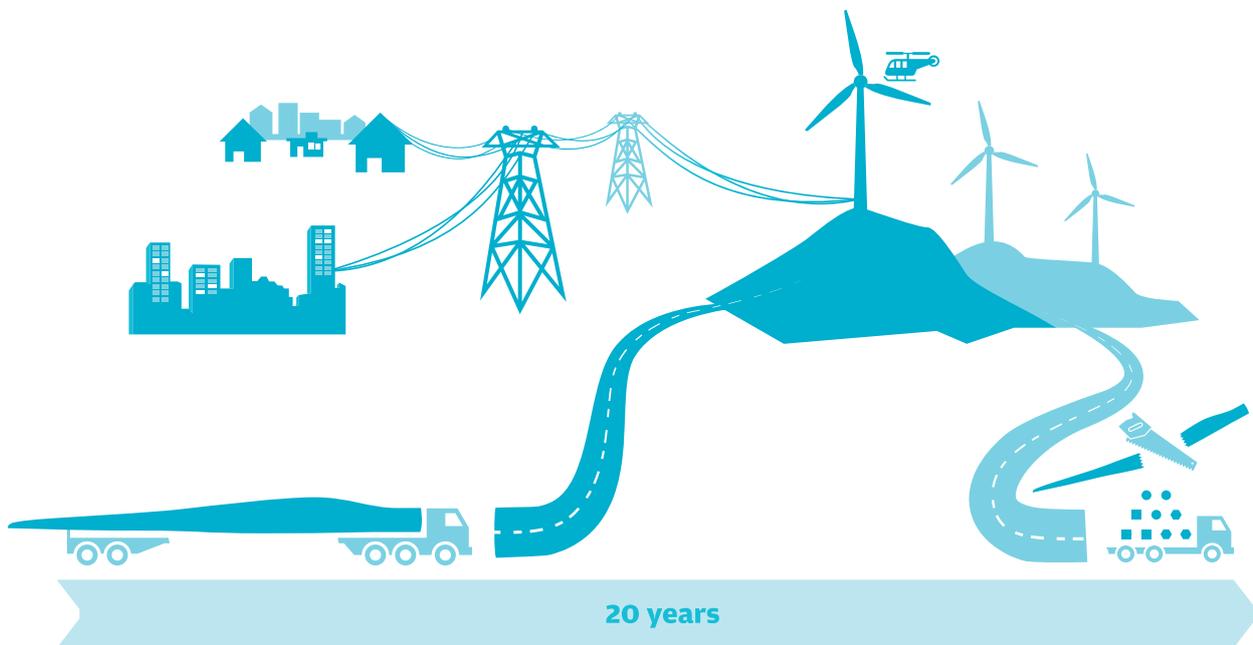
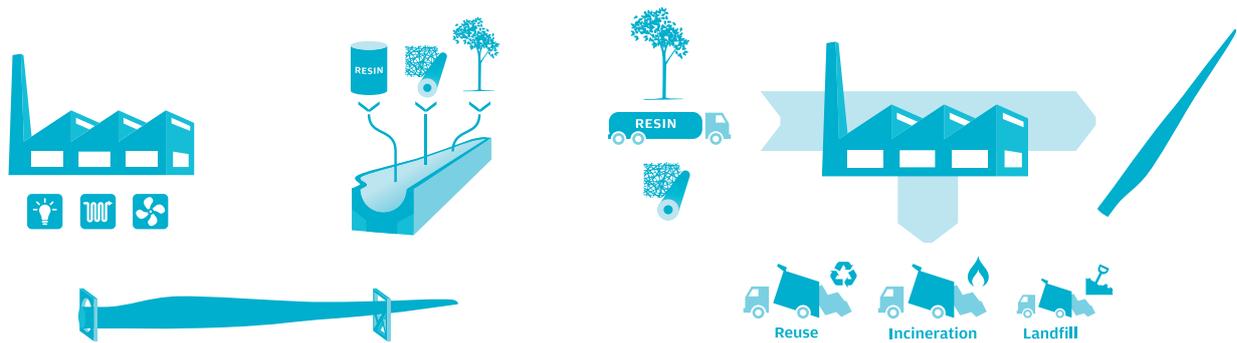


# Managing responsibly

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Blades ready for shipment  
at the Lunderskov pilot plant in Denmark

# Managing responsibly



LM Wind Power manufactures and delivers high quality blades for wind turbines to wind turbine manufacturers worldwide. In the process of doing it, we use materials, energy, equipment, transportation and generate various forms of waste. All of these processes are managed carefully according to the relevant legal and environmental standards, and once a blade leaves our plant, it generates clean energy for 20+ years,

which is LM Wind Power's significant contribution to a more sustainable world. Sustainability is part of the foundation of the company's corporate strategy. It can be summarized simply as minimizing harmful impacts and expanding the benefits of wind energy to as many people and communities around the world as possible, through constant innovation to reduce the cost of energy.



