

# Sustainability Performance 2019



**Global Reporting Initiative  
Standards: Core**

**United Nations Global  
Compact Principles**

**Danish Financial Statements Act**

# Contents

<b>Message from CEO Olivier Fontan</b>	<b>3</b>
<b>Sustainability performance summary</b>	<b>5</b>
<b>Our performance metrics</b>	<b>6</b>
<b>About the report</b>	<b>10</b>
<b>About LM Wind Power</b>	<b>12</b>
<b>LM Wind Power business model</b>	<b>14</b>
<b>Company highlights</b>	<b>17</b>
<b>Our approach to Sustainability</b>	<b>18</b>
<b>Our contribution to the SDGs</b>	<b>19</b>
<b>Our material topics</b>	<b>20</b>
<b>Our Stakeholders</b>	<b>22</b>
<b>Safety</b>	<b>24</b>
<b>Environment</b>	<b>27</b>
<b>Technology</b>	<b>33</b>
<b>People</b>	<b>37</b>
<b>GRI content index</b>	<b>41</b>

# / Message from CEO Olivier Fontan

**Olivier Fontan**  
Chief Executive  
Officer



## **Global urgency**

Four years have passed since the adoption of the Sustainable Development Goals by the United Nations - the blueprint to achieving a better and more sustainable future for all. While there is progress in some areas, the global response is generally not deemed ambitious enough to achieve our 2030 goals to eradicate poverty, inequality and hunger. On climate change specifically, 2019 ends the hottest decade and is the second hottest year ever recorded. It goes without saying that immediate action is needed.

The wind industry is a key part of the transition to a cleaner energy system and an enabler to address other sustainability challenges. Within the industry, LM Wind Power has taken a leadership role in sustainability. Our company's vision is, "Together, we capture the wind to power a cleaner world," and we're definitely living that vision! Our company and industry are growing at a pace few will ever witness. Although double-digit growth comes with operational challenges, it is a clear signal that the world wants more reliable, affordable and sustainable forms of energy. Our people help deliver precisely that, every day.

## **New technology to lead the energy transition**

With more than three decades of experience, LM Wind Power has a track record of producing ever-longer, lighter and more efficient blades that lower the Levelized Cost of Energy (LCOE). In many segments, the industry has succeeded in decreasing the cost of wind energy to a level on par or even lower than other forms of energy. Wind projects nowadays win tenders without any guaranteed feed-in tariff, showing that wind projects are possible on market terms.

Enabling our customers to deploy our latest technology in their bids will soon allow for zero-subsidy wind farms in many other geographies. This year again, we introduced new breakthrough technologies such as the two-piece blade for GE's Cypress platform and the longest blade ever, our 107-meter blade for the GE Haliade-X 12 MW wind turbine. Towards the end of the year, our record-breaking blades were installed on a prototype Haliade-X turbine in Rotterdam, The Netherlands, which generated its first watts of electricity. We keep investing in the manufacturing technology to serve our customers and produce our blades in time, on cost and with high quality.

## Our sustainability performance

Prior to becoming CEO LM Wind Power in February 2020, I've observed the team's steady sustainability progress from my previous role as Vice President Global Supply Chain in GE Renewable Energy. The clear highlight from 2018 was our carbon neutrality achievement as the first in the wind industry to reach this ambitious target, while avoiding \$2.6 million in energy cost. In 2019, I saw the team consolidating our commitment and reaffirming that carbon neutrality makes business sense, even in challenging times. A green business is a lean business and while our carbon neutrality savings could not keep pace with the 9% energy avoidance, we achieved in 2018, our energy efficiency program led to another 2% energy reduction this year. This is what sustainability is about at LM Wind Power - improving our operational efficiency while reducing our environmental impact.

Sustainability at LM Wind Power is wider than carbon neutrality alone and consists of four key pillars: Safety, Environment, Technology and People. I see clear, positive momentum within each pillar, but at the same time I see challenges. For example, while we reduced accident frequency, accident severity went up this year. Only with everyone's relentless focus, we can achieve improvements on all safety indicators in 2020. And finally, our business is all about people. As our business keeps on growing, we're welcoming record numbers of employees to our company. My priority is not only that everyone goes home safe every day, but also to help develop talent and build a culture of candor, humility and transparency in every part of the business.

## The year ahead

GE Renewable Energy pledged to achieve carbon neutral operations by 2020 - across its wind, hydro, energy storage and grid businesses - through operational efficiencies, sourcing renewable energy and offsetting unavoidable emissions. As part of the GE Renewable Energy family and having the experience of what it takes to go carbon neutral, our clear focus is to help GE Renewable Energy to decarbonize.

At the same time, we will aim to improve sustainability performance further within LM Wind Power. This year, we'll focus on emission reduction opportunities that will improve our operational excellence as well as those in which every employee can make a difference. I'm also committed to maintaining and increasing our focus on safety, on quality and on compliance as we undertake the challenge of bringing new blade technology to market at a required competitive cost.

LM Wind Power remains committed to the principles of the United Nations Global Compact and the Sustainable Development Goals. I look forward to accelerating our sustainability advancement, as there remains much more that must be done.

*- Olivier Fontan, Chief Executive Officer, LM Wind Power*

# / Sustainability

## Performance summary



**0.84** Illness and injury rate per 200,000 working hours, compared to 0.88 in 2018



**0.39** Days Away from Work rate per 200,000 working hours, compared to 0.35 in 2018



**0** Net carbon footprint (tCO<sub>2</sub>e) for operations (including offsets), compared to 0 in 2018



**100%** Renewable electricity consumption (including instruments), compared to 100% in 2018



**25%** Total waste for recycling, compared to 25% in 2018



**\$12 million** Waste reduction savings, compared to \$ 17.8 million in 2018



**7** New blade designs launched, compared to 10 in 2018



**3.9%** Revenue invested in R&D, compared to 5.3% in 2018



**90%** Employees trained in anti-corruption and bribery, compared to 90% in 2018



**1.5%** Blue collar absence rate, compared to 2.0% in 2018

# Our performance metrics

If not otherwise indicated, the cut-off date for the performance metrics reported is 31 December 2019. Except severity rate, our EHS data is pulled from our systems in January. We have included the performance metrics of our new testing facilities in Southampton, New Orleans and Wieringerwerf where possible. Where relevant, the percentage change compared to the previous year is included. When applicable, we assess our performance against our global targets in place. As we have several plant-level targets in place but report on our consolidated global performance, plant-level targets are excluded from our performance metric targets. Data from 2016 and 2017 has been captured prior to the acquisition by GE and have not been vetted by GE.

	2019 target	2019 (change)	2018 (change)	2017 (change)	2016 (change)
<b>Blade production</b>					
Number of blades produced	N/A	▲ 13,752 (+25%)	▼ 10,979 (-7%)	▲ 11,781 (+12%)	▲ 10,477 (+11%)

## Safety\*\*\*

	2019 target	2019 (change)	2018 (change)	2017 (change)	2016 (change)
<b>Accident frequency and severity</b>					
Illness & Injury rate (per 200,000 working hours)	● 0.98	▲ 0.84 (-5%)	▲ 0.88 (-35%)	▲ 1.35 (-4%)	▲ 1.40 (-30%)
Days Away from Work rate (per 200,000 working hours)	● 0.22	▼ 0.39 (+11%)	▼ 0.35 (+2%)	▼ 0.30 (+12%)	▲ 0.27 (-30%)
Number of lost days and restricted work days*	N/A	▼ 4,308	▲ 1,481 (-53%)	▼ 3,172 (+155%)	▼ 1,242 (+48%)
Severity rate**	N/A	▲ 29.0	▲ 35.3 (-63%)	▼ 96.1 (+101%)	▼ 47.8 (+59%)

\* The increase in number of lost days in 2019 can be explained by a change in calculation method, which included restricted work days as of 2019.

\*\* In 2019, the method to calculate severity rate has changed compared to previous years.

\*\*\* In our safety metrics, we do not include subcontractors.

## Site certification

ISO 45001 certification (% of employees)*	● 100	95	92	100	100
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\* We aim to certify our sites according to ISO 45001 within the first 12 months of becoming operational. Our three testing facilities are following the timeline of the transition project to be certified. At the meantime, the facilities follow GE internal guidelines.

## Environment

	2019 target	2019 (change)	2018 (change)	2017 (change)	2016 (change)
<b>Emissions *</b>					
<b>Total carbon footprint (tons CO<sub>2</sub>e)**</b>	<b>N/A</b>	<b>▼ 207,492 (+14%)</b>	<b>▲ 182,653 (-24%)</b>	<b>▼ 239,470 (+13%)</b>	<b>211,324</b>
Scope 1 greenhouse gas emissions (tons CO <sub>2</sub> e)	N/A	▲ 28,085 (-2%)	▼ 28,516 (+21%)	▼ 23,574 (+9%)	21,554
Scope 2 greenhouse gas emissions (location-based approach, tons CO <sub>2</sub> e)	N/A	▼ 81 (+254%)	▲ 23 (-100%)	▼ 73,255 (+10%)	66,717
Scope 3 greenhouse gas emissions (tons CO <sub>2</sub> e)	N/A	▼ 179,325 (+16%)	▼ 154,113 (+8%)	▼ 142,641 (+16%)	123,053
Carbon footprint from purchased goods and services ***	N/A	▼ 1,210,876 (+53%)	▼ 793,209 (+13%)	▼ 704,939 (+14%)	621,019

\* In line with the Greenhouse Gas Protocol, we show our carbon footprint without offsets we acquired to achieve a net zero carbon footprint. The carbon emissions data is calculated through our GHG accounting process, and includes all our operational emissions from our manufacturing sites, light industrials and offices.

\*\* LM Wind Power takes a different approach to calculating its carbon emissions than GE, for example on the emission factors applied or the scope of emissions reported on. Therefore, the final numbers disclosed in this report vary from GE's aggregated environmental reporting.

\*\*\* We only include our operational footprint in our carbon neutrality pledge. However, because the emissions from our purchased goods and services are significant, we disclose it for transparency reasons. The calculation of carbon emissions from purchased goods and services is based on key commodities used in blade manufacturing, but not an exhaustive list of materials purchased by our company. It should therefore be seen as an indication of emissions only and not as an exact disclosure. The sharp increase in emissions can be explained by the rise in manufacturing output.

## Environment (continued)

	2019 target	2019 (change)	2018 (change)	2017 (change)	2016 (change)
<b>Waste</b>					
<b>Total production waste (tons)</b>	N/A	▼ 57,392 (+29%)	▼ 45,520 (+6%)	▼ 42,530 (+12%)	▼ 37,688 (+44%)
<b>Total waste for landfill (tons)</b>	N/A	▼ 15,861 (+5%)	▼ 15,178 (+2%)	▼ 14,924 (+11%)	▼ 13,473 (+46%)
Hazardous waste for landfill (tons)	N/A	7	27	119	63
Non-hazardous waste for landfill (tons)	N/A	15,855	15,151	14,805	13,411
<b>Total waste for incineration (tons)</b>	N/A	▼ 27,247 (+42%)	▼ 19,166 (+13%)	▼ 16,989 (+26%)	▼ 13,517 (+23%)
Hazardous waste for incineration (tons)	N/A	11,845	6,164	6,409	4,417
Non-hazardous waste for incineration (tons)	N/A	15,403	13,003	10,581	9,100
<b>Total waste for recycling (tons)</b>	N/A	▲ 14,282 (+28%)	▲ 11,175 (+5%)	▼ 10,616 (-1%)	▲ 10,696 (+82%)
Hazardous waste for recycling (tons)	N/A	219	143	187	226
Non-hazardous waste for recycling (tons)	N/A	14,063	11,033	10,430	10,470
<b>Total waste for recycling (% of total production waste)</b>	N/A	■ 25 (+0%)	▼ 25 (-2%)	▼ 25 (-12%)	▲ 28 (+26%)

<b>Waste reduction</b>					
Waste reduction savings (\$) *	● 18.5mln	▼ 12.0mln (-32%)	▲ 17.8mln (+482%)	▼ 3.0mln (-45%)	▼ 5.5mln (-7%)

\* The waste reduction savings prior to 2017 are expressed in €.

