

The Vestas Sustainability Report 2020

About this report



What is the purpose of this report?

At Vestas, we are working to make our company – and the world – a more sustainable place. In this report, we communicate the progress we made in 2020. We also explain how we worked to embed the 10 principles of the United Nations Global Compact into our strategies and operations during the year.



How do we support the UN Sustainable Development Goals (SDGs)?

On pages 46-47, we report on our contribution to six of the 17 UN SDGs in 2020.



Is this the Vestas Communication on Progress 2020?

The Sustainability Report constitutes Vestas' Communication on Progress (CoP). In accordance with our Signatory status to the UN Global Compact, we apply the option stipulated in section 99a of the Danish Financial Statements Act, concerning the statutory duty of large enterprises to report non-financial information, by referring to our CoP. In this report, we also disclose in accordance with section 99b and 107d on gender and diversity (pages 26-28).



EU Taxonomy

Read more about our preliminary assessment of Vestas Wind Systems A/S' alignment with the Regulation (EU) 2019/2088, also known as the EU Taxonomy, on page 48.



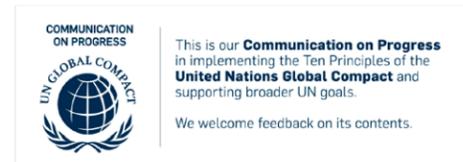
TCFD reporting

Read more about our approach to implementing the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on page 33.



External links

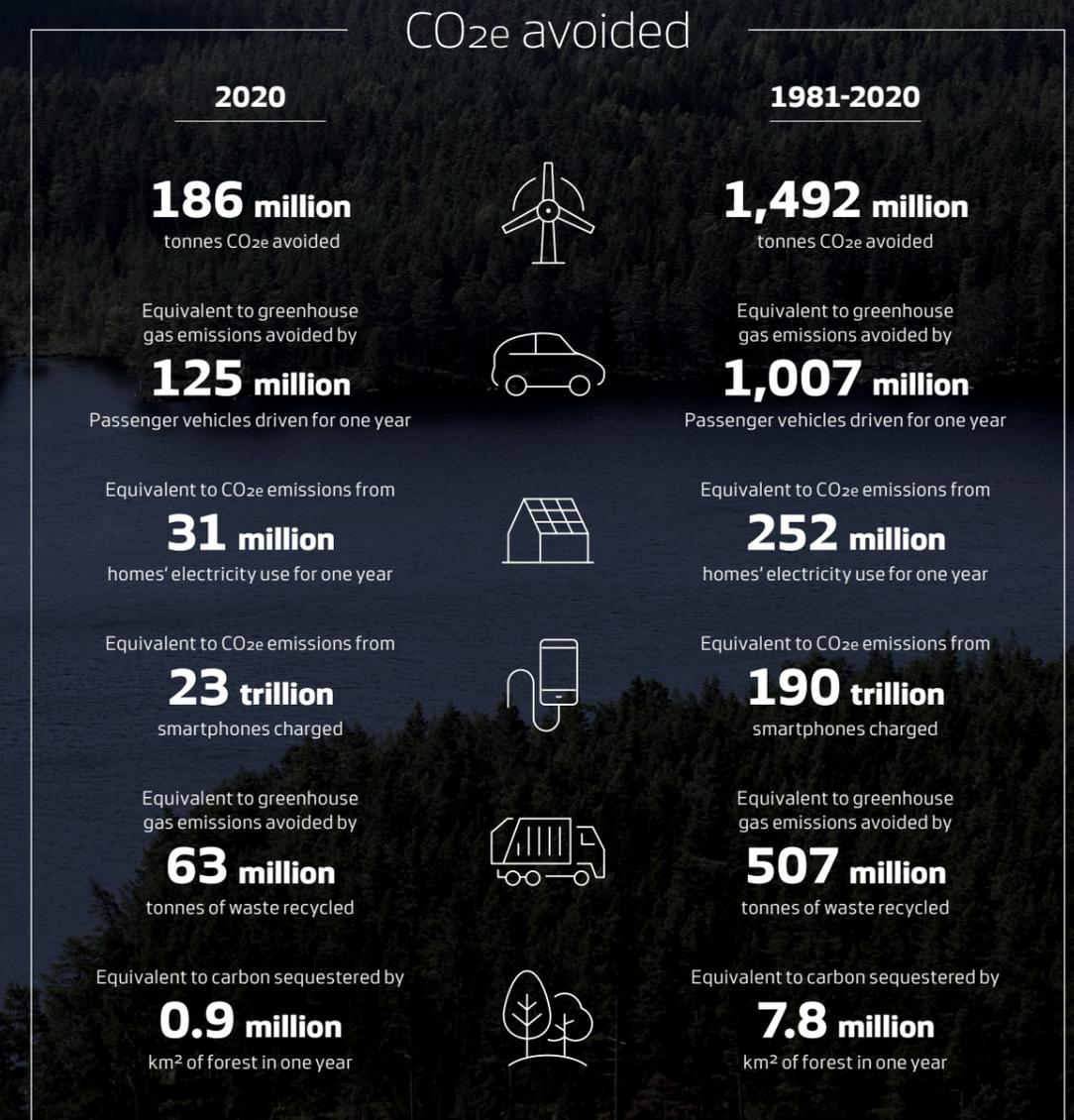
When you see this icon in the margin, it indicates a link to an external source in the text. The link will be aligned with the icon and indicated by [blue text](#).



Contents

03	Introduction
04	A statement from the Vestas Executive Management team
06	Our business model
07	Our history: then and now
08	The Vestas Sustainability Strategy
09	Our approach to sustainability
09	Sustainability in Everything We Do
12	Carbon neutral by 2030 – without using carbon offsets
13	Zero-waste wind turbines by 2040
14	Safest, most inclusive and most socially responsible company in the energy industry
16	Leading the transition to a world powered by sustainable energy
18	Measuring our progress
20	Reporting on our progress and approaches in 2020
21	Key achievements
22	Our employees
30	Our responsibilities
32	Environmental sustainability
40	Community engagement
42	Governing sustainability
44	Tax and sustainability
46	Reporting on the UN SDGs
48	EU Taxonomy
49	Sustainability key figures
50	Notes to sustainability key figures

Introduction



Numbers have been rounded down. Please refer to pages 50-51 for details on the calculations. Sources for passenger vehicles: EEA; for all other indicators: EPA

A statement from the Vestas Executive Management Team



Members of the Executive Management from left: Anders Nielsen (EVP, Vestas Power Solutions), Juan Araluce (EVP, Sales), Kerstin Knapp (EVP, People & Culture), Henrik Andersen (President and CEO), Marika Fredriksson (EVP, Finance), Tommy Rahbek Nielsen (EVP, COO), and Christian Venderby (EVP, Service).

Dear reader,

2020 has brought unprecedented disruption. As the pandemic maintains its grip on modern life, the climate crisis poses a more insidious challenge, waiting for us just beyond the horizon.

This year, however, has also been one of silver linings; not least because our more than 10,000 dedicated service employees ensured a balanced and stable supply of energy during the global health crisis, proving that renewable energy is now a critical component of our global energy systems. COVID-19 has taught us that universal challenges can inspire change. We now have an opportunity to build back better; to harness what we have learned to nurture resilience and pave the way towards a more sustainable future.

The energy industry is also being reimagined. Governments around the world are daring to be ambitious with their decarbonisation goals, and with this commitment renewable energy will grow to occupy an even stronger position within the global energy system. As a global leader in renewables, with an installed fleet avoiding 186 million tonnes of CO₂e annually, Vestas is determined to ensure that the sector safeguards the interests of future generations as it expands.

We began the year by launching our new sustainability strategy, entitled Sustainability in Everything We Do. It is a strategy designed to ensure that our sustainability performance increases as we scale, and that our approach to sustainability continues to reflect the landscape in which we operate.

This work is crucial, not least because the renewables sector has some way to go. In order to ensure the future of our planet is built on sustainable foundations, we must look beyond the value created by our products. This requires us, as an industry, to think outside our own value chains. Increasing our sustainability performance here is of course a positive first step, but a truly sustainable future requires collaboration; it requires us to share our expertise and prioritise the social as well as the environmental impacts of our actions.

At Vestas, one way we exemplify this commitment is through our Human Rights Due Diligence framework, where we apply a cross-stakeholder approach to securing and maintaining the support of local communities. Furthermore, our journey towards greening our supply chain will ben-



efit from the support of industry partnerships, such as those with DSV Panalpina and Hempel. It is only through thinking beyond our own ecosystem that we as an industry can support global climate ambitions and establish sustainable societies. In this respect, we remain committed to the ten principles of the UN Global Compact as shown by our signature to the 2020 Statement from Business Leaders for Renewed Global Cooperation. We are convinced that through increased collaboration, we can accelerate our progress towards building a more sustainable future for all.

Urgency is central to the sustainability debate. As a global community, we must be aware of the ticking clock, and the overwhelming burden that economic development places on our natural resources. Having integrated sustainability into our governance, daily operations and cross-functional working groups, we address this head on by raising the ambition levels for our industry. This year, we became the first renewable energy manufacturer to have our climate target confirmed as being in line with the 1.5°C scenario of the Paris Agreement by The Science Based Targets initiative. The announcement followed our ambitious target to become carbon neutral without the use of offsets by 2030 – a target towards which we have already made significant progress by cutting our global carbon footprint by 33 percent. Primarily, we achieved this by sourcing 100 percent of our electricity from renewable sources. But we also replaced 35 percent of our benefit cars with plug-in hybrid and electric vehicles and introduced 127 electric or sustainably fuelled vans to our service fleet in just one year. By 2025, we will only use zero-emission vehicles in our benefit car and service vehicle fleet. Responding to the urgency of the climate crisis is our highest priority, and we will continue to calibrate our ambitions to deliver what the world needs, when the world needs it.

At Vestas, innovation is integral to meeting our sustainability targets and aspirations. Through innovation, we can not only solve our own challenges, but we shape new pathways that can be leveraged by others. We recently committed to work closely with industry leaders along the wind value chain as part of the DecomBlades project, seeking to scale the commercial potential of recycling techniques for wind turbine blades. This is just one of the many initiatives we are undertaking to help revolutionise our value chain and forge frameworks that can serve as the 'new normal' in the future.

Of course, our success would not be possible without the relentless dedication of our highly competent employees. Throughout an extremely challenging year, delivering progress on our sustainability journey has required continuous commitment from team members across the organisation, and for this we are sincerely thankful. We are also deeply grateful for the support of our customers, suppliers and stakeholders from around the world, who have continued to stand by us despite the uncertainty caused by the pandemic.

“ As a global leader in renewables, Vestas is determined to ensure that the sector safeguards the interests of future generations as it expands.”

The Executive Management Team of Vestas Wind Systems A/S

Going forward, our focus will be straightforward: we must dare to do more. This mantra must hold true for Vestas, as we are leaders of an industry that will be the cornerstone of future society, but it must also hold true for the industry as a whole. With our recent acquisition of MHI Vestas and our strengthened partnership with Mitsubishi Heavy Industries, we are committed to increasing our leadership in sustainable energy solutions, and further accelerating the global energy transition. We can no longer afford to limit our efforts to business continuity and profitability. Despite the global disruption we are all facing as an industry, we must keep striving. We must keep pushing the limits of what is possible. Only through this approach will we build a more sustainable future for generations to come.

Yours sincerely,
The Vestas Executive Management Team


Henrik Andersen
Group President & CEO


Marika Fredriksson
Executive Vice President & CFO


Anders Nielsen
Executive Vice President & CTO


Juan Araluce
Executive Vice President & CSO (Sales)


Christian Venderby
Executive Vice President & CSO (Service)

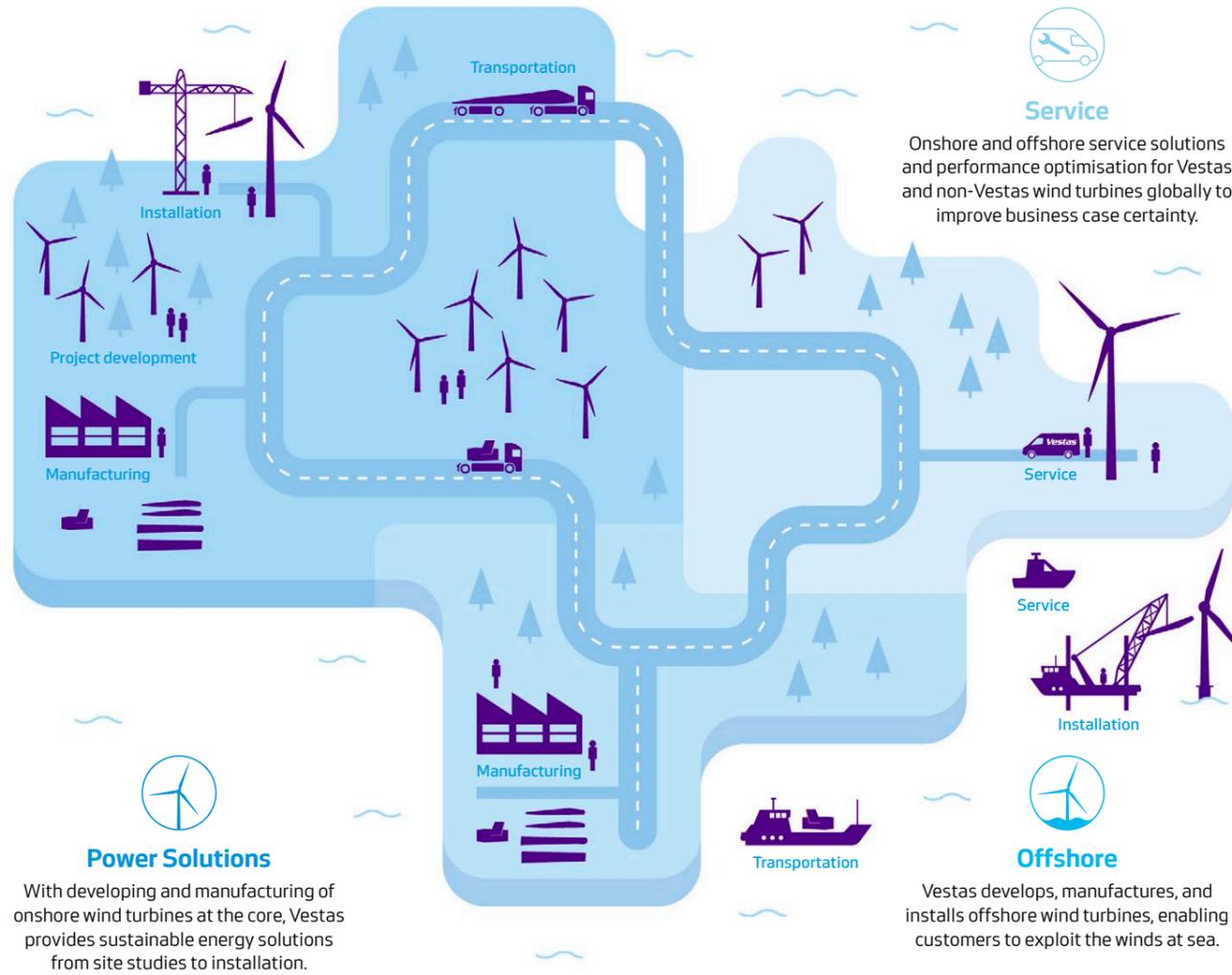

Kerstin Knapp,
Executive Vice President & CPO


Tommy Rahbek Nielsen
Executive Vice President & COO

Our business model

Value created

- Safety culture**
Safety is always our top priority. This provides our employees with safe working environments across all our operations.
- Sustainable jobs and employment**
We invest in local supply chain, manufacturing, and service operations – creating truly sustainable and local jobs.
- Climate efficiency**
Over the total life cycle, a Vestas wind turbine emits less than one percent of carbon emissions compared to conventional sources – at lower cost in most markets globally.
- Local community development**
We engage with and create value for local communities when entering into new territories.
- Return on investment**
We optimise solutions for our customers to generate the highest possible return on investment.
- Shareholder value**
Through our priorities for capital allocation, we create value for our shareholders.



Key resources

- Natural resources**
Our energy solutions utilise natural resources such as wind.
- Research and development**
We constantly provide our customers with industry-leading technology.
- Human resources**
We employ the best and most passionate people and strive to become the employer and company of choice.
- Manufacturing capabilities**
Our global manufacturing and supply chain capabilities ensure high quality and efficiency.
- Efficient capital management**
Strong financial and commercial position allows for value accretive investments.
- Credit worthiness**
Our green bond facility showcases our financial strength and serves as a business enabler for customers.

Beginnings

The story of our company begins in Western Jutland, Denmark, where in 1898 Hand Smith Hansen buys a blacksmith shop. While the evolution of the family business follows many twists and turns, it is not until 1945 that the name Vestas first emerges, when Hand's son Peder founds a steel technology firm. By 1965, Vestas is firmly established as a manufacturing company exporting hydraulic cranes to 65 countries.



Our history

Then and now

1979 Early winds

In 1979, Vestas sells and installs its first wind turbine ever – with a 10-metre rotor and a capacity of 30 KW. Early investing in new wind technology turns out to be a stroke of genius. New legislation in the United States gives tax breaks to wind energy investors and early customers place several big orders over the years. Vestas grows from 200 employees to 870.



1987 Gaining focus

In 1987, large parts of the Group are sold, and a new company is born: Vestas Wind Systems A/S, which focuses exclusively on making wind energy a viable solution to meet the world's energy demands. Continuously optimising our technology, in 1991 we install our thousandth wind turbine.



1998 Industry leader

In 1998, Vestas goes public. Shares are launched on the Copenhagen Stock Exchange, and the capital is used to boost growth. With a share of 22.1 percent of the world's wind power (measured in installed MW), Vestas becomes the industry's dominant player.



2012 Major milestones

Fast forward to 2012, and Vestas reaches the milestone of having installed 50 GW of capacity worldwide. Just seven years later, our installed base skyrockets to yet another high; by 2019, we have installed more than 100 GW of sustainable energy. In less than a quarter of the time Vestas has spent focussing on wind energy, our installed base has more than doubled, creating value for society and the environment globally.

2020 In times of crisis

In 2020, against the backdrop of the COVID-19 pandemic, Vestas becomes the first company to have more than 100 GW of wind turbines under service. Proving that renewable energy is now a critical component of our global energy systems, our more than 10,000 dedicated service employees ensure a balanced and stable supply of energy during the global health crisis.



Leading the transition

Today, 75 years since our company first assumed the name Vestas, our history and track record has made us the undisputed leader in wind energy. But our expansion is more than a testament to our strength as a company; it is a testament to the power of sustainable energy. And we are leading the transition to a world powered entirely by sustainable energy – a journey which has only just begun.

The Vestas Sustainability Strategy

Strategy roadmap

COMMITMENTS	TARGETS
<p>Carbon neutrality</p> <p>INITIATIVES</p> <ul style="list-style-type: none"> Introduce (PH)EVs to our benefit car fleet Introduce sustainably-fuelled vehicles to our service fleet Use sustainable energy in heating and transport Supplier sustainability requirements 	<p>Continual — A world powered by sustainable energy</p>
<p>The safest, most inclusive and socially responsible company in the energy industry</p> <p>INITIATIVES</p> <ul style="list-style-type: none"> Introduce safety by design initiatives Explore the potential of automation, predictive analysis and augmented reality technologies Embed diversity and inclusion in all talent and leadership programmes Leverage female role model initiatives Capture and implement diversity & inclusion learnings from the employee exit phase Improving inclusiveness across the company Prepare the business to meet increasing mandatory human rights due diligence compliance requirements Creating long-term value and local community engagement through strategic partnerships 	<p>2025 — Rotor recyclability of 50 %</p> <p>Carbon emission reductions in our own operations by 55 %</p> <p>Total Recordable Rate of Injuries of 1.5</p> <p>Share of women in leadership positions at 25 %</p>
<p>Zero-waste wind turbines</p> <p>INITIATIVES</p> <ul style="list-style-type: none"> Improve rotor recyclability Eliminate waste across our supply chain Launch a circular economy strategy (2021) 	<p>2030 — Rotor recyclability of 55 %</p> <p>Carbon neutrality in our own operations</p> <p>Carbon emission reductions in our supply chain (scope 3) by 45 % per MWh delivered to the market</p> <p>Total Recordable Rate of Injuries of 0.6</p> <p>Share of women in leadership positions at 30 %</p>
<p>Leading the transition to a world powered by sustainable energy</p> <p>INITIATIVES</p> <ul style="list-style-type: none"> Take a leading role in driving electrification and decarbonisation beyond the power sector Team up with sustainability leaders to drive change Support our partners in their journey to become more sustainable 	<p>2040 — Zero-waste wind turbines</p>

Our approach to sustainability



Environmental sustainability



Social sustainability



Sustainability in governance

Collaboration we seek a partnership approach to creating sustainable solutions, as we acknowledge that great achievements are only realised through joint action.

Accountability: we commit to uphold responsibility and inclusiveness within and across our business, to always act with integrity and to deliver on our targets.

Passion: we are proud of our shared purpose to make the world a better place – our products are a testament to our passion for sustainability.

The concept of sustainability means being able to meet the needs of the present generation without compromising the ability of future generations to meet theirs ([Brundtland Commission 1987](#)). If a value-generating practice can continue over time, and causes little or no harm to people or planet, it is socially and environmentally sustainable.

At Vestas, sustainability is grounded in our four corporate values:

Simplicity: we eliminate the use of unnecessary resources and optimise our sustainable energy solutions for avoiding carbon emissions.

Sustainability at Vestas means reducing or eliminating negative environmental and social impacts, as well as maximising the value that our business and products provide for our customers, employees, shareholders, suppliers, local communities, and the planet at large. It also means upholding sustainability in governance structures: holding ourselves accountable to internationally recognised principles and standards; acting with integrity and responsibility; and safeguarding compliant and responsible organisational structures, processes and remunerations. We believe these efforts will help to elevate the standards of our industry as a whole.

The Vestas Sustainability Strategy: Sustainability in Everything We Do

Integrating sustainability into everything we do is part of our vision of becoming the global leader in sustainable energy solutions. The last decade was the hottest on record ever, with temperatures on average 1.2°C above pre-industrialisation levels ([WMO 2020](#)). Simultaneously, in 2019 human activity was responsible for an all-time high in greenhouse gas emissions ([UNEP 2019](#)). In 2020, the COVID-19 pandemic struck and drastically changed the way people live their lives. While emissions for the year are predicted to fall by 8 percent compared to 2019 ([IEA 2020](#)), the problem is far from solved. To divert from a path with projected average temperature increases of more than 3°C by 2100, we need fast, bold and dedicated action.

