

Wind. It means the world to us.™

Vestas®

February 2022

Sustainability-Linked Bond Framework

Background & Rationale

Vestas is the energy industry's global partner on sustainable energy solutions. We design, manufacture, install, and service wind turbines across the globe, and with more than 151 GW of wind turbines in 86 countries, we have installed more wind power than anyone else.

Through our industry-leading smart data capabilities and unparalleled 129 GW of wind turbines under service, we use data to interpret, forecast, and exploit wind resources and deliver best-in-class wind power solutions. Together with our customers, Vestas' more than 30,000 employees are bringing the world sustainable energy solutions to lead the transition to a world powered by sustainable energy.

We produce best-in-class sustainable energy solutions, which are powerful drivers of environmental sustainability. Our wind turbines are powerful because they 'displace' CO₂ emissions that would otherwise be produced in generating electricity from fossil fuels. Avoiding the emission of CO₂ is crucial to mitigate climate change.



Already, our more than 151 GW of installed sustainable energy capacity have avoided more than 1.7 billion tonnes CO₂e.

Already, our more than 151 GW of installed sustainable energy capacity have avoided more than 1.7 billion tonnes CO₂e, and we are now on a path to scale-up, and faster than ever before, if we are to achieve global climate targets.

The challenge ahead of us requires new collaborations and a long-term strategic vision towards 2050. The IEA Net Zero 2050 scenario indicates that as early as 2030 more than 3,100 GW of installed renewable wind capacity will be required, up from 623 GW in 2019.¹ Vestas will be a necessary and important part of delivering on this demand, and is preparing to scale-up for this unprecedented global challenge.

We have undertaken a strategic roadmap to lead the transition to a world powered by sustainable energy, while at the same time improving our own environmental performance. 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.

Our Sustainability-Linked Bond Framework provides an opportunity for investors to learn about our efforts to reduce or eliminate negative environmental impacts and support us on this mission.

¹ Table A.3.: Electricity in the NET Zero by 2050, A Roadmap for the Global Energy Sector by the International Energy Agency





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Approach to 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. If a value-generating practice can continue over time and causes little or no harm to people or the 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.
- ☺ **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.

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 stakeholders. This entails: 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.

1. 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 rapid decarbonisation of the global energy supply is critical to limit global warming to 1.5°C above pre-industrial levels. In virtually every climate abatement scenario, a mass deployment of renewable energy this decade is an essential first step in decarbonising global energy demand. And wind energy offers one of the most cost-effective and scalable solutions to fight the climate crisis and foster wellbeing for life on Earth.

Although political commitments may have fallen short of securing the 1.5 degree scenario at COP26, the need for renewables to play a central role in the global energy system has never been more compelling. While the pathways towards change differ greatly from nation to nation, one thing is clear. A more sustainable energy system is key to limiting global warming, and to preventing the catastrophic impacts it threatens to unleash

Vestas technology already avoids a titanic sum of emissions from the electricity sector. But to truly help mitigate the climate crisis, we must massively scale up production of our existing sustainable energy solutions and innovate to decarbonise non-electric energy demand, and we must do so faster than ever before.

We have undertaken a strategic roadmap to both lead the transition to a world powered by sustainable products as well as to improve our own environmental performance. To succeed in these ambitions, we are ramping up our efforts to integrate sustainability across our value chain.





Therefore, in 2020 we launched our sustainability strategy, 'Sustainability in everything we do'. The four key goals of Vestas' sustainability strategy are:



Carbon neutrality

Carbon neutral company by 2030 in own operations – without using carbon offsets and reduction of supply change climate impact by 45% per MWh produced.



Zero-waste

Producing zero-waste wind turbines by 2040



A responsible company

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



Leading the transition

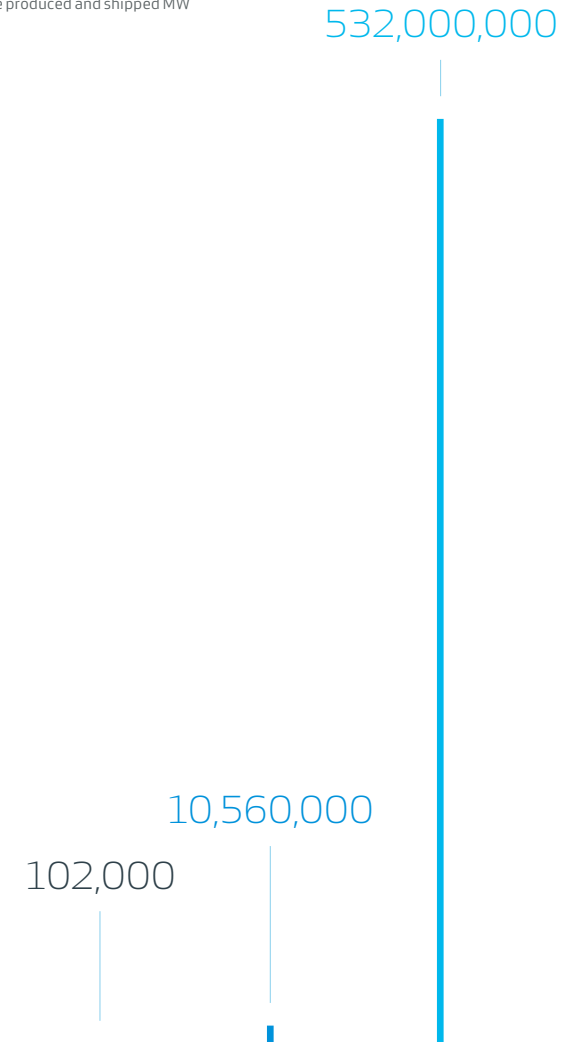
Leading the transition towards a world powered by sustainable energy

→
The CO₂e avoided over the lifetime of turbines produced in 2021 is 50 times greater than the amount of CO₂e emitted from our operations and supply chain.