<b>Water *</b>					
<b>Water consumption (m<sup>3</sup>)</b>	N/A	▼ 472,978 (+6%)	▼ 445,856 (+12%)	▼ 396,706 (+10%)	▼ 362,364 (+71%)
Municipal/public water withdrawal (m <sup>3</sup> )	N/A	402,826	397,746	303,590	309,408
Onsite well/waterwork water withdrawal (m <sup>3</sup> )	N/A	70,152	48,110	93,116	52,956

\* We have determined our water consumption based on the receipts we receive from municipal and public water bodies. Our 2018 data excludes our plant in Little Rock.

<b>Energy</b>					
<b>Total energy consumption (GJ) *</b>	N/A	▼ 1,121,434 (+19%)	▼ 944,584 (+14%)	▼ 825,918 (+8%)	▼ 76,3149 (+26%)
Fuel not used for transport (GJ)	N/A	■ 377,252 (0%)	▼ 377,441 (+22%)	▼ 309,657 (+5%)	▼ 294,719 (+24%)
Electricity consumption (GJ)	N/A	▼ 744,181 (+31%)	▼ 567,143 (+10%)	▼ 516,261 (+10%)	▼ 468,430 (+26%)

\* Fuel consumption from mobile sources is excluded from our total energy consumption.

<b>Site certification</b>					
ISO 14001 (% of employees) *	● 100	95	91	93	100

\* We aim to certify our sites according to ISO 14001 within the first 12 months of becoming operational. Our three testing facilities are following the timeline of the transition project to be certified. At the meantime, the facilities follow GE internal guidelines.

## Technology

	2019 target	2019 (change)	2018 (change)	2017 (change)	2016 (change)
<b>Blade designs</b>					
Number of new blade designs launched	N/A	7	10	6	10
<b>Product quality</b>					
Non-conformity rate (parts per million)	● 150	▲ 138 (-10%)	▲ 154 (-56%)	▼ 347 (+2%)	▲ 341 (-71%)
<b>R&amp;D investment</b>					
R&D investment (% of revenue)	N/A	▼ 3.9 (-26%)	▼ 5.3 (-5%)	▲ 4.6 (+107%)	2.7
<b>Site certification</b>					
ISO 9001 certification (% of employees) *	● 100	97	99	100	100

\* Sites that have more than 15 employees are part of our global ISO9001:2015 Multi-site Certificate. Sites are audited within the first year of operation by an appropriate external certification body to secure compliance with ISO9001 standard. There is a plan for certifying the outstanding 2.3% of employees corresponding to the new sites.

## People

	2019 target	2019 (change)	2018 (change)	2017 (change)	2016 (change)
<b>Employees</b>					
Headcount	N/A	▲ 14,238 (+22%)	▲ 11,613 (+19%)	▲ 9,755 (+19%)	▲ 8,178 (+29%)

### 2019

<b>Employees</b>	
Number of employees by region	China: 3,877 Europe: 4,305 India: 3,097 Americas: 2,959
Number of employees by employment type, by gender	Full-time Male: 11,967 Female: 2,254
	Part-time Male: 9 Female: 8

### 2019

<b>Diversity</b>	
Diversity of employees, excluding governance bodies	Gender (%) Male: 84 Female: 16
	Age (%) Under 30 years: 37 30-50 years: 57 Over 50 years: 6

## People (continued)

	2019 target	2019 (change)	2018 (change)	2017 (change)	2016 (change)
<b>Performance and development review *</b>					
Performance Development eligible employees (% of employees)	N/A	▼ 14 (-22%)	■ 18 (+0%)	■ 18 (+0%)	▼ 18 (-10%)

\* This percentage reflects that all our White Collar employees are eligible for Performance Development. We ensure our Blue Collar employees' development through our local performance systems and Global Skills Matrix.

<b>Employee turnover</b>						
Turnover rate (%)	White Collar employees	● 7.5	6.8	▼ 5.8 (+18%)	▲ 4.9 (-25%)	▲ 6.5 (-24%)
	Blue Collar employees	● 7.5	7.0	▼ 5.5 (+8%)	▼ 5.1 (+70%)	▲ 3.0 (-57%)

\* Since 2019, we have adopted GE's methodology to calculate the employee turnover rate. The current rate is annualized attrition instead of 6-month rolling attrition. Therefore, comparison with previous years is not possible.

<b>Absenteeism</b>						
Absence rate (%)	White Collar employees	● 1.0	▼ 0.03 (+200%)	▲ 0.01 (-96%)	▲ 0.3 (-40%)	▼ 0.5 (+25%)
	Blue Collar employees	● 2.0	▲ 1.5 (-25%)	▼ 2.0 (+11%)	▼ 1.8 (+38%)	▲ 1.3 (-19%)

<b>Anti-bribery and corruption</b>					
Employees trained in anti-bribery and corruption policies and procedures (%)	● 100	90	90	85	90

# / About the report

## The report

As a signatory to the UN Global Compact, we have reported on our Sustainability performance for a decade. We see it as a useful platform for communicating progress against our Sustainability targets to our stakeholders, to guide their future engagement. Our stakeholders can be informed and updated about our progress against our Sustainability targets, and therefore better informed and more empowered in their engagement with us.

In order to report with transparency and comparability, we adhere to the Global Reporting Initiative (GRI) Standards: Core Option and the Ten Principles of the United Nations Global Compact. The report also meets the requirements of the Danish Financial Statements Act and we map our performance against the Sustainability Development Goals as applicable.

The report consists of two parts. The first part sets the context by introducing our business, our approach to sustainability reporting, our stakeholders and relevant material topics. In the latter part, we elaborate on how we manage our material Sustainability topics and demonstrate our progress on Key Performance Indicators in the areas of Safety, Environment, Technology and People.

The report has been developed by LM Group Holding A/S. It includes activities that take place across all company subsidiaries.

## Reporting scope

Unless otherwise indicated, the data and information provided in this report cover our global operations from 1 January to 31 December 2019. Some indicators are only collected and relevant on a plant level, so global aggregation is not available for some. We have included our testing facilities in our carbon footprint calculation, but our sites in New Orleans, Southampton and WMC are not reporting on all Sustainability metrics yet.

## Changes in reporting

This year we did not have significant changes to our approach to Sustainability reporting. Because we continue to upgrade HR systems, we were not able to disclose information on the type of employment contract. We expect, however, to continue reporting on this metric once our system is fully online.

In 2019, we have improved our carbon emission calculation by having a more diligent activity data collection integrating refrigerant refills in our global reporting system and including hotel stays and other passenger transportation activities as part of business travel.

## External Assurance

This report has not been fully scrutinized by external auditors, but our core Sustainability data used in greenhouse gas accounting (e.g. fuel consumption, electricity consumption and waste) have been reviewed by external experts. Internally, the report has been reviewed by functional leads and the respective Management Team members – Senior Director, Communications and Sustainability, Vice President Human Resources, Vice President Quality and Environment, Health and Safety, Vice President Engineering and the CEO.

## Contact details

The data reported through our Sustainability reporting platform is well maintained by our EHS team and is also regularly checked by both our EHS and Sustainability team. Our EHS team keeps in regular contact with the local plants to assist in reporting and to clarify any irregularities in the data, should they arise.

Every year, we strive to improve our reporting and present the information our stakeholders value the most. We very much appreciate input and feedback from our stakeholders on the reporting. In case of questions regarding the report, or our Sustainability policies or performance – please reach out to:

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## Application of GRI's Reporting Principles for defining report content

GRI Principle	Application of GRI Principle
Stakeholder inclusiveness	Our stakeholder engagement is an ongoing process, which directly feeds into reporting to determine what topics to include. The section "Our stakeholders" specifies how we engaged our stakeholders, their interests and how we address their concerns.
Sustainability context	We present our view on the Sustainability context our business operates in and on sustainable development. We regard the Sustainable Development Goals as the global agenda for sustainable development and align our business metrics with those goals.
Materiality	We report on the topics that are material to our business and our stakeholders, based on our materiality assessment and stakeholder dialogue.
Completeness	Our Sustainability Performance 2019 covers our impact on sustainable development, both positive and negative. Where possible, we show our progress against targets and reflect on our business' performance.

# / About LM Wind Power



## Profile

LM Wind Power is a leading designer and manufacturer of wind turbine blades. Our footprint spans nine countries on four continents. Having blade factories in all major wind energy markets, we supply rotor solutions to around 20 global and national turbine manufacturers, whose focuses vary from regional to global and across onshore and offshore. For our financial performance, please refer to our Annual Report 2019.

With more than four decades of experience, we have worked to be the preferred suppliers of many turbine manufacturers. Almost one-fifth of the turbines worldwide are installed with blades from LM Wind Power. Since 1978, LM has produced more than 228,000 blades corresponding to a capacity of

approximately 113 gigawatt (GW) – each year contributing to save more than 242 million tons of CO<sub>2</sub>.

In April 2017, LM Wind Power was acquired by GE Renewable Energy at an enterprise value of EUR 1.5 billion after 15 years of ownership by Doughty Hanson. Having been a long-time supplier to GE, we have achieved many innovations and commercial successes in our partnership. The acquisition enabled us to offer higher performance, power more productive wind turbines while increasing the efficiency of our operation and improving returns on our customers' investments. At the same time, we are equally committed to maintaining and growing our business with all customers.

## CO<sub>2</sub> emission savings resulting from LM Wind Power's blade production



\* United States Environmental Protection Agency 2019, *Greenhouse Gas Equivalencies Calculator*.

## LM Wind Power's competitive edge

LM Wind Power is one of the pioneers of the modern wind industry, starting rotor blade production in 1978. The company's value proposition is based on advanced in-house design, testing and manufacturing technology.

### Leading technology and know-how

Our specialist knowledge ranges from materials and process technology, aerodynamics, calculation and simulation to advanced production and testing of rotor blades. Our engineers constantly push the boundaries of blade size and airfoil shape, strengthening the technological foundation for blades beyond 100 meters length - giants that will power turbines of 10+ megawatt. Our specialist competencies have already repeatedly put us in front of the size race, with several launches of innovative blades of record-breaking lengths. In October 2019, we delivered our first 107-meter turbine blade.

### Global capacity and supply chain

With production, sales and service facilities in countries including Brazil, Canada, China, Denmark, India, The Netherlands, Poland, Spain, Turkey, United Kingdom and United States, LM Wind Power is the only blade supplier that operates on a global basis. This global reach ensures close contact to international customers and markets and enables the company to optimize transport and logistics costs, shorten delivery time and reduce working capital requirements.

### Economies of scale

As one of the world's largest blades supplier, we reap the benefits of economies of scale within R&D, procurement and global production. LM Wind Power's business model is based on a green and reliable product and our unique ability to create value in efficient partnerships, with suppliers and customers as well as internally. Together, we secure clean energy for the world many years into the future.

## Belief

We embrace and celebrate diversity which is an important part of our company's DNA. Our common foundation that unites people across continents, regardless of language, education and culture, are our values - or Shared Beliefs as we call them. They serve as basic guidelines for our interaction with each other and our contact with business partners.

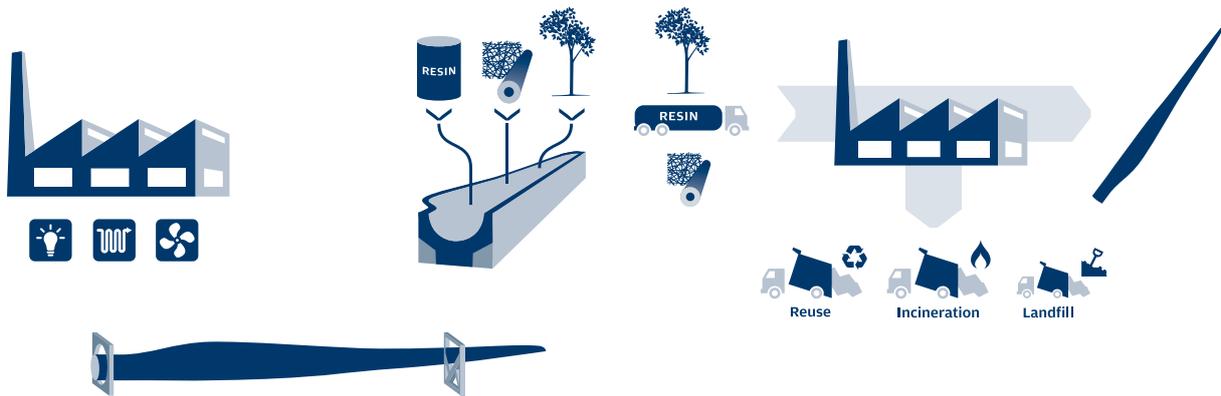
Our Shared Beliefs are:

- Customers determine our success
- Stay lean to go fast
- Learn and adapt to win
- Empower and inspire each other
- Deliver results in an uncertain world

# LM Wind Power business model

## 1.

The life cycle of a blade starts with the extraction of material that comes to our manufacturing facilities and is turned into high quality wind turbine blades.