The rapid decarbonisation of the global energy supply is critical to limit global warming to 1.5°C above pre-industrial levels. As a proven technology, wind energy offers one of the most effective solutions to fight the climate crisis and nurture wellbeing for all life on the planet ([PIK 2019](#)). However, given the scope of the challenge, we know we cannot rely on the virtue of our product alone; to meet the growing expectations of our customers, partners, investors and employees, we need to do more.

Therefore, in 2020 we launched our sustainability strategy, Sustainability in Everything We Do. While we continue to create and service products that are critical for climate change mitigation, we are now on track to become a fully sustainable company. We are working to improve our own environmental performance, create value for local communities, promote a safe, diverse and inclusive workplace, and lead the transition to a world powered by sustainable energy. To succeed in these ambitions, we are ramping up our efforts to integrate sustainability not only across our business, but throughout our operations and value chain. You can read more about our ambitions and progress in the following pages.

During 2020, we delivered the first important steps to realising our strategic ambitions:

Carbon emissions: We reduced carbon emissions in our own operations by 33 percent. Furthermore, we replaced 35 percent of our benefit car fleet with electric vehicles (EVs) and plug-in hybrids (PHEVs), introduced 127 sustainably fuelled vehicles to our service fleet, and signed a partnership with Enel X to accelerate the electrification of our company fleet. Read more from page 32 onwards.

Zero-waste wind turbines: We launched the cross-industrial and interdisciplinary project DecomBlades, which is designed to help expand and scale the value chain for blade recycling. This project aims to increase the value of recycled materials and thereby set economic

Sustainability in everything we do



Carbon neutral company by 2030 – without using carbon offsets



Producing zero-waste wind turbines by 2040



Safest, most inclusive & socially-responsible workplace in the energy industry



Leading the transition towards a world powered by sustainable energy

incentives for recycling wind turbine blades. We also support the SusWIND project, aiming to discover viable ways of recycling composite materials in wind turbine blades. Read more from page 33 onwards.

Safety: During the COVID-19 pandemic, we minimised risks to keep our employees safe, while continuing to install and service wind power plants around the world despite travel restrictions and other challenges. We thereby delivered essential work to help ensure a stable energy supply during the global health crisis. Read more from page 22 onwards.

Suppliers: We engaged 10 suppliers, covering 20 percent of our material spend, in carbon footprint and circularity initiatives. We outlined our expectations for them to commit to ambitious carbon emission and waste reduction targets. Read more on page 30.

Diversity and inclusion: We conducted an external pay equity audit of seven major countries to identify potential areas of pay inequality. We also reviewed our recruitment processes, provided unconscious bias training to all our recruiters, and invested in technology to help identify biased language in our job ads. Read more from page 26 onwards.

Corporate social responsibility: We launched a three-pillared approach to business-related human rights under the heading 'Leading a responsible and inclusive energy transition'. Furthermore, our work with human rights was ranked number one among 20 large Danish companies by the Danish Institute for Human Rights. Read more on the page 30 and 40-41.

Sustainable energy transition: We continued to drive decarbonisation and electrification through our collaboration with the energy company OK and as a principal partner of the Mercedes-Benz EQ Formula E Team. We also entered a number of other sustainability collaborations, showcasing our leadership role within the sustainable energy transition. Read more on page 16.

"In 2020, we started to deliver on our promise to make Vestas – and the world – a more sustainable place. We invite all our stakeholders to join us on this important journey."

Lisa Ekstrand
Senior Director and
Head of Sustainability



V112-3.0 MW
Australia, 2012

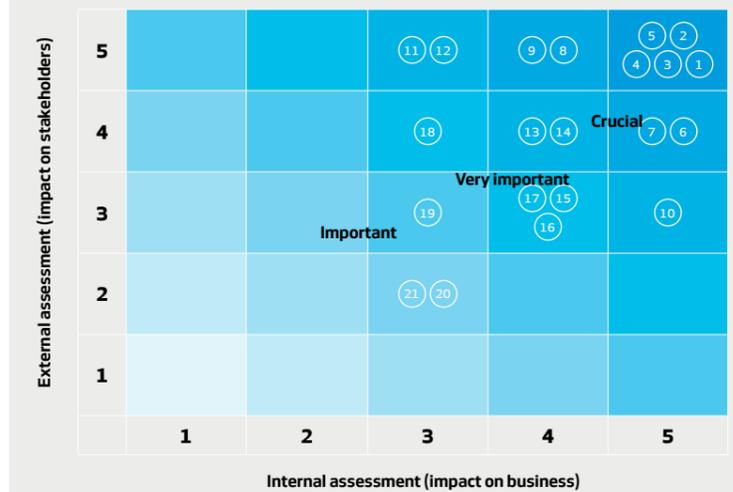
Reviewing our strategy

Materiality assessment

Materiality assessments map an organisation's significant economic, environmental and social impacts against its stakeholders' interests. By scoping out these impacts and interests, the exercise helps organisations to prioritise between a growing number of sustainability issues, so that resources can be allocated where they are needed most.

In autumn 2020, we conducted a materiality assessment as part of an internal and external review process to further strengthen our sustainability strategy. By partnering with external consultants, we sought to gain an objective understanding of whether our strategic sustainability priorities accurately reflect the challenges and opportunities in the market.

The materiality assessment included four key phases. First, a gap assessment was conducted to evaluate our sustainability strategy against emerging mega-trends, both in the wind energy industry and globally. During the process, a number of issues relevant to Vestas were identified. Second, selected groups of internal and external stakeholders were prioritised according to their interest in and influence over Vestas' sustainability performance. Third, in the stakeholder engagement phase, some of our most important stakeholders were asked to evaluate the issues identified in the first phase. And finally, these issues were then ranked in the materiality matrix below. The matrix highlights the material topics to be incorporated into our strategic sustainability outlook in the coming years.



Top tiering

Crucial

1. Materials efficiency, sourcing and disposal
2. Emissions and climate change strategy
3. Waste management
4. Occupational health and safety
5. Supply chain management
6. Product health and safety
7. Community relations
8. Broader environmental role in society
9. Diversity and inclusion

12. Management of the regulatory and legal environments
13. Human rights
14. Labour conditions
15. Ecological impact of project development
16. Employee engagement and wellbeing
17. Talent attraction and retention
18. Critical incident risk management

Very important

10. Business ethics and anti-corruption
11. Stakeholder dialogue

Important

19. Corporate governance
20. Responsible tax
21. Water management

Topics have been scored on a scale from 0 to 5

0: Not relevant 1: Of little importance 2: Somewhat important 3: Important 4: Very important 5: Crucial. Please note that topics within the same quadrant have equal weighting, e.g. topics 11 and 12.

As a result, the materiality assessment process confirmed that Vestas' sustainability strategy, Sustainability in Everything We Do, focuses on the issues that are most material to our stakeholders, to our continued business success, and to our overall sustainability performance. The issues listed as 'crucial' are directly or indirectly addressed in our strategy and will continue to be of highest priority in our work going forward. For issues listed 'very important', we will aim to improve our performance to ensure our activities reflect their significance to the business and to our stakeholders. While still material to Vestas, issues listed 'important' will be addressed primarily by maintaining our performance, compliance and ongoing management.

Making sustainability part of everything we do, Goal 1: Becoming carbon neutral by 2030 without using carbon offsets

Sustainability in everything we do



Carbon neutral company by 2030 – without using carbon offsets

On this journey, we will reduce carbon emissions from our own operations by 55 percent by 2025. As Vestas is committed to leading the transition to a world entirely powered by sustainable energy, we will not use carbon offsets to help us achieve carbon neutrality. Instead, we will secure our carbon footprint through our own actions.

Why we do not use carbon offsets

Carbon offsetting means investing in environmental projects that work to reduce future carbon emissions. Examples include financing the transition from coal to natural gas, or planting trees as a form of carbon storage.

Carbon offsetting can play a critical role in accelerating the transition to net-zero emissions at the global level. However, it does not replace the need to reduce value chain emissions in line with scientific targets and methods (SBTi 2020). At Vestas, we want to lead the transition to renewable energy and eliminate carbon emissions by making conscious adjustments to operations across our entire value chain.

For us, the ambition to be the global leader in sustainable energy solutions, with wind at our core, means taking responsibility for our value chain. Therefore, we are also committing to reduce the carbon emissions in our supply chain by 45 percent per MWh generated by 2030. We will do this in two ways. Firstly, we will continue to support our main suppliers in developing strategies to reduce their emissions. And secondly, we will continue to have a direct impact on these emissions by focusing on how we design our products. We have chosen this specific target because it incentivises sustainability partnerships with suppliers that reduce carbon emissions, and allows for the continued growth of the global renewable energy sector.

In August 2020, the carbon neutrality target for our own operations was validated by the Science Based Target initiative (SBTi), a programme led by the Carbon Disclosure Project, the UN Global Compact, the World Resources Institute and WWF. The SBTi confirmed that Vestas' carbon neutrality target is in line with the efforts required to keep global warming to 1.5°C above pre-industrial temperature levels, granting Vestas the most ambitious designation available through the SBTi validation process.

WE'VE HAD OUR SCIENCE-BASED TARGET APPROVED



In 2020, we took the first steps towards achieving these goals. Compared to 2019, we reduced our own carbon emissions by 33 percent. Together with 10 strategic suppliers, we also launched ambitious initiatives to reduce carbon emissions from our supply chain. See page 32 to read more about the initiatives that drove these successes.



Making sustainability part of everything we do, Goal 2: Producing zero-waste wind turbines by 2040

Sustainability in everything we do



Producing zero-waste wind turbines by 2040

Committing to the production of zero-waste turbines means we aim to create a value chain that generates no waste materials. We plan to achieve this goal by developing and implementing a circular economy strategy for the different phases of the Vestas value chain: design, production, service and end-of-life. We will present this strategy in 2021.

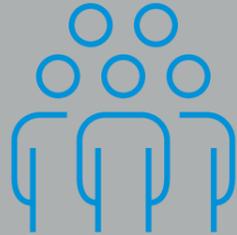
Today, Vestas wind turbines are on average around 85 percent recyclable. However, our wind turbine rotors (blades and hubs) are currently comprised of composite materials which are difficult to recycle. As a first step, therefore, we are working to improve the recyclability of all turbine rotors, with the goal of increasing the recyclability rate of these components from 42 percent to 50 percent by 2025, and to 55 percent by 2030. Given the nature of the targets, our progress will only be visible over the course of the next years.

In 2020, we introduced a number of initiatives to increase the recyclability of our wind turbine rotors. We launched the project DecomBlades. Bringing together prominent partners from the wind industry, including other major wind OEMs (Original Equipment Manufacturers), this project aims to create a viable business case for recycling wind turbine blades with a special focus on the product's material and value streams. Also, as a founding member of the UK's National Composites Centre, we support the SusWIND project. Launched in November 2020, the initiative aims to discover viable ways of recycling composite materials in wind turbine blades and explore sustainable materials for new blades. See page 33 to read more about how we are delivering on our goal to build zero-waste wind turbines by 2040.

Making sustainability part of everything we do, Goal 3: Becoming the safest, most inclusive and most socially responsible company in the energy industry

Sustainability in everything we do

Safest, most inclusive & socially responsible workplace in the energy industry



Safety

Every day, Vestas employees manufacture, install and service our wind farms all over the world. Without exception, they always operate under the principle of 'safety first'. In order to become the safest company in the energy industry, we are committed to reducing our Total Recordable Injury Rate (TRIR) to 1.5 by 2025 and to 0.6 by 2030. These efforts would ensure an overall average TRIR reduction of 15 percent year-on-year. Compared to other safety indicators, like Lost Time Injury Rate (LTIR), the TRIR also includes 'restricted work injuries' and 'medical treatment injuries'. The TRIR therefore provides greater insight to help inform our activities and initiatives. Our focus on the TRIR also indicates the maturity of our safety journey, having reduced the LTIR by 96 percent over the last 15 years. Now, we are committed to developing predictive capabilities for all health and safety risks.

In 2020, we succeeded in ensuring a 15 percent year-on-year TRIR reduction, achieving a rate of 3.3. Additionally, we put a strong focus on minimizing all risks to keep our employees safe in the COVID-19 pandemic, while providing essential work to keep a globally stable energy supply. Going forward, we will also increase our focus on improving safety conditions and due diligence for all our contractors, including supervised and unsupervised labour. See page 22 to read more about how we are progressing on our safety commitments.

Diversity and inclusion

A diverse workforce comprises a range of social identities, enriching our culture with varying experiences, perspectives, opinions and solutions. These social identities include, but are not limited to: gender identity, age, culture, ethnicity, physical abilities, political and religious beliefs, and sexual orientation. In a truly inclusive company, everyone feels valued and confident that their voices will be heard. It is a question of acknowledging that everyone is different, and that we as a company are stronger because of these differences. At Vestas, we want to be the most inclusive company in the energy industry, enabling all our employees across the globe to achieve their full potential.

Gender diversity is a pressing issue in the wind industry, with 65 percent of women in wind encountering gender-related barriers at work, compared to 34 percent of men (IRENA 2020). We are fully committed to preventing this issue from proliferating as the wind industry grows, and we aim to increase the number of women in leadership positions at Vestas to 25 percent by 2025, and to 30 percent by 2030.

While gender diversity is a fair and measurable indicator of diversity generally, and while directly addressing gender disparities will be our first step going forward, we do consider diversity to be much broader in

definition. Therefore, we will also measure progress on nationality and age as we continue to increase our focus on diversity and inclusion.

In 2020, we made significant progress in this area. In our external pay audit in seven major countries, we found no overall structural issues of pay inequality – which we define as performing the same work for different levels of remuneration. We also reviewed our recruitment processes, trained all our recruiters in unconscious bias, and invested in software that is capable of identifying biased language in jobs ads. See page 26 to read more about the initiatives we are introducing to advance diversity and inclusion across the organisation.

Social responsibility

The global expansion of renewable energy calls for a more holistic approach to social responsibility, especially in emerging markets. At Vestas we have adopted a unique approach to respecting human rights tailored to our industry, informed by the UN Guiding Principles on Business and Human Rights (UNGPs). This approach, titled Leading a Responsible and Inclusive Energy Transition, will help us integrate human rights into everything we do.

Recent studies show there is room for improvement in human rights performance across the renewables industry (BHRRC 2020). At the same time, external expectations are increasing, and business-related human rights are transitioning from soft law to hard law. Financial institutions are firming up their demands and our customers are facing increasing pressure to ensure human rights are respected throughout their value chain.

In order to build a truly sustainable and inclusive energy transition, the entire renewables industry needs to adopt a collaborative, cross-stakeholder approach which respects business-related human rights. Since Vestas signed the UN Global Compact in 2009, we



have been promoting human rights internally and externally (please refer to the illustration below). In 2020, Henrik Andersen, Vestas Group President & CEO, reiterated our commitment to the UN Global Compact in its Statement for Renewed Global Cooperation. And in the same year, our approach to human rights was ranked number one among 20 large Danish companies by the Danish Institute for Human Rights (DIHR 2020), confirming that we are on the right track to implementing the UNGPs.

Our human rights approach is embedded into our business processes and implemented globally. It includes proactively consulting with stakeholders to identify, prevent and mitigate project-related social risks. During this process, we also identify potential impacts (both positive and negative) to our business and affected communities. At the same time, we support our customers in respecting and implementing globally recognised international standards, such as the IFC Performance Standards on Environmental and Social Sustainability. In doing so, we aim to develop bankable projects and build trust with local communities, helping to secure our Social License to Operate (SLO). We also achieve trust by investing in local communities, creating jobs and funding education, health and access to energy in line with the UN SDGs. In this way, we strive to build a healthy foundation of community acceptance and trust in wind farms.

Overall, through our approach to social responsibility we aim to incorporate the most important lessons learned over a decade of actively engaging with human rights. This work consists of three pillars:

Responsibility: strengthening human rights governance and management by identifying, preventing, mitigating and accounting for human rights impacts.

Inclusiveness: creating long-term value and engagement, whereby we select the right measures to mitigate possible impacts on affected communities.

Leadership: ensuring the integration of human rights in the energy transition by forming, growing and learning from partnerships and societies in order to make the right decisions.

Delivering on all three pillars requires us to take a firm approach to human rights due diligence and to safeguard our SLO. The key to success is having ongoing dialogue with customers, partners, investors, contractors, local stakeholders and governments. Additionally, we use external experts and civil society organisations to help inform our approach, such as the Nordic Business Network for Human Rights.

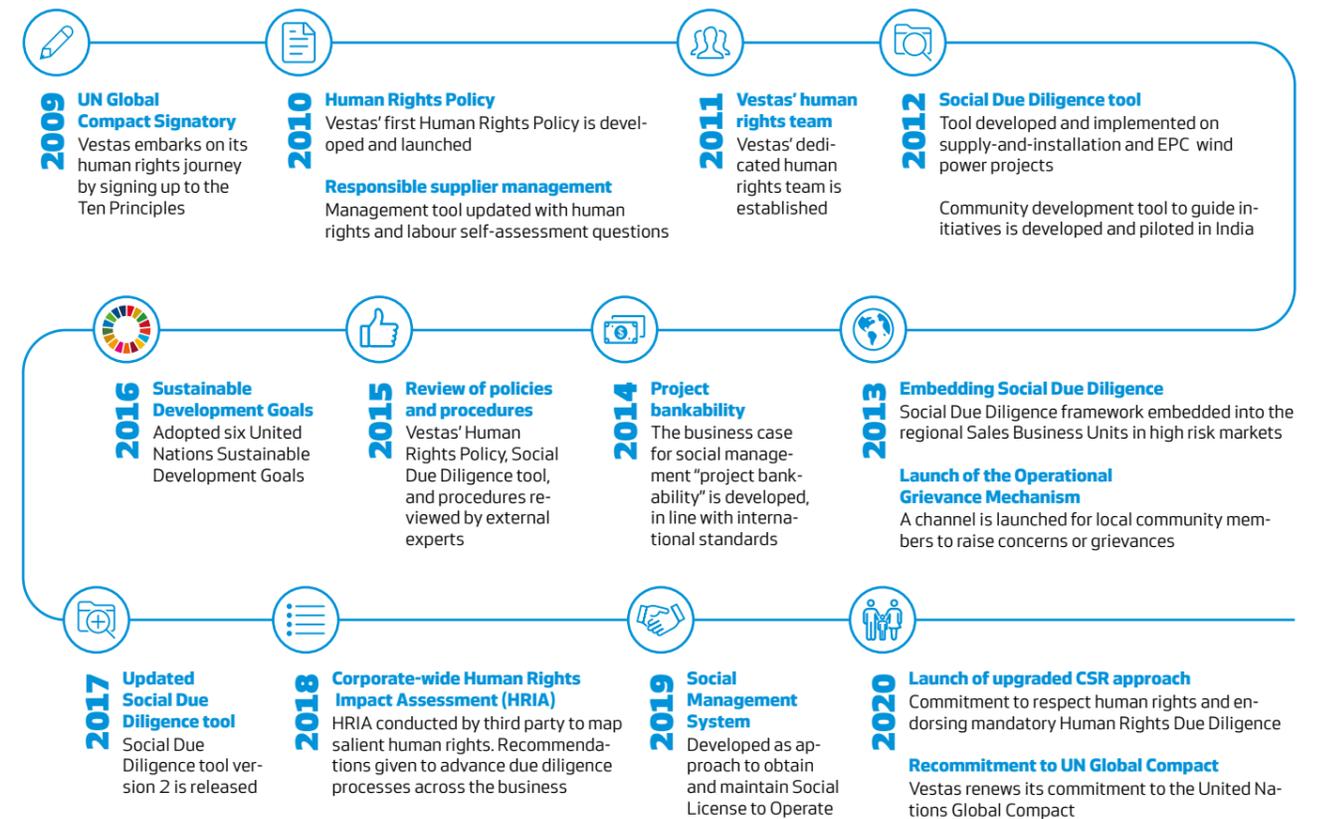
The business-related human rights landscape is rapidly evolving, and we will have to embrace these changes together with our customers. We therefore endorse the introduction of mandatory human rights due diligence in upcoming legislation, seeing this as an opportunity to harmonise national laws, provide clarity, and level the playing field regarding how business-related human rights are addressed.

In 2020, we continued to implement recommendations from our corporate-wide Human Rights Impact Assessment, which was conducted by the sustainable business experts, BSR, back in December 2018. One such recommendation involved updating and optimising our Social Due Diligence (SDD) process. We also worked with community development projects in India, Sri Lanka, Senegal and Jordan.

Going forward, we aim to improve disclosure around our human rights performance and develop human rights training materials. As a first step, we have introduced three new performance indicators:

- The share of Engineering, Procurement and Construction (EPC) and Supply-and-installation (S&I) projects having undergone the SDD process
- The number of community beneficiaries reached
- The number of community grievances received (please see page 41 for more information).

Vestas' human rights journey



Making sustainability part of everything we do, Goal 4: Leading the transition to a world powered by sustainable energy

Sustainability in everything we do

Leading the transition towards a world powered by sustainable energy



With this commitment, we aim to drive decarbonisation and electrification beyond the power sector, form partnerships with other sustainability leaders to drive change, and support our partners on their journey to become more sustainable. With our unparalleled track record, we see it as our responsibility to lead the transition towards a world powered entirely by sustainable energy.

Our partnership with the Danish energy company OK provides a clear example of how we are driving decarbonisation and electrification beyond the power sector. In a pilot project, we have deployed a High Power Charging Station by the highway outside of Odense, Denmark. This station will charge EVs, exclusively using wind-sourced electricity by way of a 900-kW battery. The battery will be digitally synchronised with OK's own Vestas wind turbine, located in Jutland around 100 kilometres away. In this way, the partnership offers a grid-based solution to charging EVs with renewable electricity, rather than using fossil fuel sources. The system is the first of its kind, and it is hoped the experience and insight gained will pave the way for wider rollout, further leveraging EVs to help fight the climate crisis.

In 2020, we also teamed up with several other sustainability leaders to drive change in our industries, reiterating our conviction that substantial and sustainable change can only be achieved through joint action. Our partnership efforts to increase the recyclability of wind turbine blades encompass a range of stakeholders, including suppliers, customers, other wind turbine OEMs and recycling companies, as well as universities and knowledge partners (see page 33). Similarly, we are actively working with partners such as DSV Panalpina and Hempel to decrease the carbon footprint of our value chain (see page 33). Going forward, we will work to leverage the full potential of these partnerships and proactively pursue new collaborative approaches to foster sustainable change.