Our climate impacts in 2021

Tonnes

- Scope 1 and 2 (Own Operations)
- Scope 3 (Indirect Emissions from Supply Chain)
- Expected CO₂e avoided over the lifetime of the produced and shipped MW



2. Governance

Solid governance structures are the backbone of our work on sustainability.

The Global Sustainability department is responsible for developing 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 Global Marketing, Communications, Sustainability, and Public Affairs in our CEO Office. To reflect the strategic importance of sustainability to our business, the Head of Sustainability reports directly to the CEO monthly, the Sustainability Committee and full Executive Management multiple times a year, and to the Board of Directors at least once a year.

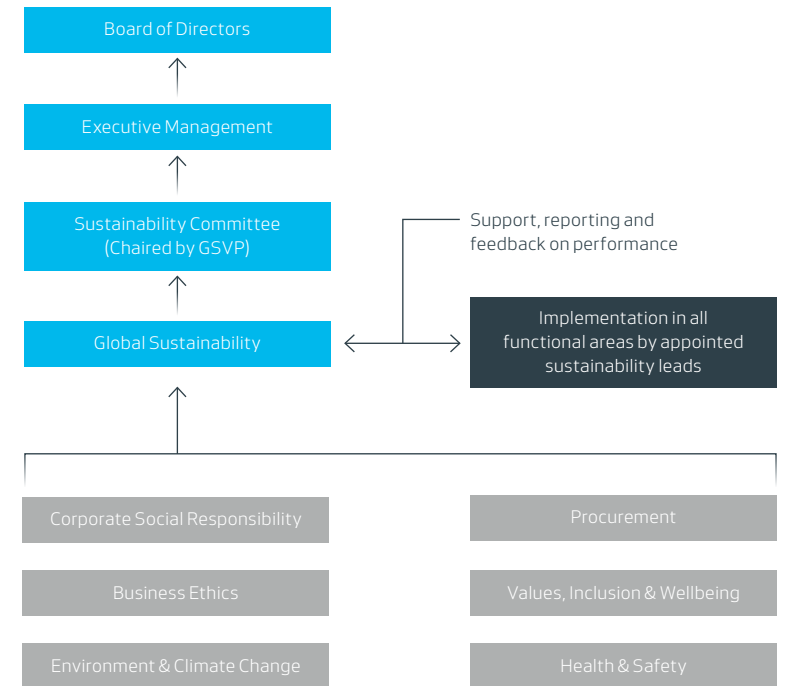
To effectively implement sustainability across the organisation, we have appointed sustainability leads for each area of the business. In close collaboration with Global Sustainability, these individuals define action plans and resource allocation to support the achievement of our sustainability goals and targets within their business area.

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, and the Committee reports to the Executive Management Team. 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. The group is chaired by Group Senior VP (GSVP) for MarCom, Sustainability & Public Affairs.

Reporting to Vestas' Executive Management team, the Sustainability Committee holds quarterly meetings. The main priority for the Sustainability Committee is to advise and give input to key initiatives to deliver on the sustainability strategy and together with Global Sustainability, continue to oversee the execution of our sustainability strategy.

“ Solid governance structures are the backbone of our work on sustainability.

Vestas' Sustainability Governance



3. Materiality

Key Stakeholder Groups

Vestas' key stakeholders are those who influence and are affected by our overall performance, including the following:

- Customers;
- Shareholders and investors;
- Employees;
- Policy makers;
- Suppliers;
- Non-governmental organisations;
- Local communities; and
- The media

Our sustainability performance is an important part of our relationship with stakeholders. By proactively engaging with stakeholders to understand their needs and concerns, we can feed this information back into our decision-making process.

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.

Materiality Assessment

We have also mapped our organisation's significant economic, environmental and social impacts against our stakeholders' interests through a materiality assessment. Through the assessment, we can better prioritise between a growing number of sustainability issues, so that resources can be allocated where they are needed most.

During 2020, external auditors were commissioned to conduct our materiality assessment, which 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. 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 that our sustainability strategy covers the critical elements that are important to our stakeholders and also helps guide our future sustainability endeavours.

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.

The top 5 crucial areas identified are:

- Emissions and climate change strategy
- Supply chain management
- Materials efficiency, sourcing and disposal
- Waste management
- Occupational health and safety

Vestas has a broad and complex supply chain and around 99% of our entire carbon footprint stems from our suppliers' operations. Reducing scope 3 emissions and working collaboratively towards greening our supply chain is therefore important to Vestas and material to our sustainability strategy.

