








Vestas®

# Statutory report on **corporate governance**




according to section 107b of  
the Danish Financial Statements Act  
– the accounting period 1 January-31 December 2014

**Wind.** It means the world to us.™

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## Signature

-  The company complies with the recommendation.
-  The company partly complies with the recommendation.
-  The company does not comply with the recommendation.

# Preface

This statutory report on corporate governance (hereinafter referred to as "the report") covers the period 1 January 2014 – 31 December 2014 and is prepared pursuant to section 107b of the Danish Financial Statements Act. The report forms part of the management's review in the annual report 2014.

## Corporate governance principles

Corporate governance, defined as "the system used to manage and control a business", is to a wide extent reflected in the provisions concerning the board of directors set out in the Danish Companies Act.

To the Board of Directors of Vestas Wind Systems A/S corporate governance is not just a set of rules but a constant process. Consequently, the Board of Directors continuously addresses the guidelines and processes for the overall management of the Vestas Group. This ensures that the management at any time is able to solve its managerial tasks professionally and with due consideration to current legislation, practices and recommendations.

The evaluation of the guidelines and processes includes a review of the company's business model, business processes, goals, organisation, capital position, stakeholder relations and risks as well as exercise of the necessary control.

Once a year, the Board of Directors evaluates the recommendations for corporate governance prepared by the Danish Committee on Corporate Governance.

## Danish recommendations on corporate governance

Pursuant to the Danish Financial Statements Act section 107b and the rules of Nasdaq Copenhagen, listed companies must state their position to the Committee's recommendations. This must be done using the "comply or explain" principle.

Vestas' position with regard to each individual recommendation is described in this statutory report. It is specified in the recommendations on corporate governance that it is just as legitimate to explain a deviation from a specific recommendation as to comply with the recommendation. The key issue is to create transparency in the corporate governance matters.

Adopted by the Board of Directors of Vestas Wind Systems A/S, February 2015.



"The Board is continuously vigilant of the guidelines and processes that are in place for the running of Vestas. This ensures that – at any given time – management has the necessary framework to be able to conduct business in a spirit of fairness, transparency and accountability."

Bert Nordberg  
Chairman

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# Management structure

Vestas Wind Systems A/S is a Danish limited liability company with a two-tier management system in which the Board of Directors and the Executive Management handle the management of the company's affairs. No persons hold dual memberships of both the Board of Directors and the Executive Management. The company is also the parent company of the Vestas Group.

The management of the company and the Group is governed by the company's articles of association, the Danish Companies Act and other applicable Danish law and regulations.

## Shareholders

Vestas Wind Systems A/S' share capital amounts to DKK 224,074,513, and its shares are listed on Nasdaq Copenhagen under the ticker symbol VWS. Vestas has one share class and a total of 224,074,513 shares, which are 100 per cent free float.

At the end of the year, the company had 159,162 shareholders registered by name, including custodian banks. At the end of 2014, Marathon Asset Management LLP had reported a shareholding that exceeded 5 per cent. Vestas seeks to have an international group of shareholders and to inform everyone openly about the company's long-term targets, priorities and initiatives conducted with due consideration to short-term opportunities and limitations.

## General meeting

The general meeting, consisting of the company's shareholders, is the supreme management body of Vestas Wind Systems A/S and is the supreme authority in all company matters, subject to the limits laid down by Danish legislation and the company's articles of association.

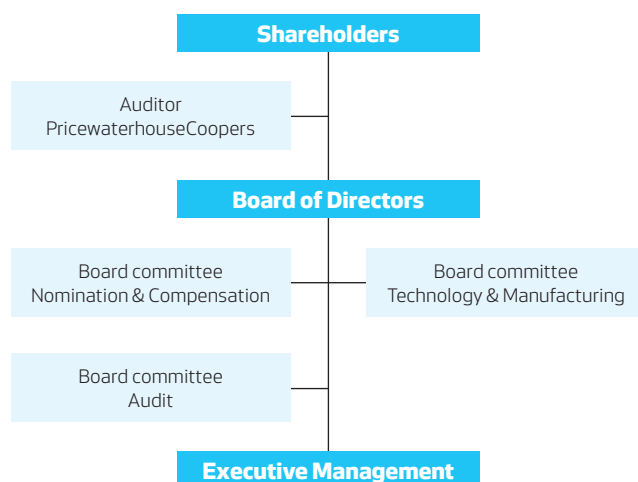
Shareholders may exercise their rights to make decisions in the company at the general meeting. The general meeting is held at least once a year. All shareholders are entitled, in compliance with a few formal requirements, to have equal access to submit proposals, attend, vote and speak at general meetings, ref. articles 4 and 6 of the articles of association.