Additionally, we made significant efforts to help our partners become more sustainable, inviting them to join us on our sustainability journey. During the year, we began to closely track the sustainability performance of ten key suppliers on a monthly basis. To support these suppliers, we held webinars with a sustainability focus, offered support on calculating carbon footprints, and based our annual supplier forum around the theme of sustainability (including breakout sessions on carbon footprint, circularity, diversity and inclusion). By the end of the year, we saw a 27 percent increase in these suppliers' sustainability scorecards over just nine months. In 2021, we will extend the scope of this work to cover 27 strategic suppliers, further scaling our knowledge and experience to help green our supply chain.



Lars Petersson, Group President and CEO at Hempel, with the Vestas Supplier Sustainability Award Denmark, 2020



V112-3.3 MW Denmark, 2015



#PoweredbyVestas

Vestas in Formula E

Driving the transition towards a world powered by sustainable energy hinges on our ability to electrify entire sections of our economy and deploy these solutions at scale. At Vestas, we are working to raise awareness of this crucial aspect of the energy transition. As part of this work, we have engaged with the ABB FIA Formula E World Championship; one of the world's fastest-growing sports and the highest-profile platform for electrification. In 2019 we partnered with the Mercedes-Benz EQ Formula E Team to expand our impact beyond electricity production and drive key changes in our respective sectors.

As Principal Partner to the Mercedes-Benz EQ Formula E Team, we have committed to a host of partnership initiatives, both on and off the track, to advance the electrification agenda. In addition, throughout Season 7 and beyond, we will be exploring broader approaches to sustainability within the partnership. The Mercedes-Benz EQ Formula E Team will also be taking a much firmer stance on sustainable racing and motorsport going forward. Our aim is to play a key role in driving the team's sustainability programme through our own partnership and sponsorship activities. In particular, we have developed a unique Battery Energy Storage System (BESS) which will support the team's efforts, demonstrating that critical climate change mitigation technologies are, in fact, already available. Please refer to the Vestas 2020 Annual Report for further details of this solution.

Leading the transition to a world powered by renewable energy

Interview with Morten Dyrholm, Group Senior Vice President, Global Marketing, Communications & Public Affairs

Q: How do you contribute to Vestas' sustainability strategy, Sustainability in Everything We Do, in your day-to-day work?

A: In my role as Group Senior Vice President for Global Marketing, Communications & Public Affairs, I am able to engage with our sustainability strategy in many ways. In recent years, we have seen some of our most important stakeholders ramping up on sustainability. Together with my colleagues, I therefore work to embed sustainability as a strategic value driver for Vestas. This includes clearly communicating our sustainability strategy and initiatives to our customers, but also to a broader audience, showcasing how Vestas wants to take the lead in the sustainable energy transition.

Q: What is Vestas' stake in leading the energy sector towards a world powered by sustainable energy?

A: As recent developments have made clear, the days of 'business as usual' are over. At Vestas, we recognise that even a company like ours must do more if we are to rise to the challenge of climate change. Therefore, we have begun to explore how we can help to decarbonise not only our own operations, but other parts of our value chain and the economy at large. For example, transport and industry are both heavy emitters of greenhouse gas emissions; as a provider of green technology, we can leverage our experience and capabilities to identify, develop and scale solutions to help decarbonise these 'hard-to-abate sectors'.

Q: How will Vestas achieve a leadership role in this development?

A: Having pioneered wind energy for 40 years, Vestas has traditionally played a leading role in renewable energy through its products. As the need for climate action intensifies, we are now showcasing this leadership across our entire value chain. For example, our partnerships with suppliers like Hempel and DSV Panalpina work to reduce carbon emissions from industrial coating and transport. With these industry partnerships, we can leverage our position in the sustainable energy transition. Our efforts to help our suppliers become more sustainable also demonstrate how we are seeking to have an impact beyond our own operations. Through dedicated supplier webinars, emissions calculation support and other activities, we are inviting our suppliers to join us on our sustainability journey.

Q: Finally, what is it that personally gets you out of bed in the morning?

A: We are now at a point where wind energy is highly cost competitive. For us at Vestas, this means we are uniquely positioned to help decarbonise the entire energy sector – not only in terms of electricity, but also in other areas such as transport, industry applications and heating. For me, this is a huge motivation; to be able to work towards aligning the world with the Paris Agreement. It is very exciting."



"We are uniquely positioned to help decarbonise the entire energy sector."

Morten Dyrholm
Group Senior Vice President,
MarCom, Sustainability & Public
Affairs

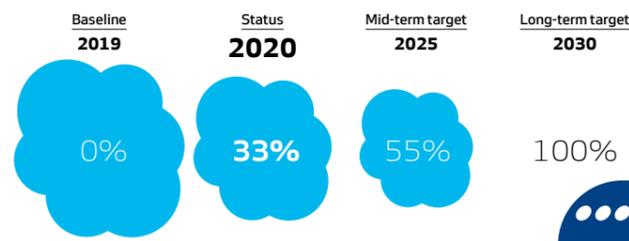
Measuring our progress

To become a carbon-neutral company by 2030, without using any carbon offsets

INITIATIVE

Reduce absolute carbon emissions in own operations (scope 1 and 2) without using any carbon offsets

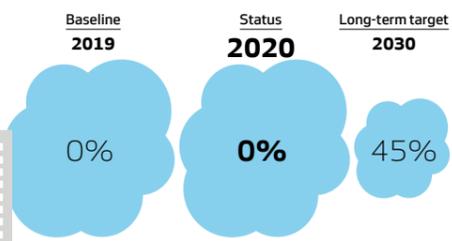
KPI: Percent reduction CO₂e¹



INITIATIVE

Reduce carbon emissions in the supply chain (scope 3) per MWh generated

KPI: Percent reduction CO₂e per MWh¹

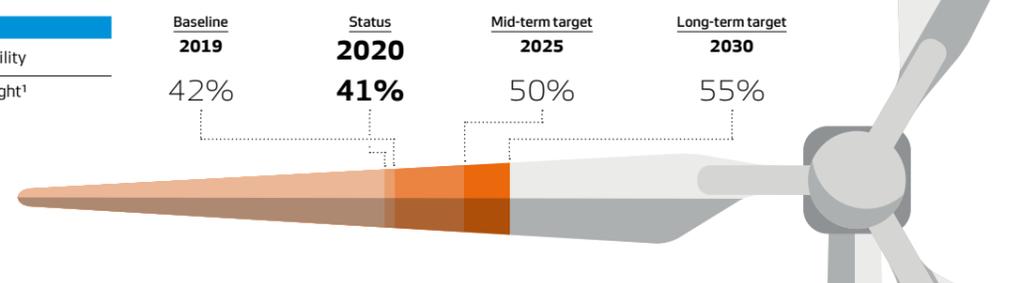


To produce zero-waste wind turbines by 2040²

INITIATIVE

Increase blade and hub recyclability

KPI: Percent recyclability by weight¹

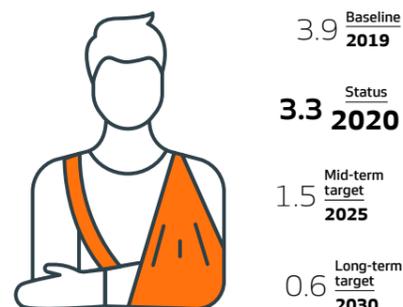


To be the safest, most inclusive and socially responsible workplace in the energy industry

INITIATIVE

Reduce total recordable injuries

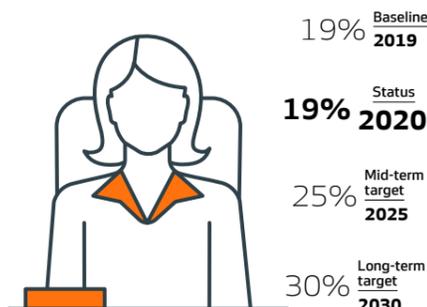
KPI: Total Recordable Injury Rate¹



INITIATIVE

Increase the share of women in leadership positions²

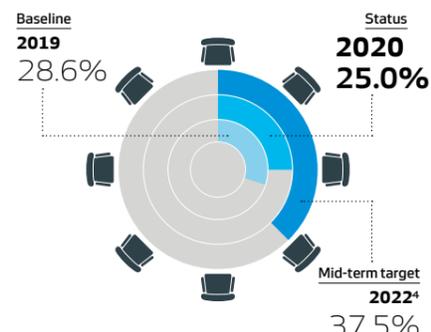
KPI: Percentage of women in leadership positions³



INITIATIVE

Increase the share of women in the Board

KPI: Percentage of women in the Board⁴



To lead the transition towards a world powered by sustainable energy

COMMITMENTS

- To take a leading role in driving electrification and decarbonisation beyond the power sector
- To team up with sustainability leaders to drive change
- To support Vestas' partners in their journey to become more sustainable

ACTIVITIES (ONGOING)

- Driving decarbonisation beyond the power sector, for example through Vestas' collaborations with OK, innovating to charge EVs with renewable electricity
- Driving electrification in the transport sector through the ongoing commitment as Principal Partner of the Mercedes-Benz EQ Formula E Team
- Showcasing leadership throughout the value chain by entering sustainability partnerships, for example with DSV Panalpina and Hempel
- Inviting Vestas' suppliers to join its sustainability journey, for example by supporting them with calculating emissions



1) Absolute figures and accounting principles for these indicators can be found on page 49 and 50 respectively.
 2) The 2019 baseline has been updated from 44 percent to 42 percent recyclability due to adjustments in the bill of materials. The decrease from 2019 to 2020 is attributable to a design change in 2020 that has optimised the metal content in the turbine hub after which the blade mass corresponds to a bigger share of the total rotor mass.
 3) For diversity and inclusion, the initiative "Expanding access to inclusive leadership and unconscious bias training" was removed as it is considered more of an enabler to the KPI related to women in leadership positions. Since 2020, diversity and inclusion training elements are mandatory in all onboarding processes. Read more on page 27.
 4) Due to the agreement with Mitsubishi Heavy Industries made in October 2020, the Board has decided to postpone this target to 2022. Read more on page 26.



Reporting on our progress and approaches in 2020



Key achievements

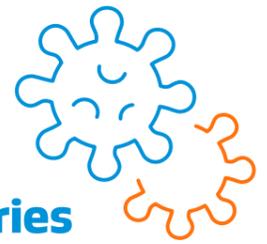
Economic

On the journey to become
Global Leader
in Sustainable
Energy Solutions

Acquisition of offshore business
In December 2020, Vestas acquired MHI's shares in offshore joint venture.

CIP
Copenhagen Infrastructure Partners
25% stake in CIP
and new Development business unit established to ramp up development capabilities.

COVID-19 resilience
Record-high deliveries
despite the global pandemic



Revenue
EUR 14.8bn
Within guidance of EUR 14-15bn.*



EBIT margin
before special items
5.1%
Within guidance of 5-7%.*



*Guidance disclosed 11 August 2020, ref. Company announcement no. 25/2020.

Social

SAFETY



Minimized risks to keep our employees safe in the COVID-19 pandemic, while providing essential work to keep a globally stable energy supply



Reduced Total Recordable Injury Rate to an all-time low of

3.3

DIVERSITY AND INCLUSION



Found no structural issues of pay inequality in our external pay audit of seven major countries



Reviewed our recruitment processes, provided unconscious bias trainings to all our recruiters and invested in technology capable of identifying biased language in our job ads

CORPORATE SOCIAL RESPONSIBILITY



Launched a three-pillar approach for business-related human rights under the heading "Leading a responsible and inclusive energy transition"



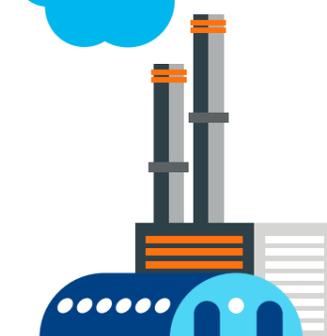
Ranked **#1** for our approach to human rights among twenty large Danish companies by the Danish Institute for Human Rights

Environmental

CARBON EMISSIONS

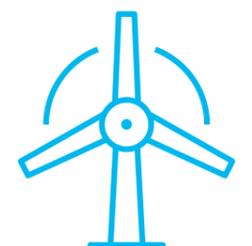


- Avoided 186 million tonnes of carbon emissions through our installed fleet of wind turbines globally
- Reduced carbon emissions in our own operations by 33 percent
- Introduced 127 service vehicles operating on sustainable fuels to our fleet
- Signed a partnership with Enel X to accelerate the electrification of our company fleet
- Set expectations to suppliers to commit to ambitious carbon emission and waste reduction targets



ZERO-WASTE WIND TURBINES

- Launched the cross-industrial (incl. other major wind OEMs) and interdisciplinary project "DecomBlades" to support scaling-up the value chain for blade recycling
- Supported the SusWIND project, aiming to discover viable ways of recycling composite materials in wind turbine blades



Our employees

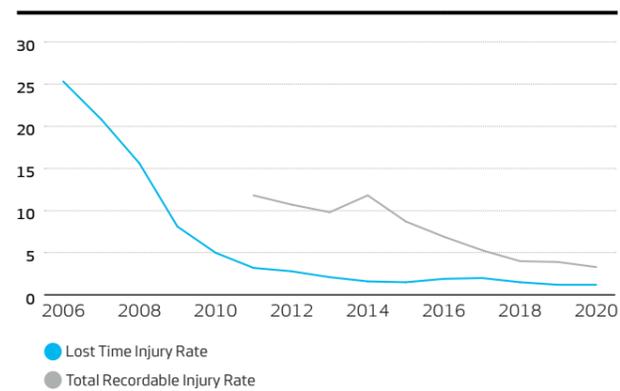
At Vestas, 29,378 employees around the world are passionately working to drive the global energy transition. As a company, we rely on their ability and motivation to contribute – with their diverse capabilities and backgrounds – to our vision of becoming the global leader in sustainable energy solutions.

It is therefore our responsibility to ensure that every employee benefits from a working culture that is consistently safe, inclusive and collaborative. We want our employees to have the freedom and support to thrive and reach their full potential.

Health and safety

Working with wind turbines naturally presents potential risks and hazards. Remote locations, heights, heavy components and demanding processes can create a challenging working environment. Thanks to our unique experience in the wind industry, we work to ensure that these risks are identified early and, where achievable, eliminated by design. We meticulously assess unavoidable residual risks and mitigate these to the lowest levels possible.

Incidence of injuries



A decrease of 72 percent

On our way to making Vestas a safer place to work, in 2020 we succeeded in reducing our Total Recordable Injury Rate (TRIR) from 3.9 in 2019 to 3.3, ensuring a 15 percent year-on-year reduction. Doing so while having a strong focus on minimizing all risks to keep our employees safe in the COVID-19 pandemic, it is clear we are making good progress. Since 2011, we have managed to reduce our TRIR by 72 percent and we remain committed to continuing that positive trend. Our Lost Time Injury Rate (LTIR) per million working hours remained at 1.2 during 2020.

Throughout the year, we continued to focus on incidents with high potential for a serious injury or fatality. Our approach here is to prioritise such incidents and act upon them immediately to eliminate any potential risk to life. Thereafter, subsequent control mechanisms are implemented to ensure there is no reoccurrence.

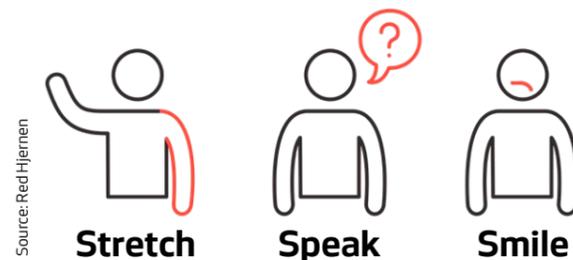
Despite this focus, in 2020 a Vestas subcontractor suffered a fatal injury. A full investigation has been conducted and we have implemented an action plan based on the findings to prevent such a tragedy from happening in the future. Such incidents are a stark reminder of the importance of following Vestas' safety procedures and Life Saving Rules (see below) at all times.

The road to zero

In recent years, Vestas has made significant improvements in reducing injury rates across the organisation. When incidents occur, we take proactive remedial action and ensure compliance with the most effective control measurements to prevent reoccurrence. We continuously place a strong focus on incidents with a high potential for injury and/or fatality.

Industry studies have identified that in approximately 20 percent of all incidents, company employees could be exposed to life-threatening situations. Accordingly, we have devised a process called Life Incidents with Fatal Exposure – or LIFE. This framework leverages well-established lifesaving rules to identify potential exposure to life-threatening situations. For every incident, employees apply each lifesaving rule individually to establish whether a life-threatening situation persists. All identified LIFE incidents must be prioritised and immediately acted upon to ensure any potential risk to life is eliminated. This approach also ensures that control mechanisms are reinforced or created, with a view to preventing reoccurrence of that specific LIFE incident.

At Vestas, we are committed to raising awareness about the danger of complacency. Our seven life-saving rules are firmly embedded in the Vestas safety culture. They serve as a permanent reminder to employees that non-compliance or complacency could result in a serious injury or fatality.



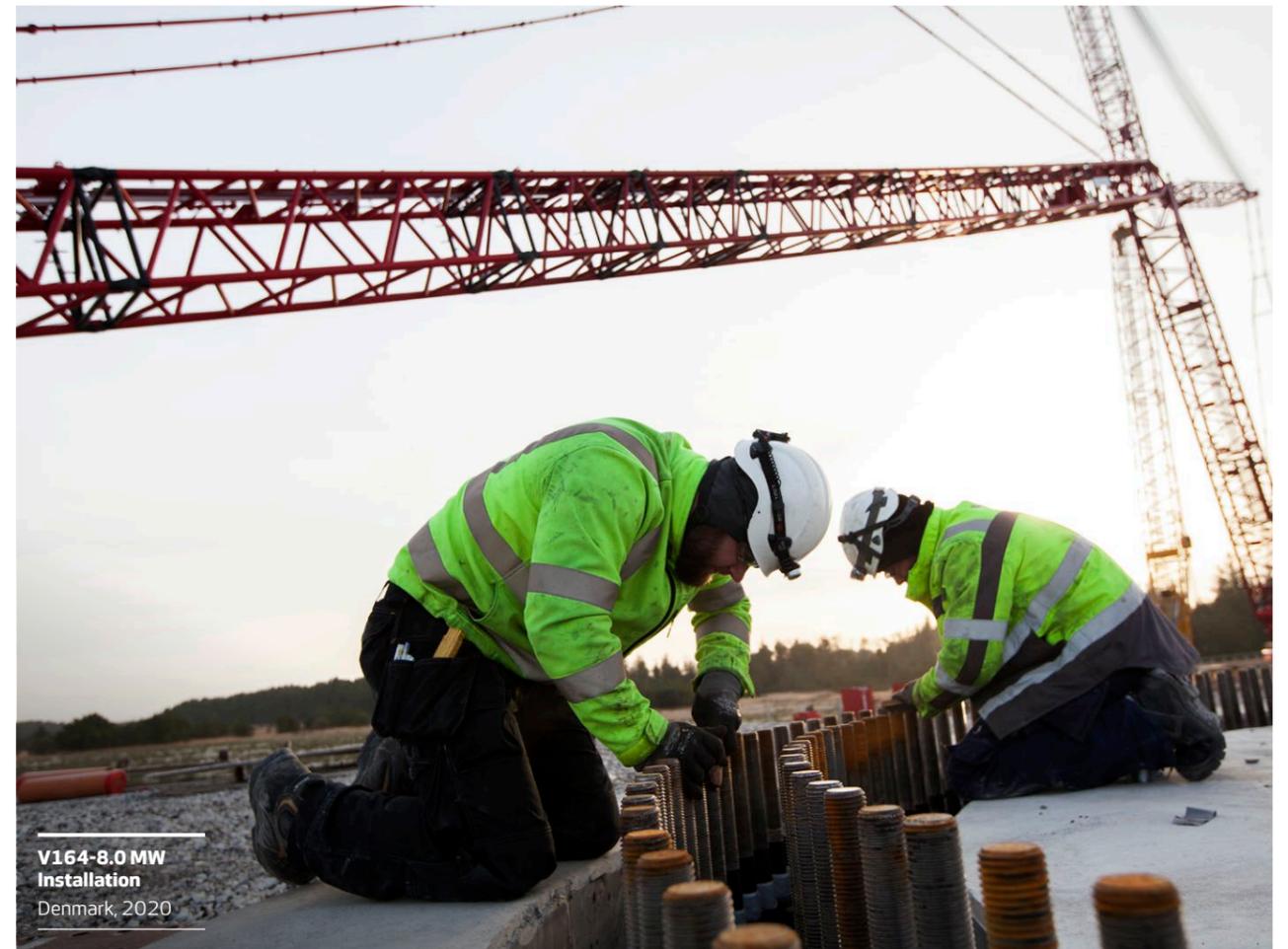
A life-changing fast response

In spring 2020, two colleagues located in Randers, Denmark, saved another colleague from serious impairment through their fast response to early signs of a stroke. Recognising key symptoms (difficulty smiling and stretching, slurred speech), they promptly called for an ambulance. Thanks to this rapid reaction, their colleague is now alive and well, and has been able to return to work safely.

Safety awareness

Widespread awareness is integral to the management and prevention of safety hazards. Since 2007, we have deployed a Safety Awareness programme for employees and managers. Furthermore, safety training is a mandatory part of the onboarding process for all employees. The ultimate objective of this programme is to eliminate all Lost Time Injuries. To further strengthen our safety culture and encourage good safety behaviours, in 2020 all operational managers and team leaders also attended safety courses, amounting to at least 2,000 employees globally.

During the year, our senior management demonstrated top level commitment to safety by participating in safety awareness programmes and 'safety walks'. A safety walk is an opportunity for managers to engage in constructive dialogue and discuss safe behaviour with employees, helping to find new ways of improving safety within specific job environments. The programme has been successfully running since 2007. In



V164-8.0 MW Installation
Denmark, 2020

2020, the COVID-19 travel restrictions limited possibilities for physical engagement and interaction at many sites. As an alternative, online solutions were employed to ensure safety dialogue could continue. In total, Senior Managers conducted 26,412 safety dialogues in 2020.

Focusing on behaviour

Behaviour is identified as the main root cause of workplace incidents and injuries. Our 'My Team My Responsibility' (MTMR) programme builds on a strong foundation of employee engagement with safety issues. Frontline Managers and Supervisors work with their teams to identify the behaviours they want to improve together. They take ownership as a team and drive change and improvement.

The Vestas Behavioural Change (VBC) programme is an employee-led safety observation programme. It actively encourages employees to observe each other's behaviour while carrying out specific work-related tasks, with recognition and reward for good safety behaviour. Equally, any identified risk-prone behaviours are stopped and assessed to ensure all risk is removed. The programme also encourages open, honest and constructive safety dialogue between colleagues. In particular, it emphasises the collective responsibility of Vestas employees to promote safe behaviour across the company.