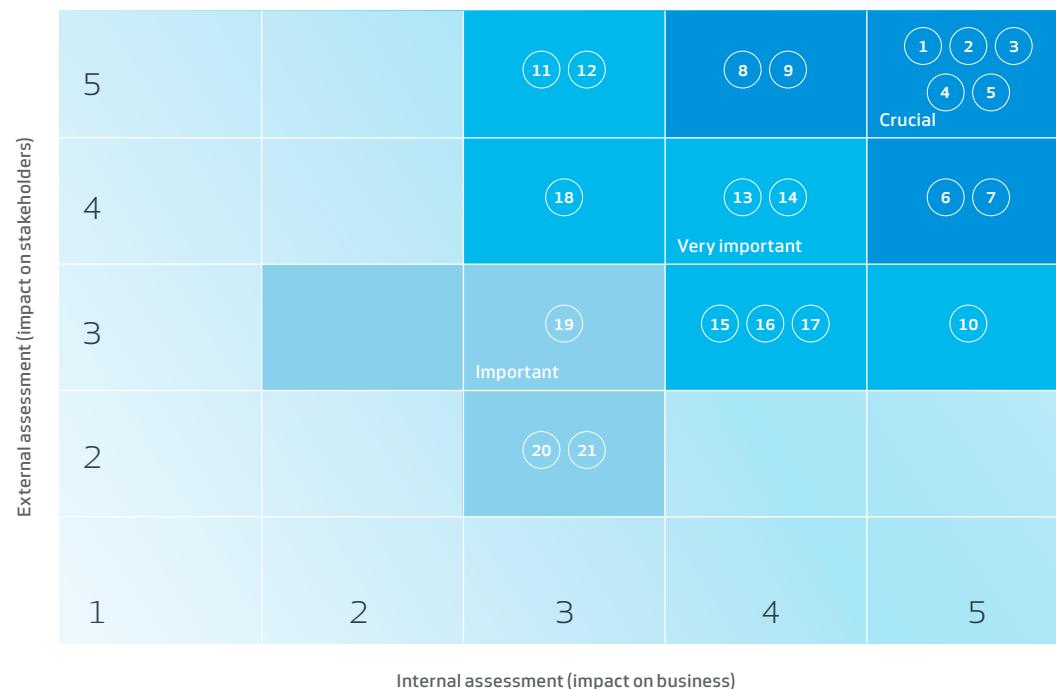


Vestas has a broad and complex supply chain and around 99% of our entire carbon footprint stems from our suppliers' operations.

While scope 1 and 2 emissions are relatively small compared to the emissions of our supply chain, we can directly control and influence these emissions. Consequently, we have set even more ambitious targets to reduce our Scope 1 and 2 carbon emissions.

Blades are primarily manufactured with composite material – a combination of epoxy resin and glass fibre, which is particularly difficult to recycle due to its extremely strong mechanical properties. Presently few options for recycling of composite material are commercially viable and new value-chains need to be established. Blade waste will be an increasing contributor to the global waste problem and is therefore material to our stakeholders, to our continued business success criteria and to our overall sustainability performance.

These material issues are reflected in the selected KPIs and SPTs of this Framework.



Topic 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

Very important

- 10. Business ethics and anti-corruption
- 11. Stakeholder dialogue
- 12. Management of the regulatory and legal environment

- 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

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 issues within the same quadrant have equal weighting, e.g. issues 11 and 12.

4. Engagements, ESG ratings and awards

Vestas is committed to supporting the UN Sustainable Development Goals (SDGs). Six SDGs have been identified, which are most relevant to Vestas, our stakeholders, and the many communities where the company plays a role. More specifically we are committed to the SDGs 4, 7, 8, 12, 13 and 17. The SDGs addressed by this Framework are primarily 12 and 13.

In addition, as a participant of the UN Global Compact, we are committed to respecting human rights, good labour practices, protection of the environment and anti-bribery and corruption activities. In 2020, we also committed to science-based targets to limit global warming to a 1.5°C increase above pre-industrial levels, being the very first renewable energy manufacturer to successfully have a validated target by the Science Based Targets initiative (SBTi). The business ambition for 1.5°C has also been signed.

Over the course of 2020 and 2021, mergers and divestments required a recalculation of our 2019 carbon baselines, which has been performed in 2021. Our targets have been kept unchanged and we have informed SBTi of the re-calculated baseline.

Furthermore, Vestas has been awarded with an A- score in 2021 by CDP, has been added as a member of the Dow Jones Sustainability Index for Europe, and has been ranked the most sustainable company in the world by Corporate Knights in their Global 100 index for 2022. Vestas also is a supporter of the Task Force on Climate-related Financial Disclosure (TCFD), an overview of our implementation can be found in the Annual Report 2021.

Vestas has received ESG risk ratings from various ESG risk rating agencies including a B+ rating from ISS ESG, an AAA score from MSCI, and a low-risk rating of 14.7 from Sustainalytics.

EU taxonomy

As part of the European Green Deal to become the first climate-neutral continent by 2050, the EU Commission has established the EU Taxonomy to enable sustainable investments. The taxonomy is a catalogue of environmentally sustainable economic activities, each with criteria to determine their positive contribution.

In 2021, we assessed whether our activities are eligible for classification within the taxonomy.

During 2021, our taxonomy-eligible share of revenue (turnover) was 100 percent, whereas the shares of our operating expenses (OPEX) and capital expenditure (CAPEX) was 97 percent and 91 percent respectively. Please also see overview below:



EU taxonomy reporting 2021	mEUR	Eligible (%)	Non-eligible (%)
Revenue (turnover) (mEUR)	15,587	100	0
Operating expenses (OPEX)	14,344	97	3
Capital expenditure (CAPEX)	1,106	91	9

More information on EU taxonomy can be found in the Annual Report 2021

Setting up the Framework

This Sustainability-Linked Bond Framework has been developed in alignment with the Sustainability-Linked Bond Principles (SLBP) established by the International Capital Markets Association (ICMA) in June 2020. Vestas may under this Sustainability-Linked Bond Framework issue different securities including bonds and Schuldscheins.

The five core components of the SLBP are:

- A Selection of Key Performance Indicators (KPIs)
- B Calibration of Sustainability Performance Targets (SPTs)
- C Bond characteristics
- D Reporting
- E Verification



A. Selection of Key Performance Indicators (KPI)

The KPIs that have been included for the purpose of this Sustainability-Linked Bond Framework reflect Vestas' key environmental challenges. By focusing our efforts on reducing our environmental footprint and developing a circular economy for all used materials, ambitious targets (SPTs) can be set and strategies on achieving the targets can be formulated and executed in line with our sustainability strategy.

We have selected 3 KPIs for this Sustainability-Linked Bond Framework.



GHG emissions

KPI 1: Scope 1 and 2 GHG emissions.

KPI 2: Scope 3 GHG emissions.

KPI 1 and 2 refer to the EU environmental objective "Climate Change Mitigation", as well as the United Nations Sustainable Development Goal 13 "Climate Action".



Circularity

KPI 3: Material Efficiency in own operations

KPI 3 refer to the EU environmental objective "Transition to a Circular Economy" as well as the United Nations Sustainable Development Goal 12 "Responsible Consumption and Production".

A.1 Definitions

KPI 1 defines our scope 1 and 2 GHG absolute emissions.

