investment Non-discrimination Freedom of Association and Collective Bargaining Child labor Forced or compulsory labor Supplier Human Rights Assessment Supplier Assessment for Labor Practices Anti-corruption</p>	<p>We recognize challenges inherent in managing a diverse and multicultural workforce as well as having a global network of suppliers. We need to remain vigilant for human rights abuses, fair employment and discriminatory practices, and corruption and we try to manage these challenges through safeguarding compliance with our Code of Conduct. We expect all our employees and suppliers to adhere to our Code of Conduct.</p> <p>The integrity with which we conduct our business is also important to our customers, who not only emphasize quality and safety aspects of the products we deliver but also our sustainability and ethical performance.</p>	<p>Employees Suppliers Customers</p>
<p>Developing competences</p>	<p>Training and education</p>	<p>Our success comes from the knowledge, competence, and integrity of our workforce, making our focus on improving their skills and developing their careers through targeted training and appraisals essential. We have built an elaborate employee development scheme, which includes HR programs, talent and career initiatives, appraisals and reward systems as well as</p>	<p>Employees</p>

		various on the job trainings in a combination of local and global initiatives.	
Contribute positively to the communities in which we operate	Local Communities	As an international company, with plants in remote parts of the world, we strive to have a lasting positive impacts on the communities in which we operate, ranging from job creation and economic development to employee driven charity work. Involving employees in charity initiatives also has a positive effect on our organization and our people's commitment. The community outreach activities are particularly strong in India and the US and Canada.	Communities Employees
HEALTH AND SAFETY			
Towards zero injury	Occupational Health and Safety	<p>With an overarching idea that "Safety is everyone's responsibility" we make sure that all personnel in our plants worldwide are aware of risks and motivated to make safety a priority. It is instrumental if we want to get to zero accidents and achieve world class standards.</p> <p>Aiming for improvements on safety also requires reliable and certified suppliers as an assurance of high level of quality. We review health and safety implications in the early stages of product development and when introducing new materials or processes in our manufacturing.</p>	Employees Suppliers
Building safety culture	Occupational Health and Safety	Building a successful safety culture takes commitment at the top with global and plant-level managerial oversight. But the most important stakeholders are the employees. With our targeted HSE campaigns and trainings we make sure that all personnel are made aware of dangers inherent in their jobs, and are equipped with essential skills and competences to perform work safely.	Employees
	Customer Health and Safety	One of our core values is Focus on Customer and Market, applying a mindset that strives towards continuous improvement. Both LM Wind Power and our suppliers develop processes and systems required by our customers to meet their demand for high quality and safe products. Thus, we review health and safety implications in the early stages of product development and when introducing new materials or processes in our manufacturing. If the health and safety implications of a certain substance or material are not sufficiently documented, we prefer working with materials that have well-documented and known risks so that we can take our precautions. We work with suppliers and research institutions to develop safer and more environmentally friendly chemicals, equipment and tools.	Customers Employees Suppliers

Environment

Managing risks and identifying operational efficiencies while reducing impact

LM Wind Power is part of the green energy industry with more than 166,000 blades produced since the late 1970s. This corresponds to approximately 65 Gigawatts (GW) of installed wind power capacity which every year help compensate for millions of tons of CO₂, doing our bit in the global battle against climate change.

Our products advance environmental benefits. Wind power provides clean energy with a minimum of carbon emissions while reducing the dependency on fossil fuels. There are, however, environmental impacts associated with the manufacturing, testing, transportation and installation of the wind turbines where the processes require resources and energy, and produce waste. All stages in the lifespan of a blade, from raw materials extraction and processing, through blade manufacturing and transporting to the product disposal at end of life leave an imprint on the ecosystem. We are committed to reduce this impact and work to do that while harvesting operational efficiencies.

For this purpose, we identified the following as priorities:

- Assess and reduce GHG emissions / Manage carbon footprint
- Reduce resource consumption and waste:
 - Material & Energy consumption
 - Water consumption (particularly material in India)
 - Waste generation and handling
 - Waste treatment and recycling

Our efforts are guided by a structured approach anchored in our global HSE management system and specific activities to drive progress at plant level:

- *External certifications of HSE management system:*

All LM Wind Power sites (except for the blade manufacturing facility in Brazil, inaugurated in October 2013) are certified according ISO 14001:2004 and in the process of certification according to OHSAS 18001:2008 to achieve a certified, integrated HSE management system globally by the end of 2014.

- *Environmental Sustainability Policy & Management system:*

Environmental protection is one of the targets of our HSE policy which requires commitment to and accountability for preventing pollution and promoting sound environmental practices from all employees and contractors. Local managers are held responsible for governing compliance, ensuring communication and successful implementation of these responsibilities.

The policy is accompanied by an HSE Management System Manual, which defines management processes for impacts identification, legal compliance, strategy and goal setting, training, communication, document control, emergency preparedness and response, performance and control measures.