Blade manufacturing is about precision and care.  
Photo from LM Wind Power's plant in Poland.

The company designs and builds some of the most advanced wind turbine blades in the world and as a manufacturing business, we create long-term, skilled employment including a substantial training effort for our employees. With customers, suppliers and operations all over the world, we rely on a clear set of values and the framework set out in our Code of Conduct to guide our business activity and behavior. The Code of Conduct addresses ethical business principles, human resources, human rights, anti-bribery and corruption, environmental principles and responsibility of managers and employees. This is also in line with our commitments as a signatory to the United Nations (UN) Global Compact.

#### **Policies and compliance**

The principles and spirit of the Code of Conduct, which was updated and relaunched in 2015, are further elaborated and enforced through specific policies, processes and training. All salaried employees are trained on the Code of Conduct including anti-bribery and corruption issues as part of their onboarding process. They are also requested to formally sign the Code of Conduct and the training is repeated at regular intervals. All office staff were requested to go through re-certification in 2015 and more than 90% had completed it by the end of the year.

As part of the misconduct reporting procedure, LM Wind Power also started the roll out of its SpeakUp hotline in 2015 - an externally hosted integrity line, allowing employees to anonymously report serious concerns or violations to the company's Code of Conduct or core values. The SpeakUp line was imple-

mented first in Brazil with training given to all employees on the background and functionality, and has been operational since May 2015. Since implementation, a number of reports have been received, dealing with minor violations to the core values and the health, safety and environment rules. These reports have been investigated and closed, in some cases with disciplinary actions enforced by local HR and plant management, based on the company's Zero Tolerance policy. The SpeakUp line will be rolled out to the rest of LM Wind Power's locations during 2016.

The company has worked to strengthen its framework on risk management and compliance monitoring through a Management Letter process run by the Legal department. This measure has been in place, and applied at random intervals since 2008 but was re-introduced with more rigor in 2014 and now runs on a quarterly basis. The Management Letter process compels the company's plant managers and country heads to report and sign a document confirming that all their salaried employees have signed the Code of Conduct and that they have had no legal issues e.g. around insurance, litigation or grants. With the listing of bonds on the NASDAQ Copenhagen Exchange in 2014, the company furthermore established a compliance committee with representation of the CFO, VP Communications, HR & Sustainability, Legal, and the Director Internal Audit. In addition to overseeing and managing risks related to breaches of the company's Insider Rules, this body also handles high level issues related to violations of the Code of Conduct, sometimes in collaboration with the Audit Committee, which is comprised of two

members of senior management and chaired by a representative from the Supervisory Board. The Audit Committee monitors the financial reporting process and audits and the effective functioning of the company's internal control systems. It appoints the external statutory auditor, the internal auditor and reviews and follows up on reports. Three suspicions of fraud and passive bribery came to the attention of the Audit Committee and were investigated in 2015, confirming one case of embezzlement of the company's property in Brazil and in one other case the receipt and acceptance of gifts from suppliers outside the company's guidelines in China. Disciplinary actions towards staff and the supplier have been taken and further controls and training have been implemented.

### Environment and climate

The company's sole purpose is to develop wind turbine blades and provide services related to wind energy and as such we are dedicated to the realization of environmental benefits through low-carbon electricity. This was also the basis for the issuance of a NOK 475 million (EUR 50 million equivalent) Green Bond in 2015, whose eligibility was assessed by DNV GL\*. The company can use the proceeds from the bond for manufacturing or R&D investments aimed at increasing MW capacity for wind energy production. Two projects were partially funded by Green Bond proceeds in 2015 namely LM Wind Power's new Indian plant in Vadodara, Gujarat which began blade production in February 2016 and an expansion of the existing plant in Grand Forks in the U.S.