This include CO₂ and other GHG emissions as defined in the GHG Protocol. Scope 1 being emissions from Vestas' own operations and Scope 2 being indirect GHG emissions from consumption of purchased electricity and heat used in our own operations. Vestas' definition is aligned with the Greenhouse Gas Protocol, and a market-based approach is used for calculating scope 2 emissions.

KPI 2 defines our scope 3 GHG emissions per MWh generated.

This includes CO₂ and other GHG emissions as defined in the GHG Protocol with specific guidance from the 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard'.

All the relevant categories are calculated and 70% of the impact is included in the KPI2 calculation as the numerator.¹ The denominator is calculated as the amount of estimated lifetime MWh to be generated by the wind turbines produced and shipped in the financial year. This is based on the number and type of turbines along with values for wind turbine capacity factor and lifetime.

KPI 3 defines our material efficiency in own operations.

This includes: The total tonnes of non-recycled waste from Vestas own operations per MW wind turbines produced and shipped in the year. Non-recycled waste includes waste that is incinerated or landfilled.

A.2 Measurability

Greenhouse Gas (GHG) emissions

Emissions covered by the SPTs cover Vestas' scope 1&2 and more than two-thirds of our scope 3 GHG emissions. GHG emissions are measured using the carbon dioxide equivalent (CO₂e) to include relevant GHGs according to Greenhouse gas accounting standards issued by the Greenhouse Gas Protocol. A distinction is made between scope 1, 2, and 3 emissions, as defined by the Greenhouse Gas Protocol. The improvement from the 2019 baseline is calculated as a percentage and rounded to the nearest whole number, with 0.5 rounded upwards.

Vestas has reported on GHG emissions in the past 15 years in our verified Sustainability Report. Scope 3 CO₂e emissions have been reported on from 2019 and onwards in our Annual Report.

Circularity

The material efficiency is calculated as the total tons of non-recycled waste from Vestas own operations including incinerated or landfilled waste.

The tons of non-recycled waste as defined above is divided by the MW wind turbines produced and shipped. The improvement from the 2021 baseline is calculated as a percentage and rounded to the nearest whole number, with 0.5 rounded upwards.

As part of the circularity roadmap Vestas reported for the first time on Materiality Efficiency in the 2021 Annual Report.

In addition to our material efficiency KPI and outside this framework we have for strategic suppliers introduced KPIs that requires a 50% waste reduction in their operations. This is according to the same circularity definition and represents around 50% of global spend.

¹ Fulfilling criterion C 18 of the SBTi recommendations TWG-INF-002 (Version 4.2).

B. Calibration of Sustainability Performance Targets (SPTs)

- SPT 1:** Reduce CO₂e emissions in own operations 100% by 2030, without using carbon offsets from a 2019 baseline.
- SPT 2:** Reduce CO₂e emissions in the supply chain by 45% per MWh generated by 2030 from a 2019 baseline.
- SPT 3:** Reduce material efficiency ratio by 90% per MW by 2030 from a 2021 baseline.



B.1 Baseline and historic data

At the end of 2020, we integrated with MHI-Vestas Offshore Wind to once again build both onshore and offshore turbines under the same parent company. In the process, we welcomed over 3,000 employees and took under management significant new offshore design, manufacturing, and service assets. This large merger, in addition to the divestment of the Pueblo towers plant, necessitates that we recalculate our baselines and targets in line with the added scope and unique sustainability challenges of the offshore wind industry.

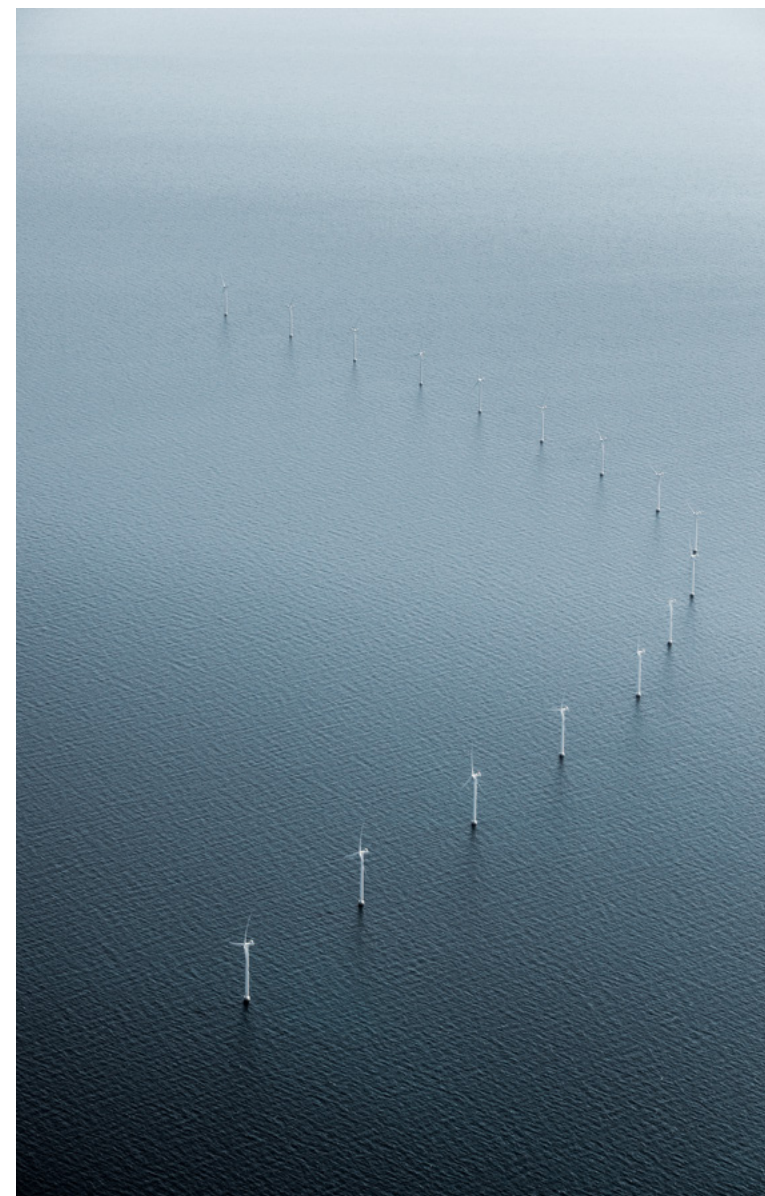
The updated CO₂e baseline for Scope 1, 2, and 3 emissions is reflected in the Sustainability key figures in the Annual Report 2021, which is covered by PwC's limited assurance opinion.