Local HSE managers undertake routine HSE inspections to monitor implementation whereas yearly management review meetings are held to follow up on pertinent aspects and take all necessary action to drive continuous improvement.

- *Risk assessments and control*

Every time we change material, equipment or processes, the responsible managers and employees perform a HSE risk assessment, taking into consideration potential hazards for the people involved in doing the job or for the environment. The job/change cannot start before the Risk assessment has been conducted and clear plans for how to manage a potential risk have been put in place. This is a core process which is also thoroughly described in the company's global Business Management System.

Material use, Energy, Waste and Water

We map the development and CO2 emissions from our material consumption, energy consumption, transportation and waste to be able to reduce our impact.

The environmental performance in our operations tracked worldwide via SoFi, a dedicated sustainability reporting software in which key people from each plant insert data on a monthly basis. The data is presented and reviewed along with other core performance indicators at the monthly Business Operations Review chaired by the VP Operations. The carbon footprint reported in the annual report is a reflection of this data. For now, the company is mapping its carbon footprint from materials and energy use in the operations, which represents the vast majority of our activities, and is in the process of including waste. It is the ambition to map the full life cycle impact of its products and activities in the future.

Total no. of blades produced

2013	2012	2011	2010
7,173	8,856	10,333	10,241

Raw material used (tons)

	2013	2012	2011	2010
Total (tons)	59,097	93,135	69,078	64,374

Energy

Total fuel consumption from non-renewable sources in joules or multiples, including fuel types used

	2013	2012
Fuel not used for transport	346,980,830 MJ	403,612,233 MJ
LPG	16,058,924 MJ	16,752,666 MJ
Diesel	62,542,326 MJ	168,029,520 MJ
Gasoline	1,621,073 MJ	193,756 MJ
Natural gas	266,568,303 MJ	218,268,817 MJ
Heating oil	190,204 MJ	367,474 MJ

Total fuel consumption from renewable fuel sources in joules or multiples, including fuel types used.

We don't have this level of data but there are clear geographical trends. In Denmark, a high proportion of the electricity consumed come from wind power. In countries such as China the share of energy coming from renewables will be very small. In India, street lamps and water heating for showers in the facility come from solar power.

Total electricity consumption (No specific data for heating, cooling or steam)

	2013	2012
Electricity for production equipment, lights and ventilation	288,631,814 MJ	348,598,869 MJ

Total energy consumption in joules or multiples

	2013	2012
Energy consumption in the operations	635,722,624 MJ	752,211,102 MJ

Standards, methodologies, and assumptions used

The data on environment is reported as a total for the whole group with the blade manufacturing business representing the vast majority of material consumption, energy, water consumption and waste generation. The data has been consolidated based on an automatic calculation in the sustainability reporting software SoFi where each plant taps in energy data every month. The system automatically converts units, depending on the desired output format. The conversion factors are integrated in the system based on the GHG protocol and is managed completely by the provider of the SoFi system.

Waste

(Tons)	2013	2012	2011	2010
Reuse	93,303	166,452	-	-
Recycle	2,347,862	3,031,474	3,447	2,944
Incineration	7,399,263	9,758,177	11,002	7,132
Landfill	6,364,413	9,258,775	9,289	7,381

The waste is disposed of according to local regulations and conditions in the countries where we operate. In some countries like Canada and Denmark, the regulations are designed in such a way that waste that would be recycled or incinerated in other parts of the world, has to go to landfill. The majority of our waste to landfill is filed in the US where there's limited tradition for recycling and there's generally a lack of better alternatives. In other countries such as Poland and China, the waste to landfill is almost non-existing due to a high level of recycling and incineration.

Reducing waste remains a crucial activity to continuously lower operational cost and improve efficiency while minimizing the company's environmental impact. For us, it is a core sustainability achievement when environmental considerations go hand in hand with cost reductions that contribute to business results. The global savings target for the year was exceeded with EUR3.5m EBITDA savings compared to the target of EUR3.0m with all plants except Brazil, which started operations in October, contributed to the savings. The significant savings came from process improvements, introduction of new equipment and methods that reduce raw material waste as well as initiatives to find alternative and less expensive ways to dispose of waste – e.g. partnering up with companies that reuse the material in other products instead of sending it to landfill. In 2012, the waste reduction initiatives which are highly employee achieved almost EUR 2m EBITDA savings in line with expectations

Water consumption (m3)

Even though the wind industry is one of the industries for power generation that consumes the least water and we don't use water in our production processes, we recognize that water is and will be an increasingly scarce resource that we all need to take responsibility for preserving. The increase in water consumption for 2013 is due to a leak in Little Rock, Arkansas in the US which has now been fixed. Without the leak, the consumption would have been in line with the prior year.

In some geographies like India it certainly is a material aspect too due to the severe water scarcity issues in that region. Our Indian plant established a rainwater harvesting system in 2010, which collects enough water to cover the majority of the consumption of the plant. Excess water is discharged to the ground again. Setting the standard for all other local companies, this initiative has resulted in a 5-8% increase in the underground water table.