## Board of Directors

Pursuant to the company's existing articles of association, the company is managed by a Board of Directors composed of five to ten members elected by the general meeting and a number of representatives elected by the employees. The Board of Directors currently consists of 12 members, of which eight are elected by the general meeting and four are elected by and among the employees.

The existing Board members elected by the general meeting were elected in 2014 and their election term expires in 2015, as Board members elected by the general meeting must retire at the following Annual General Meeting. However, such Board members shall be eligible for re-election, ref. article 8(1) of the articles of association.

## Vestas' management structure



### Members of the Board of Directors

Bert Nordberg, Chairman  
Lars Josefsson, Deputy Chairman  
Carsten Bjerg  
Eija Pitkänen  
Henrik Andersen  
Henry Sténson  
Jørn Ankær Thomsen  
Kim Bredo Rahbek  
Kim Hvid Thomsen  
Michael A. Lisbjerg  
Lykke Friis  
Sussie Dvinge Agerbo

### Members of the Audit Committee

Henrik Andersen, Chairman  
Carsten Bjerg  
Henry Sténson  
Jørn Ankær Thomsen

### Members of the Technology & Manufacturing Committee

Lars Josefsson, Chairman  
Carsten Bjerg  
Eija Pitkänen  
Henry Sténson  
Kim Hvid Thomsen

### Members of the Nomination & Compensation Committee

Bert Nordberg, Chairman  
Henrik Andersen  
Jørn Ankær Thomsen  
Lars Josefsson

### Members of the Executive Management

Anders Runevad, Group President & CEO  
Anders Vedel, Executive Vice President & CTO  
Jean-Marc Lechêne, Executive Vice President & COO  
Juan Araluze, Executive Vice President & CSO  
Marika Fredriksson, Executive Vice President & CFO

Board members elected by the general meeting may be recommended for election by the shareholders or by the Board of Directors. When proposing candidates for Board membership, the Board of Directors strives to ensure that they:

- are able to act independently of special interests;
- represent a balance between continuity and renewal;
- match the company's situation; and
- have industry insight and the commercial and financial skills required to allow them to perform their tasks in the best possible manner.

When proposing new board candidates, the Board of Directors pursues the goal of having several nationalities of both sexes. In addition, the Board of Directors is focused on having a diverse age distribution. However, this goal must not compromise the other recruitment criteria.

### **Duties of the Board of Directors**

The Board of Directors deals with the overall and strategic management of the company, including:

- appointing the Executive Management;
- laying down guidelines for and exercising control of the work performed by the Executive Management;
- ensuring responsible organisation of the company's business;
- defining the company's business concept and strategy;
- ensuring satisfactory bookkeeping and financial reporting;
- ensuring the necessary procedures for risk management and internal controls; and
- ensuring that an adequate capital contingency programme is in place at all times.

Cooperating with the Executive Management, the Board of Directors establishes and approves overall policies, procedures and controls in key areas, not least in relation to the financial reporting. This requires a well-defined organisational structure, unambiguous reporting lines, authorisation and certification procedures and adequate segregation of duties.

### **Board committees**

The purpose of Vestas' Board committees is to prepare decisions and recommendations for evaluation and approval by the entire Board of Directors. The committees are not authorised to make independent decisions; instead they report and make recommendations to the entire Board of Directors. Vestas has established three permanent Board committees.

**Audit Committee** – supports the Board of Directors in assessments and controls relating to auditing, accounting policies, systems of internal controls, financial reporting, procedures for handling complaints regarding accounting and auditing, the need for an internal audit function and Vestas' ethics and anti-corruption programmes.

**The Nomination & Compensation Committee** – supports the Board of Directors in evaluation of the performance and achievement of the Board of Directors and Executive Management on overall staff-related topics, including assessments of remuneration.

**The Technology & Manufacturing Committee** – assists the Board of Directors in assessing technological matters, IPR strategy and product development plans. The committee also supports the Board in matters concerning production, monitors and evaluates the short- and long-term manufacturing footprint, evaluates sustainability performance and gives support to the Vestas Governance Forums.

