

Managing Responsibly

Sustainability is
in our strategy

The blades are put on the rotor on the ground before it is installed on the nacelle

Managing Responsibly

Sustainability is a key part of the foundation of LM Wind Power's corporate strategy and is reflected in the company's functional strategies

In 2014, LM Wind Power focused on building awareness, understanding and fostering the culture to align with our Sustainability goals. The level of communication and external recognition was at an historic high and the growing number of sustainable business initiatives made significant progress.

The Code of Conduct remains a core document outlining the principles that are guiding LM Wind Power's Sustainability efforts and it is fully aligned with the United Nations (UN) Global Compact to which LM Wind Power has been a signatory since 2010. The Code of Conduct addresses:

- Business Principles
- Anti-Corruption and Anti-Bribery
- Human Resources and Rights
- Environmental Principles
- Responsibility of Managers and Employees

The aspirations to be a sustainable business are reflected in the company's corporate strategy and key documents governing our work, such as the Global HSE Policy and the Global Quality Policy. Over the past few years, Sustainability has increasingly been integrated into business practices and decisions, leading to safer workplaces, more efficient processes and cost savings that go straight to the bottom line.

Health, Safety & Environment

A cornerstone of Sustainability in LM Wind Power is the Global Health, Safety & Environment (HSE) Policy which highlights HSE as critical for the well-being of our people, for satisfying our customers and for our success as a business. The policy is further supported by an HSE Management System Manual, a Disciplinary Policy which dictates zero tolerance towards significant HSE violations, and a structure which clearly outlines HSE roles and responsibilities. Everything is embedded in the company's Business Management System where our employees are guided on a comprehensive range of HSE related activities and compliance. Topics range among other things from identification of hazards, legal requirements, strategy and goal setting, training,

communication, document control and emergency preparedness. The Global HSE Policy has a primary emphasis on safety of people but furthermore covers the internal and external impacts on the environment including climate related issues. Key performance indicators related to Health, Safety, Environment and Climate are tracked on a monthly basis and reported on through the company's sustainability reporting software. The core metrics for Health and Safety and work environment are the Lost Time Accidents (LTA's) and Absentee rates which we are pleased to see improve every year. Material use, energy and waste are the key contributors to the company's environmental impact and reflected in the carbon footprint data that are included in this report and the more comprehensive annual Communication on Progress to the UN Global Compact.

LM Wind Power took the next step on the journey towards excellence within Health & Safety during 2014, through intensive training for key personnel, focused on behavior, culture and dialogue. Years of dedicated work has now ensured that the organization, systems and structures are in place, and the level of awareness has increased significantly. The next big step needs to come from working even more on culture and behavior. The safety data shows how the efforts so far paid off in terms of significantly improved safety performance in the manufacturing facilities. Safety dialogues have become a daily routine and the overall safety drive has also contributed to improved manufacturing quality and ultimately, customer satisfaction.

LM Wind Power once again beat its own target for Lost Time Accidents (LTA's) per million work hours. The LTA rate for 2014 was on target at 2.0, down from 2.9 the year before and compares very favorably with similar manufacturing industries. Efforts will continue to minimize work-related risks and to eliminate accidents, aiming for an ambitious, lower, global LTA rate of 1.6 in 2015.

Quality

LM Wind Power's Global Quality Policy addresses how we honor our commitment to customer expectations and market needs. We recognize that delivering a high quality, reliable and sustainable product is the most significant contribution we can make to build a more sustainable world. Therefore, the policy



The Dobaspet plant in India was one of the first LM Wind Power factories to be established outside Denmark in 1994

also emphasizes how we strive for zero defects in products and services; that we work on developing an environment through which we will improve our quality performance and that we work and learn as one team, across geographical, cultural and functional boundaries to deliver uniform products and services worldwide.

Significant quality improvements were achieved in 2014 and these were reflected in the key metrics. The cost of quality issues compared to sales decreased, as did the number of customer findings during inspections which were at an historic low level. On the material side, we stepped up our efforts to ensure flawless incoming material and managed to improve the supplier performance significantly. Overall, quality performance is tracking in the right direction which was also evident in the feedback from our customers during the year. Customer satisfaction ratings improved generally and LM Wind Power was also recognized as Supplier of the Year by key global customers in India and China.