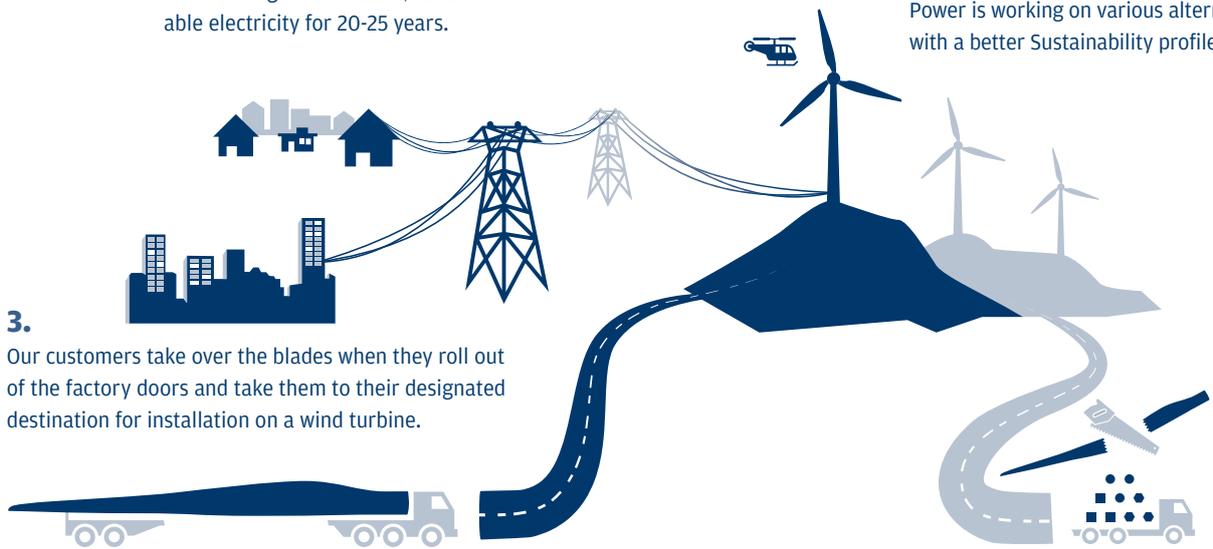


## 2.

In the process of making blades, our plants consume energy and generate waste which is managed carefully according to the highest environmental standards.

## 4.

Once installed in the field, the blades can generate clean, renewable electricity for 20-25 years.



## 3.

Our customers take over the blades when they roll out of the factory doors and take them to their designated destination for installation on a wind turbine.

## 5.

At the end of the blade's lifetime, the most common disposal method is either incineration or landfill, but LM Wind Power is working on various alternatives with a better Sustainability profile.

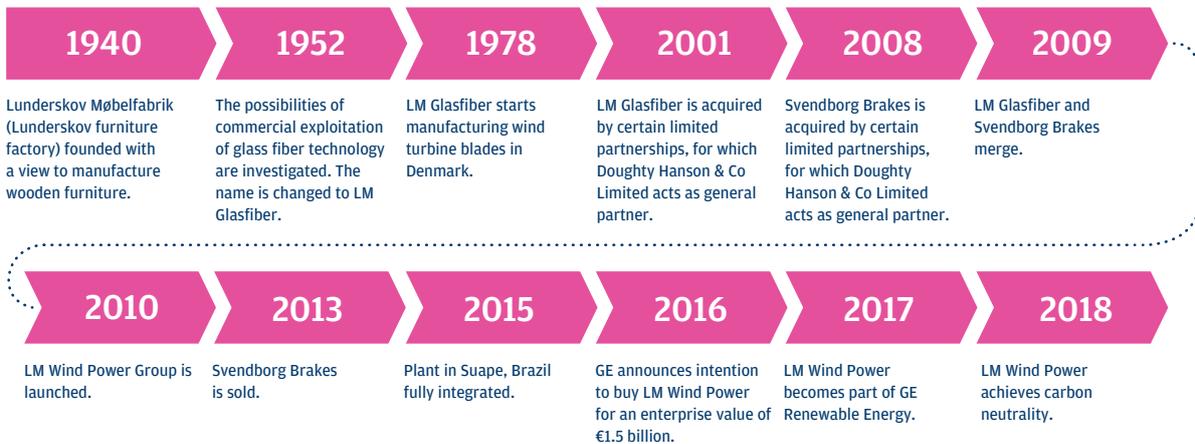
**LM Wind Power blades are designed to last for 20-25 years**



## Memberships of associations

- WindEurope
- Renewable UK
- South African Wind Energy Association (SAWEA)
- Danish Wind Industry Association (DWIA)
- Global Wind Energy Council (GWEC)
- ABB Eolica
- Indian Wind Turbine Manufacturers Association (IWTMA)
- American Wind Energy Association (AWEA)
- Canadian Wind Energy Association (CANWEA)
- Business Network for Offshore Wind

## Company milestones





## The Spirit and The Letter

The Spirit & The Letter is a code of conduct and set of policies that cover our integrity commitments on critical subjects and risk areas. It governs the way in which we work and must be followed by everyone who works for, or represents GE, and covers compliance risk areas such as improper payments, supplier relationships, anti-money laundering, fair employment practices and environment, health and safety. The Spirit & The Letter ensures that employees know what is expected of them and how they can make the right choices in difficult situations.

Our Code of Conduct states:

- Be honest, fair and trustworthy in all your GE activities and relationships.
- Obey applicable laws and regulations governing our business worldwide.
- Fulfill your obligation to be the Voice of Integrity and promptly report any concerns you have about compliance with law, GE policy or this Code.
- Simple compliance is more effective compliance. Effective compliance is a competitive advantage. Work to run the company in as competitive a way as possible – with speed, accountability and compliance.

## Organizational Structure

The LM Group is led by the CEO and CFO. They are supported by the wider Management Team, which consisted of 14 members in 2019 (including the CEO and CFO) who represent the various functions within the organization. GE Renewable Energy HQ in Paris has financial oversight of the LM Group, in accordance with our strict rules on confidentiality, especially with regard to external customers.

Each legal entity in the LM Group is set up in accordance with local legislation. In Denmark, our organizational structure in our Danish Topco, LM Group Holding A/S, consists of a two-tier management system with a Board of Directors and an Executive Board. The Board of Directors in LM Group Holding A/S consists of 2 people between 30 and 50, and 3 people above 50.

# / Company highlights



● Headquarters  
Kolding, Denmark

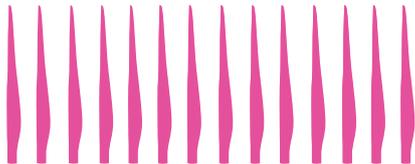
● Global locations  
Brazil, Canada, China,  
Denmark, France, India,  
the Netherlands, Poland,  
Spain, Turkey, the UK  
and the US



**14,238** employees worldwide



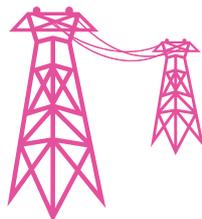
**15** blade factories



**13,752** blades produced in 2019



**1/5** Almost 1/5 of the world's turbines have LM Wind Power blades



**113 GW** capacity installed



**242** million tons of CO<sub>2</sub> saved

# / Our approach to Sustainability



## **Our pathway and approach**

Since we signed up to the United Nations Global Compact in 2010, our integration of Sustainability has continued to grow and develop within the organization. We have published an annual Sustainability Report since 2010. In 2013, we launched our first engagement program for employees, and not much later we formalized our Sustainability organization and top-level ownership with the establishment of a Global HSE & Sustainability Council. The progress we made over the years culminated with the Management Team's decision in 2016 to take the company carbon neutral by 2018 – an ambitious, industry-leading pledge. By July 2018, we achieved this promise – the first company in the wind industry to do so.

Our approach to Sustainability is to ensure that we create long-term value for all our stakeholders. As a company in the wind industry, we already play an active role in the transition to a more sustainable world. Yet, working alone to achieve global goals has its limitations. Many solutions need joint efforts on an industry level or even cross-sector partnerships involving both civil society and the government. This is why – besides greening our own business – we decided to share what we learned from going carbon neutral to help other organizations achieve their sustainability goals, thus supporting the transition to a decarbonized future. The first main outlet is our *'10 Steps to Becoming a Carbon Neutral Business'* – a unique guide that explains how organizations can become carbon neutral by following 10 steps. We have also designed an interactive board game to challenge participants to take an organization carbon neutral in 30 minutes. Through this experience, the

mechanism of setting up a carbon neutrality program is felt first hand and the experience facilitates wide ranging discussions and learning.

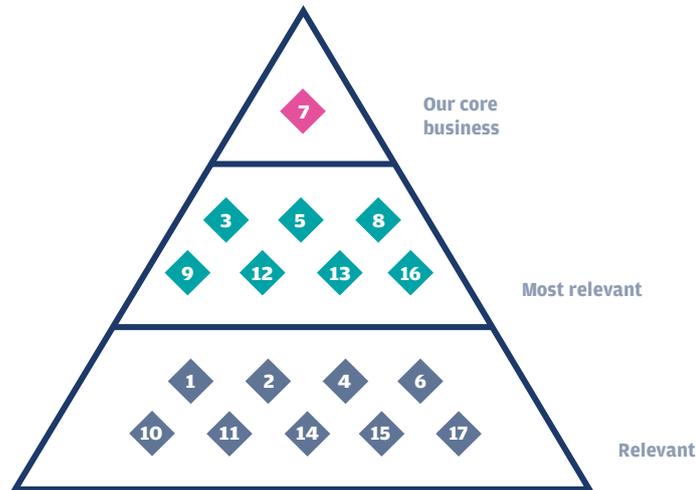
## **Our contribution to the Sustainable Development Goals**

In September 2015, the United Nations adopted the Sustainable Development Goals (SDGs) – a blueprint to a sustainable world for all. The SDGs resulted from an inclusive process that involved government, civil society and the private sector. This process reflects the importance business involvement as well as the necessity of cross-sector partnerships in finally achieving these goals. As a business, we believe it is important that we join forces as a whole to work towards the same shared goals. This is why since 2018 we map how our Sustainability performance contributes to achieving the SDGs.

Our products enable our customers to generate clean and affordable energy for all – thereby directly contributing to SDG 7: Affordable and Clean Energy. Through our dedicated Sustainability efforts, we also work towards achieving seven more SDGs:

- SDG 3 – Good Health and Well-being
- SDG 5 – Gender equality
- SDG 8 – Decent Work and Economic growth
- SDG 9 – Industry, Innovation and Infrastructure
- SDG 12 – Responsible Consumption and Production
- SDG 13 – Climate action
- SDG 16 – Peace, Justice and Strong Institutions

# Our contribution to the SDGs



## Our core business

### [SDG 7 - Affordable and clean energy](#)

#### Relevant metrics:

- Number of blades produced

## Most relevant

### [SDG 3 - Good Health and Well-being](#)

#### Relevant metrics:

- Days Away from Work rate
- Illness & Injury rate
- Number of lost days
- Severity rate
- ISO 45001 certification

### [SDG 5 - Gender equality](#)

#### Relevant metrics:

- Diversity of employees, excluding governance bodies
- Diversity of governance bodies

### [SDG 8 - Decent work and Economic growth](#)

#### Relevant metrics:

- Headcount
- Performance Management Plan eligible employees
- Development Plan eligible employees
- Turnover rate
- Absence rate

### [SDG 9 - Industry, Innovation and Infrastructure](#)

#### Relevant metrics:

- ISO 9001 certification
- Number of new blade designs launched
- Non-conformity rate
- R&D investments

### [SDG 12 - Responsible Consumption and Production](#)

#### Relevant metrics:

- Total production waste
- Total waste for landfill
- Total waste for incineration
- Total waste for recycling
- Waste reduction savings
- Water consumption
- Municipal/public water withdrawal
- Onsite well/waterwork water withdrawal