Contractor safety

As the company's safety performance has improved significantly over the years, the performance of contractors has become an increasingly important focus area. Measures we have implemented to improve contractor performance include pre-qualifications, standardisation of safety requirements, and intensified tracking of safety performance.

We also continue to collaborate with external partners to drive and improve performance across the industry. Contractor and supply networks are often shared, and improving our partners' safety per-

formance is considered very important. In 2020, we delivered virtual safety workshops for contractors around the world, as the COVID-19 pandemic put an end to all face-to-face engagement. In doing so, we adjusted our approach to safety workshops, focusing on providing two-to three-hour sessions multiple times a year. In this way, we aim to create continuous engagement and awareness around safety with our contractors.

Throughout 2020, we continued to support the Global Wind Organisation (GWO), providing resource competency, support and market insight, and enabling the development of industry-wide safety training courses. This approach ensures a standard of competence for relevant Vestas employees or contractors, prior to any work taking place onsite. In March 2020, Vestas' Global Subject Matter Expert for Health & Safety, Paul Robbins, was elected chair of the GWO executive committee, further highlighting our ongoing commitment to safety across the industry.

Occupational health

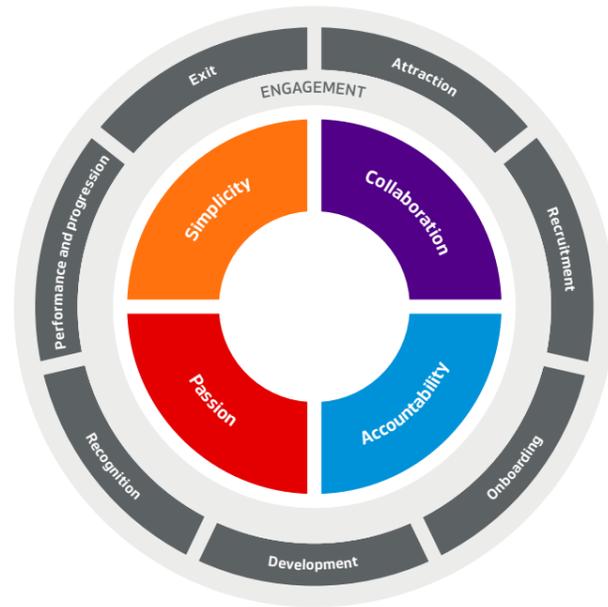
Our ambition is that all Vestas employees and their families look back at their careers with the knowledge that their physical and mental wellbeing has always been protected. Based on the analysis of existing data and information, we have identified and prioritised two main workstreams for occupational health: potential chemical exposure and ergonomic hazards. To minimise potential harm from chemicals, the Epoxy Vision project monitors exposure to epoxy through the use of a visualisation cabin. The aim of the project is to establish whether exposure can be monitored, and if monitoring will lead to decreased exposure.

During 2020, we initiated data collection and will continue until the project is concluded in 2021. In order to improve ergonomic conditions, we launched a dedicated ergonomics programme in a number of prioritised facilities. This programme package is available to be launched wherever necessary in the future.

Working at Vestas

Employee life cycle

At Vestas, our business performance depends on attracting, motivating and retaining talented employees. We utilise a 'life cycle approach' to employment, focusing on the different phases of the Vestas employee journey. From recruitment, onboarding and development to final departure, we aim to provide opportunities for engagement and ensure respect and recognition at all times.



Values and leadership behaviours

Values describe principles and standards of behaviour that shape how we do our jobs. Outlining how we interact with each other and how we make decisions, they guide our day-to-day work.

Our vision is to become the global leader in sustainable energy solutions. We therefore need the right type of organisational values and leadership behaviours to successfully realise this vision. It is our ambition that our values reflect a deeper level of relevance throughout Vestas, that they become embodied by all our employees, and ultimately have a sustainable impact on our company culture. To this end, we need to translate these values into real and actionable ideals that engage us on a professional, emotional and intellectual level.

The four company values that guide the behaviour of our employees and leaders are: Accountability, Simplicity, Collaboration and Passion. These values are embedded across all of our HR processes. For example, 50 percent of the performance score in our employee review process is linked to the individual's success in embodying the Vestas values in their day-to-day work.

Employee survey

Each year, we conduct an employee survey to measure employee engagement and satisfaction. The survey explores how our employees feel about their daily lives in and around the workplace. Our 2020 employee survey achieved a strong response rate of 95 percent, a two percent increase on 2019. The overall satisfaction and motivation score improved by two index points to 75, our highest score ever. In addition, we also received more than 8,000 individual comments from our employees. These comments were read in full and will directly inform our efforts to make Vestas an even better place to work.

In 2020, we introduced our employee net promoter score (eNPS), measuring how our employees perceive Vestas as an employer every quarter. In 2021, we will expand the scope, frequency and ambition of our employee surveys, ensuring an open ear at all times. By using short

pulse surveys on a quarterly basis, we will be able to focus on themes of specific relevance throughout the year, and have short feedback loops, enabling us to make Vestas an even better place to work.

Attracting talent

We place great value on external collaboration and engagement in talent communities, universities and vocational schools. We are committed to doing everything we can to attract the brightest and best candidates. Therefore, we actively invest time and resources in developing our future workforce worldwide.

We aim to become the employer of choice in the energy industry by 2023, which will enable us to attract, develop and retain the best talent in the market. As a first step in 2020, we began to develop a new and distinct Employee Value Proposition (EVP), which we will be ready to activate through a targeted employer branding strategy from 2021 onwards. Given our ambitions to increase the share of women in leadership positions, we have identified women as one of the select target subgroups within the EVP project.

Recruiting talent

Attraction and talent recruitment are essential to our ambitions to grow, thrive, reach new markets and drive the global energy transition. To enhance our attractiveness as an employer and recruit the best talent, we aim to increase gender diversity within the company. In 2020, we reviewed our recruitment process with a view to improving our ability to attract diverse talent, with a specific focus on gender. Read more about these initiatives on page 27.

Onboarding

The general purpose of onboarding is to enhance the experience of new Vestas employees. Our onboarding process is initiated immediately after recruitment is completed, helping to ensure that new employees are fully prepared for their first day of work.

In 2020, we implemented a new onboarding system to successfully guide and help managers when recruiting and onboarding new employees. The onboarding process includes two phases: the first phase covers the time from the employee accepting their position to the first day of work; the second phase covers the first 90 days on the job. The aim here is to ensure our new employees feel welcomed, well prepared, and have a well-structured onboarding plan in place.



Performance and development

In the area of employee development, our Continuous Performance and Development (CPD) process is a key tool in the employee lifecycle. Through the CPD, all employees receive feedback on their performance and behaviour for the year, with performance objectives set for the coming 12 months. In addition to clarifying tasks, responsibilities and objectives, it also provides an opportunity for leaders to discuss work-life balance with their employees.

Alongside the CPD, our People Review process provides insights into employee performance and potential. Throughout the organisation, reviews for corporate leadership employees are mandatory, although many business units choose to review all employees regardless of their position.

To ensure a strong internal pool of successors for key roles, in 2020 we initiated a succession planning process across the company. Succession planning involves the evaluation and documentation of potential successors, and considers retention risk and next step readiness, with a view to mapping out our richest talent pools and potential talent gaps. This exercise will inform our talent strategy and identify strategic activities required to ensure we become more resilient and responsive to the challenges of our fast-growing industry.

In 2020, we filled 69 percent of our vacant people leadership positions with internal candidates – a clear sign of the progress we are making in growing talent internally. Our aim is to nurture internal candidates for senior roles and we work strategically towards this goal through our development programmes.

Talent management

Our annual performance calibration focuses on the development and deployment of high-potential employees. We aim to ensure the organisation has the right people in the right positions at the right time. In doing so, we set clear expectations for our key roles and strategic capabilities, making it possible to match current and potential talent with our business needs and long-term outlook. To support these efforts, we conduct a number of in-house talent programmes:

- The Vestas Graduate Programme is a two-year international programme aimed at talented young professionals aspiring to hold key positions in the company. Participants work on two different assignments throughout the programme, with a progressive increase in challenge and responsibility. In 2020, the programme comprised 37 young talented professionals (42 percent women) in different locations world-wide.
- The Regional Talent Programme serves the mid- and short-term business needs of the regions, supporting employees with tailored development opportunities. Programme participants are identified during the people review process and nominated as part of individual performance evaluations. Over a period of 18 months, the programme accelerates, stretches and develops the participants to help fill the regional leadership pipeline across all career tracks.
- The Rising Executives Programme focuses on developing employees with executive potential. Over a two-year period, participants are challenged with tailored development opportunities, learning activities and stretch assignments to prepare them for future leadership positions globally.
- The Vestas Executive Leadership Programme is intended to refine the strategic capabilities of our current leaders across all functions and regions. During three core modules spread over ten months, participants at Vice President level and higher develop a deeper understanding of the value chain and a common business language by tackling real business challenges. Participants take away learnings that enable them to challenge the status quo and foster a more sustainable work culture.

Learning

At Vestas, we empower growth mindsets to ensure our employees can constantly seek further knowledge through learning, development, workshops and knowledge sharing. In 2020, we dedicated more than 1.5 million hours of training throughout the year, which equates to 62 hours of training per fulltime employee. Office employees received almost 400,000 hours (45 hours per employee on average), excluding on the job training. Service and manufacturing employees participated in more than 1.1 million training hours (72 hours per employee on average).

Recognition

Aside from a competitive salary, we offer our employees a range of other benefits. Depending on local market conditions, we offer a pension, insurance plans, health insurance, subsidised lunch, gym access



and work/life policies, such as flexible working arrangements. We also offer free fruit in our offices, IT equipment and competitive vacation policies.

Our compensation packages are benchmarked against local market salaries for each position, ensuring equal and fair pay regardless of social identity. And our annual salary reviews are linked to performance evaluation to help us achieve strong alignment between performance, pay and the external environment. During 2020, we conducted an external audit on pay equity, investigating pay levels in relation to gender, nationality and age. See page 26 to read more.

A unique element within our remuneration scheme is our global bonus programme. Every employee at Vestas is part of the programme and is rewarded for annual company performance. We use bonus scorecards to calculate the exact amount to be allocated each year, and bonuses are paid out when and if the minimum success criteria for Group profits are met.

As part of our efforts to achieve carbon neutrality by 2030 without using carbon offsets, we updated our benefit car programme. From 2020 onwards, we will only be offering plug-in hybrids and electric vehicles. By January 2025, our benefit car fleet will be comprised entirely of zero-emission vehicles.

Exit

When our employees leave the company, we want them to leave satisfied; aware of the impact they have made within the company and in helping to drive the global energy transition.

Their departure from the company can come in many forms. Retirement is a key sub-stage of the Vestas lifecycle. While this is still categorised as an 'exit' from the company, we work to ensure the right procedures and conditions are in place when one of our employees retires.

In other instances, employees may choose to submit a resignation. Those choosing to leave will receive an exit survey, the aim of which is to capture ideas around how to improve Vestas as an employer. In 2020, Vestas introduced structured exit interviews with female leaders to learn more about how we can improve our retention rate for women in leadership positions. And when we have to terminate a contract with an employee, we focus on providing equitable market-level severance packages in all cases.

Diversity and inclusion

In 2020, we continued our efforts to create and sustain an environment that actively embraces diversity and inclusion in all areas. At Vestas, diversity and inclusion are key strategic priorities since they enhance employee wellbeing, create financial growth, and lead to more innovative solutions. And it is, simply put, the right thing to do. Indeed, we want to create the most inclusive workplace within the energy industry.

A diverse workforce offers an array of social identities, each bringing with them different experiences, perspectives, opinions, approaches and solutions. These social identities include, but are not limited to: gender, age, culture, ethnicity, physical ability, political and religious belief, and sexual orientation.

In a truly inclusive company, everyone feels valued and that their voices are heard. It is a matter of acknowledging that everyone is different, and that we as a company are stronger because of these differences. Our commitment to diversity and inclusion includes our Board of Directors and our Executive Management, striving to adequately reflect a diverse array of qualifications, competencies and gender.

By focusing on diversity and inclusion, we aim to create equal access to opportunity regardless of social identity. Further details about our definition of diversity can be found in the Vestas Diversity & Inclusion Policy on our [corporate website](#). By promoting and encouraging diversity and inclusion, we are working to change behaviours, challenge perceptions and ensure that equality of opportunity and access is prevalent throughout the organisation.

Diversity & Inclusion Mission Statement

“At Vestas, we believe that a diverse and inclusive workforce is vital for accelerating the green energy transition globally. We know that our differences make us stronger, more innovative, and better equipped to address the challenges of the future. Therefore, we are committed to making sure that all potential, future, and current Vestas employees are guaranteed equal opportunities regardless of social identity. Everyone must feel safe, valued, and know that their voice will be heard. This journey has only just begun – together, we will keep moving forward and become sustainable in everything we do.”

Gender representation across the company

As part of our commitment to diversity and inclusion, we have set specific targets for female representation in leadership positions, aiming to reach 25 percent representation by 2025 and 30 percent by 2030. While gender diversity is a fair and measurable indicator of diversity generally, we do consider diversity to be much broader in definition. Therefore, we will also measure progress on nationality and age as we continue to increase our focus on diversity and inclusion.

Overall, while 14 percent of Vestas’ employees were women at the end of 2020, the share of women in leadership positions was stable at 19 percent over a series of years. In 2020, women still occupied only 19 percent of our leadership positions, suggesting that increased attention to both recruitment and retention of female leaders is necessary. In 2021, a new Values, Inclusion and Wellbeing team will be established to support and drive action on attracting, retaining and developing female talents. Leadership positions comprise a number of positions, from specialists to project managers to managers, including those with and without people management responsibilities. These positions, covering general leadership responsibilities for functions, projects, departments and specific areas of expertise, are considered to be key drivers of our values and leadership behaviours. During 2020, the share of women in Executive Management positions was stable at 29 percent.

In line with our target to increase the number of women on our Board of Directors, in 2017 we defined a goal of reaching equal gender distribution in the Board by the end of 2021. In April 2020, the General Meeting elected six men and two women to the Board of Directors. Therefore, our

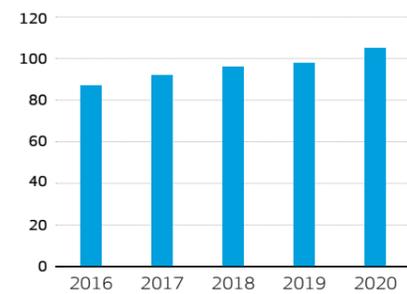
Board did not achieve an even gender distribution at the end of the year, as defined by the Danish Business Authority. As part of the agreement made in October 2020 with Mitsubishi Heavy Industries, the Board proposes Mr Kentaro Hosomi, CEO, Energy Systems, MHI, as board member for election at Vestas’ Annual General Meeting in April 2021. For this reason, it is unlikely that we will be able to reach our goal in 2021. The Board has therefore decided that the goal of reaching equal gender distribution in the Board will have to be postponed to no later than in 2022 for the purpose of strengthening our partnership with Mitsubishi Heavy Industries. Vestas finds it critical to achieve more gender diversity in its Board of Directors and will work towards reaching this goal. Counting in employee-elected representatives, 33 percent of our Board members are women.

Given the complex environment our business operates in, it is crucial that our highest executive and supervisory bodies can draw from a wide range of qualifications and competencies. The members of our Board of Directors and Executive Management utilise their diverse backgrounds in management and business, finance, technology and social sciences from national and international contexts to achieve our vision of becoming the global leader in sustainable energy solutions.

To further drive diversity and inclusion across our business, we have, in line with our strategic ambition, initiated several activities designed to help us become the most inclusive employer in the industry. These initiatives are outlined below.

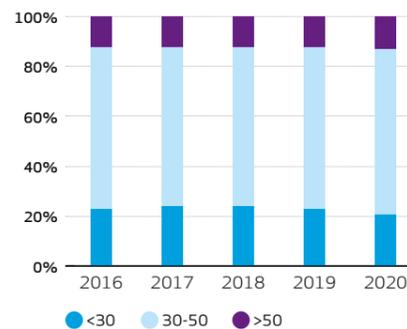
Cultural diversity

Number of nationalities



Generational diversity

Employees by age group



Utopus and Sowitec are not included.

Pay equity

In 2020, Mercer performed an external audit on Vestas gender pay data to identify potential areas of inequality – individuals receiving differing pay for the same work – in seven major countries. Based on these findings, Mercer provided recommendations for increasing the number of women in leadership positions. In conclusion, the audit found no overall structural issues, only identifying pay inequities relating to individual jobs across functions and geographies.

Based on the audit results, we conducted an internal ‘equal job’ analysis to monitor pay equity and inform action plans on a global and regional

level. As part of this process, we increased levels of granularity and data quality by referring to internal classification of jobs and data. With data coverage of more than 70 percent of our global workforce, the analysis provided solid foundations for establishing internal reporting and an annual pay equity review. The analysis found that most observations could be explained by objective factors, such as experience, location and responsibilities.

We also performed an external market analysis on gender pay equity across all seven markets, comparing Vestas to the market per ‘job family’. The analysis indicated a strong tendency towards men being paid more across almost all job families in all external markets. In order to ensure a sustainable approach to pay equity, we will support our managers with tools and guidance. This will help them make deliberate and conscious decisions when setting pay at hire and promotion, and work proactively against any instances of unequal remuneration.

An inclusive employee life cycle

Vestas is committed to ensuring diversity and inclusion throughout the employee life cycle. In 2020, we became an ambassador for Women in Wind, and we also participated in the role model campaign with Above & Beyond in order to attract more women into the wind energy industry.

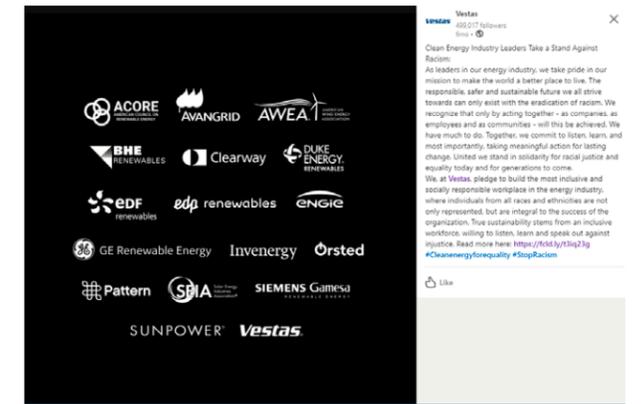
To mitigate bias in our own recruitment processes, all Vestas recruiters have completed unconscious bias training. In addition, we focus on creating inclusive job ads, and in 2020 we invested in software capable of identifying biased terminology, helping us to reach the broadest pool of talents. Ultimately, we want to ensure that all our communication is inclusive and does not reinforce biased perceptions of different social identities.

Creating an inclusive and safe culture where each individual can thrive also includes attention to both physical and psychological safety. Building this culture is a continual effort that includes strong focus on compliance, ethics, and employee well-being. One initiative was the e-learning on sexual harassment, where participants were given the opportunity to write open ended comments and suggestions. All feedback was presented to members of the Vestas Executive Management for continued follow-up.

In order to understand why turnover rates for women in leadership positions are higher as compared to men, in 2020 we began to review our offboarding and exit survey processes. We expect to obtain and act on key insights during 2021, which will help us to further address the issue of gender diversity and representation at senior levels.

Diversity and inclusion training

Around the world, Vestas employees are engaging in actions to advance the diversity and inclusion agenda. For example, Vestas Americas, along with the regional organisation Women of Renewable Industries and Sustainable Energy (WRRISE), has sponsored industry-wide development



A Public Stance against Racism

As part of our increasing commitment to diversity and inclusion globally, in June 2020 we joined other leaders in the sustainable energy industry to make a [public statement](#) against racism.

opportunities on diversity, equity and inclusion. Through this professional five-part coaching series, our employees will learn about issues such as ‘cultural competency’, ‘multi-generational diversity’ and ‘practical strategies for everyday wellness’. The regional People & Culture (HR) function also sponsored a workshop on intersectionality, attended by over 100 employees, to discuss various aspects of diversity.

We are aware that the engagement of middle and executive managers is critical to the continued success of our diversity and inclusion programme. In 2020, Vestas America transitioned its leadership training initiative, Tackling the Blind Spots Together, to an online format, encouraging interaction with employees while adjusting development needs to the conditions imposed by the global pandemic. Over 280 employees, of whom 160 are people managers, completed the workshop.

Our diversity and inclusion efforts are also embedded across our talent development programme. For example, the Vestas Rising Executives Programme is a 22-month scheme focused on developing employees with executive potential. Participants are challenged with tailored development opportunities, learning activities, and stretched assignments to prepare them for future leadership positions globally. Crucially, they are also assigned to mixed working groups that change periodically in order to maximise engagement with peers from diverse backgrounds, functions and regions.

In 2020, we introduced the Creating an Inclusive Workplace e-learning course, which is now mandatory for all new employees. To date, 2,363 employees have completed this inclusion training globally.



Vestas Nacelles
Lübeck, Germany

The Diversity & Inclusion Advisory Board

To stimulate ideas and feedback on diversity and inclusion initiatives and goals, we appointed a Diversity & Inclusion Advisory Board. The Advisory Board consists of six employees, who represent the company's six functions and all five regions. Vestas' Head of Sustainability and Head of Diversity & Inclusion are also permanent members. Membership of this Board rotates every second year to encourage a dedicated and engaged membership body.

In 2020, members of the Advisory Board continued to examine our diversity and inclusion data. They reflected on trends and best practices, explored new initiatives and targets, and acted as ambassadors across their respective functions. Due to changes in membership and the impact of COVID-19, the Advisory Board met only twice during the year, but will resume its usual frequency of four to five times per year in 2021 if circumstances allow.

In addition to the Diversity & Inclusion Advisory Board, in 2020 we also appointed dedicated regional partners in each of our five regions. These partners ensure the effective and respectful implementation of our diversity and inclusion agenda, while understanding and accounting for regional differences. In 2020, this process enabled us to align multiple initiatives with local business challenges and legislative updates. Furthermore, our diversity and inclusion partners provided local insights to help shape our recruitment, branding and development opportunities.

Partnerships for diversity and inclusion

As part of our ambition to take a leadership role in improving diversity and inclusion, we have embarked on various strategic industry partnerships. Globally, we have engaged in the Women in Wind partnership with the Global Wind Energy Council, while locally we have collaborated with Wind Denmark, the Danish Wind sector organisation.