(m3)	2013	2012
Ground water/municipal water	307,722	188,721
On site	37,450	50,061
Total	345,172	238,782
Water recycled and reused in India- % of total water withdrawal	10%	18%

Only India has a big scale water recycling system implemented and account for the vast majority of the data under onsite water withdrawal together with Spain that has a minor water withdrawal from a local well. Method for calculation: On site water withdrawal minus data from Spain (7500m3 in 2012 and 2200m3 in 2013) which represents water withdrawn from a local well = India recycled water divided by the total water withdrawal data.

Carbon footprint

During the past few years, the organization has been working continuously on different levels to reduce the carbon footprint. From awareness campaigns and installing new equipment that reduce power consumption to sourcing electricity from renewable energy sources and leasing cars with longer mileage. The carbon footprint numbers in the reports so far do not give justice to the efforts invested although they are starting to show a positive trend. The plants have had electricity savings targets of 5% per year and have generally managed to reduce their consumption. Larger investments are required though if we are to reach more significant savings that will also show in the 'carbon footprint per kg blade produced'. The majority of our electricity consumption is for lights, heating or cooling of the plant workshop and to a smaller extent to power production equipment. The plant temperature needs to be stable regardless of how many molds are in operation, making it difficult to bite off a large chunk of the energy consumption. Furthermore, like many others, we have had to realize that the data collection and validation is a source of continuous challenge and source for improvement. We are confident though that the validity of the data is constantly improving, reflecting reality more precisely every year.

Carbon Footprint In tons equivalent carbon dioxide	2013	2012
Scope 1 Scope 1: Direct emissions (activities owned or controlled by the organisation that release emissions direct to the atmosphere e.g. emissions from owned or controlled boilers, furnaces, process equipment, vehicles etc)	76.174	61.617
Scope 2 Scope 2: Energy indirect (emissions released into atmosphere that are a consequence of your activities but which occur at sources you do not own or control e.g. emissions associated with your consumption of electricity, heat, steam, cooling)	65.633	76.992
Scope 3 Scope 3: Other indirect (all other activities that release emissions as a consequence of your activities, but not indirect energy sources and which occur at sources beyond your control e.g. business travel, use of sold products or services, waste disposal)	247.141	370.103
Total carbon footprint (Gross Emissions)	388.948	508.712

Carbon footprint (kg) / kg blade produced

2013	2012	2011	2010
6.9	7.5	7.4	5.4

The carbon footprint per kg blade produced indicates that even though our volume has decreased, meaning less material consumption which comprises a major part of the carbon footprint, our overall carbon efficiency has increased. This is due to increased awareness and a strict focus on energy consumption and efficiency, which we will continue to work on.

Occupational Health and Safety

Safe people, safe products, safe processes and supply chain management. Safety is at the core of our sustainability efforts and all materials that go into our blades are carefully reviewed for health and safety issues on which we strive to continuously improve.

We are working on different levels to achieve the necessary improvements and enhancing good governance on health and safety across the business:

- *Certification*

We control and improve health and safety performance with the occupational health and safety management system standard OHSAS 18001 which we expect to have completed for all LM Wind Power sites by end 2014.

- *Commitment at the top: Establishing a Global HSE Council*

Since 2010, we have had a global safety organization in place anchored at the very top with a Global HSE Council led by the CEO to promote and improve safety performance across the group. The Council connects with regional as well as site level safety organizations that work with the operational aspects and drive implementation. The safety groups review and establish local policies and procedures and drive safety improvement initiatives with local management to raise awareness and promote safe behavior.

- *Establishing robust policies and processes across the business*

Our safety efforts are enforced from the top but the HSE success factors depend on company-wide commitment and discipline. It starts with the Global HSE policy which puts a strong focus on people's health and safety requiring active commitment to prevent harm, including injury and ill health, from all employees and contractors. With our global HSE Management system we ensure that we have processes in place to identify hazards, prior to commencement of any project, that we comply with applicable Health and Safety legal requirements, and that we establish safety goals and strategies on a yearly basis to drive continuous improvement. The system includes control measures, focusing on PPE, equipment and operational instructions necessary to reduce or eliminate risks and develop emergency plans for employees. The effectiveness of the implementation is measured through ongoing internal audits, and in the occurrence of non-conformities or incidents, corrective and preventive actions are identified and implemented.

Our health and safety performance is reviewed annually at management review meetings with local representation to monitor the compliance with standards and certifications (OHSAS 18001 & ISO 14001), and reflect the effectiveness of the system.

- *Specific activities tied into our approach to Lean manufacturing*

The LM Production System based on LEAN principles helps provide safety in the workshops, keeping things in their proper place and organizing workflows to ensure quality production with the most efficient utilization of people and resources. An effective lean tool, 'safety gembu walks', helps our managers and employees make regular safety assessments in the manufacturing environment– quickly identify safety hazards and check the status of equipment for safety standards during walks through the production areas. Good ideas are systematically shared between our manufacturing facilities and each plant has a target for idea generation and implementation.