### [SDG 13 - Climate action](#)

#### Relevant metrics:

- Total carbon footprint
- Scope 1 greenhouse gas emissions
- Scope 2 greenhouse gas emissions
- Scope 3 greenhouse gas emissions
- Carbon footprint from purchased goods and services
- Total energy consumption
- Fuel not used for transport
- Electricity consumption
- ISO 14001 certification

### [SDG 16 - Peace, Justice and Strong Institutions](#)

#### Relevant metrics:

- Employees trained in anti-bribery and corruption policies and procedures

# Our material topics



## Our material topics and relevant metrics

Material topic and explanation	Relevant GRI topic-specific Standard	Relevant LM Wind Power performance indicator	Topic Boundary
<b>Safety</b>			
<p><b>Material topics</b> Towards zero injuries Build a safety culture</p> <p><b>Explanation</b> Our business spans four continents and is made up of more than 14,000 employees. Especially in times of significant growth of the business, ensuring our employees and other people we interact with return safely to their families is of the utmost importance. Keeping our employees and everyone we do business with safe means looking at people, products, processes and even supply chain management. This material topic covers how we manage health and safety in the workplace and our performance on the accident rate, lost days and accident severity.</p>	<p>103: Management Approach 403: Occupational Health and Safety</p>	<p>Accident severity Lost days</p>	<p>Internal, external Direct, indirect</p>
<b>Environment</b>			
<p><b>Material topic</b> Minimize environmental footprint through reduction of carbon emissions, material use, energy consumption and waste generation.</p> <p><b>Explanation</b> While our products power turbines that generate clean energy across the globe, our manufacturing operations have an environmental impact. We consume energy and resources while producing emissions and waste. We seek to minimize our negative impact on the environment by considering the impact of our product in its entire life cycle, from raw material extraction to blade decommissioning. This material topic covers how we manage our environmental footprint and our performance related to emissions, material use, energy consumption, water consumption, waste generation, waste reduction, site certification and supplier environmental assessment.</p>	<p>103: Management Approach 301: Materials* 302: Energy 303: Water and effluents 305: Emissions 306: Effluents and Waste 308: Supplier Environmental Assessment</p>	<p>Waste reduction Site certification</p>	<p>Internal, external Direct, indirect</p>

\* Due to commercially sensitive information, we only discuss our approach to managing materials and not our consumption data.

Material topic and explanation	Relevant GRI topic-specific Standard	Relevant LM Wind Power performance indicator	Topic Boundary
<b>Technology</b>			
<p><b>Material topic</b> Reduce the Levelized Cost of Energy (LCOE)</p> <p><b>Explanation</b> Our blades are our most important Sustainability assets. Every day, we create longer and lighter blades that extract more energy from the wind and reduce the cost of energy. Technology and innovation are also at the heart of our Sustainability programs, requiring us to look at our business through a different lense. This enables us to challenge ourselves to rethink how we can implement design, materials and processes optimizations. This topic covers how we manage technology, innovation and blade end-of-life, and our performance on new blade designs, product quality, R&amp;D investments and site certification.</p>	103: Management Approach	R&D investments New blade designs Product quality Site certification	Internal, external Direct, indirect
<b>People</b>			
<p><b>Material topic</b> Ensure business integrity and compliance</p> <p><b>Explanation</b> Being a global company with a diverse and multicultural workforce, we should act in line with the highest integrity and compliance standards. The people we employ and communities we work in, expect this from us. This material topic covers how we manage compliance and integrity and our performance on diversity, anti-bribery and corruption, child labor and supplier social assessment.</p>	103: Management Approach 205: Anti-corruption 405: Diversity and Equal Opportunity 408: Child Labor 414: Supplier Social Assessment		Internal, external Direct, indirect
<b>People</b>			
<p><b>Material topic</b> Develop competencies</p> <p><b>Explanation</b> People are our most important asset. Their commitment and knowledge are what allows us to manufacture the blades that power a cleaner world. Attracting and retaining talent is the only way to deliver our consistently high-quality products. Therefore, we emphasize continuously developing our people's skills and knowledge. This material topic covers how we manage employee engagement and development and our performance on employment, performance appraisals, nationalities of employees, absenteeism and employee turnover.</p>	103: Management Approach 401: Employment 404: Training and Education	Headcount* Absenteeism Employee turnover	Internal, external Direct, indirect
<b>People</b>			
<p><b>Material topic</b> Contribute positively to the communities in which we operate</p> <p><b>Explanation</b> We operate in the middle of local communities and should, therefore, act in line with their expectations. We provide local employment, respect human rights and do not tolerate bribery and corruption. This material topic covers how we manage to work in local communities and our performance on anti-corruption, child labor, diversity and equal opportunity, supplier social assessment and indirect economic impacts.</p>	103: Management Approach 201: Economic Performance 203: Indirect economic impacts 205: Anti-corruption 405: Diversity and Equal Opportunity 408: Child Labor 414: Supplier Social Assessment		Internal, external Direct, indirect

\* Because we continue to upgrade HR systems, we were not able to disclose information on the type of employment contract. We expect, however, to continue reporting on this metric once our system is fully online.

# / Our stakeholders



Our Sustainability program has not been established in a vacuum. Stakeholder engagement is at the core in guiding our Sustainability strategies. Our stakeholders include employees, customers, suppliers, communities, government and policymakers and the wider wind industry. On a regular basis, we engage with these different stakeholders to hear their opinions and concerns through different forms of channels. These dialogues

establish a firm foundation for our relationship with them and enhance trust. Engaging with stakeholders is an ongoing and continuous process to update and improve our strategies. We believe that 'Together, we capture the wind to power a cleaner world', therefore we highly value the collaborative approach in running the business and running our Sustainability programs.

## Stakeholder engagement process



## Stakeholder engagement

Employees	Customers
<p><b>How we engaged</b></p> <ul style="list-style-type: none"> <li>• Ongoing dialogue (e.g. between employees and their People Leader)</li> <li>• Annual Performance Development, reward and recognition and development plan meetings</li> <li>• Global webcasts with a live audience of employees with our Management Team</li> <li>• Training and development programs</li> <li>• Corporate media (e.g. intranet, newsletters, Annual Report, and Sustainability Performance report) and social media</li> <li>• Trade unions and labor management meetings</li> </ul> <p><b>Key topics and concerns</b></p> <ul style="list-style-type: none"> <li>• Motivation, workload and potential stress</li> <li>• Context and strategy of the business, including LM Wind Power's future plans</li> <li>• Training and development</li> </ul> <p><b>How we respond</b></p> <p>Our response to the topics and concerns raised by employees can be found in the 'People' and 'About LM Wind Power' sections of this report. Our Annual Report 2019 complements our Sustainability Performance 2019</p>	<p><b>How we engaged</b></p> <ul style="list-style-type: none"> <li>• Ongoing dialogue (e.g. between customers and Key Account Managers)</li> <li>• Face to face meetings</li> <li>• Trade show engagements</li> <li>• Corporate media (e.g. corporate website, Annual Report, Sustainability Report) and social media</li> <li>• Customer's supplier assessment</li> </ul> <p><b>Key topics and concerns</b></p> <ul style="list-style-type: none"> <li>• Drive down the LCOE to ensure the competitiveness of wind power against other energy sources</li> <li>• Innovation</li> <li>• Maximum production capacity</li> <li>• Sustainable blade disposal</li> </ul> <p><b>How we respond</b></p> <p>Our response to the topics and concerns raised by customers can be found in the 'Technology' and 'About LM Wind Power' sections of this report. Our Annual Report 2019 complements our Sustainability Performance 2019.</p>
Suppliers	Communities
<p><b>How we engaged</b></p> <ul style="list-style-type: none"> <li>• Ongoing dialogue through account relationships</li> <li>• Continuous improvement collaboration on manufacturing processes</li> <li>• Joint research projects</li> <li>• Bi-annual Supplier Conference</li> <li>• Supplier qualifications and reviews</li> <li>• Supplier audits on manufacturing processes</li> <li>• Business management reviews</li> </ul> <p><b>Key topics and concerns</b></p> <ul style="list-style-type: none"> <li>• Strategy and update on the business, including future business and LM Wind Power's footprint</li> <li>• Joint partnerships</li> <li>• Product quality</li> </ul> <p><b>How we respond</b></p> <p>Our response to the topics and concerns raised by suppliers can be found in the 'About LM Wind Power', 'Technology', and 'Environment' sections of this report. Our Annual Report 2019 complements our Sustainability Performance 2019.</p>	<p><b>How we engaged</b></p> <ul style="list-style-type: none"> <li>• Ongoing dialogue</li> <li>• Partnerships with NGOs to support local development goals</li> <li>• Charity contributions</li> <li>• Philanthropic activities</li> <li>• Open days and family days</li> <li>• Company social activities</li> </ul> <p><b>Key topics and concerns</b></p> <ul style="list-style-type: none"> <li>• Environmental and logistics challenges that affect the local community</li> <li>• Employment</li> <li>• Training and development</li> <li>• Investment in infrastructure</li> <li>• Support for charity and education</li> </ul> <p><b>How we respond</b></p> <p>Our response to the topics and concerns raised by communities can be found in the 'Environment' and 'People' sections of this report. Our Annual Report 2019 complements our Sustainability Performance 2019.</p>
Governments and policy makers	Industry
<p><b>How we engaged</b></p> <ul style="list-style-type: none"> <li>• Ongoing dialogue</li> <li>• Phone and face to face meetings</li> <li>• Plant visits from regulators, officials, and politicians</li> <li>• Events, for instance, co-hosting a Carbon Neutrality Summit with the local government in Qinhuangdao, China, sharing our experience on how to become a carbon neutral business</li> </ul> <p><b>Key topics and concerns</b></p> <ul style="list-style-type: none"> <li>• Investment and employment</li> <li>• Health and safety</li> <li>• Environmental management</li> </ul> <p><b>How we respond</b></p> <p>Our response to the topics and concerns raised by governments and policymakers can be found in the 'Safety', 'Environment', and 'People' sections of this report. Our Annual Report 2019 complements our Sustainability Performance 2019.</p>	<p><b>How we engaged</b></p> <ul style="list-style-type: none"> <li>• Ongoing dialogue</li> <li>• Tradeshows and industry events</li> <li>• Partnering in research projects</li> </ul> <p><b>Key topics and concerns</b></p> <ul style="list-style-type: none"> <li>• Product innovation</li> <li>• Process innovation</li> <li>• Reduce the LCOE</li> </ul> <p><b>How we respond</b></p> <p>Our response to the topics and concerns raised by industry peers and research institutions can be found in the 'Technology' section of this report. Our Annual Report 2019 complements our Sustainability Performance in 2019.</p>

/ **Safety**





**0.84**

Illness and injury rate per 200,000 working hours, compared to 0.88 in 2018

### Why is this important

According to the International Labor Organization, occupational accidents or work-related diseases cause 2.78 million deaths every year. Additionally, there are 374 million non-fatal work-related injuries and illnesses each year, many of these resulting in extended absences from work.<sup>1</sup> Unsafe workplaces could severely harm employees and businesses. Drawing more attention to safety and building concrete measures to tackle safety challenges is a constant effort. Its importance is highly emphasized by the SDGs. Workplace safety is specifically addressed by SDG 8.8, in which it states the necessity to protect labor rights and promote safe and secure working environments for all workers.

Ensuring the safety of our employees is beyond a corporate compliance issue. As we employ locally, maintaining a safe working environment contributes positively to the welfare of the society where we operate in. It is a priority and obligation for us to do everything we can to ensure that our employees return home safely every day. We aim for our safety procedures to cover anyone we interact with in our value chain, making them aware of and enabling them to act on their responsibilities. The ultimate goal is to find and eliminate all work related risk.

### How do we respond

Our Global Environment, Health and Safety (EHS) Policy is guiding all activities. We strive to provide and promote a safe and healthy working environment, use natural resources and energy in a sustainable way and to avoid adverse impact to employees and contractors, our customers, the environment and the communities in which we do business.

Together with developing new manufacturing processes which are safer - bringing engineering solutions into our processes for sustainable safety performance - we follow the EHS policy to achieve the goals above and ensure:

- Clear EHS expectations with a focus on high-risk operation prevention measures,
- A safe and healthy working environment for all employees, as well as partners and contractors, consistent with all applicable regulatory requirements, GE standards, and requirements and highest EHS practices to which the organization subscribes,
- Safe and environmentally friendly products from the design and throughout the lifecycle,
- Heat Map and Strengths of Defenses to recognize, evaluate and control EHS hazards and mitigate risks,
- Continuous EHS competences development through appropriate levels of EHS training for all managers and employees,

<sup>1</sup> International Labour Organization 2019, *Safety and health at work*.