EUR 7.4 million was spent on Vadodara, putting in place new wind power production capacity. This enables our customers to deliver additional wind turbines and thereby more clean energy to the world than before. In the first phase, the Vadodara plant will deliver blades for 2MW wind power turbines. The capacity to be produced in 2016 alone corresponds to 212 MW and that number is set to increase significantly over the coming years. LM Wind Power calculates CO<sub>2</sub> savings from its blades based on the assumption that the energy generated will replace energy from coal (which is most often the case as coal has the largest marginal cost). For the projected 2016 output, this corresponds to 544,416 tons of CO<sub>2</sub> saved, equivalent to the CO<sub>2</sub> emissions from the electricity use of 74,000 (US) homes. <http://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

EUR 1.7 million were spent on a significant expansion of LM Wind Power's Grand Forks manufacturing facility, which was established in 1999 and has been remodeled in response to the changes in demand over the years. The trend has been consistently towards longer blades, and therefore the expansion was required to be able to continue to support our customers and build longer blades for the future. The expansion in Grand Forks allowed us to replace manufacturing of blades in the 1.5MW segment (around 42 meters) with blades for the 3MW segment - blades up to 60 meters. To put it simply, one set of blades for a 3MW turbine will save double the amount of CO<sub>2</sub> as one set for a 1.5MW turbine. The quantity of blades produced in LM Wind Power's Grand Forks facility may not change much, but the

MW and thereby CO<sub>2</sub> savings will increase significantly with the investment in part enabled by the proceeds from the Green Bond issue.

Essentially, given the life span performance of a wind turbine blade, the company's carbon footprint is offset several times with the production of clean, renewable energy. We do not have a separate climate policy but we are addressing climate impacts through our environmental policy under the HSE Management System. The corporate carbon footprint is measured and tracked through monthly reporting to monitor developments continuously. There was a particular focus on waste management in 2015 to increase the proportion of waste recycled and the efforts paid off as we continued to drive down waste to landfill which in many locations is close to zero. Targeted awareness campaigns led by the Global HSE function and strong engagement from the plants, effectively changed the waste distribution in the factories from having 14% of total waste going to recycling in 2014 to 23% in 2015. Waste to landfill reduced from 50% of total waste in 2014 to 35% in 2015. The company will continue these efforts in line with its overall ambition to continuously improve the sustainability performance of its product and processes.

In addition to the environmental benefits of reducing and optimizing the waste distribution, the program also contributed to considerable operational efficiencies and cost savings.

The 2015 target of EUR 3.7 million savings from the global waste reduction program was exceeded considerably with an actual waste saving of EUR 5.9 million realized.

As in previous years, the saving initiatives were to a large extent generated through the creative ideas of shop floor employees dedicated to working smarter and cutting out waste from the manufacturing process. On average in 2015, each LM Wind Power employee generated 3.8 ideas that were implemented, up from 3.6 in 2014 and exceeding the target of 3.

Building on the successful efforts to replace various materials and chemicals with more sustainable alternatives in 2014, the Materials & Process department continued global implementation of innovative solutions to remove HSE-related risks, eliminate waste and drive down cost. Some of the most notable examples were the replacement of PVC with PET foam in a number of blade types as well as changing the formula in the polyester resin to include a higher percentage of recycled materials. According to the supplier, this change reduces CO<sub>2</sub> emissions from the resin production by 25%. The various initiatives

\*The DNV GL Eligibility assessment is available at [www.lmwindpower.com/investor](http://www.lmwindpower.com/investor)

that were kicked off in 2014 and implemented to a wider part of the business in 2015 are expected to generate annual cost savings of almost EUR 8 million.

By the end of 2015, the company formalized its organization around Sustainability with the establishment of a Global HSE & Sustainability Council, chaired by the CEO. This body is now working towards a strategy and clear targets e.g. for carbon emission reductions and sustainable blade materials and technologies, which we expect to announce in 2016.

### **Management Standards & Quality**

LM Wind Power has externally certified management systems as one of the ways to ensure consistent high performance and standards on Quality and HSE. All operating LM Wind Power sites are certified according to ISO 9001 with the new plant in Vadodara, India scheduled to go through certification in Q3, 2016. All locations except Suape in Brazil and Vadodara are also covered by the certification of the integrated HSE Management System according to ISO 14001 and OHSAS 18001. Both Suape and Vadodara are scheduled to obtain the certification in 2016. All external audits are conducted under a combined audit set up for improved efficiency with close alignment between the Operations; Global Quality and HSE functions.

