

# Vestas Wind Systems A/S

## Slavery and Human Trafficking Statement

Financial Year: 1 January – 31 December 2021

This Statement addresses the risk of slavery and human trafficking taking place in Vestas' business and supply chains, pursuant to section 54 of the UK Modern Slavery Act ("the Act"). The Statement covers Vestas Wind Systems A/S and its subsidiaries covered under the provisions of the Act.

## 1. Our Organisation

### Structure & Operations

Vestas designs, manufactures, installs, and services wind turbines worldwide.

Vestas is headquartered in Denmark and has offices globally with more than 29,000 employees. Vestas operates across five commercial regions, namely: Mediterranean, Latin America, North America, Northern and Central Europe, and Asia Pacific. Vestas has 22 manufacturing, assembly, and research and development facilities in 10 countries and has installed wind turbines in over 84 countries. In the year 2021, Vestas' revenue amounted to EUR 15.6bn.

Vestas is structured into six functional areas, namely: Finance, Sales, Service, Technology, Manufacturing & Global Procurement and People & Culture. In December 2020, Vestas established a new business unit for project development as Vestas has become more active in the project development space.

In December 2020, Vestas also took full control of the offshore business, Mitsubishi Vestas Offshore Wind (MVOW). In 2021, Vestas completed the integration of MVOW's business in the Vestas legal structure, data and practices relating to MVOW are therefore included in this statement.

For further information see [www.vestas.com](http://www.vestas.com).

### Supply Chain

Vestas engages with suppliers around the world.

Vestas' suppliers primarily include manufacturers of wind turbine components, construction contractors and suppliers performing services at wind farm service sites.

Supplier expenditure for Vestas' operations predominantly falls within the following spend categories:

- direct procurement for Blades, Nacelles, Towers and Hub manufacturing;
- indirect procurement for Transport, Construction, IT & Business services and Investments and tooling; and
- service procurement like spare parts, and support needed for servicing a turbine.

## 2. Governance and Policies

Our Global CSR and Compliance team includes human rights experts based in Denmark, Mexico and India. The Global CSR and Compliance team works alongside with our Procurement teams and other departments to ensure that human rights are embedded into the business.

Vestas has been a UN Global Compact ("UNGC") member since 2009, and is committed to implementing the 10 UNGC principles, including Principle 4 on elimination of all forms of forced and compulsory labour, into its business and its supply chain. The policies and procedures listed in this section outline how Vestas upholds this commitment.

### Code of Conduct

Vestas operates according to its Codes of Conduct, which are a set of rules and principles that outline expectations for our employees and suppliers. Vestas has both an Employee Code of Conduct and Supplier Code of Conduct. The Codes of Conduct follow the UN Global Compact principles and are based on international standards, including the International Bill of Human Rights, the eight core conventions of the International Labour Organisation, and the UN Guiding Principles on Business and Human Rights.

In 2021, Vestas updated both its Employee Code of Conduct and Supplier Code of Conduct. The updates incorporate stronger standards, including areas not previously covered particularly in relation to community engagement and conflict minerals. The updates also reflect changes to Vestas' operations, following the recent acquisition of MVOW.

Both Codes specifically prohibit forced or compulsory labour or child labour in our supply chain. Additionally, fundamental labour conditions such as safety and working hours must also be respected.

Both Codes of Conduct can be found at [www.vestas.com](http://www.vestas.com).

### Human Rights Policy

In accordance with the UNGPs, the Vestas [Human Rights Policy](#) publicly conveys Vestas' commitment to respect human rights, to avoid infringing on human rights, and to address any adverse human rights impacts

with which Vestas may be involved. The Vestas Human Rights Policy specifically states our commitment to avoid using or contributing to forced or compulsory labour.

The Vestas Human Rights Policy is signed by Vestas Chairman, Bert Nordberg.

The Vestas Human Rights Policy also states that Vestas will take measures to promote that its suppliers and other business partners respect human rights.

The Vestas Human Rights Policy is distributed group-wide and communicated publicly at [www.vestas.com](http://www.vestas.com).

## Recruitment policy and processes

Recruitment for both salaried and hourly-paid employees is handled by the Vestas Recruitment Team and is guided by our Global Recruitment Process. The Vestas Recruitment Team outsources most of the recruitment process to a global recruitment partner.

This recruitment partner must comply with Vestas' Recruitment Framework and overall Vestas processes, including compliance with our Supplier Code of Conduct.

In each of our regions, we have Regional Talent Acquisition Managers and Regional Talent Acquisition Partners overseeing that the Global Recruitment Process is being followed by our global recruitment partners, and monitoring of compliance is managed globally according to established standards.

## Access to Remedy

Vestas employees, suppliers and customers are encouraged to use our whistle-blower hotline, [EthicsLine](#), to report observed or suspected misconduct.

EthicsLine is hosted on a secure external website where anyone can raise a concern. 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 have zero-tolerance for 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, such as witnesses.