**0.39**

Days Away from Work rate per 200,000 working hours, compared to 0.35 in 2018

- Continuous evaluation and update of the EHS programs to ensure continued improvement and sustainable effectiveness.

EHS is a shared responsibility, everyone is held accountable and owns EHS. Our EHS programs combine clear leadership commitment and accountability, where all leaders up to the CEO, are in charge and accountable for implementing the policy but also deep and total empowerment of all employees to:

- Ensure adequate resources (e.g., budget, time or training) will be allocated,
- Communicate responsibly and partner with our stakeholders to create value,
- Prepare and ensure a safe way of work,
- Stop the work in case of any risky situations,
- Look for assistance and promptly report any events and deviations about EHS,
- Promote & reward positive behaviors and ideas that support our EHS culture,
- Hold teams accountable for EHS performance,
- Include EHS performance as an essential part of the overall company success.

Our effort to ensure a safe and healthy working environment is further strengthened by our EHS Manual, our Disciplinary Policy and a clear articulation of EHS roles and responsibilities. Together with the Policy, these guidelines feed into a 4-step workflow to roll out our EHS program. The 4 steps are EHS Planning, EHS Implementation and Operation, EHS Checking and EHS Management Review. Through the iterative process, our EHS Policy and respective guidelines have been continuously improved in our dynamic and changing business environment.

As a part of business optimization to drive services in a unified way for all GE's wind businesses, LM Wind Power's Service organization began reporting to GE's new Digital Services organization since March 2019. Following the restructuring, the previous three pillars of our Environment, Health and Safety (EHS) team - Services, Operations, and Global EHS- were altered into Local, Regional and Global EHS to best ensure flexibility and robustness of maintaining safe operations in a rapidly changing business.

### Certification

To hold us accountable for our commitment to a high-standard health and safety management system, we certify all our sites with more than 15 employees according to ISO 45001. Our goal is to complete the certification of ISO 45001 standard within 12 months of becoming operational. Our newest production site in Baodi has been certified in 2019.

As we are expanding our R&D capabilities, we have an unprecedented variety of activities ongoing across production, testing and unique assembly lines. This has caused us to review our unified certification strategy affecting our technology hubs in New Orleans, Southampton and WMC. Adhering to GE's high internal environmental guidelines will most likely meet the need of our business and customers, which is why there is a careful review process underway with regards to our external safety certification for non-production sites. At the moment, the certification process of our testing facilities in New Orleans and Southampton are on hold. As WMC was already certified before the acquisition, the site certification should be transferred to LM Wind Power but the process is on hold. The production site in Cherbourg will receive its certification in 2020. Going forward, we will certify production sites with ISO 45001 in safety. It is an upgraded standard of ISO 45001.

### Our safety process and culture

Our employees in the plants are faced with the most safety risks. Working for a manufacturing business of wind turbine blades, the employees will be in contact with chemicals, sometimes operate at height and work with various tools. There are robust systems, processes and programs in place to ensure safe operations and continuously develop a culture of safety and competence.

GE has a long-standing commitment to safety, which is why we aligned our systems and processes in our plants with GE's "Gen-suite" EHS management system. With an accountable person assigned to each, the elements are broken down into detailed sub-categories, such as Work at Height, Electrical Safety, Motor vehicle.

We score our plants according to our EHS Framework 2.0 and the percentage of tasks closed in the Compliance Calendar. We apply two types of indicators to manage safety at LM Wind Power - leading and lagging indicators. Leading indicators provide early warning signs of potential failures, which lead to proactive, preventive and predictive measures. On the other hand, lagging indicators, such as rate of injury and illness, days away from work are records of failure in the safety barrier, leading to corrective actions after incidents have already taken place. We are closely monitoring both sets of indicators to have a robust system.

On top of this supervising system, we give Blue Collar (BC) workers adequate training on safety through our "Centers of Excellence". The mandatory training lasts around five weeks. Following the approximate five weeks of theoretical and practical trainings in a classroom setting, the employee is coached on the job by an experienced mentor to apply the learnings in real blade production. The training ends with a Skill Matrix Assessment, where the new BC employee goes through the first Practical Evaluation to be awarded their qualification. Only when the employee demonstrates adequate competency in the assigned skills according to our evaluation scheme, will they be qualified for completion. Employees are retrained to ensure they are ready to work safely according to our guidelines.

We believe that the safest working environment can only be achieved together with an internalized culture among all employees. In October 2019, we introduced Crash, a crash test dummy, as a safety communication tool to raise employee awareness about potential safety risks. A series of short films show what can happen when Crash encounters work situations where he can potentially be injured. As Crash physically resembles a person, he is a highly visible and relatable icon. We use such a communication tool as a direct focus to a specific situation and as a conversation starter in small groups. Films are played in plants during 15-minute safety Stand-Downs where all employees stop their work and gather to watch the videos and have a discussion about safety. Furthermore, plants have received crash dummies to create their own plant-specific safety communication content in the form of comics and posters to help cultivate a local safety culture in the plant.



Though it was challenging to maintain our high safety standard after welcoming over 4,600 new employees to the factories, our safety performance in 2019 remained solid. We decreased our Illness & Injury rate from 0.88 per 200,000 working hours in 2018 to 0.84 in 2019, outperforming our target of 0.98. On the other hand, we have seen an increase in Days away from work from 0.35 in 2018 to 0.39 in 2019, failing to reach the target of 0.22.

Our safety performance can be explained mainly due to the introduction of new complex processes in our European manufacturing sites. We had two severe incidents, where the employees needed a period off work and a hospital stay for more than 24 hours. Reviewing the incidents in our plants revealed some EHS violations, which all Plant Directors presented to their teams during a global Safety Stand-Down to ensure lessons learned were shared. We have installed a process to follow up closely on the lowest performing sites with specific emphasis on Stop Work and Supervision and leadership engagement.

# / Environment





**0** Net carbon footprint (tCO<sub>2</sub>e) for operations (including offsets), compared to 0 in 2018



**100%** Renewable electricity consumption (including instruments), compared to 100% in 2018



**25%** Total waste for recycling, compared to 25% in 2018



**\$12 million** Waste reduction savings, compared to \$17.8 million in 2018

### Why is this important

According to the World Meteorological Organization, the level of heat-trapping greenhouse gases in the atmosphere have reached another new record in 2019.<sup>2</sup> The increasing concentration leads to more serious impacts of climate change, including changing weather patterns, rising sea levels and disrupted land ecosystems. The impacts will destabilize the economy, affect lives globally and are causing irreversible damages. Based on the widespread consensus reached by governments and companies on the human impact of the environment, it is evident that only urgent action can reverse global warming. The urgency is also recognized by the Sustainable Development Goals, in which environmental goals are constantly emphasized.

As an important player in the wind industry, we are committed to taking concrete and ambitious actions to fight against the impacts of climate change. We aim to join forces with other partners in the industry to help facilitate through the energy transition by providing affordable wind power. However, we are aware that manufacturing blades does have a tangible environmental footprint through energy and resource consumption, and the generation of waste and emissions. Our goal is to maintain healthy and profitable growth while minimizing our negative environmental footprint. Such mentality forms a key value driver for our business as we believe that greener business is leaner and thus also more profitable.

### How do we respond

Our environmental practices are guided by our Global EHS Policy, which states that we should use natural resources and energy in a sustainable way and to avoid adverse impact on the environment. To ensure that we follow the respective standards, we aim to certify all sites with more than 15 employees according to ISO 14001. This certification ensures that our environmental impacts are continuously improved confirms that our environmental management systems are in line with international standards.

Our site in Baodi has been certified with ISO 14001 in 2019. In 2018 we decided to postpone the certification for our sites in New Orleans and Southampton because they were not mature enough with regards to adopting the LM Wind Power systems and tools. As WMC was already certified before the acquisition, its certification needs to be transitioned under LM. Adhering to GE's high internal environmental guidelines will most likely meet the need of our business and customers, which is why there is a careful review process underway with regards to our external safety certification for non-production sites. Therefore, currently, the certification process of our testing facilities in New Orleans and Southampton and Wieringerwerf is on hold. All our remaining plants and offices with more than 15 employees have an environmental management system certified according to ISO 14001.

When introducing new materials or processes, we always undertake an EHS risk assessment to identify potential risks for any people involved and for the environment. The change in materials cannot be implemented before plans to address or control risks associated with the change are developed. The new material or process must as a minimum be at the same level of risk, and preferably better to ever reach implementation.

<sup>2</sup> World Meteorological Organization 2019, *Greenhouse gas concentrations in atmosphere reach yet another high*

## CleanLM

In December 2016, the Management Team of LM Wind Power decided to take the company carbon neutral by 2018. As a company in the renewable energy industry, it made sense to make further commitments to a decarbonized and sustainable economy. As we clearly proved with our program since its inception, it does not only strengthen our bottom line by realizing cost savings but also enrich the employee value proposition and employee engagement. Carbon neutrality essentially means to have a net-zero carbon footprint by balancing emissions with an equal amount of reductions and offsets.

### The pathway to carbon neutrality



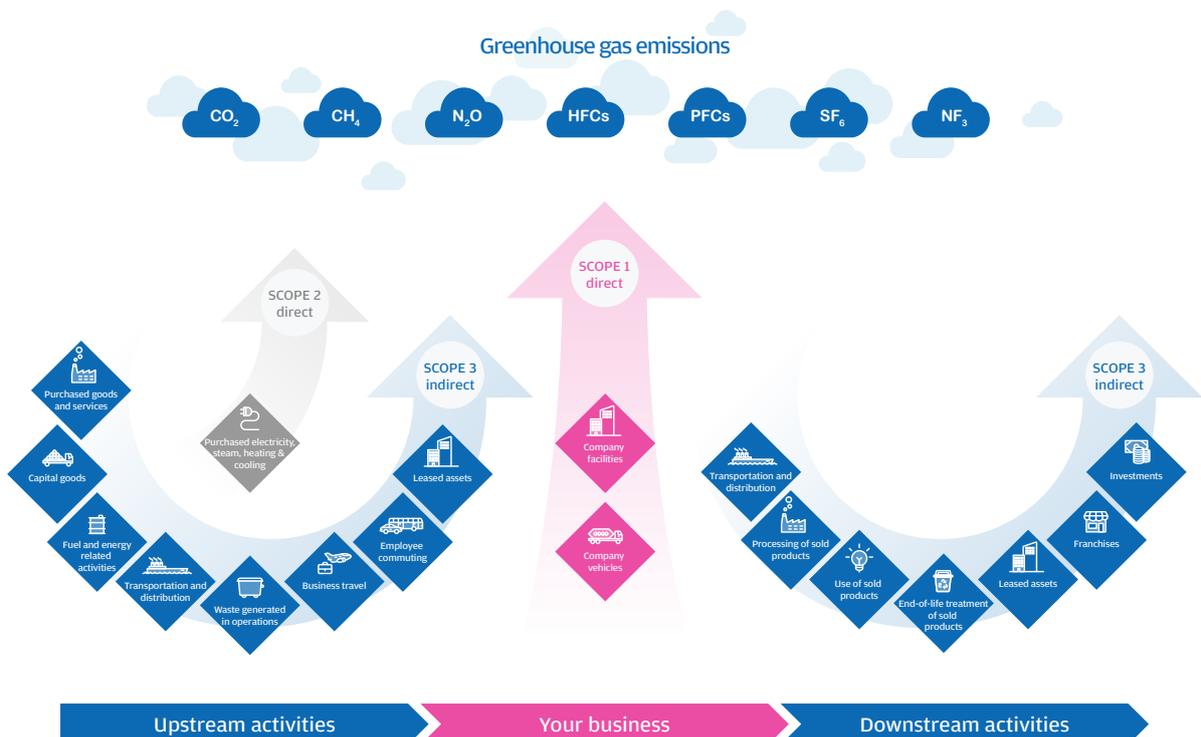
The program to deliver the carbon neutral commitment consists of four workstreams:

1. Measuring our greenhouse gas (GHG) emissions
2. Optimizing the way in which we use energy and reducing emissions from energy use, waste generation and other operational activities
3. Procuring 100% renewable electricity, particularly from wind
4. Offsetting the remaining unavoidable emissions through verified carbon credits

### Carbon emissions reporting

Depending on the extent of control a company has on the emissions, carbon emissions are commonly reported in the form of scope 1, scope 2, or scope 3. Scope 1 emissions refer to the emissions that are a direct consequence of a company's own operations. For example, emissions generated from fuel combustion in company-owned vehicles or facilities are considered scope 1 emissions. Scope 2 emissions cover indirect emissions from purchased electricity, heating, cooling or steam. The emissions are considered to be indirect emissions because the actual generation of the emissions physically occurs outside of the company-owned site and takes place at power plants. Scope 3 emissions include other indirect emissions, such as business travel and waste disposal. Though the emissions are made at other locations outside of the company, scope 2 and scope 3 emissions are a consequence of a company's operations and it should, therefore, share responsibility for them.