### **Executive Management**

The Executive Management of Vestas Wind Systems A/S is appointed by the company's Board of Directors and among the members of the Executive Management they have appointed a Chief Executive Officer who is the manager of the day-to-day work of the Executive Management. Moreover, the Board of Directors lays down the distribution of competences among the members of the Executive Management.

### **The work of the Executive Management**

The Executive Management is responsible for the day-to-day management of the company, observing the guidelines and recommendations issued by the Board of Directors.

The Executive Management is also responsible for presenting proposals for the company's overall objective, strategies and action plans as well as proposals for the overall operating, investment, financing and liquidity budgets to the Board of Directors. The Executive Management monitors compliance with relevant legislation and other financial reporting regulations and provisions.

### **Code of Conduct**

As Vestas gradually grows bigger and bigger with employees and business partners with widely different cultural backgrounds, religious beliefs and political convictions, it is becoming more and more important to have a formal set of common values. The purpose of Vestas' Code of Conduct is to ensure that all employees and other persons acting on behalf of Vestas know what correct Vestas behaviour is.

Vestas' Code of Conduct sets the framework for the work of supporting the principles of the UN Global Compact. Vestas will endeavour to ensure that its business partners also respect these principles.

### **Financial reporting risks**

Based on Vestas' risk management policy, the Global Finance function prepares a description of the key risks relating to financial reporting and measures taken to control such risks. Global Finance works actively with anchoring risk management throughout the organisation, including ensuring systematic identification and management of all relevant risks.

As part of the risk assessment, Vestas' Board of Directors and Executive Management annually assess the risk of fraud and the measures to be taken to reduce and/or eliminate such risks, including assessing any possibility of the general management overriding controls and affecting the financial reporting.

### **Control activities**

Global Finance is responsible for the implementation and monitoring of Vestas' global financial processes. This helps to ensure a uniform design and structure of the Group's internal controls. The objective of the Group's control activities is to ensure compliance with the targets, policies, manuals, procedures, etc. defined by the Executive Management.

Furthermore, the activities must help ensure that any errors, deviations and shortcomings are prevented, discovered and rectified.

Vestas continuously adjusts and implements global financial processes and controls for all units and functions aimed at further mitigating the risk of incorrect reporting.

### **Information and communication**

Vestas' internal rules, adopted by the Board of Directors, lay down, among other things, overall requirements on financial reporting and external financial reporting in accordance with current legislation and applicable regulations.

The information systems are designed to identify, collect and communicate relevant information, reports, etc. on an ongoing basis and on all levels to facilitate an effective, reliable workflow and the performance of controls. This is done with due consideration to the confidentiality required in a listed company.

### **Financial management**

In connection with financial management it is the Group's objective to create the necessary stability to implement strategic development work while in the long term achieving a competitive return for the company's shareholders. At the same time, the Group has the objective of reducing cost of capital.

The Group's possible methods of maintaining or changing its capital structure are: adjustment of the dividends level; share buy-backs; issuing of new shares; new borrowing; change of the level of funding from prepayments received; credit granted by suppliers; and the sale of assets to reduce debts.

# 1. Communication and interaction by the company with its investors and other stakeholders

Recommendation	Vestas' comments
<b>1.1. Dialogue between company, shareholders and other stakeholders</b>	
<p>1.1.1. The committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.</p>	<p>Vestas' communication strategy contains clear guidelines on how Vestas attempts to give all stakeholders a true, fair and comprehensive view of Vestas.</p> <p>Vestas has 159,162 registered shareholders in more than 120 countries. In 2014, the dialogue with the shareholders has included:</p> <p><b>General meeting</b></p> <p>In connection with Vestas' Annual General Meeting in 2014, an information page was set up at <a href="http://www.vestas.com/investor">www.vestas.com/investor</a> providing all relevant information about the Annual General Meeting.</p> <p>Vestas further invited the company's shareholders to express their views at the Annual General Meeting or to pose questions before the meeting. Questions posed before the meeting were published at <a href="http://www.vestas.com/investor">www.vestas.com/investor</a> with their respective answers.</p> <p><b>Shareholder information</b></p> <p>In February and August, Vestas published the online "shareholder information". An online publication in which the company's Executive Management gave a brief presentation of the company's state of affairs, development potential and an overview of the financial highlights for the relevant period.</p> <p><b>Financial reporting/roadshow</b></p> <p>In 2014, in connection with the four presentations of the financial reports, Vestas arranged information meetings. These presentations were webcast live via the internet.</p> <p>Following the financial presentations, the Group President &amp; CEO, the Executive Vice President &amp; CFO and employees from the Investor Relations department participated in roadshows in which meetings were held with investors and stakeholders in Europe and the USA. In 2014, Vestas held 30 roadshow days.</p> <p>After each roadshow, the Investor Relations department summarizes the feedback received from investors to the Board of Directors in their monthly report.</p>



1.1.2. The committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensure that the interests of the shareholders are respected in accordance with company policies.