In 2021, EthicsLine continued to benefit from the previous year's launch of the new, upgraded EthicsLine platform. As employees familiarised themselves with the new platform, the number of EthicsLine cases continued to increase. The total number of EthicsLine cases raised in 2021 was 465. Of these cases, 96 were substantiated, leading to various disciplinary actions, including 38 warnings and 45 dismissals. We perceive the increase in EthicsLine reports as a positive sign that employees and partners are aware of the hotline, find it easy to use and are comfortable speaking up and reporting non-compliant behaviour. To date, there have been no cases on modern slavery.

## 3. Due Diligence Processes

Vestas requires our suppliers to uphold the principles in our Supplier Code of Conduct. To support and validate this expectation, we have a due diligence process, outlined below:

### A. Supplier Registration & Pre-screening: All

suppliers undergo a Sanction & Business Ethics screening. Suppliers will be screened and approved before Vestas engages with them contractually. Additionally, suppliers continue to be monitored through on-going screenings in our Global Compliance Portal. In 2021, Vestas performed 3,438 supplier screenings to identify and mitigate potential risk.

- B. Self-Assessment:** All suppliers must complete Vestas' registration and self-assessment questionnaire, that includes a module of the topics in Vestas' Supplier Code of Conduct. A satisfactory assessment score allows the supplier to move on to the next step in the onboarding process. In 2021, the process was updated and made more flexible. Now suppliers can work on the registration (where they provide their company info) and self-assessment at the same time in one digital procurement system.
- C. Supplier Creation:** Upon successful completion of previous steps, the supplier is added to the system.
- D. On-site Assessment:** A cross-functional on-site assessment is initiated for suppliers based on a risk evaluation.
- E. Manage Supplier Performance:** We continuously monitor supplier performance

and relationship management. Due diligence activities after onboarding of suppliers are conducted based on a risk evaluation. Such activities include, but are not limited to, supplier scorecards, performance review meetings, and third-party Code of Conduct Audits.

We recognise that respecting human rights is a responsibility that requires continuous vigilance, and therefore we revise our supplier due diligence process on a regular basis. In 2021, we updated our digital procurement system, including onboarding suppliers from offshore division. Advanced tracking and follow-up for supplier actions plans were also added to the system for suppliers that were conditionally approved. Furthermore, dynamic change was implemented for self-assessment details like expirations and repeating assessments after a certain time.

The due diligence process is now streamlined within the updated digital procurement system, ensuring that suppliers must progress through all five steps including providing evidence for supplier action plans and repeating assessment if requested. This has made monitoring supplier compliance more efficient within the one system.

In 2022, we will finalise our blocking process for suppliers that do not reach the threshold score directly in our digital procurement system. We are also updating the compliance portion of our supplier scorecard that is used for managing of suppliers' performance with emphasis on social sustainability by including weighted questions on conflict minerals. Finally, we have started implementation of

digital supply chain collaboration module of the system. This will enable us to work more efficiently, collaboratively and transparently with our suppliers. Reports on these changes will be included in our 2022 Statement.

## Conflict Materials

In 2021, Vestas established an external system to increase transparency in relation to conflict minerals within our supply chain, as the first step to managing this risk. Vestas conducts supply chain due diligence on conflict minerals, following the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals with the aim of ensuring that we are not contributing to human rights violations. Due diligence entails verifying the risk level of smelters from where our suppliers source minerals and metals (tin, tantalum, tungsten, and gold) that are used in their products.

As part of this process, we rely on our suppliers to provide information on the origin and sources of the minerals and metals they use, because Vestas does not source minerals or metals directly. For this purpose, we use the internationally recognised Conflict Minerals Reporting Template for supplier reporting on smelters. Our first conflict minerals program was completed in May 2021 achieving an 81% supplier response rate. Data was gathered and analysed from 500 key suppliers with biggest spend (direct scope) for 2020 and the potential of having 3TGs in products, that are sold to Vestas. The subsequent action towards suppliers is based on the risk-level of the reported smelters and includes a follow up procedure with suppliers, that have reported potential risks to

request for declarations on a company or product level.

Vestas is committed to continuous due diligence, including regular internal educational sessions equipping our employees to lead the dialogue with key stakeholders, such as customers and suppliers. Our company is dedicated to achieving annual improvement in reported smelter data quality and increasing suppliers' response rate, with the final objective of ensuring that our suppliers' products do not contain minerals sourced from conflict-affected or high-risk areas.

Vestas performs Conflict Minerals due diligence in the supply chain on a yearly basis. Our second Conflict Minerals program started in November 2021 and is expected to be updated in May 2022. We will be reporting on the results in our 2022 Statement.

For further information see Sustainability Policies page at [www.vestas.com](http://www.vestas.com).

## 4. Risk Assessment & Management

### Risk within our Business

The recruitment of factory workers is led by the respective factories' recruitment processes, which includes use of local recruitment agencies. Vestas has flagged, the use of recruitment agencies at the factory level as a potential risk in relation to modern slavery. To manage this risk, Vestas has been running a pilot in Denmark to create a new and simplified hiring process in a recruitment system called SAP SuccessFactors. SAP SuccessFactors is a centralised platform used to screen and qualify all candidates. This will enable Vestas to minimise the use of recruitment agencies.