## Carbon emissions reporting explained



## Greenhouse gas accounting

Having a long history of reporting Sustainability performance, certain emission categories are measured on a monthly basis in our internal reporting tool. However, since we launched carbon neutrality in 2016, we worked with external consultants to ensure our emission reporting is more rigorous and in line with the guidance of the Greenhouse Gas Protocol.

For our carbon neutrality pledge, we also needed to determine the boundaries of the program. Establishing the boundary means that we needed to make a clear decision on which emissions to include and which to exclude. We decided to achieve carbon neutrality on our operational carbon footprint, which covers a wide range of scope 3 emission sources beyond the minimum requirement of including scope 1 and scope 2 emissions. In our scope, we include:

- Stationary combustion
- Mobile combustion
- Refrigerants
- Purchased electricity
- Waste generated in operations
- Business travel
- Employee commuting
- Fuel- and energy-related emissions
- Delivery of materials from suppliers to our factories

Based on the Greenhouse Gas Protocol, our carbon footprint in 2019 was 207,492 tons of CO<sub>2</sub>e. The footprint grew by 14% from 2018 as a result of another year of significant expansion, both in terms of production as well as employees. Our energy efficiency program managed to avoid 2% energy consumption globally. Because we source 100% renewable electricity at all our sites around the world, we reduced around 104,000 tons of carbon emissions from electricity consumption in 2019. We have continued to keep scope 2 electricity emissions at 0 using the market-based approach, while we acknowledge that there are remaining emissions associated with our electricity consumption in the form of 'well-to-tank' and transmission and distribution losses.

The remaining emission sources' contribution to the total only shifted slightly in 2019. This year, we collected more accurate transportation data, which did not lead to a significant difference in what has historically been reported and transportation emissions remain our biggest emission source at 29%. Closely following our transport emissions is waste, representing our second biggest emission source and contributing 24% to our total emissions. Compared to 2018 and despite our dedicated waste reduction program, total emissions from waste disposal grew by 24%. At 14%, employee community takes up a similar percentage as in 2018. The remainder of emissions is made up of stationary equipment (12%), business travel (4%) and company vehicles (4%).

## Energy Efficiency

2018 was the first full year of running our Carbon Neutral Program. Working with internal energy efficiency experts, we launched a global effort to attack our largest emission source - energy consumption in our manufacturing sites. Three global projects helped deliver savings worth \$2.6 million and a 1000 MWh absolute reduction in energy use, while growing the manufacturing footprint. This was only the beginning. Helped by the transparency provided by our global Energy Management System, we continue to scrutinize our factories for inefficiencies that can optimize energy use and drive cost savings.

Despite an overall increase in absolute energy consumption due to business growth, our relative energy consumption per square meter factory space decreased by 2% in 2019. Our major focus is to optimize the configuration of the Heating, Ventilation and Air Conditioning (HVAC) system, as more than half the energy consumed by our factories is for HVAC. The main way in which we optimize our HVAC system is to enable it to be switched to a lower speed when it is not necessary to run at full speed. We have put in efforts to ensure such a smart ventilation control system is easy enough to operate on a plant level. We managed to deliver the 2% relative savings despite significant challenges related to increased energy consumption in China and India, where our largest manufacturing sites are located. We are building up best practices in operating efficient ventilation system to set an example for the industry.



### Reducing emissions beyond energy

As our biggest reduction drive on energy efficiency is moving into maturity and is owned by the Operations team for further improvement, we have been looking into more solutions to tackle the remaining major emission sources.

As we launched our energy efficiency drive and sourced 100% renewable electricity, inbound transportation is our biggest emission source. Together with our global logistics team, we launched an investigation project to improve the data transparency of inbound material delivery, and we are reviewing ways in which we can challenge the business to change transportation practices. Waste is another significant emission source. While we have a waste reduction program in place that avoids and reduces production waste, there might even be more opportunities to reduce the emissions from waste. Another project zooms in on the energy consumption of IT equipment is not as significant as the machines used in our plants, it is closely linked to our white collar employees' daily work. This provides a good opportunity for building employee awareness and engagement.

### Renewable energy

While we aim to reduce our energy consumption where possible, we cannot eliminate it completely. We are committed to purchase 100% renewable electricity, particularly from wind. There are several ways to source renewable electricity. From a Sustainability perspective, one of the most preferred options is an onsite installation of wind turbines or solar panels. Setting up such equipment at our sites directly adds renewable capacity to the grid and presents possible monetary savings at the same time. The second option is to sign a long-term electricity contract, also known as a Power Purchase Agreement. Although PPAs are possible from existing hardware, they too can add renewable energy to the overall grid mix and could result in cost savings on our electricity bill. The simplest and most direct way of securing renewable electricity is sourcing for Renewable Energy Certificates (RECs), certificates that prove that the electricity we consume comes from an eligible, verified renewable energy source.

In 2019, 98% of our electricity consumption was covered by RECs, and they will continue to play a role in our renewable electricity commitment while we continue to explore various opportunities for onsite installations and long-term PPAs depending on geography and local regulations. Our sites in Canada and Brazil were already on renewable electricity before our carbon neutral commitment, and our factory in Jiangyin, China also receives 50% of its electricity directly from an onsite wind turbine. Our main challenge is that our load is spread across different geographies - each with their own regulations and conditions on the ground - and the fact that often one production site does not have enough consumption to structure a stand-alone PPA. Therefore our strategy is to continue exploring opportunities in PPA or onsite installation while purchasing RECs responsibly to maintain carbon neutrality. Over time, we should gradually substitute RECs with on-site installations or PPAs as the opportunity to do so arise. We are investigating potential opportunities in Europe, India and China.

### Carbon offsets

Though we are constantly aiming to reduce emissions internally, we cannot reduce all our emissions in the short term. However, we can act responsibly towards the emissions that we cannot reduce. After reducing our emissions as much as possible, we will balance the remaining emissions by investing in carbon reduction projects elsewhere in the world. One carbon credit certifies that one ton of CO<sub>2</sub>e was mitigated by an eligible carbon reduction project, for instance through reforestation, cookstoves or clean energy projects.

Our carbon credit portfolio is geared towards setting up renewable energy projects to increase the portion of sustainable energy throughout the world. Being in the wind industry, we deliberately chose a carbon credit portfolio that demonstrates the clear link between carbon offsetting and our businesses. All our projects are verified either by Gold Standard or by Verified Carbon Standard (VCS). When possible, we source projects that would have LM Wind Power blades or customer turbines and should be in countries where we have operations. Furthermore, our portfolio entails benefits beyond access to renewable energy to support education, health or job creation in the community. This year, we invested in three wind projects in Turkey, India and China. To ensure local compensation for our emissions, we compensate all Chinese, Indian and Turkish emissions in-country. Since carbon offsetting projects are more uncommon in Europe and the Americas, our European and American consumption is divided equally over the three countries invested in. Our investment covers projects with multiple, direct links to the Sustainable Development Goals, specifically SDG 7: Affordable and Clean Energy.

One of our offset projects is the Soma Wind Farm in the western Anatolia region of Turkey. With a capacity of 140 MW, the gold-standard project supplies 465,000 MWh of clean electricity to the Turkish national grid, contributing to the country's energy transition. Beyond the production of green energy, the project has also created 24 full-time jobs, which are fulfilled locally. The project made donations to improve the local road conditions and school facilities.

### Engagement

To invite others to launch similar emission reduction initiatives, we engage our stakeholders on sustainability through our Go Carbon Neutral Game. In groups of around 10 people, participants are tasked to take a company carbon neutral, while considering cost, implementation ease, effect duration and brand value. In 2019, we continued rolling out the game in various high-profile events in Europe, China and the US, reaching our peer sustainability practitioners, business leaders in the wind industry, university students, sustainability NGOs, etc. In August 2019, we co-hosted a Carbon Neutrality Summit with the local government in Qinhuangdao, China, sharing our experience on how to become a carbon neutral business and presenting the concept of our game to approximately 200 representatives from local business and government. The event further strengthened our relation with the local Qinhuangdao government who recognize our commitment to high environmental standards. Since the launch of the game two years ago, we have engaged more than 1,000 people on carbon neutrality.

Many have come back to request the game for engagement at their own company. One company took the inspiration from the game further to establish their own carbon neutrality program.

Accompanying the game is our award-winning interactive storytelling platform, which invites readers on a 10-step journey towards carbon neutrality. Written from our own experience in going carbon neutral, the guide consists of 10 chapters of easily digestible content, such as advice, things to consider, explanation cards and quotes. This simplifies the complexity of going carbon neutral and guides users through the experience, one step at a time to start building their own initiative.

We aim to form a truly sustainable culture in the company through having activities to engage employees outside of the working environment and onto the level of personal commitment. Apart from playing the game at our induction program for the new employees, we have hosted two workshops on carbon neutrality in two of the Dutch offices. In October 2019, 12 passionate colleagues based in the Netherlands helped make Amsterdam's canals plastic-free in a plastic hunt. The group cruised around the canals with fish nets in hand for more than 2 hours to pick up plastic bottles and other plastic waste floating on the water. Everyone made their best effort in searching for and reaching out to every piece of plastic. The educational experience has made many rethink their daily consumption behavior and took the lesson further into their personal life.

Across the sea, our colleagues in Southampton showed a strong commitment to green commute by participating in the local September cycling competition. Representing LM Wind Power, the team won first place in the category 'small-sized company' in Southampton and 4<sup>th</sup> place in the UK by cycling in total 2,591 miles in September.

#### **Water, materials and waste**

Our water consumption mainly results from sanitation and cleaning at our sites. We do not use water in the process of producing blades. Our water consumption increased in 2019 compared to 2018, which can be mainly explained by the overall growth of the business. Our plant in Dabaspur, India established a rainwater collection system in 2010, which collects sufficient rainwater to cover most of our plant's consumption. When collection exceeds consumption, the water is saved or discharged to the ground. Water in India is recycled according to the local law.

Running successfully for several years, our Material Waste Reduction program addresses how we consume materials and reduce waste in our factories. The focus is on glue, glass, core, resin, infusion consumables and gelcoat, which represent the majority of our direct material consumption. In 2016, we set ourselves annual targets for the following three years for the program, which for 2019 were a reduction of 2.12% in production waste and an \$18.5 million saving on direct materials. To achieve these targets, we continued the roll-out of a standardized waste management system in order to track waste in the same way globally. We also became better at sharing the performance and practices of our best-in-class plants, as to give our factories an idea about what is a sufficiently ambitious yet reachable target. Despite these efforts and four dedicated Engineering projects on waste, we achieved a \$12.0 million saving on direct material and a waste reduction percentage of 0.75, both short of our abovementioned targets. Going forward, the completion of installing the standardized waste management system will enable us to achieve future reduction targets. After several years of specific focus and capacity building, we believe our Material Waste Reduction program is mature enough to make it an integral part of how we run EHS and Operations in the company. Therefore, the program will be integrated in the respective functions and will continue to be executed on and reviewed as such.

#### **Volatile Organic Compounds**

We recognize that volatile organic compound (VOC) emissions are released during our production process and that excess VOCs can have adverse impacts on human health and the environment. We are monitoring our VOC emissions as required by local legislation to ensure it does not exceed limits. In line with our Global EHS policy, we are equipping our factories and employees with the necessary protective equipment to further reduce safety risk. As part of our continued effort to reduce VOC emissions, we are reviewing our production processes and materials constantly, and are currently understanding all the implications of switching to non-styrene gelcoat in our manufacturing. Going forward, reducing VOC emissions remains among our top EHS priorities.