The strategic goals to improve workplace safety up until 2017 are:

1. Injury and Incident Free (IIF) workplace – Total Recordable Injury and Illness Rate (TRIIR) top tier performer
2. Strong risk assessment culture, fully permeated in everything we do, i.e. in all Management Of Change processes and in day-to-day activities on the shop floor

3. Full visibility and clarity on the company's expectations vis-à-vis Sustainability – towards employees and towards contractors
4. Full regulatory compliance
5. Strong ownership of HSE matters by Operational Line Management
6. Strong sense of urgency with Senior Management - zero tolerance attitude towards accidents and incidents, critical safety rules and repeat offenders
7. True Learning Organization – robust performance with regards to „closing the loop“ and not having repeat accidents

From the HSE Management System Manual

Training and communication

Safety training and communication for and with the employees to increase awareness, competence and active participation provide the foundation for successful implementation. A large part of our employees, between 25 and 50% at various levels are represented in Health & Safety committees either at plant level or regional level (under the Global HSE Council).

Our cooperation with safety experts, Du Pont, over the past four years has helped us identify our risks and build up the foundation for implementing a safety culture. Their assessment of our standards and performance back in 2010 pointed among other things to inconsistent use of protective equipment, lack of clarity about safety rules and instructions, or lack of discipline in following them. Du Pont visited our manufacturing locations around the world and defined improvements to bring all locations up to a global LM Wind Power safety standard based on best in class industry standards. Some of the initiatives that have made a difference were specific training in Root Cause Analysis (RCA) incident investigation, a number of projects targeted at handling chemicals and fire safety, and a strong focus on improving safety for working in confined spaces. New and more robust processes have been put in place to make sure key HSE aspects are being assessed and taken into consideration when developing new products, setting up new factories and when introducing new materials.

Furthermore, we have invested significantly in training courses, most recently global safety excellence courses in 2013 for 146 of our managers worldwide. The target is to move towards zero accidents and we have made steady progress to a level on par with industry standards in 2013 and the development for 2014 so far indicates a position among best in class.

Performance and awareness

The development in the Lost Time Accident Rate (LTA) per million working hours, identified as one of the key performance indicators in relation to safety in the plants illustrates significant progress over the years. By end of 2011, the LTA rate was 5.7, representing a 42% decrease compared to 2010. Encouraged by this achievement, the target for 2012 was set to 3.5. The actual LTA performance ended at 4.0, slightly above target. In 2013, the Lost Time Accident rate landed on a record low 2.9. Slightly above the ambitious target of 2.1, it is a significant improvement from 4.0 in 2012. In 2014, we aim to achieve an LTA rate of 2.0. We do not have this data split on gender, but are considering whether to include it in the next reporting cycle.

Year	2013	2012	2011
Number of employees/end of year	4,851	5,122	5,803
Injury rates (involving lost time) per million working hours	2.9	4.0	5.7

Absentee rates	2013	2012
Salaried employees	0.5	0.7
Hourly paid employees	1.2	1.5

Safety Awareness	2013	2012
Number of safety dialogues conducted by senior management and employees	2.496	-
Number of Near Misses Reported	16.199	6.234

People

With geographically dispersed and multicultural teams, we have our fair share of differences. Currently we employ 28 different nationalities, of which the largest representations are Chinese and American with 25% each, Indians with 16%, Polish 10%, Spanish 9% and Danish with 7%. At LM Wind Power we view our cultural and national diversity and different backgrounds as a strength and source of creativity. At the same time we recognize challenges inherent in managing a diverse and multicultural workforce.

The Code of Conduct clearly states that LM Wind Power hires and treats its employees in a manner that does not discriminate with regard to gender, race, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social or ethnic origin. Workplace diversity at all levels is encouraged.

In other words, LM Wind Power is committed to offering all employees equal career and employment opportunities. All together the gender split between men and women in LM Wind Power globally (2013) is 15% women and 85% men and for monthly paid employees alone, the split is 32% women and 68% men. LM Wind Power's Management Team (9 persons) currently consists of 6 different nationalities including Dutch, Danish, Irish, British, Spanish and American – all men. The company continues to apply equal opportunity employment policies and aspires to see this reflected at senior level with a target between 20 and 40% of women represented. We focus our internal succession planning and external recruitment processes to support this aim. In the management levels below our Management Team we have 10% women, which we consider an important future source for internal recruitment to the Management Team. The Management Team continuously works to increase diversity across the company and within the management.

There was an increase in the application of contractors as opposed to permanent employees from 2012 to 2013, reflecting the difficult business environment and the necessity to apply flexible employment schemes.

See detailed employment data in [Appendix 1](#).