In addition, we created an overview in 2020 of all recruitment providers at individual factory level globally. This mapping has enabled us during 2021 to start reducing the number of recruitment partners used and ensuring alignment with global procurement practices, including contracting and Supplier Code of Conduct requirements.

For 2022, we will be focusing on creating an aligned global standard on how to select and manage recruitment suppliers for factory workers.

## **Risk within Supply Chain**

Based on the corporate-wide Human Rights Impact Assessment (HRIA) conducted in 2018, forced labour remains as one of our most salient human rights risks. We have identified a potential risk of forced labour several tiers down the supply chain connected with conflict minerals and have set up a specific system to monitor this starting at the beginning of 2021. We continue to monitor the risk landscape and adjust our supply chain due diligence processes to reflect this. How we manage the risk is described below.

In 2021, we have created and implemented a tool based on direct suppliers that shows a risk-based approach towards social sustainability. A high social sustainability risk supplier to Vestas is defined as a supplier on which Vestas is dependant and which, simultaneously, is placed in a country that has a high risk of human rights violations and/or in a high-risk category. The tool segmented suppliers into different risk groups based on several risk criteria. Determined from the evaluated risk of suppliers and Vestas' current management of suppliers, actions towards these suppliers were recommended.

The pilot program was completed in the end of 2021 and reviewed 188 suppliers globally. Required actions based on the risk level were initiated in each region and included third party onsite audits, Vestas onsite assessments, or self-assessment.

Another potential risk of forced labour was identified in the Xinjiang Autonomous region of China. To assess the risk of forced labour in Vestas' supply chain, Vestas has initiated onsite audits carried out by an external auditor in the Xinjiang Autonomous region. In the region, Vestas has two suppliers in total. Both suppliers were assessed in April 2021, and the results have shown that no major non-conformities were identified and no forced labour non-compliance was recorded.

Throughout 2021, a total of 42 audits were carried out globally by a third-party external auditor on suppliers falling within indirect scope. A specific audit protocol was defined for Vestas, consisting of a desktop audit (to check system procedures) and two sessions in wind farms (to ensure its application). Twenty-three desktop audits were conducted, and 19 were performed onsite. All Code of Conduct audits contain modules related to forced labour, child labour, housing conditions and working hours with wages. Other questions specifically refer to employees' freedom of movement during the course of their employment, and their ability to terminate the employment contract at all times. The audits make use of employee interviews as validation.

A total of 21 non-conformities including observations were detected in 2021, where a few of these non-conformities are related to employee training and several observations on lack of

policy dissemination within an organization. All non-conformities found during the audits are registered and include an improvement plan with specific timeframe for closure of actions based on the findings. Regular follow ups with the suppliers are done by Vestas Supplier Quality & Development team together with the auditors making sure that improvements get implemented. To date, there have been no findings of forced labour.

In addition to the Code of Conduct audits for Indirect suppliers, 201 onsite supplier assessments were conducted by an external auditor. Elements assessed were: Code of Conduct, Health & Safety, Environment, Management & Leadership, Operations, Engineering and Supply Chain. Code of Conduct element of the assessment consists of 15 questions covering Human Rights, Labour Rights, Environment and Anti-Bribery. Supplier selection included both direct and indirect scope and was based on missing or incomplete maturity info, product severity and no onsite activities for the past two years. All suppliers assessed have been deemed as compliant with our qualification criteria, which is to have an average score above 70% in the Code of Conduct chapter. Among 201 assessed suppliers, the average score in the Code of Conduct chapter was 98%.

## **5. Training & Capacity Building**

As part of Vestas' mandatory onboarding programme, all new employees are required to complete the Vestas Employee Code of Conduct e-learning. Our hourly-paid employees working in our manufacturing sites are introduced to our Code of Conduct via their orientation programme.

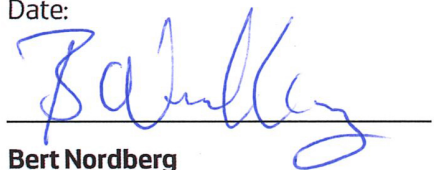
In connection to updating the supplier assessment questionnaires, Vestas employees are responsible for evaluating supplier self-assessments were trained in the Code of Conduct module, with specific emphasis on explaining what documentation and processes were required to validate the suppliers' answers.

## 6. Continuous Actions to Support our Responsibility

Vestas has a responsibility to respect human rights, which includes ensuring our activities do not cause or contribute to the use of modern slavery and human trafficking and avoiding being directly linked to such harm. We will continue create transparency in our business and supply chains, mitigating this risk through our policies, procedures and stakeholder engagement. Vestas acknowledges that this work is an evolving process and will be reporting on our progress in the 2022 Statement.

This Statement was approved by the Board of Directors of Vestas Wind Systems A/S on

Date:

A handwritten signature in blue ink, appearing to read 'B. Nordberg', is written over a horizontal line.

**Bert Nordberg**

Chairman, Vestas Wind Systems A/S

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