In the table below, please find the performance data for the three SPTs from 2019 to 2021.

Overall climate impact from scope 1,2 and 3 is 7.9 million tonnes in 2019, 10.7 million tonnes in 2020 and 10.7 million tonnes in 2021.

KPI	2019	2020	2021
KPI 1: Scope 1 & 2 CO ₂ e emissions (thousand tonnes CO ₂ e)	114*	97*	102
KPI 2: Scope 3 CO ₂ e emissions (kg per MWh generated)	6.82*	6.63*	6.65
KPI 3: Material efficiency (tonnes waste excl. recycled per MW produced and shipped during the period)	3.3**	2.5**	2.0

* 2019 and 2020 data has been adjusted as part of the 2019 baseline update and according policy for baseline adjustments for carbon emissions. 2021 includes on- and off-shore.
 ** 2019 and 2020 data for material efficiency only including onshore activities. 2021 includes on- and off-shore.



B.2

SPT 1: Reducing CO₂e emissions in own operations 100% by 2030

Ambitiousness of SPT 1

The target is to reduce scope 1 and 2 emissions by 55% by 2025 and 100% by 2030, with 2019 as the baseline year. The Scope 1 and 2 reduction target is set without using carbon offsets and is in accordance with the 1.5 °C pathway. The 2019 base-line target was validated by the Science Based Targets initiative (SBTi) in August 2020. In 2021, the baseline has been updated due to the mergers and divestments. Vestas remains the first ever renewable energy manufacturer to successfully get validated targets by the SBTi.

	Absolute emission target in thousand tonnes	CO ₂ reduction in thousand tonnes vs. base year	SBTi target in percent
2019	114	0	0
2020	97	17	15
2021	102	12	11
2022	98	16	14
2023	94	20	18
2024	82	32	28
2025	51	63	55
2026	44	70	61
2027	37	77	68
2028	30	84	74
2029	25	89	78
2030	0	114	100

Actions to achieve SPT 1

To meet the SPT of reducing scope 1 and 2 GHG emissions, Vestas has identified and launched the following top-level initiatives:

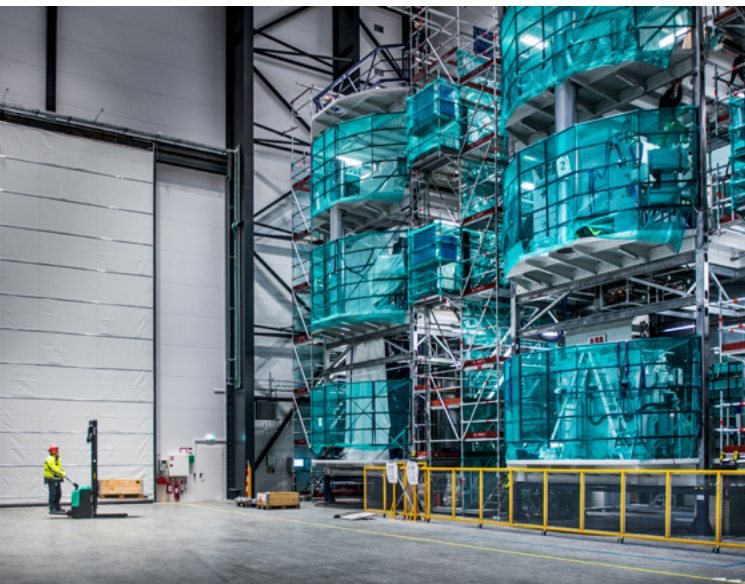
- Transitioning our benefit cars to (PH)EVs
- Introducing sustainably fueled vehicles and vessels to our service fleet
- Increasing our use of renewable energy for heating in factories

Regarding sustainably fueled vehicles and vessels, there is uncertainty about timing of availability, making access to electricly-powered or sustainably fueled vehicles and vessels the most challenging area to achieve Scope 1 and 2 carbon neutrality.

Benchmarking of SPT 1

The SBTi has approved our target to reduce our absolute scope 1 and 2 GHG emissions by 100% by 2030 from a 2019 baseline. By benchmarking our target against the ambition stated in the Paris Agreement, we have aligned our targets with a firm scientific basis.





B.3 SPT 2: Reducing CO₂e emissions in the supply chain by 45% per MWh generated by 2030

Ambitiousness of SPT 2

The target of reducing CO₂ emissions in the supply chain by 45% per MWh generated by 2030 from a 2019 baseline has been part of the the SBTi review and approval process in 2020 and is part of the near term SBTi commitment. The 2019 baseline has in 2021 been updated to include mergers and divestments.

The calculation of scope 3 is in alignment with the GHG protocol framework.

Actions to achieve SPT 2

Vestas monitors the environmental performance of its solutions with Life Cycle Assessment reports, which provide a “cradle-to-grave” evaluation of the solutions offered.

We have set four concrete sustainability expectations to around 50 strategic suppliers, covering approximately 50% of our material spend. These suppliers have committed to:

- 100 percent renewable electricity
- Measure and set targets for reducing scope 1 and 2 GHG emissions
- Measure and set targets for reducing scope 3 emissions
- Measure and set targets for reducing production waste

Reducing emissions from across our supply chain is the key lever to improve scope 3 emission intensity improvement and will require a partnership approach to sustainability. To support our efforts in this area, Vestas has entered into partnerships with our suppliers Maersk, DSV Panalpina and Hempel, working to reduce emissions from transport and industrial coatings.