Employment conditions

LM Wind Power acknowledges freedom of association as a fundamental right and employs people worldwide according to local law and collective bargaining agreements where required. The unions are particularly strong in countries such as Spain, Denmark, Canada and to some extent China where between 25 and 90% of our employees are covered by collective bargaining agreements. This applies primarily to the hourly paid employees. The number of weeks' notice typically provided to employees in relation to significant operational changes are governed by local regulations in Canada, Poland, Denmark, Spain, India and the Netherlands. When no local legislation or agreement exist, the general guidance provided in our employee handbook is a minimum of two weeks. LM Wind Power has not identified any violations or risks of violations of the right to freedom of association in its operations nor with suppliers in the reporting period.

Compliance & integrity

Our responsibility to respect human rights and observe ethical labor practices, as safe workplaces, non-discrimination, and equal opportunities is the cornerstone of our Code of Conduct expressing our support for protecting internationally proclaimed human rights and ensuring that we do not allow human rights abuses, and condemn any kind of discrimination. The Code of Conduct clearly states that LM Wind Power hires and treats its employees without discrimination of any kind as to gender, race, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social or ethnic origin. Workplace diversity at all levels is encouraged and the company is committed to offering all employees equal career and employment opportunities.

This commitment is reflected in our HR processes for recruitment, promotion and remuneration which is based on equal pay for equal work; as well as in our no tolerance policy for forced and child labor, for

discrimination or any other misconduct, at both LM and suppliers sites. Almost half of our employees are employed in China and India and we have many young applicants. We have a clear policy that we do not hire people under the age of 18. Applicants are to show their ID card or birth certificate during the hiring process. LM Wind Power has not identified any instances of child labor in its operations nor with suppliers in the reporting period.

Incidents of discrimination

Despite our clear-cut position to ban discrimination or any other misconduct in the workplace we registered a few incidents of non-conformity over last two years. In Spain alone, three discrimination and harassment cases were taken to court by two employees bringing claims for wrongful dismissal. In the two cases, the ruling was favorable to LM Wind Power whereas in the other case we reached a judicial settlement agreement. In 2012, we also dealt with a case of sexual harassment in Denmark which was thoroughly investigated internally and with the Union. The harasser was expelled.

Incidents of corruption

LM Wind Power operates in many countries where the occurrence of corruption in general is relatively high. We haven't systematically assessed all locations for corruption risk but have over the years gained significant experience with doing business in many different parts of the world. China, India and most recently Brazil are some of the geographies where we know we need to be particularly careful. To the best of our knowledge, we have not had any cases of corruption although we have experienced situations where it was clearly indicated to be helpful to further a process, make a deal, or get goods through customs. We have clear internal rules and guidelines, described in the Code of Conduct, and expect all employees to fully comply, even though this may sometimes lead to inconvenience, delays or even lost business.

In 2013 we had a report for a possible case of corruption in the China region, regarding the alleged release of a material from customs at an indicated amount of approx. 500 Euro. An investigation was initiated which, did not confirm the event. However, LM Wind Power's Management took this occasion to adopt some further preventive measures in China regarding the relationship with our transportation service providers.

As preventive measures, we made sure that the contracts with transporters/agents in China were updated, and that Non-Disclosure Agreements Code of Conducts had been signed. Moreover, regional Sourcing and Operations have had discussions with suppliers on LM Wind Power's Code of Conduct with a particular focus on Anti-Corruption and Bribery.

Employees trained in anti-corruption policies and procedures- % of total workforce

2013	2012	2011	2010
20	23	23	15

Since 2012, LM Wind Power has trained all salaried employees in the Code of Conduct, anti-corruption and UK Anti-Bribery Act aligned with our commitment to the UN Global Compact principles. All new salaried employees go through this e-learning program. Prior to 2012, the training was still part of the induction, but was significantly improved with the introduction of a dedicated e-learning platform in 2012.

People development

Our success comes from the creativity, skills and expertise of our people and we continuously invest in developing their competences. Our culture is one of high performance and the environment can be fast paced to keep up with the changes in the market. Within that context, we work to create a stimulating and empowering working environment that enables personal initiative and innovative thinking. Employee

development is core element in the Performance Management Process and we also have Talent management programs and recognition schemes in place to celebrate achievements and high performers. All programs are designed with the purpose of aligning individual targets and performance with the organization’s strategy and objectives.

All salaried employees are covered by the Performance Management System, which follows a cycle of annual objective setting, performance review and development planning.

In 2013, 1039 employees out of 4851 were covered by this system which has been in place since 2007 to ensure our people know and agree to what they need to contribute and how, and we help them obtain the right competencies to pursue the career that adds value for them and LM Wind Power as a whole.