ISO and OHSAS

The company continued progress to ensure certification of all operational locations according to ISO 9001, ISO 14001 and OHSAS 18001 in 2014. All offices and manufacturing sites except Brazil are now certified according to ISO 9001. Only the plant in Brazil and the offices in Heerhugowaard and Schiphol need to go through the process to be included in the certification of our integrated HSE Management System according to ISO 14001 and OHSAS 18001. All locations are scheduled to go through certification again in first half of 2015. New sites will be certified as they begin operation.

Operational efficiency and innovation

LM Wind Power's waste reduction program, which is now in its fifth consecutive year, continued to deliver significant contributions to lowering operational cost and improving efficiency, while minimizing the environmental impact from our manufacturing facilities.

Building on the experience from previous years, the 2014 target of EUR 2.7 Million was exceeded with an actual waste saving of EUR 4.3 Million. The total saving over the past five years amounts to more than EUR 20 Million, and thousands of tons of waste to landfill have been avoided – approximately 3,000 tons in 2014 alone.

The majority of the saving initiatives was generated on the shop floor by creative employees dedicated to working smarter and cutting out waste from the manufacturing process. The idea generation culture is stronger than ever. In fact, on average each LM Wind Power employee in 2014 generated 3.6 ideas that were implemented, exceeding the target of 2.

Waste reduction was also a strong theme in the Engineering function where especially the Materials & Process department delivered and implemented a range of innovative solutions in 2014. Focus was and is on reducing material waste or eliminating components or substances with HSE-related risks from the product or manufacturing process. Examples include new developments to equipment and tools, substitution of materials, increased use of recycled material, as well as redesign or changes to processes and managing of materials that reduce waste. The activities initiated and implemented in 2014 are expected to generate significant sustainability benefits and more than EUR 8 Million in annual savings.

Human Rights

LM Wind Power's Code of Conduct clearly states that we support and respect the protection of internationally proclaimed human rights and that we ensure that we do not endorse or allow human rights abuses. These principles manifest themselves in the processes for recruitment, promotion and remuneration which are based on equal pay for equal work, and the strict requirements to our suppliers that we do not tolerate child labor, forced labor, discrimination or any other misconduct as part of our collaboration.

Working with the Supply Chain

As of 2014, 98% of the suppliers of core commodities (65 out of 66 suppliers) were covered by a Supplier Quality Agreement which includes requirements for sustainability practices. LM Wind Power does business with over 200 suppliers, a handful of which are our strategic partners representing the majority of our spend. These are big, reputable companies, with well-established brands and certified quality management systems to ensure security of supply and high standards for their operations. Nevertheless, we have intensified the dialogue with our suppliers on Sustainability, recognizing how the supply chain presents an increasing risk but also opportunities. At the second, high profile Supplier's Conference in October 2014, the suppliers were surveyed on their maturity level and willingness to join forces to improve sustainability in a mutually beneficial collaboration. More than 70 suppliers were represented at the summit, many of which have comprehensive programs on Sustainability in place.

During the year, we had looked at how we could develop and launch a Supplier's Charter as announced in 2013. However, we realized that a charter would not make the required difference. Instead we decided to review the Code of Conduct and strengthen the processes around enforcement while prioritizing the informal but structured direct dialogue. Part of this is a regular Supplier Quality Bulletin, which is issued by our Supply Quality Development team, continuously informing and inviting the suppliers to get closer to us. The updated Code of Conduct will be launched in 2015.

Diversity, People and Communities

LM Wind Power is a diverse, global company with 26 different nationalities employed. The company encourages diversity at all levels and the Code of Conduct clearly states that we hire and treat our employees in a manner that doesn't discriminate with regard to gender, race, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social or ethnic origin. As in many manufacturing and engineering companies our gender split shows a predominance of male employees at 86% of the total workforce. Looking at salaried employees in isolation, the gender split is 25% female and 75% male.

It is the aim of LM Wind Power to increase gender and other forms of diversity in the business, further building on the existing practices of promoting talents through individual performance and career reviews as part of the company's Performance Management Process. In 2014, the company completed a talent review of all salaried employees looking at capabilities and mobility as part of a new Human Resource strategy named GET, KEEP, GROW. We see diversity as key for ensuring a long term, sustainable management solution and gender is one aspect that we are looking at when developing and building the strongest possible, global team at all levels.