In 2020, we engaged in the following partnerships and collaborations:

- Signing a [pledge](#) with other Danish and Nordic CEOs on acting inclusively, building a balanced talent pipeline, and committing to flexible workplaces
- Joining the [Valuable 500](#) movement, which aims to get 500 of the world's largest businesses to commit to embedding disability inclusion within their leadership agendas
- Signing the [Women's Empowerment Principle](#) (established by UN Global Compact and UN Women) in Brazil, with global commitment as a planned next step.

Internally, in 2020 we made many collaborative efforts to improve awareness and engagement across our organisation. We worked to ensure that easily available communication for all managers and employees, along with clear descriptions of purpose, initiatives and strategy, were accessible for all hiring managers. We also prioritised diversity and inclusion at our Annual Supplier Forum and in an ongoing supplier working group.

Diversity and inclusion

Interview with [Alejandra Arbelaez Sierra](#), Vice President Service ASP, and Diversity & Inclusion Ambassador



Q: How do you contribute to Vestas' sustainability strategy, Sustainability in Everything We Do, in your day-to-day work?

A: For me, it is crucial to lead by example with small things before thinking big. For example, in the Service department where I work, we have begun to switch to sustainably-fuelled service vehicles. But initiating such things without having a comprehensive sustainability mindset in place is an isolated effort only. Therefore, I also focus on day-to-day contributions, such as paperless working and waste recycling. And with all the coffee that a Colombian person can drink, I always use my own mug! But sustainability at Vestas also includes our ambition to be the most inclusive company in the energy industry. That's why I have decided to contribute my personal experience and step up as a Diversity & Inclusion Ambassador.

Q: What does your role as a Diversity & Inclusion Ambassador involve?

A: As I see it, my role as a Diversity & Inclusion Ambassador is about being able to tell my story. I would like to believe that I am a good example of diversity; not only being a woman among mostly male peers, but also coming from Latin America and working for a European company in Asia. I think it's absolutely essential to create awareness about the benefits of being open, inclusive and giving the same opportunities to people from different cultures. As humans, we tend to choose friends or colleagues who are similar to us and who share our own beliefs. But in doing so, we miss a big opportunity for learning and growth. We are a company driven by innovation, but isn't innovation also dependent

on doing things differently? Here, diversity is a great enabler and as ambassadors we need to promote this way of thinking in our work environments.

Q: How can I as a leader/employee contribute to creating a diverse and inclusive work environment?

A: As a general approach, we need to avoid any type of bias in our daily interactions with our teams and stakeholders. By bringing diversity into our teams with new hires, or through interactions with different regions or departments, we can embrace new ideas and realise the immense potential of diversity and inclusion.

Q: Finally, what is it that personally gets you out of bed in the morning?

A: To make a difference with the things I do every day and accomplish my personal and professional objectives. Being married to the best husband in the world is also a great motivation!

"It's absolutely essential to create awareness about the benefits of being open and inclusive."

Alejandra Arbelaez Sierra
Vice President Service ASP, and Diversity & Inclusion Ambassador

Selected Vestas Employees Data for 2020

Employees by region and function^{1), 2)}

Number	Europe and Africa		Americas		Asia Pacific		Total
Manufacturing & Global Sourcing	4,235	2,681	2,924	9,840			
Sales and service	6,856	3,259	2,140	12,256			
Power Solutions	1,447	39	518	2,004			
Others	4,199	153	631	4,982			
Total	16,738	6,132	6,213	29,082			

Employees by age group and gender¹⁾

Percent	<30 years		30-50 years		>50 years		Total
Female	3.2%	8.7%	2.1%	14.0%			
Male	17.7%	57.3%	11.1%	86.0%			
Total	20.9%	65.9%	13.1%	100.0%			

Employees by employment contract and gender¹⁾

Number	Standard employment		Temporary		Total
Female	3,861	205	4,066		
Male	24,265	751	25,016		
Total	28,127	955	29,082		

Employees (standard employment) by employment type and gender¹⁾

Number	Full time		Part time		Total
Female	4,022	44	4,066		
Male	24,990	26	25,016		
Total	29,012	70	29,082		

New employees by region and gender^{1), 3)}

Number	Europe and Africa		Americas		Asia Pacific		Total
Female	333	93	160	586			
Male	1,406	956	690	3,052			
Total	1,739	1,049	850	3,638			

New employees by age group and gender^{1), 3)}

Number	<30 years		30-50 years		>50 years		Total
Female	291	276	19	586			
Male	1,375	1,523	154	3,052			
Total	1,666	1,799	173	3,638			

1) Utopus and Sowitec are not included.

2) Former MHI Vestas employees are included in "Others". At year end, the acquisition had been completed, but the employee integration planning was still ongoing.

3) Former MHI Vestas employees are no included.

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

Turnover by region¹⁾

Number · Percent	Europe and Africa		Americas		Asia Pacific		Total
No. employees	12,950	6,291	5,833	25,074			
No. employees leaving	882	1,575	538	2,995			
Turnover	6.8%	25.0%	9.2%	11.9%			

Turnover by gender¹⁾

Number · Percent	Female		Male		Total
No. employees	3,470	21,589	25,058		
No. employees leaving	458	2,537	2,995		
Turnover	13.2%	11.8%	12.0%		

Turnover by age¹⁾

Number · Percent	<30 years		30-50 years		>50 years		Total
No. employees	5,236	16,652	3,175	25,063			
No. employees leaving	1,066	1,684	245	2,995			
Turnover	20.4%	10.1%	7.7%	11.9%			

Employees by level and age¹⁾

Percent	<30 years		30-50 years		>50 years		Total
Leadership positions	0.3%	11.5%	2.8%	14.5%			
Other	20.6%	54.4%	10.4%	85.5%			
Total	20.9%	65.9%	13.1%	100%			

Employees by level and gender¹⁾

Percent	Female		Male		Total
Leadership positions	2.8%	11.7%	14.5%		
Other	11.2%	74.3%	85.5%		
Total	14.0%	86.0%	100%		

Board of Directors by age group and gender⁴⁾

Percent	<30 years		30-50 years		>50 years		Total
Female	0%	0%	25.0%	25.0%			
Male	0%	0%	75.0%	75.0%			
Total	0%	0%	100%	100%			

Our responsibilities

Human rights

Vestas is committed to respecting human rights as set out in the UN Guiding Principles on Business and Human Rights, and in our [Human Rights Policy](#). This policy outlines our pledge to respect all human rights and includes our expectations for business partners.

As the scale of renewable energy increases, so do our responsibilities. To this end, we have adopted a unique approach to respecting human rights to support our progress towards 'Leading a responsible and inclusive energy transition'.

As part of our commitment to continuous improvement, we have launched the next step on our human rights journey. In September 2020, we introduced a three-pillared approach focusing on:

- **Responsibility:** strengthening human rights governance and management
- **Inclusiveness:** creating long-term value and engagement in the markets where we operate
- **Leadership:** ensuring the integration of human rights within the energy transition

During 2020 we applied key recommendations to our due diligence methodology, continuing the work from our 2018 corporate-wide Human Rights Impact Assessment. This process will help us ensure that we identify the most salient human rights issues during the construction of wind farm projects, and that these issues are prevented or mitigated. This includes but is not limited to: community engagement in projects, community health and safety, local communities' livelihood in projects, land acquisition, and resettlement.

Business ethics

Our Code of Conduct sets out rules and principles that outline the behavioural expectations of all Vestas employees. Building and maintaining an ethical culture is also key to reducing and managing potential legal, operational and reputational risks. This process requires that we continuously strengthen our policies and procedures while nurturing a culture of compliance.

As a global company we operate in many different countries, each with their own unique way of conducting business, requiring continuous effort to harmonise business practices according to the Vestas Code of Conduct. In 2020, we increased our focus on risk identification in our anti-bribery and corruption programme by aligning our regional initiatives and focusing on knowledge sharing. Due to the COVID-19 pandemic, we shifted our awareness raising and training activities to online platforms. We also continued to strengthen regional knowledge sharing through the Vestas Global Compliance Network.



Ethics. Your decision matters.

Transparency
Be open and honest.

Integrity
Act, react and report if needed.

Accountability
Protect yourself and our company.

Hard Decisions
Don't cut corners.

Global Anti-Bribery & Corruption Campaign

Building a strong compliance culture is not a destination, but a journey. In 2020, we focused on four thematic global campaigns: Hard Decisions, Transparency, Integrity and Consequences. In order to reach the whole organisation, these campaigns included interactive webinars, training toolkits for managers, intranet articles, posters and competitions.

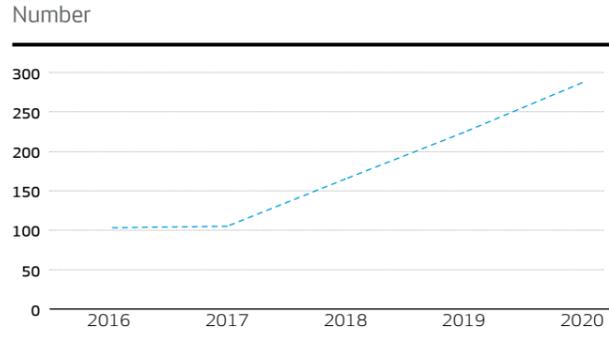
EthicsLine

EthicsLine is our whistle-blower mechanism that enables employees and associates to report violations of the Vestas Code of Conduct, applicable laws, and Vestas' policies and procedures. Since 2007, EthicsLine has helped ensure that such violations are always brought forward and dealt with appropriately.

The main purpose of EthicsLine is to provide Vestas' employees, business partners, or anyone associated with the company, with a place to report unethical behaviour or practices observed in the workplace. In addition, it provides guidance for employees who are in doubt about certain ethical issues.

All Vestas employees have an obligation to report any suspected or actual misconduct relating to fraudulent practices, business ethics misconduct, and/or violations of laws and policies. We encourage all employees to report any suspected or actual misconduct.

EthicsLine cases



In 2020, we upgraded the EthicsLine platform to be more user-friendly, with simplified reporting and a new mobile application. As accountability is one of our core values, and as we encourage everyone to speak up, we believe in making this tool as accessible and easy to use as possible. EthicsLine is hosted on a secure external website where anyone can raise a concern without fear of repercussion. The platform allows reporters to remain anonymous, except in



instances when this would be specifically prohibited by law. Subject to applicable laws, all matters reported through EthicsLine are investigated thoroughly and everyone involved is treated fairly.

We take a zero-tolerance approach to any form of retaliation against employees making a report in good faith, whether the report is ultimately substantiated or not. The same applies to individuals who cooperate as part of an EthicsLine investigation (for example as witnesses). In parallel with the platform upgrade, we also developed and launched a new [EthicsLine Policy](#). The policy sets out the platform's rules, and explains which kind of issues are reportable, and the protection available to reporters and witnesses.

As part of our work on the platform improvements, we launched an ambitious global communication campaign to raise awareness of the new tools. The launch included emails from senior leadership to set the 'tone from the top', interactive webinars, an animated 'how-to' video, and several intranet articles. These efforts led to an increase in EthicsLine cases in the latter half of 2020 and affirmed the need for continuous, ongoing communication around the platform to build long-lasting trust.

In 2020, substantiated cases led to various disciplinary actions, including 26 warnings and 27 dismissals.

Suppliers

Vestas has a broad and complex supply chain. A wind turbine consists of several thousand parts delivered by several thousand suppliers. Components and raw materials currently make up more than 80 percent of the carbon footprint of the product manufacturing process. Therefore, in order to improve the sustainability of our products and our entire value chain, we continuously work with suppliers to enhance shared processes and practices.

As part of our sustainability strategy, Sustainability In Everything We Do, we are committed to reduce carbon emissions from our supply chain by 45 percent per MWh generated by 2030, and to produce zero-waste turbines by 2040. To achieve these goals, we depend on our business partners' collaboration. Therefore, in 2020 we began working with 10 strategic suppliers, covering 20 percent of our material spend, to achieve substantial improvements in the areas of carbon footprint and circularity. We are asking the selected suppliers to commit to 100 percent renewable electricity, to set targets for reducing scope 1 and 2 carbon emissions, and to measure production waste for products delivered to Vestas. In 2022, the suppliers will be expected to set targets for reducing scope 3 emissions. Next year, we will extend the suppliers in scope to a total of 27, covering 30 percent of our material spend. We also made these expectations an integral part of our sustainability-themed annual supplier forum in November 2020.

To ensure we maintain exceptionally high standards with suppliers, we have prepared the [Vestas Business Partner Code of Conduct](#) in accordance with the UN Global Compact, the International Bill of Human Rights, and International Labour Organization conventions. The



Code of Conduct outlines the minimum requirements suppliers must adhere to when conducting business with Vestas. Suppliers must then undertake due diligence measures to maintain our standards within their supply chains. Our employees work hard to ensure that partners understand and comply with our Code of Conduct, allowing us to prioritise business partners who share our views on sustainability.

It is crucial that the health and safety of everyone involved in turbine installation and service is protected. For this reason, every customer and supplier must adhere to the Vestas safety rules and procedures, which are also set out in our Business Partner Code of Conduct.

Responsible supplier management

As part of our commitment to sustainability, everyone at Vestas is devoted to responsible supply chain management. Through a strong qualification and onboarding process, sustainability evaluations and global partnerships, we aim to improve our shared sustainability performance. Complying with the Vestas Business Partner Code of Conduct is an integral part of our Purchase Agreements, and we expect all suppliers to uphold these principles and standards.

We mitigate supplier risk by conducting third party due diligence screenings covering business ethics and sanctions. In 2020, we screened 2989 suppliers, allowing us to make informed decisions about who we work with, develop mitigation actions if necessary, and thus lower our risk exposure.

We also assess supplier compliance through rigorous due diligence processes. Our assessments range from questionnaires to onsite visits. In 2020, we carried out 39 onsite assessments for new suppliers globally, measuring performance against specific quality and sustainability parameters. Of these, 35 were approved, none were rejected, and 4 are under approval. We also commissioned an external company to conduct 44 compliance audits. When so-called 'red flags' are identified, indicating that suppliers are falling short of our standards, we initiate actions to address the issues raised.

Vestas has a formal target on supplier sustainability, which we monitor on a monthly basis. Suppliers' safety and sustainability maturity are some of the main elements we evaluate. We are currently tracking 154 key suppliers from a strategic perspective, and evaluating their scorecard performance as well as agreed development activities in monthly meetings.

In 2020 we updated certain components of the supplier performance scorecard to reflect our new sustainability strategy, Sustainability in Everything We Do. Aspiring to take responsibility for our environmental footprint throughout the supply chain, the scorecard now reflects suppliers' performance in the areas of carbon footprint and circularity. In doing so, we assess suppliers based on indicators such as carbon emissions, waste volumes and recycled waste. These scorecard updates are intended to make sustainability an integrated part of all supplier performance evaluations going forward.

Environmental sustainability

Sustainable energy and the climate crisis

More than 860 million people around the globe still lack access to electricity, with major implications for health, education and economic wellbeing (IEA 2020). Additionally, rapid economic development in Asia (primarily India and China), as well as a shift towards electrification, reinforce the need for additional energy capacity. Indeed, global electricity demand is projected to rise by more than 50 percent by 2050 (BNEF 2020).

Simultaneously, humankind faces one of its greatest environmental crises. The Intergovernmental Panel on Climate Change (IPCC) has repeatedly warned the current climate change trajectory will inflict drastic, global and irreversible damage to both the planet's ecosystems and human livelihoods (IPCC 2019). To divert from this path, policymakers around the globe have committed to keep greenhouse gas emissions in line with a 1.5°C temperature increase compared to pre-industrial levels.

Currently, more than 60 percent of all greenhouse gases emitted globally are linked to the energy sector (UN 2020). Faced with growing energy demand and the climate crisis, it is clear the global energy supply must decarbonise as fast as possible. At the heart of the global energy transition, we are developing products that already contribute to avoiding 186 million tonnes of carbon emissions annually. We are proud to be devising and driving the sustainable energy solutions of tomorrow, while also working to minimise our own environmental footprint.

Sustainable products

Today, wind energy is one of the most carbon-efficient ways of generating electricity. A single Vestas wind turbine generates around 30 to 50 times more energy than it consumes during its entire lifecycle. This level of efficiency creates enormous potential for reducing carbon emissions when implemented in global energy systems. To date, our total delivered capacity of 1.29 GW globally has helped to avoid 1.5 billion tonnes of carbon emissions, equivalent to removing 1 billion EU passenger cars from the roads for a year. And we are continuing to

scale this potential; in 2020, we increased our installed capacity by 14 percent compared to 2019.

Although our sustainable energy solutions serve to avoid carbon emissions all over the world, we recognise that our products have negative environmental impacts. In our QHSE Policy, we outline that mitigating these impacts is paramount to us. We are working closely with our suppliers and customers to enhance the environmental performance of our solutions across a broad range of issues.

Carbon footprint

As we look to increase our leadership in sustainable energy solutions, we also aim to become carbon-neutral in our own operations by 2030, without using carbon offsets. In 2020, the Science Based Targets Initiative (SBTi) validation confirmed that our greenhouse gas reduction target is aligned with the Paris Agreement's 1.5°C scenario. It also confirmed that Vestas was the first renewable energy manufacturer to develop a Science Based Target compliant with this scenario for scope 1 and 2 emissions. Furthermore, we are committed to reducing emissions from our supply chain by 45 percent per MWh generated by 2030. See page 1.2 to read more about these targets.

In 2020, emissions from our own operations amounted to 73,000 tonnes of CO₂e. This corresponds to a 33 percent reduction from 2019, achieved primarily by sourcing our electricity from renewable sources. To achieve carbon neutrality by 2030, we have launched four top-level initiatives. These are:

- Sourcing 100 percent of our electricity from renewable sources
- Switching our benefit cars to (PH)EVs
- Introducing sustainably fuelled vehicles to our service fleet
- Increasing our use of renewable energy for heating in factories

Our membership of RE100 reinforces our commitment to sourcing 100 percent of our electricity from renewable sources. And while we have derived a large share of our electricity from renewable sources

since 2013, and compensated for non-renewable electricity use, in 2020 we achieved our 100 percent renewables goal across our operations globally.

By 2025, we will phase out benefit cars powered by fossil fuels. In 2020, we converted 35 percent of our fleet to (PH)EVs. To support the scale-up of (PH)EVs, we have signed a partnership with Enel X to accelerate the electrification of our company fleet. Through the agreement, Enel X will provide us with the required charging infrastructure to electrify our corporate fleet across our most prominent service markets.

In terms of our service fleet, we introduced 127 sustainably fuelled vehicles during 2020, including EVs and biofuel vehicles meeting strict sustainability criteria. This is the start of a transition to a fully sustainable service fleet, with the aim of using only zero-emission service vehicles from 2025. Doing so, 2020 provided valuable insights for the continued roll-out of this programme in the coming years.

Finally, we are increasing the use of renewable energy for heating in our factories, while improving our energy efficiency across all sites globally. In 2020, we began by mapping our energy consumption and initiated a number of projects in this area. For example, we transitioned one of our repair shops in Denmark from natural gas to district heating, which is partly renewable.

Additionally, we continued to tackle the more complex and ambitious undertaking of reducing carbon emissions from our supply chain. As around 99 percent of our entire carbon footprint stems from our suppliers' operations, we are determined to work collaboratively towards greening our supply chain. In order to live up to this ambition, in 2020 we engaged ten strategic suppliers covering 20 percent of our material spend to set baselines and formalise targets in their business plans. In 2021, we will involve 17 additional suppliers in this initiative. Additionally, we have made sustainability the central theme of our annual supplier forum to outline our expectations to suppliers going forward (page 31). As expected, we did not yet see a reduction of carbon emissions in our supply chain in 2020, as the initiatives we launched are of a mid- to long-term nature.

To support our efforts in this area, we have entered sustainability partnerships with our suppliers DSV Panalpina and Hempel, working to reduce emissions from transport and industrial coatings. The partnership with DSV Panalpina involves a mutual commitment to reduce and eliminate carbon emissions related to transport and logistics. Together with Hempel, we aim to reduce surface treatment costs and support sustainable coating solutions. Initial calculations suggest that changing the surface treatment application process for wind turbines will potentially reduce carbon emissions by 60 percent per year.

Climate change risks and governance (TCFD)

At Vestas, climate change issues and risks are subject to a comprehensive governance structure, integrated into our general sustainability governance (see page 4.2). Our Board of Directors functions as the highest governance body for climate-related risks and opportunities. Climate change is frequently discussed by two of its specific committees. The Technology & Manufacturing Committee evaluates sustainability performance generally, while the Audit Committee evaluates climate risks specifically. The highest executive responsibility lies with Group President & CEO, Henrik Andersen, who oversees climate-related risks and opportunities on a quarterly basis. This process is informed by a cross-functional Sustainability Committee, which discusses such risks and opportunities throughout the year.

As part of our annual enterprise risk management process, we work to identify, assess, register and manage all probable risks across the company with a financial impact above EUR 1.5m. This risk management process covers our direct operations, as well as upstream and downstream risks, including climate-related risks. An example of a core climate-related risk would be the impact of extreme weather events on our global manufacturing footprint. At the same time, as the

5) The 2019 baseline has been updated from 44 percent to 42 recyclability due to adjustments in the bill of materials.



global leader in wind energy solutions, we are well positioned to take advantage of business opportunities arising from climate change. Such opportunities include increased revenue due to the use of policy support schemes, and growing demand for low-carbon electricity generation technology.

In turn, our risk management process for climate-related issues feeds back into our climate strategy and our reporting to the Carbon Disclosure Project (CPD), among other schemes. See page 1.2 to read more about our carbon neutrality goal and page 1.8 for our supporting KPIs.

Circularity

One of our key sustainability goals is to build zero-waste wind turbines by 2040. This goal involves committing to improvements in circularity from two angles. On the one hand, we are working on end-of-life solutions for our turbines, with a view to creating fully recyclable products. On the other hand, we aim to create a value chain which aims at generating zero waste materials. We are working on initiatives with an immediate focus on composite materials, with a view to recycling wind turbine blades and preventing waste in production. We will present a comprehensive circular economy strategy in 2021.