LM Wind Power's positive trend on quality performance continued, facilitated by increased levels of supplier engagement. Examples include intensive audits, training and quality awareness programs, regular supplier performance reviews and HSE assessments as part of the supplier qualification process for all materials. Over the past few years, LM Wind Power has worked systematically and focused on implementing quality improvement programs and the efforts have materialized in significantly reduced quality issues as well as improved supplier performance on incoming material. The significant improvement seen in 2014 continued in 2015 where the company achieved a 48% improvement to 1,050 Parts Per Million - effectively addressing and even eliminating quality issues on incoming material.

### **Working with the Supply Chain**

100% of LM Wind Power's core commodity suppliers (Class A suppliers - around 70 out of 180 in total) are covered by a Supplier Quality Agreement which includes requirements for sustainability practices. These suppliers account for 90% of the company's global spend. Furthermore, 90% of the Class A suppliers are covered by framework agreements which require them to sign the LM Wind Power Code of Conduct and commit to living up to the standards described therein. This practice is being expanded to cover Class B and C suppliers' as well. Every year, LM Wind Power hosts a global supplier conference to foster engagement and create an even stronger platform for dialogue and collaboration.

Our suppliers are our business partners and they play a crucial role in our efforts and ability to maintain the highest quality and safety standards while delivering innovative products.

We collaborate closely to reduce the use of hazardous chemicals and improve safety, quality and processes with the ultimate goal of providing higher quality and more sustainable products at competitive prices. We recognize that there could be potential sustainability issues in our supply chain that cannot necessarily be discovered through random audits and screenings, and we have intensified the dialogue with our key suppliers to assess their maturity level on sustainability and extended an invitation to collaborate to achieve shared goals. The first round of supplier dialogues focused on the suppliers of balsa and those representing the majority of our spend. They are based in various locations across the US, Turkey, Papua New Guinea and Ecuador and each differs in size and capability in terms of sustainability. Some of them are large companies with dedicated sustainability functions; others are smaller companies that drive their activities through a committed management. With renewed growth in the whole wind sector, demand for key commodities is increasingly tight with significant pressure on supplies. Our goal is to maintain our high standards of ethical sourcing and where full compliance with our standards is not yet achieved, to apply our influence as a customer and find shared paths forward to improve standards.

## Health & Safety

A cornerstone of Sustainability in LM Wind Power is the Global HSE Policy which highlights HSE as critical for the well-being of our employees, 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 include the 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 the 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 Accident (LTA) and Absentee rates which have generally decreased year on year for the past five years. In 2015, however, the Absentee rate for hourly paid employees increased, primarily driven by performance in Brazil. The Lost Time Accident (LTA) rate per million work hours ended at 1.9 in 2015. This is the lowest rate in the company's history. The target for 2016 is an LTA rate of 1.8.

Safety awareness activities reached a very high level in 2015, with the number of plant safety inspections by senior management increasing significantly. More than 20,000 safety walks were conducted compared with just over 5,000 the previous year.

Despite the high level of focus and awareness across the organization, LM Wind Power's Management recognizes that more needs to be done to continuously ensure world class health and safety standards and maintain a culture of safety excellence. Therefore several initiatives have been launched for 2016 including a global safety awareness campaign.

As part of the company's efforts to take care of its people, all locations have initiatives or programs in place to encourage a healthy life style among the employees and their families, from attractive fitness memberships, fruit arrangements in the offices, to flexible work hours etc. Health is not only about keeping fit, watching your diet and getting enough sleep, it's also having a good working environment and a positive social atmosphere with colleagues. Therefore, all plants went through health workshops in 2015 focusing on stress prevention, how to keep fit even on a busy schedule, and highlighting the importance of nurturing good relations at work.

## Human rights and social issues

LM Wind Power has a wide range of People policies, initiatives and programs in place to ensure proper and equal working conditions, a safe and inspiring work environment, fostering career development and growth.

The LM Wind Power 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.

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. There are various examples of initiatives to achieve a more balanced representation, for example in China where our plant in Qin Huang Dao designed a specific initiative to recruit women for the plant. Manufacturing work is not widely perceived as being attractive to women in China but with a focused campaign from plant management and Human Resources, a group of women joined the team. Apart from delivering consistent high quality work, the increased diversity in the team has improved collaboration and the general atmosphere among the employees. It is the aim of LM Wind Power to further increase gender- and other forms of diversity in the business, building on the existing practices of promoting talent through individual performance and career reviews as part of the company's Performance Management Process, and through structured talent reviews of all salaried employees looking at capabilities and mobility. 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 still has a target to further promote gender diversity in its highest governance body, the Supervisory Board. In 2015, this body consisted of two representatives from our owners Doughty Hanson, one of whom is the Chairman, 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 2015 as generally, new members of the Board are not considered unless specifically requested by our owners and that was not the case in 2015.