At the management level, LM Group Holding A/S set a target to further promote gender diversity in its highest governance body, the Supervisory Board. In 2014, this body consisted of the Chairman, who is a representative from our owners, Doughty Hanson, and three members who are also in the executive management team of LM Wind Power. They are all male. The company has set a target to also have one female member of the Supervisory Board by 2017.

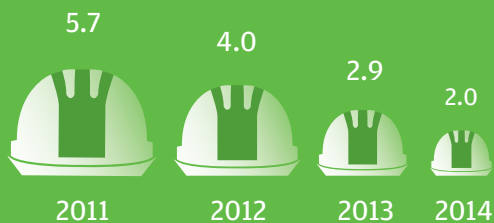
The Board did not progress toward this target in 2014 as generally, new members of the Board are not considered unless specifically requested by our owners and that has not been the case in 2014. The topic of how to increase the representation of women in the Board and in general in the company will be further discussed in 2015. Already, female candidates have been considered for the company's industrial board which acts as industry expert advisors to executive management.

2014 was a very active year in terms of communication and community involvement in all LM Wind Power locations. From a corporate perspective, we focused heavily on promoting [the case for wind](#) to and through the employees with a new animation launched on Global Wind Day. LM Wind Power recognizes that a big part of our Sustainability commitment lies in the product we make and the global climate and energy challenge we address. This will be a key focus area in our Sustainability strategy going forward and is closely aligned with our lobbying efforts to promote wind in key markets. This view was further cemented at an historic event in 2014, a Global Sustainability Summit with representation from our investor, Doughty Hanson, the CEO and CFO as well as key people from across the business. Together, we set out to define the strategy and focus areas for the coming year, aiming to take the Sustainability drive to the next level.

The Sustainability summit was the culmination of a remarkable year. LM Wind Power's internal Sustainability campaign 'The Sustainables' was recognized with a global communications award; the Global Operations leadership team dedicated their annual gathering to addressing and committing to Sustainability; the Dobaspet plant in India was once again nominated for a Corporate Social Responsibility (CSR) award in Denmark, and the company delivered its first GRI G4 report, pioneering the latest version of the Global Reporting Initiative (GRI) framework and taking the first step towards integrated reporting.

LM Wind Power plants and offices engaged actively in the local communities in 2014 supporting a number of causes and institutions with employee time and money donations. Again, focus was on education and welfare for the local communities, with activities ranging from food donations, blood drives, sponsorships of under privileged schools and students, sports activities, medical check-ups and safety training for employees' families. The level of activity was even higher than in previous years not least due to the strong inspiration from the Indian plant which was leading the efforts as always.

Non-financial highlights



Record low Lost Time Accident (LTA) rate per million work hours



€ 4.3 million saved from waste program in 2014



3,000 tons of waste to landfill avoided



26 nationalities



12% reduction in water consumption



3.6 savings ideas per employee implemented

Annual report non-financial highlights

Working environment	2014	2013	2012	2011
Number of employees, end of year	4,505	4,844	5,122	5,803

Injury rates (involving lost time)

per million work hours

Total	2.0	2.9	4.0	5.7
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2014 is the first year of reporting for the Group without Svendborg Brakes. LM Wind Power achieved its global target of a Lost Time Accident (LTA) rate per million work hours at 2.0. The target for 2015 is even more ambitious aiming for an LTA rate at 1.6, corresponding to best in class industry standards.

Absentee rates

Salaried employees

0.6 0.5 0.7

Hourly paid employees

1.3 1.2 1.5

Employees represented in formal Health & Safety committees

approximated (% reported in intervals of 0-25, 25-50 etc)

Total	between 25-50
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Percentage of employees receiving regular performance reviews

Total	25.2%	21.4%	20.2%
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These numbers reflect the fact that all salaried employees are covered by LM Wind Power's Performance Management System which follows a cycle of annual objective setting, performance review and development planning. In 2014, 1269 employees out of 5040 at the time of counting were covered by this system which has been in place since 2007 to ensure our people know and agree to what they need to contribute and how, and we help them obtain the right competencies to pursue the career that adds value for them and LM Wind Power as a whole.