Zero-waste definition

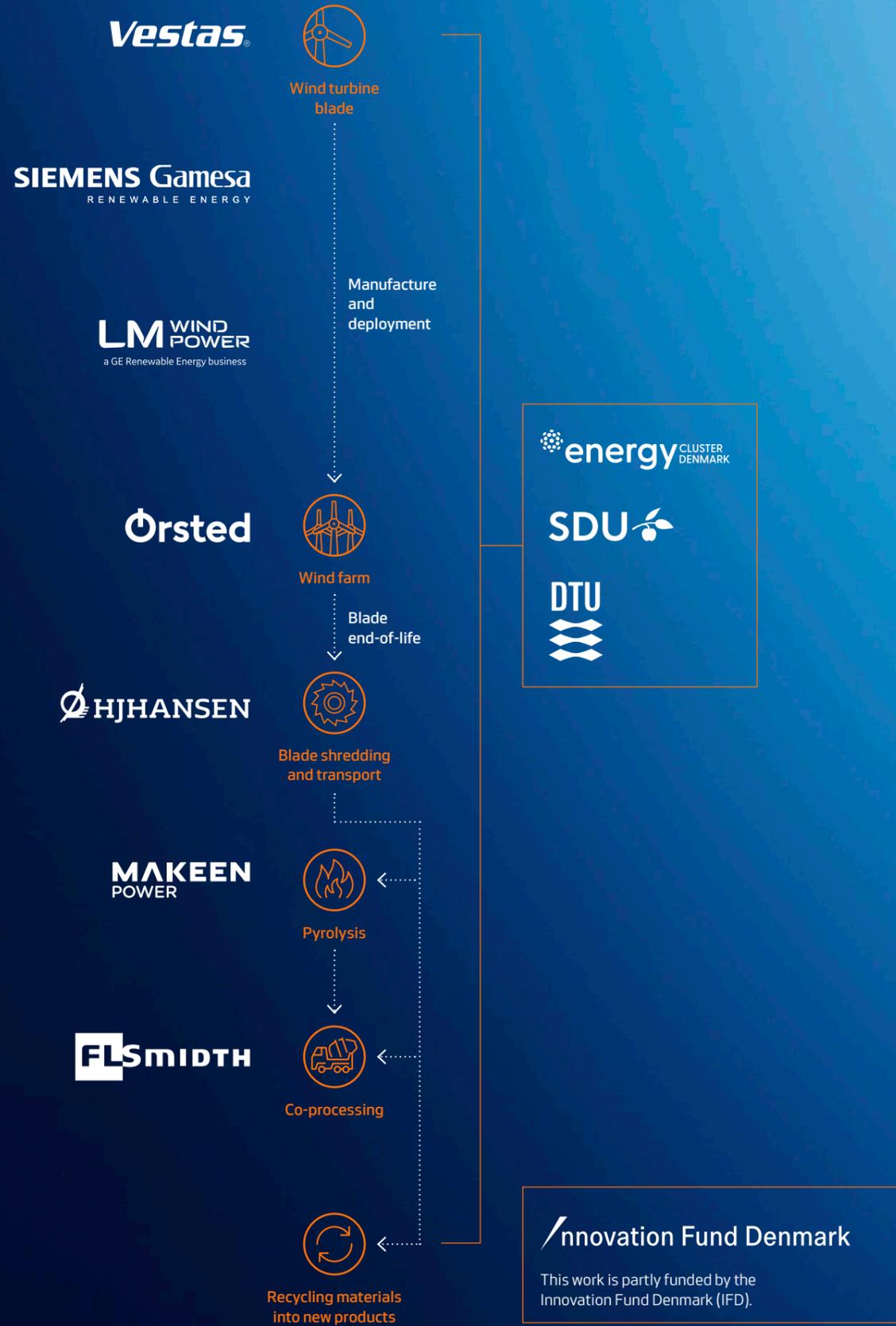
By 'zero waste', we mean preventing all waste and developing a circular economy for all materials, including the carbon cycle. A goal rather than a hard target, through circularity we aim to reuse, repair, remanufacture or recycle, without recourse to incineration or landfilling. This process encompasses all our own operations as well as our direct suppliers, covering design and procurement, production, construction, service and sales, and end-of-life solutions.

Today, Vestas wind turbines are on average 85 percent recyclable. However, our wind turbine rotors (blades and hubs) are partially comprised of composite materials, which are more difficult to recycle. As a first step, we are therefore working to improve the recyclability of all turbine rotors, with the goal of increasing their recyclability rate from 42 percent¹ to 50 percent by 2025 (by weight), and to 55 percent by 2030. In 2020, the recyclability rate slightly decreased to 41 percent. This is the result of a design change optimizing the metal content in the turbine's hub, after which the blade mass corresponds to a bigger share of the total rotor mass. Still, we remain committed to our ambitions and are confident that a number of promising initiatives (described below) will lead to the desired recyclability rate.



V150-4.2 MW
Denmark, 2019

DecomBlades partners



The DecomBlades project is a large cross-sector collaboration focusing on value chains for recycling end-of-life (EOL) wind turbine blades. Through collaboration with other major wind OEMs, recycling companies and knowledge partners, DecomBlades aims to identify one or more sustainable, globally available and economically feasible recycling routes for EOL blades. Specifically, we will support the development of material and value streams for three recycling routes, with all recycling technologies undergoing a complete life cycle analysis including global warming potential. The project will run for three years and is partly funded by Innovation Fund Denmark (IFD).

As a founding member of the UK's National Composites Centre, we support the SusWIND project (NCC 2020), which was launched in November 2020. This initiative brings together leading stakeholders in the composites industry and energy sector, and serves to drive future sustainability of the wind turbine technology by means of three pathways. First, it aims to discover viable ways of recycling composite materials in wind turbine blades. Second, it explores the use of more sustainable materials, such as bio-derived feedstock or thermoplastics in developing composites for turbine blades. And third, it aims at developing innovative new approaches based on design for disassembly, utilising sustainable materials and with end-of-life strategies in mind.

We are also collaborating with universities and suppliers to develop technology and materials to increase the recyclability of turbine rotors. For example, in partnership with one of our epoxy suppliers, we launched a project to develop new composite technologies that enable resin dismantling for end-of-life turbine blades. This will potentially enable 'design-for-disassembly' to be integrated into future blade technology.

In 2020, we worked to implement a governance structure to apply the concept of circularity to all wind turbine components,



Zero-waste wind turbines



Interview with Peter Garrett (left), Senior Environmental Specialist, and Allan Korsgaard Poulsen (right), Cluster Lead and Senior Specialist.

Q: How do you contribute to Vestas' sustainability strategy, Sustainability in Everything We Do, in your day-to-day work?

Peter: Allan and I are leading Vestas' efforts to build zero-waste wind turbines by 2040, which is one of four key ambitions within our sustainability strategy. We have been deeply involved in developing the strategy and integrating it across the businesses.

Allan: And currently, we are taking big steps forward. We have recently finished defining baselines for all different modules in a Vestas wind turbine, so now we really get to work. Together with the cross-functional teams, we are identifying impactful initiatives to reduce our waste in all parts of the business. Additionally, we're still aiming to improve the recyclability of wind turbine rotors, which include hub and blades.

Q: Why is it so difficult to increase the recyclability of rotors?

Peter: Today, turbines are around 80-to-90 percent recyclable, depending on the turbine variant and configuration. Blades, however, have to be as light and robust as possible, enduring severe weather conditions. Here composites are the ideal materials, being made primarily of epoxy, glass and carbon

"It is a top priority for us to improve the recyclability of wind turbine rotors."

Allan Korsgaard Poulsen
Cluster Lead & Senior Specialist

fibres. The disadvantage is that the combination of these materials makes them very difficult to recycle. There are available recycling technologies for composite materials via mechanical, thermal or chemical routes. However, the issue is one of economics, recycling quality and scale. Presently, few options are commercially viable and new value chains will need to be established.

Q: How are you making progress to achieve fully recyclable wind turbine rotors?

Allan: Last year, we kicked off a number of promising initiatives. One example is DecomBlades, where we have teamed up with other major OEMs, companies across the blade recycling value chain as well as universities. Together, we are working towards establishing commercially viable recycling routes for wind turbine blades. But we are also leveraging partnerships for innovation, developing recycling technologies as part of the SusWIND project, while also working on new degradable composite materials with one of our epoxy suppliers.

Q: Finally, what is it that personally gets you out of bed in the morning?

Peter: I think it's highly motivating to drive these developments. These are challenges that concern the entire wind energy industry, which means the progress we're making is moving the needle for the whole sustainable energy transition.

Allan: At the same time, it also means there is huge potential for collaboration. For me, it is very rewarding to work with highly competent people from our supply chain and adjacent industries. It's the partnership approach that counts here; together we can improve the already sustainable profile of the wind industry.

covering the entire value chain. As part of this process, we appointed sustainability leads who are responsible for developing and implementing specific circularity initiatives and targets.

In 2020, waste volumes increased by 5 percent compared to 2019. Simultaneously, recycling volumes increased by 7 percent, with incineration volumes up 17 percent and landfill volumes down 8 percent. In service and construction, waste volumes increased in line with the heightened activity levels. In manufacturing, the waste generation varies globally and depends largely on local infrastructure and turbine variants. Please see page 38 to read more about the amounts of waste produced by our own operations in 2020.

Life Cycle Assessment (LCA)

Since 1999, we have been developing wind power LCAs to give 'cradle-to-grave' evaluations of the environmental impacts of our products and activities. These evaluations concentrate on two key actions:

- Documenting the environmental performance of Vestas wind turbines
- Analysing the results to reduce the environmental impact of our turbines

The studies assess a wind turbine's entire bill-of-materials, accounting for the approximately 25,000 parts that make up a single turbine. In an LCA, a complete wind power plant is assessed up to the point of the electricity grid. This includes the wind turbine itself, its foundation, the site cabling and transformer station. Our LCAs are available on the Vestas corporate website.

Vestas® SiteLCA™

As part of our commitment to customers, we provide customised wind power plant LCAs, called Vestas® SiteLCA™. These assessments determine key indicators of environmental performance, taking the wind turbine type, site specific conditions and production supply chain into consideration.

The environmental performance of a wind power plant is site and layout specific. It varies across the globe according to local site performance and manufacturing supply chain. SiteLCA™ provides our customers with transparent environmental facts (such as carbon footprint, return on-energy, water-use or environmental benefits, etc.) about specific wind plants. These fact-based indicators increase business case certainty by supporting the customer's energy strategy (energy case, power plant benefits, index ratings, etc.) and project planning/permitting process.

By identifying key environmental indicators early on in the project, customers are well-placed for successful and trustworthy external communications of power plant performance. They are also able to inform their energy strategy utilising fact-based information. SiteLCA™ may also quantify a power plant's key environmental benefits (such

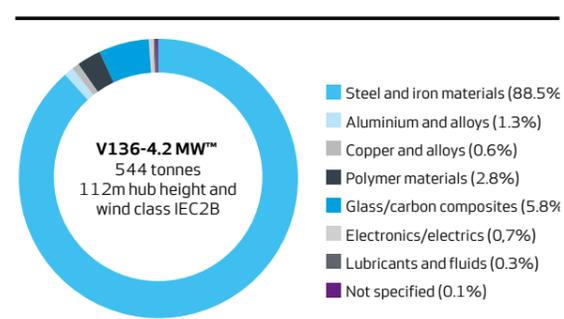
as turbine recycling or repowering options at end-of-life) and identify potential management risks, for example by providing material breakdown for decommissioning plans, or identifying potential environmental impacts.

Vestas® Site LCA™ is delivered by experienced experts and builds upon a long track record of disclosing turbine environmental performance data since 1999. The service utilises advanced turbine models developed in-house, complying with international ISO standards and third-party review. These models have been critically acknowledged as providing state-of-the-art analysis of wind power (Garrett & Rønde 2012). For more information, please take a look at the [Vestas® SiteLCA™ brochure](#).

Material use

By knowing how our products and materials contribute to the environmental performance of a wind power plant, we are able to make informed decisions that will minimise overall environmental impacts. We use LCAs to better understand the material composition of wind power plants from a life cycle perspective. The figure below shows the typical material breakdown of Vestas turbines. For example, a V136-4.2 MW turbine is composed of around 90 percent metals (such as steel, iron, copper and aluminium), 9 percent polymers and composite materials, with the remainder being a mixture of electronics/electrical items, lubricants and fluids.

Material breakdown of a V136-4.2MW™ wind turbine



Source: Vestas, (2019). Life Cycle Assessment of Electricity Production from an onshore V136-4.2 MW Wind Plant – 1 November 2019, Vestas Wind Systems A/S, Hedeager 42, Aarhus N, 8200, Denmark.

Rare earth elements from an LCA perspective

Rare earth elements are naturally occurring elements which, once mined and processed, can be used in a variety of high-tech industrial applications, such as hybrid car motors and components for military

hardware. At Vestas, we use rare earth elements in the magnets found in the towers of all new turbine models (e.g. in the EnVentus platform) and in permanent-magnet generators in the older GridStreamer™ turbine models (i.e. the V112-3.0 MW and the 2.0 MW GridStreamer™ platform).

Rare earth elements improve the performance of turbines by making the generators more efficient and grid compatible. This allows us to reduce the overall size of the generator and powertrain and use smaller amounts of other resources (such as steel and structural materials), contributing to a smaller carbon footprint.

Two types of turbine drivetrain concepts use rare earth materials: conventional geared drivetrains, and gearless direct-drives. The amount of rare earth elements used in direct-drive turbines is up to 10 times higher than the amounts used in conventional drivetrains. Today, all Vestas turbines are based on proven technology using conventional drivetrains. It is worth noting that the contribution of rare earth elements used in turbine generator magnets, and in tower magnets, contribute below 0.1 percent of total life cycle impacts (Vestas 2014).

Product responsibility

When designing our products, we consider sustainability requirements throughout our development process, which we call the 'Vestas Way to Market' global framework. We use this framework for planning, managing and executing technology and product development across the entire value chain. As such, these projects start and end with a sharp focus on customer requirements. By involving relevant stakeholders in the development process, we can build requirements into the product design at an early stage.

Vestas Way to Market is a stage-gate process whereby a group of gatekeepers ensures that key specifications are met at defined milestones. This approach enables us to decide whether to progress a project to the next stage or not. The specifications are based on internal Vestas commitments (such as the Vestas' chemical blacklist), international legislation (such as the European directives), and internationally recognised codes and standards such as the ISO, IEEE or IEC. As part of this process, the product design also has to live up to our sustainability requirements.

Chemical management

The control of chemicals and hazardous substances used in the manufacture and service of turbines is a core part of our management system. It is essential for our overall sustainability performance. In the development of turbines, we are actively working on finding safer and more environmentally friendly products. Our goal is to ensure a healthy workplace for our employees and to minimise our impact on the environment.

Chemical management at Vestas includes global procedures for the approval of new chemicals, local instructions for handling, transporting and storing chemicals, and a global chemical database for sharing knowledge from suppliers.

In order to adapt to continuously changing chemical legislation globally, such as GHS/CLP and REACH, our Prohibited Substances list identifies a range of prohibited substances. Meanwhile our Restricted Substances list limits the use of certain substances which are either expected to be prohibited in future or have a specific hazard classification.

We require our suppliers to fulfil the requirements of both lists for all products delivered. If the product contains chemical substances outlined in the Restricted Substances list, we expect the supplier to create an action plan for phasing out these substances and finding alternatives. We also assess if a timebound dispensation can be signed off, and/or if the product can be substituted.

Impact assessment

When establishing a wind power plant, the planning process should always include an assessment of the proposed location, and how the project could potentially impact the surrounding environment. In many countries, environmental impact assessments are required by law, or



World Clean-up Day 2020

In September 2020, Vestas employees around the world participated in the World Clean-up Day, demonstrating their commitment to cleaning up their communities while observing COVID-19 safety protocols at all times.

are part of the environmental requirements of international financial institutions that support infrastructure projects.

In most cases, our customers have the primary responsibility for undertaking the environmental assessment and developing the environmental management system for a particular wind power plant. However, we work closely with our customers throughout every stage of this process. Environmental assessments typically take into account direct and indirect environmental impacts, including:

- Landscape and visual impressions
- Flora
- Fauna (e.g. birds and bats)
- Noise
- Shadows

Fresh water withdrawal

At Vestas, we measure fresh water withdrawal on a global level. However, as the primary use of water in the company is for domestic use, the associated environmental impacts are considered to be minor. See page 38 for data on our fresh water withdrawal in 2020. Overall, fresh water withdrawal decreased by 11 percent compared to 2019. This is largely due to government-imposed lockdowns of offices. For manufacturing, service and construction, fresh water withdrawal remained in line with the activity levels.



V150-5.6 MW
Denmark, 2019

Selected environmental data for 2020

Vestas' energy consumption was divided into the following categories:

Energy consumption by source 1,000 MWh

	2020
Fuels for heating (direct energy)	
Oil	16
Gas	114
Indirect energy	
Electricity (100% renewable)	261
Heat (71% renewable)	38
Fuels for transportation	
Liquefied petroleum gas (LPG)	1
Diesel oil	138
Petrol	53

Vestas' water withdrawal was divided into the following categories:

Water withdrawal by source 1,000 m³

	2020
Fresh water withdrawal	
From municipal water supplies or other water utilities	333
From ground water	84
Fresh water from surface water, including water from wetlands, rivers and lakes	4
Non-fresh water withdrawal	
From surface water, including water from wetlands and oceans	0
Cooling water	
From surface water, including water from wetlands, rivers, lakes, and oceans	0

Vestas emitted waste water to the following destinations:

Waste water 1,000 m³

	2020
Treated by Vestas to public treatment facility	64
Treated by Vestas directly to environment	25
Non-treated waste water to public treatment facility	226
Non-treated waste water directly to environment	10

Vestas' waste disposal was divided into:

Waste disposal 1,000 Tonnes

	2020
Non-hazardous	83
Hazardous	6

Vestas disposed waste to the following destinations:

Waste disposal 1,000 Tonnes

	2020
Recycling	46
Incineration	21
Landfill	22

Vestas recorded the following air emissions:

Air emissions Tonnes

	2020
VOC	268



Community engagement

Investing in our social license

Our global approach on the Social License to Operate (SLO) helps creating a financeable project, through including social risks in our overall wind farm project management. Through working continuously with our stakeholders, such as customers and host communities, we aim to understand the local context and build trust and acceptance in our projects. We then work to ensure that our own evaluation of potential impacts, and our approach to addressing these impacts, is closely aligned with our customers' efforts. As we aim to becoming the global



Jordan

During the construction of a wind farm, earthworks and the heavy transportation of materials often cause dust emissions. We assess this potential impact during a project's design phase, carrying out dust suppression measures such as covering the trucks' loads, reducing speed (particularly on dirt roads), water spraying, covering powdery material, and avoiding large sand-piles close to roads and residents.

However, despite these measures, local residents may be more adversely affected than originally foreseen. This was the case in Jordan, where we are building two new wind farms in close proximity to one another. During earthworks, local farmers experienced negative impacts on their livelihoods due to a combination of high wind speeds and soil movements. The dust covered livestock grazing areas as well as olive trees, resulting in reduced income from olive production. The farmers also noticed that their goats and sheep were experiencing respiratory difficulties.

To address this issue, we contracted an independent consultant to conduct a rigorous impact assessment and calculate a fair level of compensation. The complainants will be duly recompensed for their loss of income. Lessons learned from this case will be integrated into our due diligence framework to prevent similar cases occurring in the future.



Senegal

In September 2018, we announced a contract to provide customised solutions for Senegal's first-ever wind power plant. The new 158.7 MW plant, which is owned by the renewable energy generation company Lekela, is located in Taiba N'Diaye, a small town 75km northeast of Dakar.

As Vestas will be servicing the wind farm for the next 20 years, building and maintaining a good relationship with the local community is a vital part of the process. To this end, we are rolling out regular community engagement and development initiatives, with a special focus on education – one of our core SDG commitments. In 2020, we carried out various support activities for schools in the Taiba N'Diaye project area. We repaired sanitation buildings, constructed a new classroom, and donated 1,000 tables and benches to the elementary school in Taiba Mbaye village, benefitting 565 students and 11 teachers. We also repaired the public lavatories and replaced windows and doors at the elementary school and college in Miname and Keur Malle villages, benefitting 577 students and 24 teachers.

leader in sustainable energy solutions, working with various stakeholders such as customers, partners, investors, contractors and local stakeholders, is the kind of leadership we want to incorporate into our way of doing business, and a journey on which we invite all our stakeholders to join us.



India

Continuing our community development initiatives in India, during 2020 we maintained our work on pre-existing programmes at several Vestas sites and facilities, albeit in a downscaled manner due to the COVID-19 pandemic. To date we have supported activities in 46 villages across three Indian states. Activities include: educational support for rural school children; skills training for rural adolescents; health and hygiene awareness for rural women and children; agricultural capacity building for farmers; and access to water and sanitation facilities. Additionally, we continued to support an integrated education programme in five locations in the greater Chennai region, where Vestas India is headquartered. This programme aims to help 2,000 adolescents from low-income backgrounds complete their secondary education, while also promoting higher levels of employability and improving life skills.



Sri Lanka

In Sri Lanka, we have been conducting a community development programme in villages near our 100 MW Mannar EPC wind power project site. The programme extends to rural women, fishermen and children, among others. Activities include a month-long training scheme on fabric painting and design for 66 rural women from five village clusters, followed by entrepreneurship and financial management training. We are also providing out-board motor repair training and distributing basic tools to more than 170 fishermen from over six village clusters, with a view to improving fishing outputs and income. At the same time, we are promoting organic farming and improved home-based farming practices among 200 women, focusing on awareness raising and sapling distribution, while forging links with local agriculture authorities.



Social due diligence

Human rights are transitioning from soft law to hard law. Financial institutions are firming up their demands and our customers are facing increased requirements and expectations. With this in mind, our Social Due Diligence (SDD) offers a reference framework for navigating the human rights impacts linked to wind farm project planning and construction.

To support our emerging markets entry strategy, we implemented our first Social Due Diligence framework in 2012. The SDD identifies social risks and impacts linked to the construction and service of wind farm projects within scope, and sets in motion the processes needed to prevent and mitigate them. For projects in scope, we conduct an overall assessment of the project and its potential impact on local communities.

The results from the SDD include actions to mitigate negative impacts and scale positive impacts, which are then integrated into project plans to ensure integrity in project execution. The SDD is based on the International Finance Corporation's Environmental and Social Performance Standards, and the World Bank Group's Environmental, Health and Safety Guidelines for Wind Energy. This means that, regardless of where a customer obtains financing from, we will support the project's execution in line with accepted international standards.

From 2020, we report on three new Key Performance Indicators (KPIs): the number of community grievances, the number of direct beneficiaries from our community engagement activities, and the share of projects in scope that have undergone the SDD process. Starting to

report this year, we are looking forward to tracking these areas closer and improving our results for 2021 and beyond. Please find accounting principles on page 50.