# / Technology





7

New blade designs launched,  
compared to 10 in 2018

### Why is this important

Technological innovation is essential in socially inclusive and environmentally sustainable development. Unlike small incremental improvement, technological breakthroughs enable radical and systemic changes to speed the transition to a truly sustainable society. Companies that are in key industries, such as transport, energy, healthcare, and food are in possession of huge opportunities to deliver solutions that reshape the world.

For our business, technological innovation revolves around minimizing the Levelized Cost of Energy, further improving the competitiveness of wind energy in the market. With innovation as one of the core business drivers, our employees have been constantly working on the cutting-edge technology that deliver the most advanced, reliable and high-quality wind turbine blades for the customers technological innovation can also be applied to address potential negative impacts and foster opportunities to join forces with other organizations to bring about industry-wide changes. One of the topics we engage in with our industry peers is how to fully assess and manage life cycle impacts of wind energy infrastructures.

### How do we respond

We have long been committed to research and development as we believe that only with continuous innovation can we best cater to the competitive market and satisfy the dynamic demands of customers. In 2019, we invested 3.9% of our revenue in R&D to boost our technological capabilities. Among other innovations across material and manufacturing technology, this resulted in the launch of seven new blade designs.



3.9%

Revenue invested in R&D,  
compared to 5.3% in 2018

With the addition of three further technology center hubs across the US, UK and the Netherlands in the past couple of years, we have boosted our global capacity to meet the engineering demands of our regional markets. Our Technology Center footprint now counts New Orleans in the US, Southampton in the UK, Wieringerwerf and Heerhugowaard in the Netherlands, and Bangalore in India. Due to our continuous effort in improving the efficiency in R&D spending, we saw a slight decrease in R&D investment at 3.9% of revenue in 2019, following a year with a high investment that provided product innovation benefits well into 2019.

The most noticeable achievement of the year was the production of the world's longest blade at 107 meters at our offshore blade plant in Cherbourg France in April 2019. The giant blade was installed on the world's most powerful wind turbine, the Haliade-X prototype in Rotterdam, the Netherlands, where it will go through a series of field tests as part of a global validation program. Two test centers are running dynamic and static test cycles in parallel, to verify its readiness for decades of offshore operations. One Haliade-X 12 MW wind turbine can power up to 16,000 European households according to wind conditions on a typical German North Sea site. The 107 meter blade won the Gold award in the Rotor Blades category of Windpower Monthly's 'Wind Turbines of the Year 2019'.

### Quality management and suppliers

Quality management systems are implemented at all our sites. Sites that have more than 15 employees are part of our global ISO9001:2015 Multi-site Certificate. Sites are audited within the first year of operation by an appropriate external certification body to secure compliance with ISO9001 standard. Continuous improvement in our Quality Management Systems helps maintain our quality reputation within the industry. Our blade production site in Cherbourg, which started operation in early 2019 has been certified with ISO 9001. The testing facilities in New Orleans, Southampton and Wieringerwerf have not yet been certified. The certification process is on hold and will follow the transformation plan as part of the unified strategy. Our suppliers too are held to strict quality requirements. We continue to engage to improve their performance over the years. This year we achieved 138 parts per million on our non-conformity rate indicator, outperforming our target of 150.

Integrity and conducting business according to the highest standards is the backbone of GE, and we require all employees to make a personal commitment to follow these principles. Likewise, we expect and demand our suppliers to act according to the highest ethical standards. The compliance with this requirement is the responsibility of the suppliers and the foundation for a win-win business relationship.

Supplier Responsibility Guidelines (SRG) are fully embedded and are a part of the LM Wind Power supplier qualification process, ensuring that new suppliers are assessed before any business or product qualification commence. Suppliers are required to follow all applicable laws in their respective countries as well as GE standards. Our expectations of suppliers include:

- Compliance with laws and regulations protecting the environment; improving resource efficiency
- Providing workers a safe and healthy workplace
- Employing workers above the applicable minimum age requirement or the age of 16, whichever is higher
- No forced, prison or indentured labor, or workers subject to any form of compulsion, coercion or human trafficking
- Compliance with minimum wage, hours of service and overtime wage laws
- Freedom of association
- No discrimination
- No harassment
- Adherence to ethical business practices
- Respect intellectual property
- Avoiding sourcing 3-TG (tin, tantalum, tungsten and gold) from conflict mines
- Maintaining an international standard of security measures
- Expect their suppliers to conform to similar standards

We also strongly advise that suppliers use an environmental management system.

Suppliers are prioritized for detailed, on-site assessments depending upon the country in which they are located, their past performance and whether they are producing parts or components that will be incorporated into our products. All of LM Wind Power's direct materials suppliers on the mandatory countries list require an on-site audit. All suppliers are required to receive at least one audit every two years. Suppliers with recorded concerns will be audited every year. We have 10 certified auditors and can draw on the wider GE network if needed. In 2019, we completed 40 audits (3 in Europe, Middle East and Africa, 23 in China, Malaysia and South Korea, and 14 in India). No major flaws were found that led to escalation.



### Blade lifecycle & industry joint effort

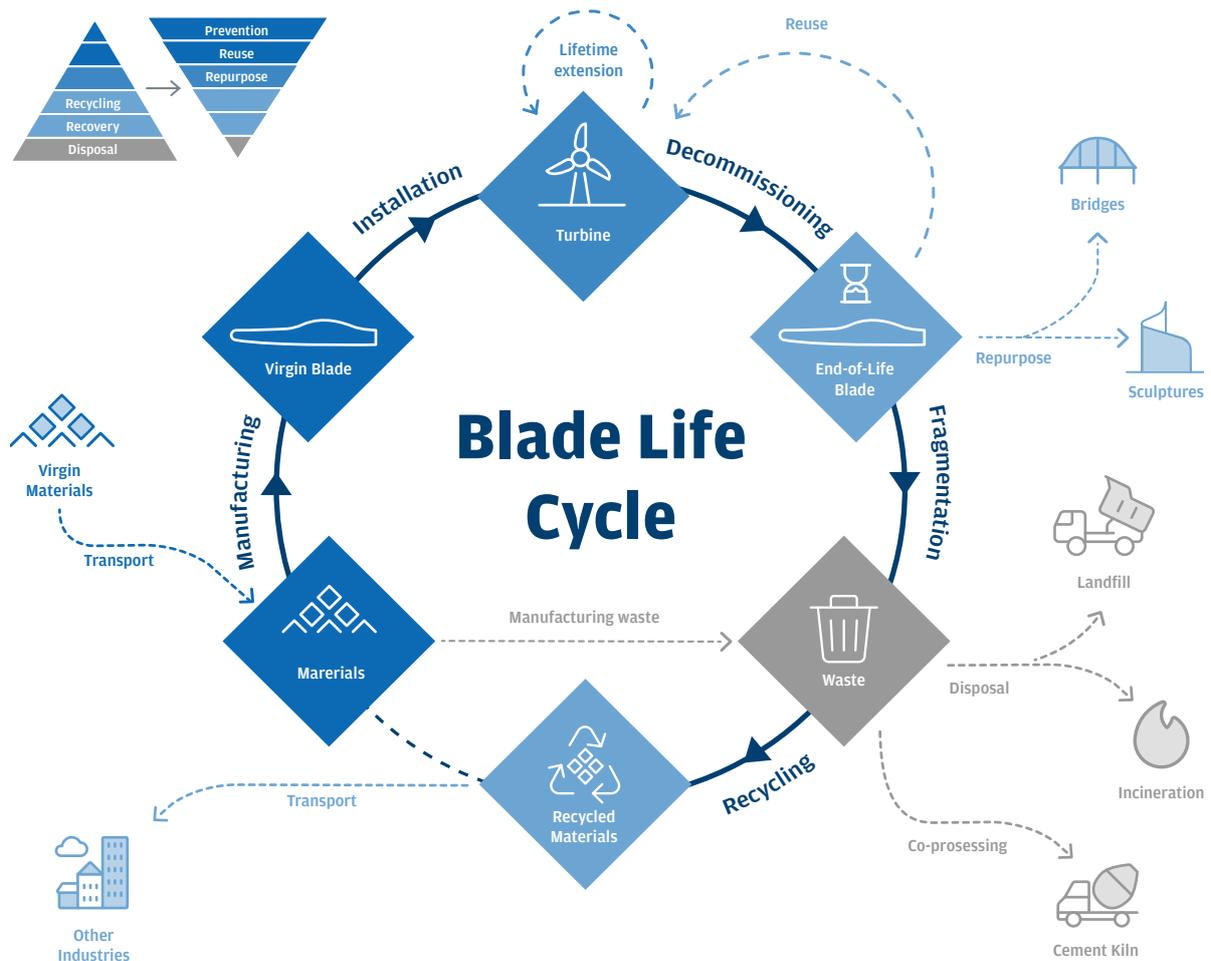
As a designer and manufacturer of wind turbine blades, our involvement forms a critical part of the blade lifecycle and we dedicate our R&D effort to reducing negative impacts throughout the lifecycle. Wind power installations have increased significantly since 1990s, therefore an increasing number of blades will retire in the coming years, considering their lifetime of 20-25 years.

Blades represent one of the most challenging wind turbine components to recycle. They are built to endure 20-25 years of harsh weather conditions such as strong winds, rains and lightning. To take them apart at the end of their life presents a challenge, although some mechanical solutions, involving recycling end-of-life blades into construction material, are starting to emerge in the US and Europe. The most prevalent available disposal solutions are still incineration or landfill.

As a blade manufacturer, we clearly have an interest in how our product performs throughout its lifecycle. The end-of-life phase presents challenges which are technical, regulatory and commercial. It's complex and most likely a challenge any

individual company can't solve. Throughout the years we have engaged in cross-sector and cross-functional communication on opportunities to improve sustainability across the blade lifecycle, and we have come to realize this complex topic has multiple entry points. Multiple aspects - reusing blades, repurposing blades, disposing of blade waste optimally, recycling blade waste, or even researching new sustainable materials - are wrapped in one single concept of the 'blade lifecycle'. Different solutions have different timeframes. Thus, the articulation and clear identification of the scope will significantly help bring focus to the discussion and speed up the process.

Through a simple representation of the different intervention points in the blade lifecycle, we could better prioritize resources among parallel programs and facilitate industry collaboration. With that in mind, we have translated the complex concept into an easily digestible infographic. Using the new representation, we have engaged in conversations with stakeholders throughout the wind industry, via industry-wide platforms such as WindEurope, The European Technology & Innovation Platform on Wind Energy (ETIPWind) and shared insights in Wind Europe End-of-Life Issues and Strategies (EoLIS) seminar.



# / People





# 90%

Employees trained in anti-corruption and bribery, compared to 90% in 2018

### Why is this important

People are the core of society. To have a sustainable society means to empower people to develop and improve their lives. Not only is Sustainability for people, but it is also achieved by people. Challenges such as gender inequality, unequal employment opportunities or human rights violations are barriers for people to realize their potential and live a decent and empowered life. These topics continue to require the utmost attention to ensure the firm foundation for truly sustainable development.

### How do we respond

As a manufacturing business, LM Wind Power is very much a people business. At every stage of work, from design to final delivery of the blade, it is people that make it possible. Therefore, we regard employee engagement, motivation and development as the critical factor to the success of our business, making it possible for us to deliver high-quality blades to the markets worldwide. Specifically, we believe it is important to maintain a high level of diversity and inclusivity in our workforce and it is exactly with such a profile of the workforce that our businesses thrive. We commit to respecting the highest social standard to enable our employees to develop.

### Employee engagement and development

We continue the integration of HR programs with GE, which is widely recognized. As part of GE's best-practice, we adopted the HR Business Partner structure. HR Business Partners work together with function leaders globally to deliver and develop a broad range of HR services to the company. Through GE's Career Navigation framework, we help employees to explore their career possibilities. The following are the four areas to consider while navigating your career:

- Define Your Own Success
- Understand GE
- Perform and Grow Every Day
- Cultivate Relationships

In 2019, we have fully transitioned to GE's Performance Development (PD) system for the White Collar (WC) employees. Our previous LM Wind Power Performance Management System and Development Plan are combined and are both included in PD. At the beginning of the year, WC employees are asked to set priorities for the year. Throughout the year, the priorities will be revisited to update their relevance and value added as the business environment evolves. Touchpoints, hosted in various possible forms, give opportunities to the employees to



# 1.5%

Blue collar absence rate, compared to 2.0% in 2018

reflect and collect insights along with their work. At the end of the year, our employees are evaluated on their performance, not only what they did but also the extent to which they worked in line with the Shared Beliefs.