The company has established a Diversity Policy which reflects how we plan to ensure a more diverse employee mix at all levels of the company. This includes having a stronger focus on diversity aspects such as gender when designing and re-designing the organizational set up, structured career reviews of all salaried employees to ensure female talent is not overlooked, together with the establishment of a Diversity Committee to set clear targets for diversity and oversee progress for the short and long term. The key focus in the short term will be addressing imbalance at the top of the organization and explore how we match the aspirations of female employees already with us as well as those joining the company. This body reports to the Global HSE & Sustainability Council.

#### **Employee engagement**

Every second year, the company conducts a global Employee Engagement Survey (EES) for all employees, to measure the workforce's perception of LM Wind Power and to ensure management gathers and receives structured feedback for improvements. The EES was first conducted in 2013, creating the baseline for measured improvements and we were highly pleased to see that the 2015 results indicated a very high level of satisfaction and motivation in the workforce. The outcome of the EES 2013 indicated a need for introducing even more development programs, leadership training and company reputation initiatives. These started in 2014 and were further intensified in 2015, with several actions initiated under these headlines.

One of the most wide ranging programs was the global 'Grow Plant Leaders' initiative that was kicked off in 2015 to strengthen plant leaders at various levels, and boost their capabilities in ensuring safety, quality, work environment and delivering high performance.

So far more than 1,400 managers, supervisors and team leaders have been through the 'Grow Plant Leaders' training which consists of five modules.

A version of the Grow Plant Leaders program called 'Grow Functions Leaders' has been launched in the staff functions as well and will run during 2016. Training and development programs are a key element to ensure motivation and retention of our talented people.

In parallel with the focus on personal leadership in the plants, the training of new employees was also further formalized and structured under 'Centers of Excellence' at each plant in 2015. The Center of Excellence concept allows colleagues to study the materials, tools, and processes of blade manufacturing hands on before being released onto the real production floor. The idea originated in India and was expanded to cover all LM Wind Power plants. It will be further developed in 2016.

#### **Communities**

LM Wind Power regularly receives questionnaires on its Sustainability performance as part of supplier assessments from major customers. In one such assessment at the end of 2015, the company achieved a silver rating in the company category 'Manufacture of general purpose machinery'. This puts LM Wind Power in the top 9% of companies assessed in this category and in the top 12% of all companies assessed. LM Wind Power showed particularly strong performance on environmental measures where it ranked in the top 1%.

LM Wind Power's employees once again engaged in a wide range of community activities across the world in 2015 and supported several causes and organizations. Traditionally, each plant selected which charities and causes they support, in line with the company's values and based on their status in the local community. In 2016, however, there will be a greater focus on activities that support the UN Sustainable Development Goals - particularly Quality Education, Diversity & Gender Equality, and Affordable and Clean Energy. This is in line with the newly introduced Global HSE & Sustainability Council structure, chaired by the CEO, which will strengthen the organization of LM Wind Power's Sustainability work and nurture progress to further enhance enterprise value.

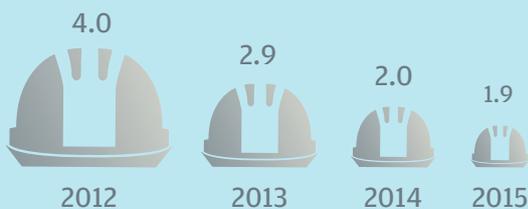
# Non-financial highlights

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Wind power brings sustainable energy to remote communities around the world. Photo from China.

# Non financial highlights

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

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€ 5.9 million saved from waste reduction program in 2015

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23% of total waste to recycling

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32 nationalities

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10% reduction in carbon footprint per kg blade produced

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3.8 savings ideas per employee implemented

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# Annual report non-financial highlights

Working environment	2015	2014	2013	2012	2011
Number of employees, end of year	6,332*	4,505	4,844	5,122	5,803

\* The employee number now includes Brazil which was fully integrated into the LM Wind Power Group as of December 2015. The number excludes contractors and trainees

## Accident rates (involving lost time)

per million work hours

Total	1.9	2.0	2.9	4.0	5.7
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The company continued to improve on key performance indicators on health and safety with a Lost Time Accident (LTA) rate per million work hours ending at 1.9 in 2015. The target for 2016 is 1.8.