1.1.3. The committee recommends that the company publish quarterly reports.

### Ongoing dialogue

In 2014, Vestas has had a regular dialogue with the company's shareholders and investors. Investor Relations aims to be visible and accessible to present and potential shareholders, investors and other stakeholders.

The day-to-day communication has mainly been handled by telephone and email via [ir@vestas.com](mailto:ir@vestas.com) or by way of an informative website.

In 2014, Vestas participated in more than 30 Investor Relations events. Moreover, in June, Vestas hosted a capital markets day in Aarhus, Denmark for investors, analysts and the media.

Furthermore, in 2014, the chairman of the Board of Directors and the Executive Management held meetings with some of the company's largest shareholders in order to enhance the dialogue between the shareholders and the company.

Vestas' relations to its stakeholders – present and potential shareholders, business partners, employees and the surrounding society – are anchored in the company's operating business model, vision, mission and objectives.

Vestas seeks to develop and maintain good relations to its stakeholders as such relations are believed to have a significant and positive impact on the company's development.

Vestas' relationship with its stakeholders is described in Vestas' Code of Conduct and Vestas' communication strategy.

Vestas discloses financial reports four times a year – one annual report and three interim financial reports. Financial reports disclosed in 2014 and the publication dates for future financial reports are available at [www.vestas.com/investor](http://www.vestas.com/investor).





## 1.2. General meeting

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1.2.1. The Committee recommends that, when organising the company's general meeting, the board of directors plan the meeting to support active ownership.

At the board meeting held in November 2013, the Board of Directors decided that the Annual General Meeting in 2014 should be conducted by physical attendance.



The date for the Annual General Meeting was disclosed on 6 November 2013 and the convening was published on 28 February 2014.

To promote active ownership, the Board of Directors encourages all shareholders and investors to express their views by voting at the Annual General Meeting:

- by attending the general meeting,
- through the InvestorPortal to:
  - cast their vote,
  - vote by correspondence,
  - fill-in a proxy,
  - grant authorisation to the Board of Directors,
  - appoint a third-party proxy; or
- by filling in and returning a correspondence vote or proxy.

1.2.2. The committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.

At the Annual General Meeting in 2014, it was possible for the shareholders to decide on each individual item on the agenda by using the proxy and in this way exercise their influence.



## 1.3. Takeover bids

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1.3.1. The committee recommends that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.

If the Board of Directors has reason to believe that a takeover bid will be submitted, the Chairman will establish a working group with internal and external specialists to support the Board of Directors in making the necessary arrangements.



No decisions may be made which prevent the shareholders from deciding on takeover bid themselves.

## 2. Tasks and responsibilities of the board of directors

Recommendation	Vestas' comments	
<b>2.1. Overall tasks and responsibilities</b>		
2.1.1. The committee recommends that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.	When the Board of Directors reviewed its rules of procedure at the board meeting held in November 2014 the Board defined its most important tasks.	
2.1.2. The committee recommends that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	Once a year, the Board of Directors arranges a strategy seminar with participation of the members of the Executive Management to discuss the strategies and future visions for the Group. The latest strategy seminar took place in September 2014.	
2.1.3. The committee recommends that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary in the company's annual report and/or on the company's website.	The Board of Directors evaluates continuously to what extent the company's capital structure, share structure and capital resources are reasonable in consideration of the Group's operations and the stakeholders' interests.  In February 2014, Vestas announced that the Group would use the authority in article 3(1b) of the company's articles of association to issue 20,370,410 new shares.  The share capital increase was fully subscribed at the price of DKK 162.00 per share in a private placement to institutional and professional investors in Denmark and internationally. The company received net proceeds of approx DKK 3.3 bn. The annual report 2014 contains further details.	
2.1.4. The committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.	At least once a year, the Board of Directors reviews and approves the rules of procedure of the Executive Management.  The rules of procedure lay down, among other things, procedures governing the Executive Management's reporting to the Board of Directors and for the mutual dialogue between the Board of Directors and the Executive Management in general. This ensures that the Board of Directors continuously receives the needed information about the company's operations. However, the Executive Management must in any case ensure that all significant information is passed on to the Board of Directors, whether or not the Board of Directors has expressly requested such information.  The rules of procedure for the Executive Management were last updated in connection with the board meeting in November 2014.	