Vestas is also in close dialogue with steel suppliers with the purpose to accelerate the availability of CO₂ reduced or green steel. A key priority is to decarbonize steel and a green steel strategy will be developed in 2022.

Developing sustainable product offerings is key for Vestas where product footprint reduction is one of the main levers. PtX is an enabler for developing supply chain reduction of CO₂ and an important business development area for Vestas. Additionally, our investment in Modvion, a Swedish start-up, supports Vestas’ target of reducing emission from across the supply chain. Modvion’s modular approach to designing and building wooden turbine towers has the potential of reducing emissions from tower production by 80%. When matured, this technology will enable a significant opportunity for Vestas to reduce the carbon footprint of our own design and manufacturing processes.

In 2022, digitalisation of sustainability data remains a key focus. We are currently implementing new software that will enable insight on the impact of design choices, forecasting based on business scenarios, and a strong data foundation for dialogues on trade-offs i.e. understanding sustainability and cost impacts of a given decision. Integrating supplier data on both CO₂ emissions and waste in the digital tool enables tracking of progress in the supply chain and benchmarking of suppliers on sustainability criteria.

Benchmarking of SPT 2

The target of reducing CO₂ emissions in the supply chain by 45% per MWh generated by 2030 compared to 2019 has in 2020 been recognised by SBTi as notably ambitious.

	Physical intensity target in kg CO ₂ e /MWh	CO ₂ e reduction in kg CO ₂ e/MWh vs. base year	SBTi physical intensity target in percent
2019	6.82	-	-
2020	6.63	0.19	3
2021	6.65	0.17	3
2022	6.65	0.17	3
2023	6.65	0.17	3
2024	6.47	0.35	5
2025	6.29	0.53	8
2026	6.10	0.72	11
2027	5.93	0.89	13
2028	5.31	1.51	22
2029	4.71	2.11	31
2030	3.74	3.08	45

B.4 SPT 3: Reducing material efficiency ratio by 90% per MW by 2030

Ambitiousness of SPT 3

The target of reducing the material efficiency ratio by 90% per MW produced and shipped by 2030 from a 2021 baseline is part of our long-term sustainability goal to build zero-waste wind turbines by 2040.

2021 has been selected as baseline year for the material efficiency KPI to be consistent with Vestas recently published Circularity Roadmap and linked KPIs.

The graph below shows the estimated amount of composite blade waste, and indicates the near-term importance of reducing production waste while at the same time innovating for recyclability and circularity at end-of-life. This framework give focus to the near-term production waste reductions, however Vestas has a full plan for circularity as outlined below.

Actions to achieve SPT 3

Vestas is committed to circularity and have by end of 2021 released a full plan for circularity. By doing so we became the first organisation in the wind industry, and one of the first organisations anywhere, to translate the theory of circular economy into actionable targets and goals. This development will help us to reduce our waste across the value chain, with the ultimate ambition of producing zero-waste wind turbines by 2040. Our circularity roadmap is based on three key areas: design, operations and material recovery, as follows:

Design for circularity

Material efficiency: To decrease Vestas' production waste, our first target is to increase our material efficiency by 90 percent by 2030 from a 2021 baseline. Our initial focus will be on blade manufacturing, which is our largest contributor to internal waste. This work will involve raising waste awareness within our factories, optimising blade design and production methods, and including circularity metrics in our key performance indicators with our own-operations and strategic suppliers. Already, we are working on comprehensive waste mapping, waste value optimisation, and the digitalisation of waste reporting and handling.

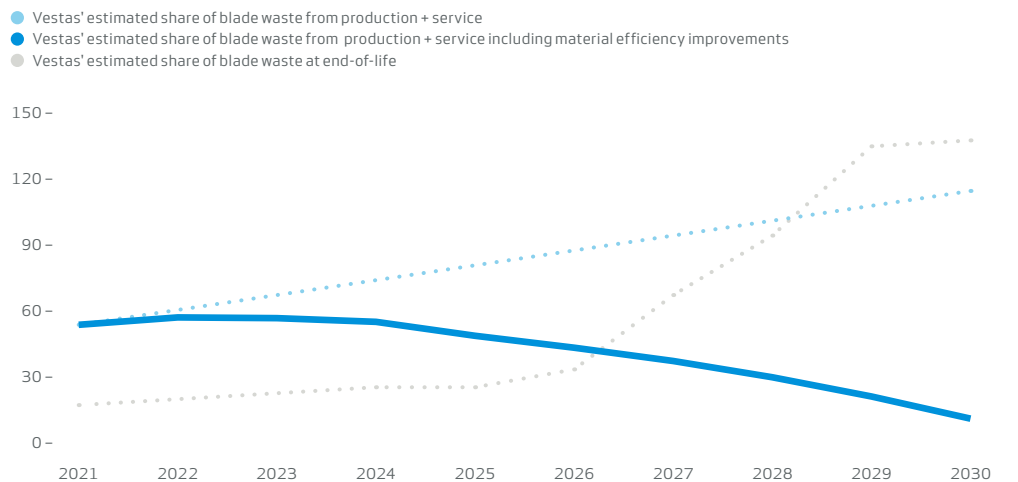
Blade and turbine recyclability (not linked to this framework):

We are significantly accelerating our ambition around blade recyclability. We have committed to create a rotor that can be 100 percent recycled by 2030, while avoiding the downcycling of blade materials as much as possible. Beyond blades, we are also working to integrate recyclability requirements across the full turbine structure. To achieve a zero-waste wind turbine, we are investigating new recycling pathways for difficult-to-recycle materials. Our ambition is to redesign the turbine, or develop new circularity routes so that every turbine component will be recyclable by 2040.