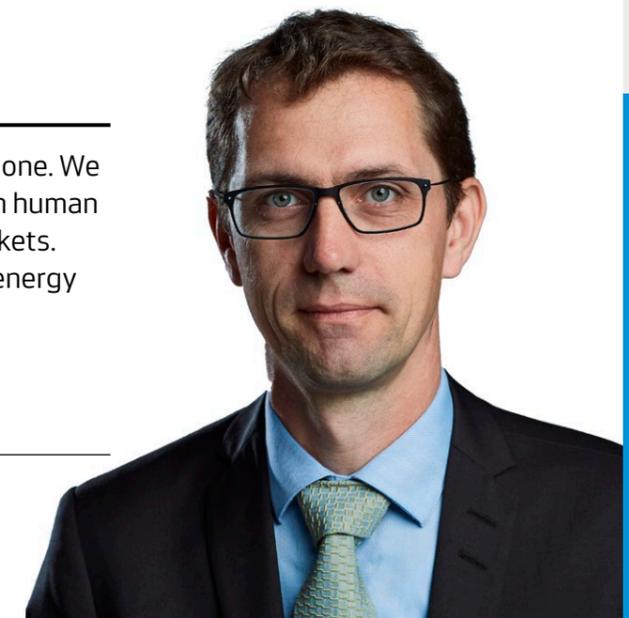
Community grievances: To ensure that we receive and handle community grievances, it is important that we have a functioning operational level grievance mechanism. We are pleased to see that our operational level grievance mechanism is used and we will continue to revise and improve it so that we can ensure local communities have the opportunity to raise issues with us as soon as they arise. In 2020, we received 20 community grievances.

Community beneficiaries: Despite the challenges of COVID-19, we managed to continue several of our community engagement initiatives and reach 14,770 direct beneficiaries in a safe manner. Examples of these projects can be found on the left side of this page. We always consider the project's SDD results and our six primary SDGs when choosing community engagement initiatives in collaboration with the local community and our partners.

Share of projects in scope having undergone SDD: We are constantly working to ensure that all projects within scope undergo the SDD process. This also means that we conduct SDDs on projects that do not reach firm order intake in the reporting year. For 2020 we increased our share of projects in scope having undergone SDD to 77.8 percent, but still have work to do to meet our target of 100 percent by 2025.

“ We do not have all the answers and we cannot do this alone. We need to engage with our partners to move the needle on human rights, especially in the more challenging emerging markets. This is the way we can lead a responsible and inclusive energy transition, hand in hand.”

Kristian Heydenreich
Senior Director, Compliance & CSR



Governing sustainability

Solid governance structures are the backbone of our work on sustainability. In this section, we describe how sustainability is managed and governed at Vestas and outline central activities in 2020.

Sustainability governance at Vestas

Our Sustainability Strategy department is responsible for preparing and coordinating our sustainability strategy. In close collaboration with our functional areas, the department also drives and supports the execution of the strategy, operating as part of MarCom, Sustainability & Public Affairs in our CEO Office. The department reports to the Sustainability Committee multiple times a year and to our Executive Management and Board of Directors at least once a year. To reflect the strategic importance of sustainability to our business, in 2020 the Head of Sustainability, Lisa Malmquist Ekstrand, also started reporting directly to the Group President and CEO, Henrik Andersen, on a monthly basis.

To effectively implement sustainability across the organisation, we have appointed sustainability leads for each area of the business. In close collaboration with the Sustainability Strategy department, these individuals define action plans and resource allocation to support the achievement of our sustainability goals and targets within their business area. In addition, individual departments are responsible for specific global policies, procedures and overall guidance related to sustainability. Health, safety and environment are managed by the Global Quality, Safety & Environment (QSE) department, while corporate social responsibility and business ethics are managed by the Legal, Risk & Compliance department. To further embed sustainability within our governance structures, in 2020 we appointed Module Sustainability Leads (for example, for nacelles, blades, towers). These Module Leads will work to achieve reductions in carbon emissions and waste for specific turbine parts.

The Vestas Sustainability Committee prioritises, oversees, and coordinates

cross-functional sustainability initiatives across the entire organisation, while ensuring we uphold our responsibilities as Signatories to the UN Global Compact. It is essential that the Committee represents Vestas in its entirety, so each member speaks for their respective function or department. The following functions are represented in the Committee: Investor Relations, Compliance & CSR, Sustainability Strategy, People & Culture, Service, Sales, Procurement, Quality, Safety & Environment, and Power Solutions.

Reporting to Vestas' Executive Management team, the Committee held a total of nine meetings in 2020. This frequency will remain the same in 2021. During 2020, a priority for the Sustainability Committee was the discussion and approval of key initiatives to deliver on the sustainability strategy. This focus will remain in place for 2021; and the Sustainability Committee, as well as the Sustainability Strategy department, will continue to oversee the execution of our sustainability strategy.

The Board of Directors of Vestas Wind Systems A/S

Vestas Wind Systems A/S' Board of Directors (BoD) consists of eight external members with broad international experience and four employee representatives. The external members are elected at the general meeting for one year at a time, while the employee representatives are elected by and among the company's employees. More information about the BoD can be found in our Annual Report, which is accessible via our [corporate website](#).

There are three BoD committees overseeing our sustainability performance: the Audit Committee, the Nomination & Compensation Committee, and the Technology & Manufacturing Committee. The Audit Committee evaluates our ethics and anti-corruption programme, in accordance with both the Vestas Code of Conduct and the World Economic Forum Partnering Against Corruption Initiative (PACI). The cases

filed in EthicsLine, our whistle blower system, are reported to the Audit Committee. The Nomination & Compensation Committee supports the BoD in all staff-related topics, including diversity and inclusion. Meanwhile, the Technology & Manufacturing Committee evaluates our sustainability performance.

In 2020, the BoD held four Audit Committee meetings, six Nomination & Compensation Committee meetings, and four Technology & Manufacturing Committee meetings.

Codes of Conduct

Integrity is fundamental to all conduct at Vestas. When faced with difficult decisions, integrity means making ethical choices that reflect our values of accountability, collaboration, simplicity and passion. As a global company of more than 25,000 employees operating in over 50 countries, it is essential that our Codes of Conduct embody this commitment and are supported by top management.

Our Employee Code of Conduct describes a set of rules and principles for how employees are expected to behave as part of their employment at Vestas. It applies beyond local traditions, national legislations and cultures, setting a standard for all employees wherever they operate. All salaried employees joining Vestas are required to sign the Employee Code of Conduct.

Our Business Partner Code of Conduct outlines the minimum requirements with which our Business Partners need to comply when conducting business with us. It applies to all business partners, and we have the right to terminate a business relationship if a supplier does not fulfil the compliance requirements set out in the Code.

For more information about our policies, please visit:

- [The Vestas Employee Code of Conduct](#)
- [The Vestas Decision Tree](#)
- [The Vestas Business Partner Code of Conduct](#)
- [The Vestas Business Partner Code of Conduct Guidelines](#)
- [The Vestas Quality, Health, Safety and Environmental policy](#)
- [The Vestas Human Rights Policy](#)
- [The Vestas Freedom of Association Policy](#)

UN Global Compact

The United Nations Global Compact (UNGC) is the world's largest corporate sustainability initiative. It encourages businesses to align their operations and strategies with ten universal principles on human rights, labour, the environment and anti-corruption. At Vestas, these principles serve as the basis for all our sustainability efforts; and while we first committed to the UNGC in 2009, we annually report and publish our progress on implementing its principles.

In 2020, we reiterated our commitment to the UNGC as our Group President & CEO, Henrik Andersen, signed the UNGC's Statement from Business Leaders for Renewed Global Cooperation. As a signatory to this statement, we commit to continuously demonstrate ethical leadership and good governance, invest in addressing systematic inequalities, ensure accountability and transparency, promote equality, and respect human rights.

In the UNGC Nordic Network, we have demonstrated our sustainability leadership through our participation in working groups on human rights and the SDGs. We use these working groups to promote stronger sustainability efforts for businesses in their local contexts.

Stakeholder engagement

As a global company, Vestas interacts with many different stakeholder groups. These include customers, shareholders and investors, employees, policy makers, suppliers, non-governmental organisations, local communities and the media. We acknowledge that our sustainability performance is an important part of our relationship with these groups. By proactively engaging with stakeholders to understand their needs and concerns, we can feed this information back into our decision-making process.

We categorise and prioritise stakeholders according to the degree to which they influence and are affected by our overall performance, as well as their interest in Vestas. Our stakeholder engagement ranges from forming partnerships to address common sustainability issues, to more passive activities such as the publication of the Vestas Annual Report. We use the priority level assigned to each stakeholder to determine the most appropriate form of engagement.

Transparency is fundamental to our engagement strategy and underpins our different engagement efforts. We publicly disclose key sustainability information in the Vestas Sustainability Report. Additionally, we regularly lead more detailed dialogues with key stakeholders, as well as day-to-day contact with customers and annual events like our supplier forum.

Management systems

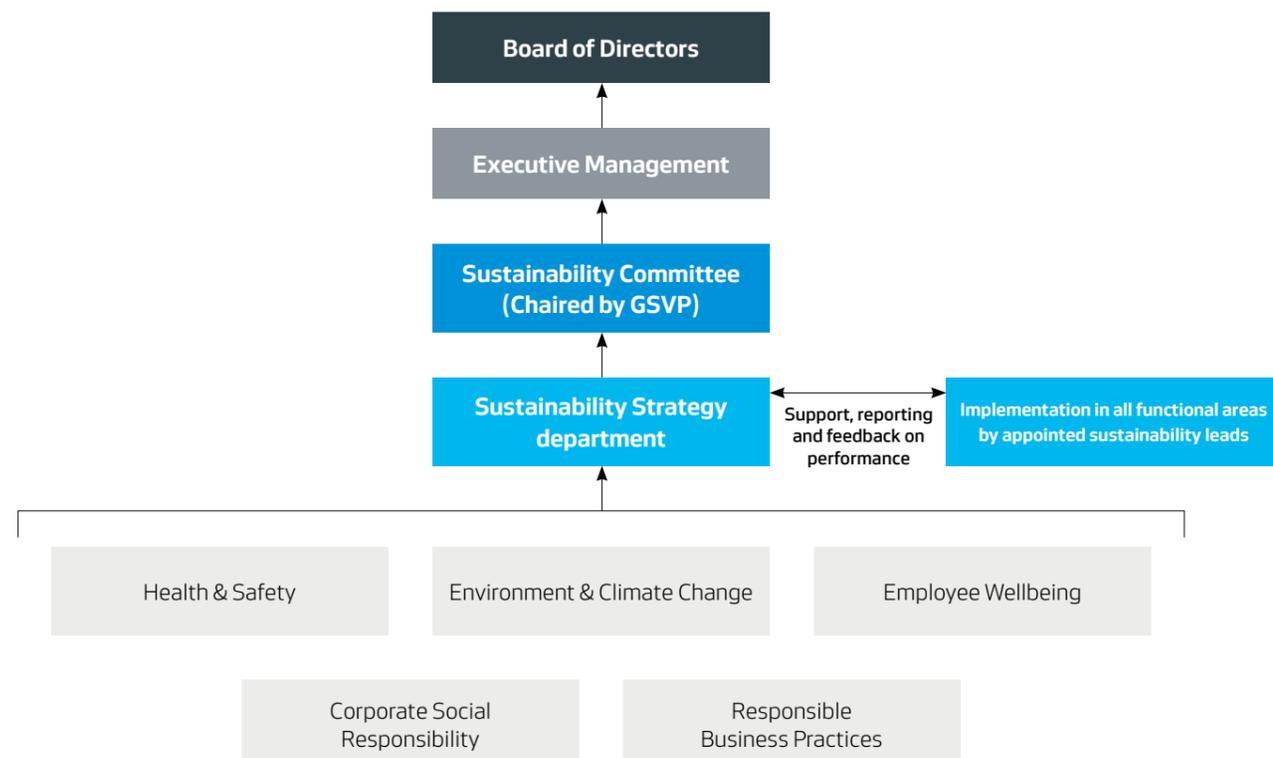
The Vestas Management System enables us to put all external and internal sustainability requirements into practice systematically, efficiently and effectively. It is a vital part of our efforts to embed sustainability across all our business processes. In order to further demonstrate our commitment to meeting the highest sustainability standards, our operations are built on global certificates for ISO 9001 for Quality, ISO 14001 for Environment, and OHSAS 18001 for Health and Safety.

Memberships

To support our global leadership role in sustainable energy solutions, we pursue memberships with various international initiatives, bodies and partnerships. These include:

- Global Wind Energy Council (GWEC)
- WindEurope
- RE100
- World Economic Forum and its Partnering Against Corruption Initiative (PACI)
- P4G Partnering for Green Growth and the Global Goals 2030
- 40 national wind associations around the world
- Nordic Business Network for Human Rights
- Fight Against Facilitation Payments Initiative (FAFPI)

Vestas' Sustainability Governance



Tax and sustainability

Sustainable, socially responsible and compliant tax practices are vital to our efforts to make a positive contribution to local communities and create a sustainable planet for future generations. By taking an ethical and transparent approach to tax, we help to sustain the Group's license to operate globally as well as locally. As part of this approach, we believe local operations must be proportionally matched by local tax contributions. Additionally, external demands on tax transparency, as well as several corporate tax scandals, have highlighted the material legislative and reputational risk stemming from unsustainable tax practices.

From a financial point of view, it is important we limit the risk of double taxation, apply withholding taxes correctly, and establish the right allocation of income between Vestas companies in accordance with international regulations and principles. Given our global footprint, we face scrutiny from tax authorities competing for the same tax revenue, which results in tax audits, double taxation, arbitration and lawsuits that put a significant financial burden on us.

Our tax policy

In recent years, growing attention from policymakers and social actors have led to the development of guidelines and standards that enable businesses to take a firm and coherent position on sustainable tax practices. Vestas welcomes and has closely followed the development of these initiatives. In particular, we align our tax approach with the Global Reporting Initiative (GRI) 207 standard, developed by the Global Sustainability Standards Board (GSSB).

In 2020, we reworked the first Vestas Group Tax Policy (2018) to incorporate these new developments. A key element in the updated policy, which is available on our [corporate website](#), was a structured approach inspired by the GRI 207. The policy includes:

- An overall commitment and approach to a responsible tax practice
- A governance structure, by which the Tax Policy is subject to annual review and approval by the Board of Directors of Vestas Wind Systems A/S

- An explicit policy on tax planning, tax disputes and tax risk management

We acknowledge that transparency is crucial to ensure an accountable and sustainable approach to tax. Consequently, we strive to communicate transparently on all our tax practices. We see the publication of relevant tax data as the natural next step in our sustainable tax conduct going forward. Subject to internal approval, we aim to publish a country-level tax report in 2022. Following GRI recommendations, we will use the Country-by-Country Reporting (CbCR) submitted to tax authorities internationally as our start point, and will build on this to provide a more accurate picture of our tax payments.

Being a project-based company, our country-level revenue and tax payments will vary substantially year-over-year. The raw data from our CbCR is only a snapshot; it does not fully represent our business and we will therefore work to create a context for the interpretation of this data.

The global tax environment

With a global supply chain and manufacturing facilities, and with wind turbines installed in more than 75 countries, we are impacted by developments in the international tax arena. We therefore support the harmonisation of international tax rules and collaboration between governments to ensure a fair tax environment. When it comes to tax disputes, we seek to minimise any cash flow impact and engage in an open dialogue with tax authorities. This process is often conducted on a bilateral basis, bringing all relevant parties to the table to reach a swift and fair settlement. However, occasionally tax authorities go beyond the legitimate remit of an audit in an effort to secure information. We do not support or commend such scattergun techniques, and always aim to protect business-critical data and details – both for ourselves and our clients.

Like any other business, Vestas takes local tax policies into account when making business decisions. To account for the global supply chain and operations which characterise our industry, we advocate for a level playing field for businesses operating in different markets. We engage with industry organisations and political stakeholders to ensure the state of our industry is known to decision-makers, and to promote the transition to renewable energy through improved framework conditions.

Tax and sustainability

Interview with Hjalte Volqvartz,
Vice President, Group Tax.



Q: Hjalte, how do you contribute to Vestas' sustainability strategy, Sustainability in Everything We do, in your day-to-day work?

A: In my role as Vice President of Group Tax, I contribute to sustainability through the lens of a tax professional. In line with our overall approach to sustainability, we need to have a tax practice that can be consistently applied over time to the benefit of our business and the communities in which we operate. Vestas is committed to long-term engagements, so we consider an aggressive tax planning approach to be short sighted. Wind power is generally supported politically and by local communities, and bad tax practice could lead to severe reputational damage. We have defined good governance as a vital part of sustainability and this is very important to me, as executing on our corporate policies is a vital part of my everyday work.

" It is essential for us to put substance over form. We apply a strict policy of not engaging in or pursuing artificial structures."

Hjalte Volqvartz
Vice President, Group Tax

Q: What is the link between taxes and sustainability?

A: Tax – including corporate tax payments – is key to unlocking sustainability commitments in broad terms, and enables the financing of each of the SDGs. Professionally and personally, it is important to me that Vestas acts as a responsible corporate citizen. Here, tax is a fairly tangible subject where we, as a company, can ensure a positive impact in both developed and developing countries by contributing to communities.

Q: What is most important in Vestas' approach to responsible tax planning?

A: It is essential for us to put substance over form. We apply a strict policy of not engaging in or pursuing artificial structures. Following this commitment, I work to enable the development of our business. And it is always the commercial opportunities that must motivate our decisions and shape our structure – not the other way around.

Q: Finally, what is it that personally gets you out of bed in the morning?

A: It is a very strong motivation to go to work every morning knowing that each day of successful execution on our strategy takes us one step closer to ensuring a better world for everyone. Being able to contribute to that development by leading an area I am passionate about is the cherry on top. I am proud to be part of Vestas, and of the strong commitments and progress we are making towards a sustainable future.



Vestas' contribution to the UN Sustainable Development Goals in 2020:

SDG	GOAL	TARGETS (INDICATORS)	VESTAS' CONTRIBUTIONS
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university (4.3.1 Participation rate of youth and adults in formal and non-formal education and training in the previous 12 months, by sex)	<ul style="list-style-type: none"> On our journey of community development in India, during 2020 we continued to support an integrated education programme in five locations in the greater Chennai region, where Vestas India is headquartered. This programme aims to help 2,000 adolescents from low-income backgrounds complete their secondary education, while also promoting higher levels of employability and improving life skills. Vestas has a strong focus on vocational training. In 2020, Vestas provided an average of 62 hours of training per employee. Vestas prioritises attracting and training new talent – for example through its international two-year Graduate Programme. In 2020, we onboarded 27 new Graduates (42 percent women) across nine countries.
		7.1: By 2030, ensure universal access to affordable, reliable and modern energy services (7.1.1 Proportion of population with access to electricity; 7.1.2: Proportion of population with primary reliance on clean fuels and technology)	<ul style="list-style-type: none"> Being a pioneer and leader in wind energy solutions for several decades, Vestas has worked to make wind a competitive source of energy. On average, onshore wind nowadays demonstrates one of the lowest levelised costs of energy. This achievement is also supported by our global service business, improving our customers' business cases and enabling a stable supply of renewable electricity.
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	7.2: By 2030, increase substantially the share of renewable energy in the global energy mix (7.2.1 Renewable energy share in the total final energy consumption)	<ul style="list-style-type: none"> Vestas remains at the forefront of the transition towards affordable and clean energy – delivering between 30 and 50 units of energy back to society for every unit needed in the life cycle of a Vestas wind turbine. By the end of 2020, the company had collaborated with its closest stakeholders to install more than 76,680 wind turbines in 83 countries, adding up to a total capacity installed of 1.29 GW. In 2020, Vestas sourced 100 percent of its electricity consumption from renewable sources.
		8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 percent gross domestic product growth per annum in the least developed countries (8.1.1 Annual growth rate of real GDP per capita)	<ul style="list-style-type: none"> As our industry scales to meet the world's sustainable energy demands, Vestas has grown its revenue by 46 percent over the last two years. This growth creates even more jobs in our supply chain and affiliated industries.
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors (8.2.1 Annual growth rate of real GDP per employed person)	<ul style="list-style-type: none"> Adding renewable energy capacity increases the number of jobs faster than investing in fossil fuels, as renewables are more labour intensive and quicker to build than thermal power plants. Per USD 10m of investment, renewable energy creates 75 jobs (direct and indirect), as compared to 27 from fossil fuels⁶. Vestas continued to invest in future technology to help drive clean energy; in 2020, R&D costs amounted to more than EUR 250m.
		8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value (8.5.1 Average hourly earnings of female and male employees, by occupation, age and persons with disabilities)	<ul style="list-style-type: none"> Aside from a competitive salary, working for Vestas goes hand-in-hand with a range of other benefits (depending on local market conditions): pension, insurance plans, health insurance, subsidised lunch, gym access and work/life policies. Our compensation packages are benchmarked against local market salaries for each position, ensuring equal and fair pay regardless of social identity.
		8.7: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms (8.7.1 Proportion and number of children aged 5-17 years engaged in child labour, by sex and age)	<ul style="list-style-type: none"> For the past decade, Vestas has been working to develop and promote a unique approach to respecting human rights. In our Human Rights Policy, we recognise our responsibility to respect human rights as set out in the United Nations Universal Declaration of Human Rights, and according to the framework outlined in the UN Guiding Principles on Business and Human Rights. Our Business Partner Code of Conduct outlines this expectation to all our stakeholders, and we publicly endorse and advocate for mandatory human rights due diligence. Through our Social Due Diligence Process and supplier screening, we work to end forced labour, modern slavery and child labour as part of our ambition to be the most socially responsible company in the energy industry.
		8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment (8.8.1 Frequency rates of fatal and non-fatal occupational injuries, by sex and migrant status)	<ul style="list-style-type: none"> In its Freedom of Association Policy, Vestas commits to respect employees' rights to freedom of association and collective bargaining. Vestas continues its work to reduce the Total Recordable Injury Rate – having achieved a 72 percent reduction since 2011, to a rate of 3.3 in 2020. By 2025, we want to demonstrate a TRIR of 1.5; and by 2030, we want to reduce this rate to 0.6, becoming the safest workplace in the energy industry.
		8.9: Increase substantially the share of research and development in gross value added (8.9.1 Research and development in gross value added)	<ul style="list-style-type: none"> Vestas continues to invest in future technology to help drive clean energy; in 2020, R&D costs amounted to more than EUR 250m.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	12.2: By 2030, achieve the sustainable management and efficient use of natural resources (12.2.1 Material footprint, material footprint per capita, and material footprint per GDP)	<ul style="list-style-type: none"> Today, all Vestas turbines are based on proven technology, using drivetrains that use a minimal amount of rare earth materials. The contribution of rare earth elements used in our turbine generator magnets, and in our tower magnets, contribute below 0.1 percent of total life cycle impacts (Vestas 2014).
		12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse (National recycling rate, tons of material recycled)	<ul style="list-style-type: none"> Vestas' goal is to build zero-waste wind turbines by 2040. This means we are aiming to create a value chain that generates no waste materials. In 2020, we launched several initiatives to improve the end-of-life performance of wind turbine rotors.
		12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle (12.6.1 Number of companies publishing sustainability reports)	<ul style="list-style-type: none"> Vestas values transparent communication with its stakeholders. In our annual Sustainability Report, we provide information about our sustainability strategy and performance.
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	13.2: Integrate climate change measures into national policies, strategies and planning (13.2.1 Number of countries that have communicated the establishment or operationalisation of an integrated policy/strategy/plan which increases their ability to adapt to the adverse impacts of climate change, and foster climate resilience and low greenhouse gas emissions development in a manner that does not threaten food production)	<ul style="list-style-type: none"> With 129 GW of installed wind energy, Vestas and its stakeholders have avoided the emission of 1.5 billion tonnes of CO₂e since 1981. In response to the COVID-19 pandemic, Vestas has publicly advocated for putting carbon emission reductions at the heart of EU recovery programmes. This position was reiterated in the context of discussions on increasing the EU's greenhouse gas reduction target to 55 percent by 2030.
		17.1: Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection (17.1.2 Proportion of domestic budget funded by domestic taxes)	<ul style="list-style-type: none"> In 2020, Vestas updated its Group Tax Policy, taking the view that sustainable, socially responsible and compliant tax practices are vital to our efforts to make a positive contribution to local communities and create a sustainable planet for future generations. We support the harmonisation of international tax rules and collaboration between governments to ensure a fair tax environment.
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalize the global partnership for sustainable development	17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships (17.17.1 Amount of United States dollars committed to public-private and civil society partnerships)	<ul style="list-style-type: none"> Vestas seeks a partnership approach to sustainable development. We are engaged in various supplier and customer collaborations to improve environmental performance in our operations and products, as well as to drive the sustainable energy transition. In 2020, we directly collaborated with 11 NGOs globally as part of our work with community engagement where we operate.