Certifications

Percentage of sites certified by end 2014

ISO 9001:2008	94	100	100
ISO 14001:2004 and OHSAS 18001	82	-	-

LM Wind Power had 13 blade manufacturing sites in 2014 and four main office locations in Denmark, the Netherlands, and India. The company started the process of combining the ISO 14001 and OHSAS 18001 requirements in one Health, Safety & Environment (HSE) Management System. Therefore the data for previous years where the certifications percentages were split are not included in the above presentation.

Environment

The data on environment is reported as a total for the group with the blade manufacturing business representing the vast majority of material consumption, energy, water consumption and waste generation.

	2014	2013	2012	2011	2010
Blades produced	8,262	7,173	8,856	10,333	10,241
Raw material used (tons)	65,758	59,097	93,135	69,078	64,374
Energy consumption					
Fuel not used for transport (GJ)	247,047	346,981	678,181*	332,681	329,576
Electricity (GWh)	97	80	96	90	77
* (403.612 - adjusted)					
Waste					
Total waste for landfill (tons)	10,616	6,364	9,241	9,289	7,381
Total waste for incineration (tons)	7,710	7,399	9,757	11,002	7,132
Total waste for recycling (tons)	2,934	2,348	3,005	3,447	2,944
Total waste (tons)	21,260	16,111	22,002	23,738	17,458
Total carbon footprint for Blades (ton CO₂ equivalent)	461,850	388,950	539,932**	491,451	360,554
** (508,731)					
Carbon footprint (kg) / kg blade produced	6.5	6.9	8.0***	7.4	5.4
*** (7.5)					

Although many of our plants operate with almost zero waste to landfill, the total waste to landfill amount increased in 2014. This is a direct result of increased activity in our American plants where the lack of local recycling or incineration solutions for waste disposal means that they represent more than half of our total waste to landfill globally. We are not satisfied with this situation and are working on finding better solutions with suppliers who might be able to use our waste as input to new products.

The total carbon footprint has increased in line with the increased activity in the business. However, despite having produced more blades in 2014 compared to 2013, the carbon footprint per kg blade produced showed a minor decrease. This is due to the intense focus on utilizing materials in the optimum way and the measures installed to further optimize energy consumption and efficiency. In 2015, further emphasis will be placed on energy efficiency to reap even more significant savings and improve the carbon footprint.

Water consumption (m³)	184,863	210,790****	237,422	237,474	249,88
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**** reported as 345,172 in 2013 with the higher consumption ascribed to a leak. The high discrepancy in the reported number was, however, also mainly caused by a reporting error. The correct number was in fact much lower supporting a general trend of decreased water consumption across the locations.

None of our operations use water in the production processes. The water consumption recorded is primarily from daily activities at the site. Our detailed reporting for the UN Global Compact has a specific focus on water consumption in selected geographies such as India due to the water scarcity issues in that region.

The 2014 number is lower than in previous years which reflects an increased focus on recycling and limiting water consumption in the plants.

Human Rights and Anti-Corruption	2014	2013	2012	2011	2010
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Incidents of child labor identified at LM Wind Power sites	0	0	0	0	0
Incidents of child labor identified at supplier's sites	0	0	0	0	0

The majority of the LM Wind Power workforce is employed in China and India and LM Wind Power employs a large number of young people. We have a clear policy that we do not hire people under the age of 18 and applicants have to show their ID card or birth certificate as part of the recruitment process.

Charitable donations (EUR)	75,812	63,335	20,000	55,234	
Community work (hours provided)	12,155	3,127	n/a	1,184	

LM Wind Power is an active corporate citizen in the local communities in which we operate. Our employees and local subsidiaries contribute both time and money to support charity, improve local welfare and health and to promote the power of wind in creating a more sustainable world.

Employees trained in anti-corruption policies and procedures	23	20	23	23	15
% of total workforce					

Since 2012, LM Wind Power has trained all salaried employees in the Code of Conduct, anti-corruption and UK Anti-Bribery Act aligned with our commitment to the UN Global Compact principles. All new salaried employees go through this e-learning program. In 2014, a new round of re-certification was initiated for a large but limited selection of functions (Finance, Global Operations, Quality & HSE, Sales & Marketing and Sourcing) identified to be in higher risk of potentially being faced with corruption and bribery issues. It is expected that all employees will go through re-certification in 2015.