2.1.5. The committee recommends that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.

2.1.6. The committee recommends that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary in the company's annual report and/or on the website of the company.

At the board meeting in November 2014 the Board of Directors discussed the Executive Management's composition, development, risks and succession plans.



At the end of 2014, the number of different nationalities was 81. Non-Danish nationals held 54 per cent of the positions in the upper management level. 18 per cent were women. The aim is to have many nationalities represented at all locations which also have a broad range of professional groups. Another intention is for the number of women managers to rise and to increase the share of non-Danish nationals in management positions. However, qualifications always have first priority.



The Board of Directors also discusses diversity with respect to the board composition, in particular in connection with assessments of new board candidates. When proposing new board candidates, the Board of Directors pursues the goal of having several nationalities of both genders. In addition, the Board of Directors is focused on having a diverse age distribution. However, this goal must not compromise the other recruitment criteria.

In accordance with Danish legislation, the Board of Directors has defined a target outlining that members of the underrepresented gender should constitute two to three board members elected by the general meeting no later than in 2017.

In connection with the Annual General Meeting in 2014, the Board of Directors recommended the shareholders to elect Ms Lykke Friis as new member of the Board of Directors, and the shareholders followed the recommendation.

The Board of Directors consist of eight members elected by the shareholders:

- two women and six men;
- one from Finland, three from Sweden and four from Denmark; and
- mean age of approx 56.

## 2.2. Corporate social responsibility

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2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.

The actions of any company have an influence on the environment in which it operates. A company is responsible for the impact that the company's activities may have on nature and the local and global society.



Vestas is an international company that strives to act as a responsible social-minded company on a global scale. It is therefore Vestas' aim to carry out its activities in a way which has the least possible adverse impact on the environment and the surroundings in general.

Policies concerning corporate social responsibility are incorporated in Vestas' Code of Conduct. At least once a year, Vestas' Board of Directors reviews the company's policies regarding corporate social responsibility. The policies were most recently updated at the board meeting in November 2014.

## 2.3. Chairman and vice-chairman of the board of directors

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2.3.1. The committee recommends appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.

In accordance with article 8(2) of Vestas' articles of association, the Board of Directors may decide to appoint a deputy chairman.



Vestas' Board of Directors has appointed a deputy chairman who is an effective sparring partner for the chairman and will assume the responsibilities of the chairman in the event of the chairman's absence.

The rules of procedure for the Board of Directors include a general description of the tasks, duties and responsibilities of the chairman and the deputy chairman.

2.3.2. The committee recommends ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.

The chairman must not perform duties for the company that are not an inherent part of the office as chairman with the exception of isolated tasks that the chairman is requested to perform by and on behalf of the Board of Directors.



The chairman of the Board of Directors has not performed such isolated tasks in 2014.

If it is decided by the Board of Directors that the chairman must participate in the day-to-day management, this decision will be disclosed in a company announcement.

