

Positive Impact



About the author *impak*, the independent impact rating agency, regularly publishes content providing transparent data on the social and environmental impact of companies. By doing so, it aims to accelerate the transformation towards a stakeholder economy generating an overall more positive contribution to society.



Vestas Wind Systems A/S
Renewable energy equipment
Denmark



Turnover (2021)	15,58 Billion Euros
Number of employees (2021)	29,164
impak Score (2020)	609

About the Positive Impact series

To accelerate our energy transition, a just and inclusive transition to reach the 2030 Sustainable Development Goals is needed. To succeed, companies can no longer be content with reducing their negative impacts. They need to see how their business model can contribute positively to the planet and society. Impact should be understood as a change in an outcome caused by an organization. It can be positive or negative, intentional or unintentional. Today, there are different paths to positive impact:

- Strategy 1:** Through the creation of new products and services (integrated into the business model and generating revenue) by the company;
- Strategy 2:** Through its practices, the company can use its value chain as a lever for impact. Whether in dealing with its suppliers, customers, employees, or innovation practices, the company takes advantage of its business relationships to generate a positive impact. This goes beyond simple "sustainable" practices and is not linked to a generation of income (intrapreneurship, integration of vulnerable populations in the production and marketing chain) (integrated into the value chain but not generating income directly);
- Strategy 3:** Through external practices of the business model of the company, such as philanthropy, donation, investments intended for social enterprises.

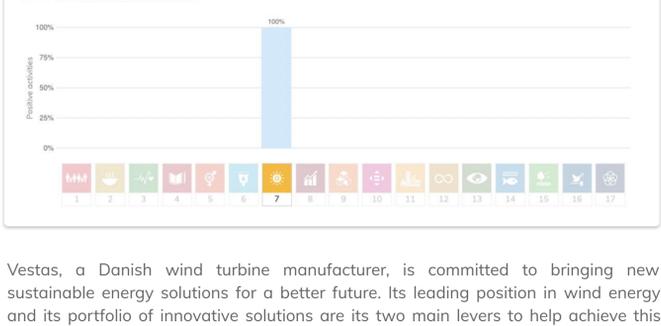
The Ukrainian Crisis

The climate emergency and the war in Ukraine have made our dependence on fossil fuels even more evident. And even more urgent is the need to accelerate our energy transition. According to the recent IPCC report, we have three years left to reverse the trend, and although the climate policies in place are insufficient, we have the solutions at our fingertips to meet the objectives of the Paris agreement.

The Targeted Sustainable Development Goal



Vestas is committed to ensuring everyone has access to reliable, sustainable and modern energy services at an affordable cost.



Vestas, a Danish wind turbine manufacturer, is committed to bringing new sustainable energy solutions for a better future. Its leading position in wind energy and its portfolio of innovative solutions are its two main levers to help achieve this goal. To date, its entire revenue contributes to increasing the share of renewable energy in the global energy mix (SDG 7.2).

The manufacture and installation of wind turbines are also aligned with the European taxonomy, 100% of its business model contributes substantially to climate change mitigation. In fact, the recent IPCC report showed that wind energy offers one of the most cost-effective solutions and has the highest potential contribution to reducing greenhouse gases.

EU Taxonomy activities	Company's related Activity	Share of revenue eligible	Screening criteria	Share of revenue meeting the technical screening criteria (TSC)	DNSH	MSS	Final status
Manufacture of renewable energy technologies	- Developing and manufacturing onshore and offshore wind turbines	86.13%	Aligned	86.13%	Aligned with assumption(s)	Aligned with assumption(s)	Aligned with assumption(s)
Installation, maintenance and repair of renewable energy technologies	- Installation, maintenance, repair, and other service solutions and performance optimization for onshore and offshore wind turbines	13.87%	Aligned	13.87%	Aligned with assumption(s)	Aligned with assumption(s)	Aligned with assumption(s)
Total		100%		100%			

Level of measurement and reporting: ● Complete ● Incomplete ● No information

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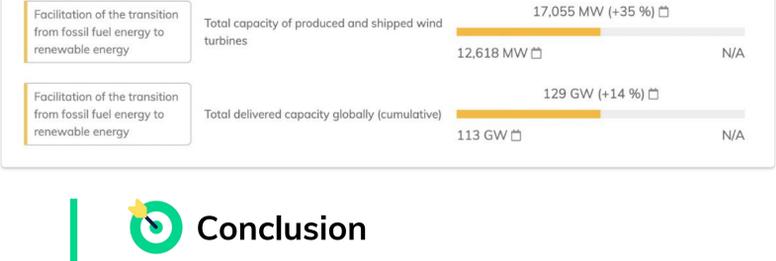
The impact measurement of Vestas

"What cannot be measured does not exist". Today, the measure of impact, that is to say the positive or negative contribution made by a company makes it possible to account for its commitments, its effectiveness and to provide support for strategic decision-making.