Supplier engagement (not linked to this framework): Supplier engagement: In addition to our material efficiency KPI and outside this framework we are also committing to a 50 percent decrease in the waste intensity of our supply chain by 2030 for our strategic suppliers.

Projection of Vestas' estimated share of blade waste

1,000 tonnes



← The graph shows the estimated amount of composite blade waste, and indicates the near-term importance of reducing production waste while at the same time innovating for recyclability and circularity at end-of-life.

Projection based on market share and projected waste numbers of the wind industry (Barlow et al. 2017)

Operational circularity

Repair and refurbishment (not linked to this framework): Across our operations, we are committing to expand efforts to refurbish and reuse turbine components, while regionalising our repair and refurbishment infrastructure where possible and to increase overall utilization rates of major and minor components. Through refurbishment, we can reuse up to 70 percent of old component materials. In turn, each refurbished component leads to a 45 percent saving in CO₂ compared to a new part being manufactured, even after transportation.

Material recovery

Eliminating landfilling and incineration (not linked to this framework): Within material recovery, we are committing to reduce the amount of Vestas manufacturing waste going to landfill to less than 1 percent, waste incinerated to less than 1 percent, and waste incinerated with energy recover to less than 5 percent, all by 2030. As most of our internal waste is centralised in manufacturing facilities, these targets go hand-in-hand with improving our material efficiency. We are not only focusing on our manufacturing waste. Additionally, all our functional areas, including manufacturing, construction, and service, will begin by mapping out their waste streams. As part of this process, they will identify priority projects to divert from landfill as quickly as possible, with the majority of landfill reductions planned to occur before 2025. As we decrease landfilling and incineration, we will increase our recycling rate to more than 94 percent by 2030. This marks a significant increase from our present recycling rate of 50 percent in 2021.

Implementation and governance (not linked to this framework): In line with our overall sustainability strategy, Sustainability in everything we do, our circularity roadmap will be entrenched throughout our organisation – from our engineers designing new turbines, to our factories manufacturing components, to our workers across our global supply chain. Nearly every functional area within Vestas will have a part to play in achieving our circularity ambitions.

For this SLB framework we have chosen to focus on material efficiency as it is seen fundamental for the transition into the circular economy and the following actions are planned for this part of the circular roadmap:

- Establish global, regional and local targets and implementation plans across our business manufacturing units, aligned through strategy deployment process, providing year-on-year targets
- Scope of implementation includes:
 - Material efficiency Reduction plans
 - Material segregation plans for operations
 - Partnership with local infrastructure providers

Benchmarking of SPT 3

Through the material efficiency SPT, we see to reduce waste generation in our own operations by 2030 to avoid all landfill and incineration. The few other initiatives in the industry normally only address a single fraction of waste e.g., waste from blade production and/or include recovery (i.e. incineration) as a viable route to reach their target.

	Material efficiency per MW produced and shipped	Improvement in material efficiency vs. base year	Target improvement in percent
2021	2.0	–	–
2022	1.9	0.1	6
2023	1.7	0.3	16
2024	1.5	0.5	25
2025	1.2	0.8	39
2026	1.0	1.0	50
2027	0.8	1.2	60
2028	0.6	1.4	70
2029	0.4	1.6	80
2030	0.2	1.8	90





C. Bond characteristics

The financial characteristics of any bond issued under this Framework will be specified in its related bond documentation. For any bond issued under this Framework, there will only be one possible Step Up Date which would impact the financial characteristics of the bond. Depending on the KPI performance in relation to the SPTs (as outlined below), a Step Up Event may occur which will result in an increase in coupon, applying to the relevant bond from the first day of the next interest period following immediately after the Step Up Event until maturity.

An increase in coupon shall be triggered if:

- a KPI has not achieved the SPT on the Reference Year, or
- the reporting does not meet the requirements as set out in the terms and conditions of the relevant bond documentation, or
- the verification (as per the terms and conditions of the relevant bond documentation) of the KPI performance has not been provided and made public on or prior to the Reference Year.

The KPIs are assigned the following relative weight of the aggregate coupon step-up, as specified in the security documentation of each respective Sustainability-Linked Bond issued under this Framework:

KPI	Relative weight of each KPI
KPI 1	20%
KPI 2	40%
KPI 3	40%

For the avoidance of doubt, if for the Reference Year, all three KPIs have achieved their respective SPTs, and reporting and verification for the KPI performance have been provided and made public in accordance with the terms and conditions set out in the relevant bond documentation, the financial characteristics of the relevant bond issued by Vestas under the Framework shall not change.

C.1 Fallback mechanisms

The levels of CO₂e emissions [baseyear 2019] and material efficiency [baseyear 2021] during the baseyears for the KPIs will be recalculated to reflect any significant changes in Vestas' structure (e.g., acquisition, divestiture, mergers), or technical changes (i.e. an updated IT system, changes required for obtaining a higher level of assurance). Recalculations will be done in accordance with our policy for baseline adjustments for carbon emissions. Any recalculations of levels of CO₂e emissions or material efficiency during the baseyears for the KPIs must be reported in Vestas' SLB Progress Report (see the reporting section below) verified by an independent, qualified external reviewer as outlined in the verification section of this Framework.

The KPIs and SPTs set out in this framework will remain applicable throughout the tenor of any bond issued under the Framework, regardless of any changes to Vestas' sustainability strategy, including any changes to the company's general sustainability targets and ambitions or changes in applicable benchmarks or industry standards.

Any new or updated Sustainability-Linked Finance or Bond Framework, in relation to any subsequent capital markets transactions, shall not have any implications on the securities issued under this Framework or the Framework itself.

D. Reporting

In order to provide investors and other stakeholders with adequate information about Vestas' implementation of our sustainability strategy in general and, in particular, progress made on the KPIs, and whether or not the SPTs have been achieved, as specified in this Framework, Vestas will provide relevant reporting. The reporting shall be made publicly available on an annual basis in Vestas' SLB progress report.