In 2019, we welcomed more than 4,600 new employees. Among them, over 4,300 were Blue Collar (BC) workers who all had to go through the mandatory five-week training program. Following the approximate five weeks of theoretical and practical trainings in a classroom setting, the employee is coached on the job by a experienced mentor to apply learning in real blade production. The training ends with the Skill Matrix Assessment, where the new BC employee goes through the first Practical Evaluation to be awarded respective qualification. Only when the employee demonstrates adequate competency in the assigned skills according to the detailed evaluation scheme, will they be qualified for completion.

For each plant, we have one coordinator, who is responsible as the manager of the trainers. All the coordinators in our plant training facilities, 'Center of Excellence', go through 60 hours of training. 53% of the coordinators are women and 16% of the trainers are women. As we introduced new technologies in our plants, we created a training task force of four roaming trainers to visit our plants and ensure training in new technologies is of the right standard. We further enhance our BC employees' skills and knowledge through local Performance Systems and our Global Skills Matrix. The Global Skills Matrix uses a standard method to assess workers' ability to complete a group of related tasks to a performance standard. The method ensures the comprehensive and in-depth development of skillsets.

### Communities

LM Wind Power has been recruiting people for high-quality and skilled jobs from local communities across the world. By the end of 2019, our plant in Cherbourg had hired around 270 additional employees, reaching a total of over 300. Company-wide, this year we hired more than 4,300 BC employees in China, India, North America and Europe. We have maintained good relations with local unions and are compliant with different local employment laws and regulations accordingly. Due to the different requirement and regulations in the countries we operate, the employees covered by collective bargaining agreements vary from none in our plants in the United States, India, China and Poland to over 90% at the two plants in Spain, 78% in Gaspé, Canada and 100% in Suape, Brazil.

With 15 factories and thousands of employees around the world, we have a long track record of supporting local community development and charity. In a recent example from Goleniów, Poland, employees gathered food and donated cleaning products to a nearby village damaged by a strong storm. The plant also organized a Santa Claus visit to the local orphanage and local children's hospitals. Together with Santa, employees brought toys, books and board games for the children in need. The employees in Goleniów plan to further extend the help beyond annual festive occasions to more regular visits with more diverse activities, such as hosting barbecue parties and homework support.

Our Technology Center in Bangalore, India, organized a sale of Specialty and Educational toys of various types and for different age groups. Two local female entrepreneurs were invited to the plant with their products. They took great effort in explaining the features and functions of the game, help employees get what they needed for their children. It was a win-win event to support local businesses and empower the plant employees on their child education and development.

In China, the Pink Run event took place in Qinhuangdao Forest Sports Park to raise awareness of female breast health. The plant employees joined the run with family and friends. The campaign set out to remind women of the importance of early prevention, early detection and early treatment and encourage active regular breast cancer screening. As a role model, a local finance manager was invited to share her experience in jogging and inspiring others on how to get started as a beginner.

### **Integrity and compliance**

At the core of our Integrity & Compliance programs lies The Spirit & The Letter, which is reinforced by policies, processes and training regarding integrity and compliance. We adopted The Spirit & The Letter from GE as a crucial piece of the integration. As part of the integration process that started two years ago, approximately 100% of our WC employees and a big portion of our BC workers acknowledged The Spirit and The Letter in written form. Our new WC workers will receive 16 training courses, covering a series of crucial topics covered in The Spirit & The Letter, such as Supplier Relationships, Conflict of Interests and Improper Payments. We introduced The Spirit & The Letter to the rest of the BC employees through informal Town Hall meetings.

In our "open reporting environment", employees are encouraged to raise integrity concerns and be confident that they can do so without having to worry about retaliation. Our employees remain the company's first and best line of defense in the early detection of potential compliance issues. Our Open Reporting allows employees and third parties to report concerns about violations of policy or law. Concerns can be reported anonymously or reported directly through several channels, including the employee's HR manager, our legal department, or our compliance officer, any business ombudsperson, or by calling the GE integrity hotline. In 2019, more than 116 open reporting policy concerns were raised by employees in LM Wind Power. Approximately 30% of the concerns logged in this year

identified either policy or process non-compliance, which led to process improvements or disciplinary actions.

We remain committed to respecting not only the human rights of our own employees but also those of our partners' employees and the members of the communities where we operate. Such respect is a foundational requirement of both GE and our Supplier Integrity programs, and we seek to drive compliance through continued improvement in audit techniques, workers' voice programs and employee training. We also believe collaboration and best-practice sharing, through organizations such as the Global Business Initiative for Human Rights - of which GE is a founding member - help companies work together toward the common goal of upholding the principles first laid out by the United Nations in 1948, with its historic issuance of the UN Declaration on Human Rights.

As part of the compliance program at GE, we believe that operating with a strong anti-corruption program is a critical component in how we do business. Our approach to compliance in the critical area of improper payments is multifaceted. Among its key features are:

- Corporate policies and procedures that reflect our approach by prohibiting improper payments in every transaction, whether with a government or with a private party.
- Extensive controls, including thorough due diligence, careful screening and training on our policies, over third-party intermediaries such as distributors, service providers, and commercial agents and representatives.
- Heightened attention to key risk areas such as gifts and entertainment, travel and living expenses, donations, and facilitating payments.
- Prompt investigation and remediation of any concerns.
- Extensive training of our employees on improper payments.
- Robust internal controls and accounting processes designed to detect and prevent violations of our policy relating to improper payment risks and to ensure accurate books and records relating to transactions.
- Increased emphasis and enhanced due diligence concerning improper risk associated with mergers, acquisitions and joint ventures.
- Strategic use of Corporate Audit Staff to identify and assess potential improper payments

### **Report on the Gender Composition in Management, cf. Section 99 b of the Danish Financial Statements Act**

According to The Spirit & The Letter, we will base our employment decisions on job qualifications and merits which include education, experience, skills, ability, performance and growth values. Employment decisions shall be made without considering a person's race, color, religion, national or ethnic origin, sex (including pregnancy), sexual orientation, gender identity or expression, age, disability, veteran status or other characteristics protected by law.

In 2019, we have continued to scrutinize HR practices like recruitment, succession planning and retention initiatives and adjust where needed to ensure active engagement in securing a

more diverse employee mix at all levels of the company. This includes having a stronger focus on diversity aspects such as gender when designing and re-designing the organizational set-up, structured career reviews of all salaried employees to ensure less represented gender talent is not overlooked and ensuring female representation in all employment committees when hiring new employees. In all recruitments for management positions, there must be at least one woman on the candidate slate. The key focus in the short term will be addressing imbalance at the top of the organization and exploring how we match the aspirations of employees already with us, as well as those joining the company.

As part of GE, we gained access to the wide range of affinity networks intended to maintain and foster continuous focus and support for the diversity agenda across the whole company. GE's Women's Network was founded in the 1990s and is now the largest network with 160 hubs across 60 countries. It aims to help attract, develop, inspire and retain female professional talent. The Danish hub of the network, also known as the Diversity Network, was started by three senior women in September 2017 and now promotes diversity and inclusion beyond the field of gender. In 2019, 6 events were independently initiated and organized by the Diversity Network. Among them was a well attended industry event where we joined forces with industry colleagues from Ørsted and Vattenfall to host an interactive Diversity Kahoot Quiz on WindEurope's Offshore Wind event, and attracting significant interest and exposure to diversity as a key priority.

Both LM Group Holding A/S and LM Wind Power A/S have a clear ambition to achieve gender balance in their highest management level, the Board of Directors. In 2019, the two entities share the same Board members and are comprised of three company representatives and two employee representatives. With a female Chief Financial Officer present as one of the three company representatives, both Boards have reached equal representation.

LM Wind Power will continue its effort to achieve gender equality in 2020 and beyond. By the end of 2019, the Management Team of LM Wind Power consisted of three women and 11 men, up from two females out of 13 members total in 2018. The proportion of women in the Executive Band (including Management Team) across LM Wind Power was 12% in 2019, down from 14% in 2018. The percentage drop in female representation is mainly due to organizational changes that - on the balance - resulted in a decrease in the number of EBs in the company by three - two of which were male and one of which was female. Across all of LM Wind Power, the proportion of women increased from 14% in 2018 to 16% in 2019. We have welcomed more than 800 new female employees into the company. In 2020 and beyond, we will maintain our focus on gender diversity and keep advancing it in every part of the organization.

# **/ GRI content index**



## General Disclosures

GRI Standard number	GRI Disclosure title	UNGC Principle	Location
<b>Organizational profile</b>			
102-1	Name of the organization		p. 12
102-2	Activities, brands, products, and services		pp. 12-14
102-3	Location of headquarters		p. 17
102-4	Location of operations		p. 17
102-5	Ownership and legal form		p. 12
102-6	Markets served		p. 12
102-7	Scale of the organization		pp. 6, 12, 17
102-8	Information on employees and other workers	6	p. 9
102-9	Supply chain		pp. 14, 35
102-10	Significant changes to the organization and its supply chain		p. 10
102-11	Precautionary Principle or approach		p. 28
102-12	External initiatives		p. 10
102-13	Membership of associations		p. 15
<b>Strategy</b>			
102-14	Statement from senior decision-maker		pp. 3-4
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior	10	pp. 13, 16
<b>Governance</b>			
102-18	Governance structure		p. 16
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups		pp. 23
102-41	Collective bargaining agreements	3	p. 38
102-42	Identifying and selecting stakeholders		pp. 22-23
102-43	Approach to stakeholder engagement		pp. 22-23
102-44	Key topics and concerns raised		pp. 22-23
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements		p. 10
102-46	Defining report content and topic Boundaries		pp. 20-21
102-47	List of material topics		pp. 10-11, 20-21
102-48	Restatements of information		p. 11
102-49	Changes in reporting		p. 10
102-50	Reporting period		p. 10
102-51	Date of most recent report		p. 10
102-52	Reporting cycle		p. 10
102-53	Contact point for questions regarding the report		p. 11
102-54	Claims of reporting in accordance with the GRI Standards		p. 11
102-55	GRI content index		pp. 41-44
102-56	External assurance		p. 11

## Topic-specific Disclosures

GRI Standard number	GRI Disclosure title	UNGC Principle	Location
<b>Economic topics</b>			
<b>Economic performance</b>			
201-1	Direct economic value generated and distributed		p. 12
<b>Indirect economic impacts</b>			
203-2	Significant indirect economic impacts		pp. 38-39
<b>Anti-corruption</b>			
205-2	Communication and training about anti-corruption policies and procedures	10	p. 39

<b>Environmental topics</b>			
<b>Materials</b>			
301-1	Materials used by weight or volume	7, 8	p. 11
<b>Energy</b>			
302-1	Energy consumption within the organization	7, 8	pp. 7, 30
<b>Water</b>			
303-1	Water withdrawal by source	7, 8	pp. 7, 32
<b>Emissions</b>			
305-1	Direct (Scope 1) GHG emissions	7, 8	pp. 6, 28-32
305-2	Energy indirect (Scope 2) GHG emissions	7, 8	pp. 6, 28-32
305-3	Other indirect (Scope 3) GHG emissions	7, 8	pp. 6, 28-32
<b>Effluents and waste</b>			
306-2	Waste by type and disposal method	8	pp. 7, 32
<b>Supplier environmental assessment</b>			
308-2	Negative environmental impacts in the supply chain and actions taken	8	pp. 34-36

<b>Social topics</b>			
<b>Employment</b>			
401-1	New employee hires and employee turnover	6	pp. 8, 38
<b>Occupational health and safety</b>			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		pp. 25-26
403-3	Workers with high incidence or high risk of diseases related to their occupation		pp. 25-26
<b>Training and education</b>			
404-1	Average hours of training per year per employee	6	p. 38
404-2	Programs for upgrading employee skills and transition assistance programs		p. 38
404-3	Percentage of employees receiving regular performance and career development reviews	6	pp. 9, 38
<b>Diversity and equal opportunity</b>			
405-1	Diversity of governance bodies and employees	6	pp. 8, 40
<b>Child labor</b>			

**Topic-specific Disclosures (continued)**

GRI Standard number	GRI Disclosure title	UNGC Principle	Location
408-1	Operations and suppliers at significant risk for incidents of child labor	5	p. 35
<b>Supplier Social Assessment</b>			
414-2	Negative social impacts in the supply chain and actions taken	2	p. 35