## 3. Composition and organisation of the board of directors

Recommendation	Vestas' comments
<b>3.1. Composition</b>	
<p>3.1.1. The committee recommends that the board of directors annually account for:</p> <ul style="list-style-type: none"><li>• the skills it must have to best perform its tasks;</li><li>• the composition of the board of directors; and</li><li>• the special skills of each member.</li></ul>	<p>The Board of Directors evaluated that the following skills would be of important for it to best perform its tasks:</p> <ul style="list-style-type: none"><li>• Management of a listed company</li><li>• Accounting / finance / capital markets</li><li>• Strategic management</li><li>• Research and development</li><li>• Manufacturing</li></ul> <p>The following information is available at Vestas' web-page:</p> <ul style="list-style-type: none"><li>• the competences of the Board of Directors;</li><li>• the composition of the Board of Directors; and</li><li>• the special competences of each member.</li></ul>
<p>3.1.2. The committee recommends that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.</p>	<p>The Board of Directors uses external consultants to identify and assess the profiles and qualifications specifically needed in order to supplement the expertise reflected in the overall composition of the Board of Directors.</p> <p>The criteria used when nominating new candidates include gender and age, but without compromising the other recruitment criteria.</p> <p>In 2014, Jørgen Huno Rasmussen resigned as member of the Board of Directors. Lykke Friis was elected as new member of the Board of Directors.</p>
<p>3.1.3. The committee recommends that a description of the nominated candidates' qualifications, including information about the candidates:</p> <ul style="list-style-type: none"><li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda;</li><li>• demanding organisational tasks; and information</li><li>• about whether candidates to the board of directors are considered independent.</li></ul>	<p>The notice convening Vestas' Annual General Meeting in 2014 at which election of board members was on the agenda was accompanied by a detailed description of each individual candidate, including information about age, position, education, former employment, other offices held in Danish and foreign companies and organisations, positions of trust, independence and special competences.</p>



3.1.4. The committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.

Vestas' articles of association do not stipulate a retirement age for board members. According to the rules of procedure for the Board of Directors, the Board of Directors will not nominate candidates who have reached the age of 70.



The company does not wish to limit shareholders' possibility of nominating candidates – which, moreover, is not considered good corporate governance by international shareholders – and the articles of association therefore do not stipulate a retirement age for members of the Board of Directors.

3.1.5. The committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.

According to Vestas' articles of association board members elected by the general meeting are up for election every year at the company's Annual General Meeting.



## 3.2. Independence of the board of directors

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3.2.1. The committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.

According to the definition of an independent person as set out in the recommendation, seven out of the eight board members elected by the general meeting in 2014 were independent.



To be considered independent, this person may not:

One member is associated with one of the law firms that advises the company.

- be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,
- within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors,
- represent the interests of a controlling shareholder,
- within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.
- be or within the past three years have been employed or partner at the external auditor,
- have been chief executive in a company holding cross-memberships with the company,
- have been member of the board of directors for more than 12 years; or
- have been close relatives with persons who are not considered independent.

### 3.3. Members of the board of directors and the number of other executive functions

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3.3.1. The committee recommends that each member of the board of directors assess the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.

Vestas believes that each board member is capable of assessing, in a satisfactory manner, the member's time commitment for the board work and each function in order that the number of functions held will not adversely impact the quality of the work performed on Vestas' Board of Directors.



3.3.2. The committee recommends that the management commentary, in addition to the provisions laid down by legislation, include the following information about the members of the board of directors:

The annual report 2014 contains the information set out in recommendation 3.3.2.



- the position of the relevant person,
- the age and gender of the relevant person,
- whether the member is considered independent,
- the date of appointment to the board of directors of the member,
- expiry of the current election period,
- other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises,
- demanding organisational tasks, and
- the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.

In 2014, the information about the members of the Board of Directors has continuously been updated at [www.vestas.com/investor](http://www.vestas.com/investor) including their trading with Vestas shares.

### 3.4. Board committees

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3.4.1. The committee recommends that the company publish the following on the company's website:

The following information about the company's board committees is available at [vestas.com/investor](http://vestas.com/investor) (Corporate governance):



- the terms of reference of the board committees,
- the most important activities of the committees during the year, and the number of meetings held by each committee, and
- the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.

- charter;
- composition;
- function;
- responsibilities;
- work methods; and
- number of meetings.

The purpose of Vestas' board committees is to prepare decisions and recommendations for consideration and approval by the entire Board of Directors. The committees are not authorised to make independent decisions, but report to and make recommendations to the entire Board of Directors.

Against this background and keeping in mind that publication of the committees' activities in certain instances may be detrimental to the Group, the Board of Directors has decided not to publish the committees' most important activities. An overview of the committees' general tasks is available on page 5.

3.4.2. The committee recommends that a majority of the members of a board committee be independent.

According to the definition of independence by the Committee on Corporate Governance, Vestas' board committees comply with the recommendation.



3.4.3. The committee recommends that the board of directors set up a formal audit committee composed in such a way that:

According to applicable Danish law and the rules of procedure for the Board of Directors, Vestas has established an audit committee.



- the chairman of the board of directors is not chairman of the audit committee, and
- between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.