Percentage of employees receiving regular performance reviews

2013	2012
21.4%	20.2%

Training

The data on training provided to the employees is not available split on gender. Overall, the hours for training differed considerably across job functions and years, reflecting the situation in the specific plant and specific focus areas at the time of reporting. Generally, training has high priority for both hourly paid and salaried employees. In some cases, a fairly high level of hours spent on training can also reflect a low activity level at the plant as the local management takes the opportunity to upgrade peoples’ skills instead of sending them home. The detailed overview of training provided for each location in 2012 and 2013 can be found in [Appendix 2](#). The types of training conducted for the hourly paid employees focus specifically on production related aspects such as health and safety, Lean practices and 5S, Quality management, Continuous Improvement, operation of equipment in the manufacturing processes etc. Other types of training include language skills, project management and leadership training to mention a few. A detailed list of the training conducted in the reporting period can be found in [Appendix 3](#).

Community outreach

LM Wind Power’s plants and offices around the world operate primarily in dedicated industrial areas and under all applicable local laws and regulations. None of them are assessed to have significant negative impact on the local communities. Waste, emissions and other ‘bi-products’ from the plants’ activities are managed actively, in accordance with our global HSE Management System and local regulations and the employment and economic development following the establishment of a plant is highly valued. LM Wind Power’s plants are engaged corporate citizens and participate in several community activities and charity work. The specific focus for each plant is defined and managed locally and should always be aligned with our industry objectives and core values.

Especially in India, the execution of LM Wind Power’s sustainability approach is extraordinary. It serves as an example of a business where the needs of citizens and communities carry weight like the demands of shareholders and community activities are integrated into running a profitable business through programs that are expanded year after year. While providing valuable employment and people development, plant management continuously prioritize and plan for advancements on social and environmental issues, improving the living conditions for the local people. LM Wind Power’s plant is located in Dabaspet, an area primarily characterized by low income professions, and with most academics and skilled workers commuting to Bangalore for work. LM Wind Power deploys a very active policy of primarily hiring employees and contractors from the local area, with free transportation provided to and from work. 90% of the employees come from villages within 25kms from the plant and 900+ local people are employed directly and indirectly,

spurring development for the wider community.

But it is not only India that has an active program to support the local community. Most plants have employee committees which gather to define and select activities to organize or support during the year. The common denominator for the activities are that they are highly local, highly employee driven and often focusing on promoting wind power or improving local welfare and health for the most vulnerable groups of society.

	2013	2012	2011	2010
Charitable Donations (EUR)	63,335	20,000	55,234	62,360
Community Work (employee hours provided)	3,127	N/A	1,184	2,472

Technology & Innovation

Our product is the most obvious example of our sustainability proposition and all the developments we do on design, material and processes serve to reduce the cost of energy from wind.

Over the years, we have launched several enhanced designs of lighter and longer blades that extract more power from the wind, as well as cost-effective and flexible manufacturing processes. We want to make the most efficient rotor blades at the lowest possible price, which is expressed among other things with the GloBlade platform. This new generation of lighter, longer and slimmer blades is compatible with a variety of turbine platforms and aerodynamic configurations. It combines performance with great reliability and boosts annual energy production by as much as 14% compared to standard blades.

Other ways of boosting the energy production is through the addition of aerodynamic features and devices which are usually built into its design but which can also be retrofitted. Generally the market trends indicate a rising demand for longer blades driven by developments in new wind segments e.g. upgrade of onshore turbines to harness low wind onshore sites and offshore. For both segments, the ability to demonstrate superior quality and sustainable design will be key differentiators. The blades are strategic components as they contribute directly to the energy output and wind farm yield, making reliability crucial to minimize expensive downtime, not least at sea. LM Wind Power was involved in the world's very first offshore wind farm project and has a proven track record from several offshore projects with blades for 5-6 MW turbines.

LM Wind Power designs and manufactures up to 10 new blade types every year.

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G4-34	An integrated approach	6, 7		
ETHICS & INTEGRITY				
G4-56	Values & Integrity; Compliance & integrity	8, 9, 25, 26	10	

Specific Standard Disclosures

GRI Indicator	Report Section	Pages	UNGC Principle	Comments
CATEGORY: ENVIRONMENTAL				
ASPECT: ENERGY				
G4-EN 3	Material use, Energy, Waste and Water Energy	18	7, 8	
ASPECT: WATER				
G4-EN 8	Material use, Energy, Waste and Water Water consumption (m3)	18, 19	7, 8	
G4-EN 10	Material use, Energy, Waste and Water Water consumption (m3)	18, 19	8	
ASPECT: EMISSIONS				
G4-EN 15	Material use, Energy, Waste and Water Carbon footprint	18, 20	7, 8	
G4-EN 16	Material use, Energy, Waste and Water Carbon footprint	18, 20	7, 8	
G4-EN 17	Material use, Energy, Waste and Water Carbon footprint	18, 20	7, 8	
ASPECT: WASTE				
G4-EN 23	Material use, Energy, Waste and Water Waste	18, 19	8	
ASPECT: TRANSPORT				
G4-EN 30	Data not available	N/A	8	Although we recognize that transport of our products and the material that goes into them is material, we are not able to report on the impact yet as we have prioritized mapping our