Through life cycle analysis (LCA) of its turbines and impact assessments during wind farm installation projects, Vestas documents its environmental performance and analyzes its results to reduce its negative impacts. Most indicators are audited by an external third party and the results of its ACVs are available online.

At the end of 2020, Vestas installed more than 76,680 wind turbines in 83 countries, bringing the total installed capacity to 129 GW, avoiding 1.5 billion tonnes of carbon emissions. This is equivalent to taking one billion EU cars off the road for one year. In 2020, the group increased its installed capacity by 14% compared to 2019.

To measure its impact, the company reports its performance according to the standards of the Sustainability Accounting Standards Board (SASB), the Task Force on Climate-related Financial Disclosures (TCFD), the European taxonomy and uses the criteria of the Sustainable Development Goals (SDGs). Vestas' impact measurement reflects its major economic, environmental and social impacts, allowing it to evaluate its performance.



Conclusion

A world leader in wind turbine manufacturing and sales, Vestas is also one of the best-rated companies in our universe. Its impact strategy, the manufacture and sale of wind turbines, is integrated at the heart of its business model and is supported by an impact measure to improve the efficiency and relevance of its actions.

Many strategies lead to more positive impact in business. There is no perfect method. But regardless of the leverage used, whether it's embedded in the business model, the value chain, or outside its, raison d'être, it's not too late to accelerate the transition to a more just, sustainable, and inclusive economy. In the next article, we will always see through the business model of the company, how some have chosen to act in favor of the inclusion of the Bottom Of the Pyramid populations "BoP" (in French, the base of the pyramid) through the creation of a new supply of goods and services specifically adapted to these populations.

One thing is for sure, the path to impact is long and uncertain, but there is today an essential element for moving towards an economy capable of meeting the challenges of future generations: impact measurement. It is time to enter a new era where transparency, accountability and systemic consideration of impacts become the new norm.

It is important to note that a positive impact does not offset a negative impact. Just because a company contributes positively to the SDGs does not mean it can avoid reducing its negative impacts. As such, the European Union enshrines this concept, an activity is said to be sustainable if it demonstrates that it brings a substantial benefit to at least one of the six environmental objectives, but it must also avoid negative effects on the other five objectives (the transition to a circular economy, the prevention and control of pollution, the protection and restoration of biodiversity and ecosystems, etc.) Thus, it is necessary to analyse the environmental impacts of wind turbines on biodiversity, the issue of end-of-life blade recycling ... Through its activities, Vestas is also one of the companies at risk for rare earths, conflict minerals and human rights violations.

Methodological notes

The data is based on both companies' 2020 public financial and extra-financial statements, compiled using *impak's* rating methodology available on www.impakfinance.com, and aligned with the Impact Management Project (IMP) framework.

The methodology follows the IMP classification: A (Acts to avoid Harm), B (Benefits stakeholders), C (Contributes to solutions), and Z (Does or may cause harm). Note that according to our methodology, in the case of a Z, a certain penalty is assigned based on the following 3 factors: the type of Z (does cause harm or may cause harm), the repetition of the Z over time and, only in the case of a Z that "does cause harm", whether measures have been taken to mitigate this negative impact.

It is important to mention that limited companies may have some potential positive impacts that were not considered because of the limited information available or because they represent less than 0.01% of their activities. As positive impacts are based on their relationship to the Sustainable Development Goals (SDGs), they can overlap. The percentages of activities related to these impacts can therefore be non-cumulative.

The sub-score related to governance is based on several criteria analysing the integration of impact mechanisms within the company. Thus, the role of the various beneficiaries in decision-making, the analysis of its impacts within the value chain and the assignment of a team dedicated to the impact mission are all important criteria for this section.

Given the significant growth in transparency and sustainability among investors, one or two years can make a significant difference to *impak* Scores.

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