6) Sources: McKinsey & Company, [How a post-pandemic stimulus can both create jobs and help the climate, 05/2020](#), Irena, [Global Renewables Outlook, 04/2020](#)

EU Taxonomy

With reference to Article 8 of the regulation on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088, also known as the EU Taxonomy, and based on the technical screening criteria currently available, it is Vestas' interpretation that 100 percent of Vestas Wind Systems A/S' revenue, CAPEX and OPEX is aligned with the EU Taxonomy, as all of the company's activities contribute substantially to objective No. 1, Climate Change Mitigation, as enabling activities. As the deadline for the European Commission to adopt a delegated act to specify the content and presentation of the information to be disclosed is set for 1st June 2021, we have used the final report of the Technical Expert Group (TEG) on Sustainable Finance as reference document.

To secure that our 100 percent EU Taxonomy compliant activities meet the Do No Significant Harm (DNSH) criteria, we have committed to be a climate neutral company by 2030 and to reduce carbon emissions from our supply chain by 45 percent per MWh generated by 2030. In 2020, the targets for our own operations have been validated by the Science Based Targets Initiative (SBTi, see page

32). Furthermore, our ambition to produce zero-waste wind turbines by 2040 addresses hotspots in our value chain and is based on our decade-long work on and publication of Life Cycle Assessments (LCAs) for our products. The company has made impacts and efforts transparent and integrated them into our research and development processes (see page 36). Vestas® SiteLCA™ is a service that we offer our customers to environmentally optimise the full powerplant setup (see page 36).

With regards to the minimum safeguards on OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, Vestas has implemented a series of policies and procedures to ensure responsible business conduct (see pages 30 and 40). The company has a comprehensive Social Due Diligence process to identify, assess, and prevent or mitigate potential adverse impacts on affected communities in the area of influence, where Vestas is involved in the installation of wind power projects. In the event of a community concern or complaint, this can be raised through the project-level grievance mechanisms (GM).



Sustainability key figures¹⁾

	2020	2019	2018	2017	2016
ENVIRONMENTAL					
UTILISATION OF RESOURCES					
Consumption of energy (GWh)	621	638	614	569	567
- of which renewable energy (GWh)	295	258	211	204	215
- of which renewable electricity (GWh)	261	227	178	175	186
Renewable energy (%)	48	40	34	36	38
Renewable electricity for own activities (%)	100	82	68	66	70
Withdrawal of fresh water (1,000 m ³)	421	473	470	454	428
WASTE					
Volume of waste from own operations (1,000 t)	89	85	81	71	75
- of which collected for recycling (1,000 t)	46	43	42	39	37
Recyclability rate of hub and blade ²⁾ (%)	41 ³⁾	42 ⁴⁾	//	//	//
CARBON EMISSIONS					
Direct emissions of CO ₂ e (scope 1) (1,000 t)	71	71	69	60	58
Indirect emissions of CO ₂ e (scope 2) (1,000 t)	2	38	61	70	66
Indirect emissions of CO ₂ e from the supply chain (scope 3) ²⁾ (million t)	9.79	6.90	//	//	//
Indirect emissions of CO ₂ e from the supply chain (scope 3) ^{2) 5)} (kg per MWh generated)	6.49	6.45	//	//	//
PRODUCTS					
Expected CO ₂ e avoided over the lifetime of the MW produced and shipped during the period (million t)	493	322	275	317	281
Annual CO ₂ e avoided by the total aggregated installed fleet (million t)	186	154 ⁶⁾	134	120	106
SOCIAL					
SAFETY					
Total Recordable Injuries (number)	185	213	210	243	303
- of which Lost Time Injuries (number)	65	67	80	92	82
- of which fatal injuries (number)	0	1	0	1	0
Total Recordable Injuries per million working hours (TRIR)	3.3	3.9	4.0	5.3	6.9
Lost Time Injuries per million working hours (LTIR)	1.2	1.2	1.5	2.0	1.9
EMPLOYEES					
Average number of employees (FTEs)	26,121	24,964	24,221	22,504	21,625
Employees at the end of the period (FTEs)	29,378	25,542	24,648	23,303	21,824
DIVERSITY AND INCLUSION					
Women in the Board ⁷⁾ and Executive Management at the end of the period (%)	27	23	15	23	23
Women in leadership positions ⁸⁾ at the end of the period (%)	19	19	19	19	19
HUMAN RIGHTS					
Community grievances ²⁾ (number)	20	10	//	//	//
Community beneficiaries ²⁾ (number)	14,770	6,093	//	//	//
Social Due Diligence on projects in scope ²⁾ (%)	78	32	//	//	//
GOVERNANCE					
WHISTLE-BLOWER SYSTEM					
EthicsLine cases ⁹⁾ (number)	287	224	165	105	103
- of which substantiated (number)	54	44	42	31	19
- of which unsubstantiated (number)	199	145	92	74	68

1) For definitions and accounting policies for the sustainability key figures, see the Notes on page 50. Comments to the indicators can be found in the respective reporting section in this report.
 2) Data only available from 2019 onwards.
 3) The decrease from 2019 to 2020 is attributable to a design change in 2020 that has optimised the metal content in the turbine hub after which the blade mass corresponds to a bigger share of the total rotor mass.
 4) The 2019 baseline has been updated from 44 percent to 42 percent recyclability due to adjustments in the bill of materials.
 5) This covers 70 percent of the scope 3 emissions.
 6) In the Vestas Annual Report and Sustainability Report 2019, this number was 151 million tonnes saved. Since then, the fleet average capacity factor used has been corrected, and the number adjusted accordingly.
 7) Only Board members elected by the general meeting are included.
 8) Employees in leadership positions comprise managers, specialists, project managers, and above.
 9) The cases not registered here as substantiated or unsubstantiated are still under investigation at the end of the year.

Notes to Sustainability key figures

Basis for preparation of the statement General reporting standards

The below description of accounting policies refers to the environmental, social, and governance indicators presented on page 49.

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

Acquired companies are included from the time when coming under Vestas' control. For the offshore business in the joint venture, MHI Vestas Offshore Wind, however, of which Vestas took full ownership on 14 December 2020, data was not included in the 2020 reporting, as the impact was insignificant.

From 2021 and onwards, data from the offshore business will be included in the sustainability key figures. The existing sustainability strategy targets will be maintained and include offshore performance, with the adjustment that the baseline for scope 3 carbon emissions will have to be recalculated.

Defining materiality

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

Change in accounting policies

The "Sustainability key figures" have been revised after the materiality assessment conducted in 2020. Indicators for Environmental accidents, Breaches of internal inspection conditions, and Absence due to illness are no longer considered material as numbers are low and performance is good. Indicators for the environmental part of the sustainability strategy are included in the form of Recyclability rate of hub and blade, and Indirect emissions of CO₂e from the value chain (scope 3, absolute value as well as relative to MWh generated). With Vestas' commitment to lead the way in social responsibility in the renewables industry, as communicated in September 2020, indicators for human rights issues have been included in the form of Community grievances, Community beneficiaries, and Social Due Diligence on projects in scope. To document the impact of Vestas' products, Annual CO₂e avoided by the installed fleet is included. The status of the key figures is monitored closely and for relevant key indicators, specific targets have been defined. Strategic KPIs and targets can be found on page 18.

Environmental

Energy consumption, water withdrawal, waste generation, and carbon emissions are reported for the accounting period on the basis of significance. All production facilities are included as well as larger offices, warehouses, and other facilities, ensuring a comprehensive and sufficient statement of these environmental aspects. All data are registered in Vestas' HSE system.

Utilisation of resources

Electricity, gas, and district heating are measured on the basis of quantities consumed according to direct meter readings per site including related administration. Consumption of electricity comprises electricity purchased externally. Oil for heating is stated on the basis of external purchases and meter readings at the end of the reporting period. Fuel for internal transportation, including for cars owned by the company or fuel for employees' benefit cars for which the company pays the fuel per credit card as well as fuel used for internal transport on project sites and production such as forklifts, has been recognised on the basis of

supplier statements. Electricity from renewable energy sources is calculated on the basis of supplier statements. Only 100 percent renewable electricity is counted as renewable electricity.

Renewable energy is energy generated from natural resources, which are all naturally replenished – such as wind, sunlight, water, biomass, and geothermal heat. Nuclear power is not considered to be renewable energy.

The withdrawal of water is stated as measured withdrawal of fresh water on the basis of supplier statements and meter readings.

Waste

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

Recyclability rate of hub and blade is calculated as the recyclable share of the total rotor (i.e. hub and blade) mass. The measure is based upon the material composition of all turbine types that were produced and shipped in the reporting year. Recyclability rates of different materials and component types are quantified and estimated based upon information from life cycle assessment (LCA) reports of each type of turbine shipped in the year, which can be found on our [corporate website](#).

Carbon emissions

Carbon emissions are measured using the carbon dioxide equivalent (CO₂e) to include relevant greenhouse gasses according to the Greenhouse Gas Protocol. A distinction is made between scope 1, 2, and 3 emissions, as also defined by the Greenhouse Gas Protocol.

Scope 1: Direct emissions of CO₂e are calculated on the basis of determined amounts of fuel for own transport and the direct consumption of oil and gas, with the usage of standard factors published by the UK Department for Environment, Food & Rural Affairs (2020).

Scope 2: Scope 2 covers emissions released in connection with the consumption of purchased electricity, steam, heat, and cooling, of which steam and cooling are not used by Vestas. Indirect emissions of CO₂e from consumption of electricity outside Europe are calculated using national grid emission factors published by the International Energy Agency (2020). Indirect CO₂e emissions from consumption of electricity in Europe are calculated with residual mix emission factors from the Association of Issuing Bodies (2018). Indirect CO₂e emissions from district heating are calculated using the emission factor from the UK Department for Environment, Food & Rural Affairs (2020).

Scope 3: Indirect emissions of CO₂e from the value chain are reported based on the Greenhouse Gas Protocol which divides the scope 3 inventory into 15 subcategories. The largest part of the emissions is in the category 'Purchased goods and services', where CO₂e emissions from materials going into products are calculated based on LCAs following ISO 14040 & 14044, publicly available at [vestas.com](#). The measure is based upon the material composition of all turbine types that were produced and shipped in the reporting year. CO₂e emission data of different materials and component types are quantified and estimated based upon information from LCA reports on each type of wind turbine shipped in the year. Similarly, the CO₂e emissions of all produced and shipped turbines in the reporting year are derived from the LCA reports, accounting for specific material quantities purchased. LCA reports can be found on our [corporate website](#). Other purchased goods and services as well as Capital goods and Waste generated in operations are estimated based on spend using DEFRA factors for indirect emissions from the supply chain (2011). Fuel- and energy-related activities are calculated using DEFRA factors for emissions related to the production of fuel and energy. CO₂ emissions from upstream trans-

portation are estimated for global transportation based on the LCA reports for weight and distance of components transported and DEFRA carbon emissions factors. Business travel emissions are provided by the travel agency. Employee commuting is estimated based on average number of employees with the usage of standard factors published by the UK Department for Environment, Food & Rural Affairs (2020). End-of-life treatment of sold products is estimated based upon material composition of all produced and shipped wind turbines in the reporting year and DEFRA emission factors for waste treatment. Vestas' 50 percent share of the scope 1 & 2 emissions in the joint venture Mitsubishi Vestas Offshore Wind has been included in Vestas' scope 3 emissions. The subcategories C8-1.1 and C13-C14 are not relevant for Vestas, as there are no greenhouse gas emissions within these categories.

In relation to the target to reduce carbon emissions in the value chain, indirect emissions of CO₂e from the value chain per MWh generated include 70 percent of the scope 3 emissions. The amount of MWh generated is based on the number and type of wind turbines produced and shipped in the financial year along with contracted values for wind turbine capacity factor and lifetime.

Products

CO₂e avoided is to be understood as the volume of emissions, which is avoided by using the wind turbines as source, compared the average level of CO₂e impact involved in electricity generation.

Expected CO₂e avoided over the lifetime of the MW produced and shipped during the period is calculated on the basis of the wind turbines (MW) produced and shipped during the reporting period, a capacity factor of 34 percent in 2020, an expected lifetime of 20 years, and the latest updated standard factor of global average carbon emissions for electricity from the International Energy Agency (2019), at present 485 grams of CO₂e per kWh.

Annual CO₂e avoided by the total aggregated installed fleet is calculated on the basis of the total annual installed Vestas wind turbines (MW) and global average CO₂e emissions avoided per year of operation. The total CO₂e avoided is an aggregation of each year since 1981, accounting for decommissioned wind turbines, based on an estimate of the average lifetime of a wind turbine.

Social Safety

The occupational safety data in the Sustainability key figures are reported for all activities in Vestas. Lost Time Injuries (LTIs) of all employees are stated on the basis of registration in Vestas' Incident Management System of occupational incidents that have caused at least one workday of absence after the day of the injury, and the number includes fatalities. Total Recordable Injuries (TRI) include LTIs, restricted work injuries, and medical treatment injuries. Injuries and working hours for externally employed workers under Vestas' supervision are included in both measures.

The incidence of injuries is defined as the number of injuries per one million working hours. The number of working hours is measured on the basis of daily timecards registered in the payroll system for hourly-paid employees, and prescribed working hours for salaried employees excluding e.g. holidays, absence due to illness and maternity leave. For externally employed workers under Vestas' supervision, the injuries are reported by Vestas, and working hours are reported by the external suppliers.

Employees, diversity, and inclusion

The number of employees is calculated as the number of full-time equivalents (FTE) with a direct contract with Vestas registered in Vestas' HR system.

Employee indicators (the share of women in the Board of Directors, Executive Management, and leadership positions) are calculated based on headcounts at end of the reporting period. Employee information is determined on the basis of extracts from the company's ordinary registration systems with specification of gender and management level by career track (people leaders, specialists, project managers).

Human rights

Vestas registers and handles community concerns or complaints caused by Vestas or its contractors in the Vestas Incident Management System (IMS). The measure "Community grievances" covers the total number of community complaints registered in IMS in the reporting year in connection with a wind farm project and associated facilities, a Vestas factory, or a R&D Centre.

"Community beneficiaries" are individuals that have benefitted directly, financially or by way of upgraded skills, from Vestas' community development initiatives implemented during the reporting period in connection to a wind farm project and associated facilities, a Vestas factory, or a R&D Centre. Where a household is a beneficiary, Vestas calculates the household size based on the country average defined by the UN Department of Economic and Social Affairs (UN 2017). Community development initiatives are identified in collaboration with local stakeholders, including community members, and centred around the UN SDGs with special focus on the six primary SDGs selected by Vestas.

The measure "Due diligence on projects in scope" reflects the share of wind power projects in scope, which have materialised as firm orders during the reporting period, and on which the Social Due Diligence (SDD) process has been applied. The wind farm projects in scope for Vestas' SDD are 1) all Engineering, Procurement and Construction (EPC) projects in emerging markets, 2) all Supply-and-installation projects of 100 MW or above in emerging markets, and 3) projects in OECD countries with a risk rating of 'Extreme' or 'High' according to the Verisk Maplecroft 'Indigenous people' risk index on risks related to indigenous people's lands, territories or livelihoods under threat (via a risk mapping performed each year in January). In this context, 'emerging markets' are non-OECD, high-income countries, as defined by OECD.

Governance Whistle-blower system

All reports made to the EthicsLine whistle-blower hotline are investigated thoroughly, with the purpose of identifying whether a violation of the Code of Conduct has taken place. Upon the completion of the investigation, cases are classified as either substantiated or unsubstantiated. At the end of the reporting year, the total number of whistle-blower cases are calculated.

What did you think of this report?



Do you have questions?

Reach out to us on: vestassustainability@vestas.com



Stay connected:

Want to get involved and stay up to date?



@vestas



@vestas



@vestas



/vestas

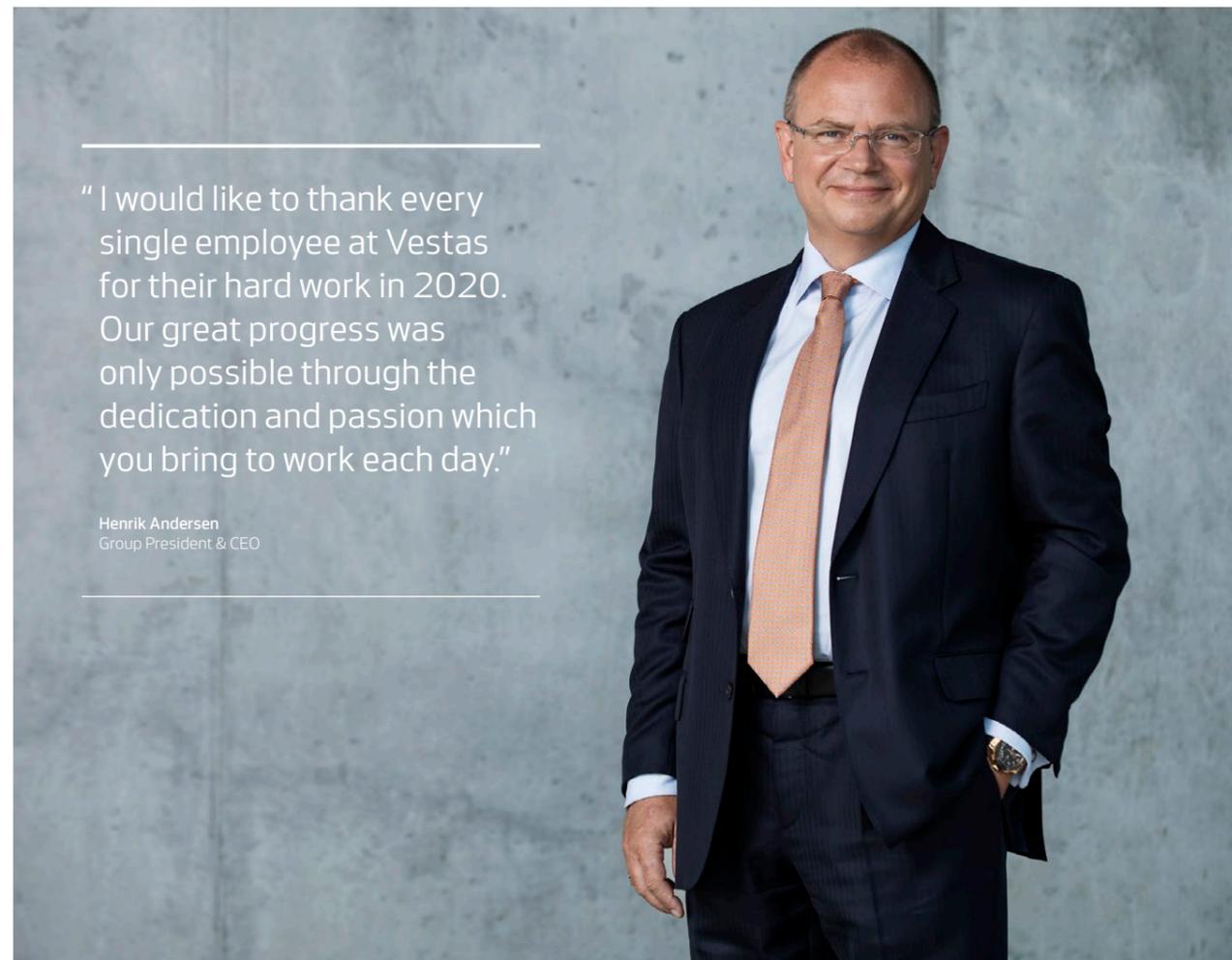


/vestas



Do you want to join us?

Discover our advertised employment positions on our [corporate website](#).



"I would like to thank every single employee at Vestas for their hard work in 2020. Our great progress was only possible through the dedication and passion which you bring to work each day."

Henrik Andersen
Group President & CEO



Vestas Wind Systems A/S
Hedeager 42 . 8200 Aarhus N . Denmark
Tel: +45 9730 0000 . Fax: +45 9730 0001
vestas@vestas.com
vestas.com

©Vestas 2020

This document was created by Vestas Wind Systems A/S and contains copyrighted material, trademarks and other proprietary information. All rights reserved. No part of the document may be reproduced or copied in any form or by any means such as graphic, electronic or mechanical, including photocopying, taping or information storage and retrieval systems, without the prior written permission of Vestas Wind Systems A/S. All specifications are for information only and are subject to change without notice. Vestas does not make any representations or extend any warranties, expressed or implied, as to the adequacy or accuracy of this information.