				own direct impact first. We are moving towards a full Life Cycle Assessment approach in which transport would be included, but have no fixed timeline yet. We expect this to happen within the next three years.
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT				
G4-EN 32	Responsible supply chain management, Values & Integrity	12, 8	8	
G4-EN 33	Responsible supply chain management, Values & Integrity	12, 8	8	
CATEGORY: SOCIAL				
LABOR PRACTICES AND DECENT WORK				
ASPECT: LABOR/MANAGEMENT RELATIONS				
G4-LA 4	People	25	3	
ASPECT: OCCUPATIONAL HEALTH AND SAFETY				
G4-LA 5	Occupational Health & Safety Training and communication	22, 23		
G4-LA 6	Performance and awareness	23		
ASPECT: TRAINING AND EDUCATION				
G4-LA 9	People development Appendix 2	26, 27, 35	6	
G4-LA 10	People development Appendix 3	26, 27, 36		
G4-LA 11	People development	26, 27	6	
ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES				
G4-LA 14	Responsible supply chain management, Values & Integrity	12, 8		
G4-LA 15	Responsible supply chain management, Values & Integrity	12, 8		
HUMAN RIGHTS				
ASPECT: INVESTMENT				
G4-HR 2	Compliance & integrity	25, 26	1	
ASPECT: NON-DISCRIMINATION				
G4-HR 3	Compliance & integrity	26	6	
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
G4-HR 4	People	25	3	
ASPECT: CHILD LABOR				
G4-HR 5	Responsible supply chain management, Compliance & integrity	12, 25, 26	5	
ASPECT: FORCED COMPULSORY LABOR				
G4-HR 6	Responsible supply chain management, Compliance & integrity	12, 25, 26	4	
ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT				
G4-HR 10	Responsible supply chain management, Values & Integrity	12, 8	2	

G4-HR 11	Responsible supply chain management Values & Integrity	12, 8	2	
SOCIETY				
ASPECT: LOCAL COMMUNITIES				
G4-SO 1	Stakeholder engagement: 'Together we capture the wind to power a cleaner world' Community outreach	11, 27	1	
G4-SO 2	Community outreach	27	1	
ASPECT: ANTI-CORRUPTION				
G4-SO3	Compliance & integrity	26	10	
G4-SO4	Values & Integrity Responsible supply chain management Compliance & integrity	8, 12, 25, 26	10	
G4-SO 5	Compliance & integrity	26	10	
ASPECT: PUBLIC POLICY				
G4-SO 6	Appendix 4	37	10	
PRODUCT RESPONSIBILITY				
ASPECT: CUSTOMER HEALTH AND SAFETY				
G4-PR 1	List of material aspects, their boundaries and significance to stakeholders: Occupational Health and Safety	16, 22		

Appendices

Appendix 1

a) Total number of employees by employment contract and gender:

- 2012:
 - Blue collar (female): 358, (7% of total)
 - Blue collar (male): 3461, (71%)
 - White collar (female): 264, (5%)
 - White collar (male): 773, (16%)
 - Total: 4856
- 2013:
 - Blue collar (female): 377, (7%)
 - Blue collar (male): 3231, (67%)
 - White collar (female): 248, (5%)
 - White collar (male): 745, (15%)
 - Blue collar (unknown gender): 242,
 - White collar (unknown gender): 1, Total: 4844

b) Total number of permanent employees by employment type and gender:

- 2012:
 - Females on fixed-term contracts: 191,
 - Females on permanent contract: 431,
 - Males on fixed-term contracts: 2001,
 - Males on permanent contracts: 2233,
 - Total: 4856
- 2013:
 - Females on fixed-term contracts: 136,
 - Females on permanent contract: 489,
 - Males on fixed-term contracts: 1671,
 - Males on permanent contracts: 2305,
 - Unknown on fixed-term contracts: 239,
 - Unknown on permanent contracts: 4,
 - Total: 4844

c) Total workforce by employees and supervised workers and by gender: Exact figures

- 2012:
 - Female employees: 575,
 - Female managers: 47,
 - Male employees: 3939,
 - Male managers: 295,
 - Total: 4856
- 2013:
 - Female employees: 579,
 - Female managers: 46,
 - Male employees: 3680,
 - Male managers: 296,
 - Unknown employees: 243,
 - Total: 4844

d) Total workforce by region and gender: Exact figures

- 2012:
 - China (Female): 128, China (Male): 1401, Total: 1529
 - Europe (Female): 328, Europe (Male): 1452, Total: 1780
 - India (Female): 19, India (Male): 844, Total: 863

- USA (Female): 147, USA (Male): 537, Total: 684
- Grand total: 4856

- 2013:
- China (Female): 103, China (Male): 1214, Total: 1317
- Europe (Female): 278, Europe (Male): 1137, Unknown: 14, Total: 1429
- India (Female): 19, India (Male): 808, Total: 827
- USA (Female): 225, USA (Male): 817, Unknown: 229, Total: 1271
- Grand total: 4844

e) Percentage of the contractors compared to the entire workforce: Exact figures

- 2012:
Contractors: 192,
Permanent employees: 4664,
Total: 4856,
4% of the total workforce

- 2013:
Contractors: 461,
Permanent employees: 4383,
Total: 4844,
10% of the total workforce

No significant variations in employment numbers

Appendix 2

The average hours of training that the organization's employees have undertaken during the reporting period, by: Gender, Employee category

Service South Europe:

- 2012: In average 44 hours of training per employee per year, 2.5% of the total working hours.
- 2013: In average 198 hours of training per employee per year, 11.25% of the total working hours.