## Absentee rates

Salaried employees (% of absent days out of planned workdays per year)	0.4	0.6	0.5	0.7	-
Hourly paid employees (% of absent work hours out of planned work hours per year)	1.6	1.3	1.2	1.5	-

The absentee rates for hourly paid employees increased in 2015 primarily driven by the performance in Brazil where we see significantly higher absentee rates than in the rest of the world. Several measures are continuously introduced to retain employees, including training and development programs, attractive benefits, social events and teambuilding activities.

## 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 at least annual performance reviews

Total	20.0	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 Process (PMP) which follows a cycle of annual objective setting, performance review and development planning. The PMP system is designed to ensure that 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 2015

ISO 9001:2008	95	94	100	100	-
ISO 14001:2004 and OHSAS 18001	89	82	-	-	-

LM Wind Power had 14 blade manufacturing sites in 2015, two addresses in Little Rock, which both need individual certification and five main office locations in Denmark, the Netherlands, India and China. The company has combined the ISO 14001 and OHSAS 18001 requirements in one integrated Health, Safety & Environment (HSE) Management System with all external audits being conducted under a combined audit set up for improved efficiency.

## 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.

	2015	2014	2013	2012	2011
<b>Blades produced</b>	9,474	8,262	7,173	8,856	10,333
Raw material used (tons)	89,270	65,758	59,097	93,135	69,078
<b>Energy consumption</b>					
Fuel not used for transport (GJ)	237,039	247,047	346,981	678,181	332,681
Electricity (GWh)	103	97	80	96	90
<b>Waste</b>					
Total waste for landfill (tons)	9,210	10,616	6,364	9,241	9,289
Total waste for incineration (tons)	10,982	7,710	7,399	9,757	11,002
Total waste for recycling (tons)	5,874	2,934	2,348	3,005	3,447
Total waste (tons)	26,066	21,260	16,111	22,002	23,738
<b>Total carbon footprint for Blades (tons CO<sub>2</sub> equivalent)</b>	552,517	461,850	388,950	539,932	491,451
<b>Carbon footprint (kg) / kg blade produced</b>	5.9	6.5	6.9	8	7.4

Many of LM Wind Power's plants operate with almost zero waste to landfill, and targeted efforts to increase recycling in 2015 reorganized the waste distribution considerably. Waste to landfill reduced from 50% of total waste in 2014 to 35% in 2015 for example. And waste to recycling increased from 14% of total waste in 2014 to 23% of total waste sent to recycling in 2015.

The total carbon footprint has increased in line with the increased activity in the business. The Brazil plant became fully operational and plant expansions across the board ensured the highest number of blades produced in four years. Despite this increase in output, the carbon footprint per kg blade produced is showing a decrease. This is due to the intense focus on utilizing materials in the optimum way and targeted efforts to optimize energy consumption through a global energy efficiency and savings program which embraced the whole business in 2015 and will expand its activities to deliver further savings in 2016.

<b>Water consumption (m<sup>3</sup>)</b>	212,036	184,863	210,790	237,422	249,888
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None of our operations use water in the production processes. The water consumption recorded is primarily from daily activities at the site. In India, all water is recycled as required by local law.

Human Rights and Anti-Corruption	2015	2014	2013	2012	2011
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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 suppliers' sites	0	0	0	0	0

The company's Code of Conduct clearly states that we support and respect the protection of internationally proclaimed human rights and that we ensure we do not endorse or allow human rights abuses. We train our employees in the requirements and expectations to them and the Code of Conduct is an integrated part of the framework agreements with suppliers. The majority of the LM Wind Power workforce is employed in China and India and we have many young applications. We have a clear policy that we do not hire people under the age of 18 and applicants are required to show their ID card or birth certificate as part of the recruitment process.

<b>Charitable donations (EUR)</b>	104,955	75,812	63,335	20,000	55,234
<b>Community work (hours provided)</b>	6,476	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.

<b>Employees trained in anti-corruption policies and procedures</b>	96	75	75	n/a	-
% of employees eligible for training					

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 office staff employees go through this e-learning program as part of their onboarding, and recertification was repeated in 2015.