The SLB progress report shall be published on the company web page no later than [120] days after [each calendar year-end].

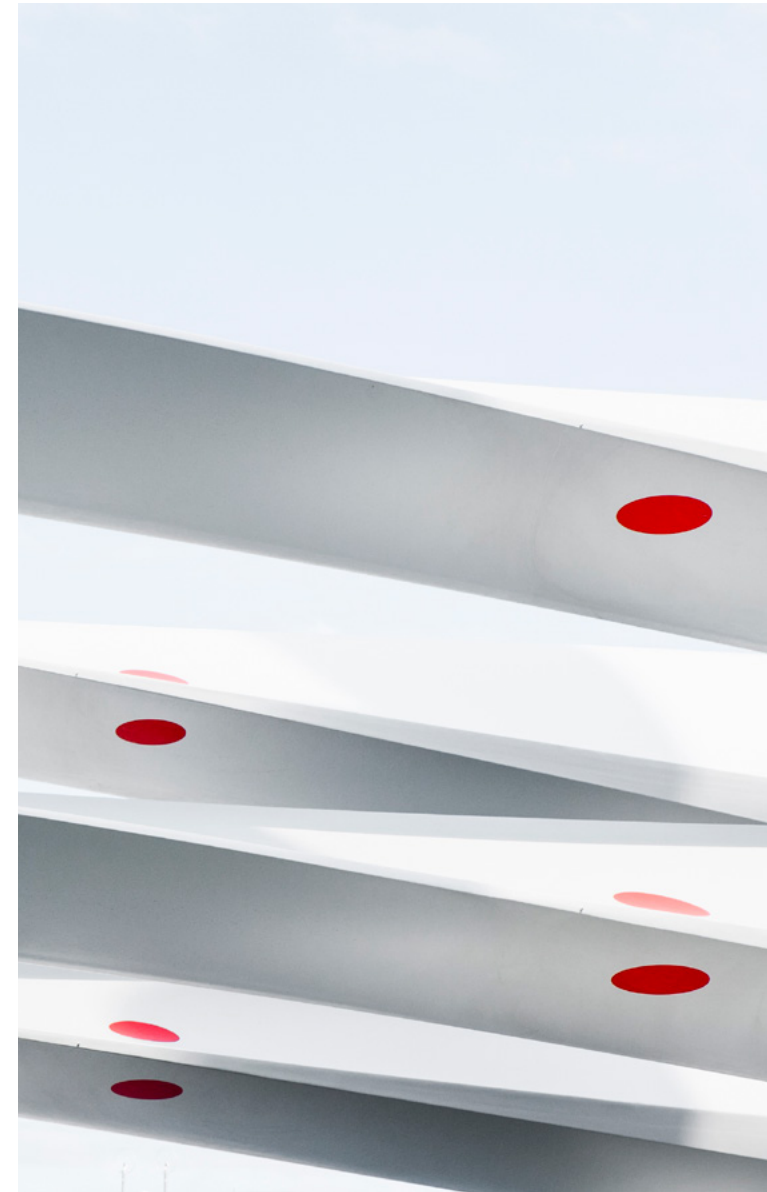
The reporting will form the basis for evaluating the impact on the bond characteristics as outlined in section "Bond Characteristics". The reporting will contain all the relevant information needed to assess if a Step Up Event has occurred in respect of any relevant outstanding securities including but not limited to:

- The performance of the KPIs, as per the Reference Year including the calculation methodology and baselines where relevant;
- Information about recalculations of the KPI levels;
- Verification relative to the KPI performance, outlining the performance against the SPTs and the related impact, and timing of such impact on the bond characteristics; and
- Information on any updates to Vestas' sustainability strategy and/or governance with an impact on the KPIs and SPTs.

Where feasible and possible the SLB progress report will also include:

- Qualitative and/or quantitative explanations of the contribution of the main factors, including M&A activities and changes to the fleet composition, behind the evolution of the performance on the KPIs on an annual basis
- Illustration of the positive sustainability impacts of the performance improvement
- Any re-assessments of the KPIs and/or restatement of the SPTs and/or proforma adjustments of baselines or KPI scope
- Updates on new or proposed regulations from regulatory bodies, such as but not limited to the EU relevant to the KPIs and the SPTs

The performance level against each KPI outlined above shall be verified by a qualified external reviewer with relevant expertise as described in section "Verification".



E. Verification

In order to provide transparency to investors and in alignment with the Sustainability Linked Bond Principles, Vestas will ensure that a verification by a qualified external and independent reviewer with relevant expertise, as outlined in the Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews developed by the Green and Social Bond Principles, of its actual performance level against the SPT Trajectory for the KPIs is carried out on an annual basis. The verification shall be conducted with limited assurance by the external reviewer. Vestas has the discretion to change the external reviewer subject to fulfilling the requirements set out herein. The ex-ante reviewer of the Sustainability-Linked Bond Framework shall differ from the ex-post reviewer.

The verification of the actual performance relative to the SPT(s) shall be made public together with Vestas' reporting on the company's webpage no later than the Notification Deadline in each year as set out in section "Bond Characteristics" and specified in the bond specific documentation for as long as any securities issued under this Framework remain outstanding. The verification will form the basis for evaluating whether a Step Up Event has occurred in respect of any bond issued under this Framework as described in section "Bond Characteristics".

Failure to provide the ex-post verification before the Notification Deadline in any year up to and including the year following the Reference Year for any securities issued under this Framework, shall result in an adjustment in the financial characteristics of such bonds as outlined in the bond specific documentation.

E.1 Second Party Opinion

Vestas has engaged DNV as an external reviewer to provide, in accordance with the Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews developed by the Green and Social Bond Principles, an independent, ex-ante Second Party Opinion on Vestas' Sustainability-Linked Bond Framework. The Second Party Opinion will be made publicly available on Vestas' website together with this framework.



Disclaimer

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