DK Functions:

- 2012: In average 44.25 hours of training per employee per year, 2.66% of the total working hours – only white collar employees.
- 2013: In average 12 hours of training per employee per year, 0.73% of the total working hours – only white collar employees

ASV – DK:

- 2012: For BC and WC training amounted to average 4.87 hours per employee per year, 0.25% of the total working hours.
- 2013: For BC and WC training amounted to average 185 hours per employee per year due to lower productions, 9.62% of the total working hours.

China region:

- 2012: Training directed towards BC amounted to average 20 hours per year, 0.88% of the total working hours.
- 2012: Training directed towards WC amounted to average 29 hours per year, 0.17% of the total working hours.
- 2013: Training directed towards BC amounted to average 55 hours per year, 2.41% of the total working hours.
- 2013: Training directed towards BC amounted to average 46 hours per year, 0.29% of the total working hours.

Bangalore:

- 2012: In average 32.89 hours of training per employee per year, 1.56% of the total working hours – only white collar employees.
- 2013: In average 35.62 hours of training per employee per year, 1.69% of the total working hours – only white collar employees.

Dabbaspur:

- 2012: In average 4.25% training of the total working hours amounting to 91.5 hours in average per employee. Approx 85% for BC and 15% for WC
- 2013: In average 3.8% training of the total working hours amounting to 82.3 hours in average per employee. Approx 85% for BC and 15% for WC
- Note: 2012 training hours are more due the ramp up of 6 moulds, we have new joins induction training hours included.

Ponferrada:

- 2012: Training directed towards WC amounted to average 86 hours per year, 4.89% of the total working hours.
- 2012: Training directed towards BC amounted to average 13.95 hours per year, 0.79% of the total working hours.
- 2013: Training directed towards WC amounted to average 104.46 hours per year, 5.94% of the total working hours.
- 2013: Training directed towards BC amounted to average 26.31 hours per year, 1.49% of the total working hours.

US:

- 2012: In average 60 hours of training per Blue collar employee per year.
- 2012: In average 40 hours of training per White collar employee per year.
- 2013: In average 60 hours of training per Blue collar employee per year.
- 2013: In average 40 hours of training per White collar employee per year.

Gaspé:

- 2012: In average 80 hours of training per Blue collar employee per year.
- 2012: In average 40 hours of training per White collar employee per year.
- 2013: In average 40 hours of training per Blue collar employee per year.
- 2013: In average 20 hours of training per White collar employee per year.

- No data for The Netherlands

Appendix 3

a. The type and scope of programs implemented and assistance provided to upgrade employee skills.

b. The transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.

- a) Type and scope of programs:
- HSE training
 - Skill Matrix
 - Technical training
 - Blade wagon training
 - Documentation
 - LEAN
 - IT
 - Welding courses
 - Truck and crane courses.
 - English (China region)
 - Training for common skills such as presentation, communication and IT skills
 - Six Sigma Green Belt (WC)
 - Project Management (WC)
 - Coaching (WC)
 - Leadership in Practice (WC)
 - Change Management (WC)
 - Quality (WC)
 - Continuous Improvement (WC)
 - Regulatory statutory requirement
 - Production training
 - 5S
 - Operator qualifications
 - Certification training

- b) Transition assistance programs:
- Exit interviews
 - Pension plan
 - Pension interviews
 - Assistance with CV and cover letter

Appendix 4

Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: holds a position on the governance body, participates in projects or committees, provides substantive funding beyond routine membership dues, views memberships as strategic

2012: Ongoing:

- Blade King
- Extreme Materials
- NextRotor
- Overcoming Critical Aeroelastic Design Challenges of Wind Turbines
- Smartwind
- Plastindustrien i Danmark
- Dansk Industri
- EWEA
- Vindmølleforeningen i Danmark
- Business Kolding
- Innovatorium Herning
- Netværk for fagdirektører og funktionschefer
- Fag- og emnenetværk indenfor HSE

2013: Ongoing:

- Blade King
- NextRotor
- Overcoming Critical Aeroelastic Design Challenges of Wind Turbines
- Smartwind
- Avatar
- iRotor
- Plastindustrien i Danmark
- Dansk Industri
- EWEA
- Vindmølleforeningen i Danmark
- Business Kolding
- Innovatorium Herning
- Netværk for fagdirektører og funktionschefer
- Fag- og emnenetværk indenfor HSE

To the best of our knowledge there have not been any political donations taking place in 2012 and 2013.