A description of the committee's composition, responsibilities and work methods is available at [www.vestas.com/investor](http://www.vestas.com/investor) (Corporate governance).

The committee members meet the requirements set out in recommendation 3.4.3.

3.4.4. The committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about:

In connection with the preparation of the company's four financial reports in 2014, the Audit Committee reviewed the financial reports on the basis of the criteria set out in recommendation 3.4.4. and reported to the Board of Directors.



- significant accounting policies,
- significant accounting estimates,
- related party transactions, and
- uncertainties and risks, including in relation to the outlook for the current year.

3.4.5. The committee recommends that the audit committee:

Once a year, the Audit Committee assesses the need for an internal audit function. In the 2014 financial year, the Committee found that it was not necessary to establish an internal audit function because the tasks that would normally be undertaken by an internal audit were handled by an internal compliance department, which reports directly to the Audit Committee.



- annually assess the need for an internal audit, and in such case, make recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and
- monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.

The committee ensures that conclusions and recommendations from the internal compliance department are communicated and implemented in the company to the extent required.



3.4.6. The committee recommends that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:

- to describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,
- to annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,
- to annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,
- to consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and
- to propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.

3.4.7. The committee recommends that the board of directors establish a remuneration committee with at least the following preparatory tasks:

- to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,
- to make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and
- to recommend a remuneration policy applicable for the company in general.

3.4.8. The committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.

The committee's tasks relating to recommendations 3.4.6. and 3.4.7. are handled in a board committee termed Vestas' Nomination & Compensation Committee. The Board of Directors has assessed that the committee members have the necessary competences to perform both tasks, and that this structure is optimal for Vestas.

A description of the committee's composition, tasks and work methods is available at [www.vestas.com/investor](http://www.vestas.com/investor) (Corporate governance).



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A description of the committee's composition, tasks and work methods is available at [www.vestas.com/investor](http://www.vestas.com/investor) (Corporate governance).



According to the committee's charter, the committee may choose the external advisors they believe have the best skills to assist the committee.

In 2014, the Nomination & Compensation Committee has not used the same advisers as the Executive Management.



### 3.5. Evaluation of the performance of the board of directors and the executive board

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3.5.1. The committee recommends that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.

The Nomination & Compensation Committee has the responsibility of conducting an annual evaluation of:

- the contributions and results of the individual members of the Board of Directors – and the combined board;
- the contributions and results of the individual members of the Executive Management – and the combined Executive Management; and
- the co-operation between the Board of Directors and the Executive Management.

The chairman presents the result of the evaluation at a board meeting – and the result of the evaluation is discussed.

In October 2014, the three board committees evaluated their performance for 2014. The evaluations were conducted as an open dialogue among the members of the Committees. An evaluation form was used to guide the members of the Committees in their preparation and to make sure that all relevant issues were touched upon in connection with the evaluations.

The same procedure was used when the Board of Directors conducted their evaluation in November 2014.

The evaluations did not result in any significant changes.

3.5.2. The committee recommends that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.

The Board of Directors currently consists of eight members elected by the general meeting with broad international experience within corporate management as well as four employee representatives.

In connection with the distribution of the tasks and duties of the Board of Directors and the continuous dialogue during board meetings, the chairman strives to ensure that the particular knowledge and qualifications of each board member are applied in the best possible manner to the benefit of the company.

In connection with the nomination of candidates for the Annual General Meeting in 2014, the Board found that the number of Board members was suitable considering the tasks assigned to the Board.



3.5.3. The committee recommends that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.

Once a year, the Board of Directors evaluates the work and performance of the Executive Management. This evaluation is effected in a dialogue between the Nomination & Compensation Committee and the Group President & CEO and the results of the evaluation are subsequently presented to the entire Board of Directors.



The evaluation is based on the following criteria, among others:

- the Group's general performance;
- the Group's reputation and position;
- implementation of the Group's strategy;
- the Group's financial targets;
- the customer satisfaction survey; and
- the employee satisfaction survey.

3.5.4. The committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.

Once a year, the Nomination & Compensation Committee and the Group President & CEO evaluate the cooperation between the Board of Directors and the Executive Management.




The evaluation of the cooperation includes:

- the ongoing dialogue / information;
- board material;
- cooperation with the board committees;
- follow-up on management decisions and their implementation;
- evaluation of the processes and methods used, etc.

The outcome of the evaluation was presented to the Board of Directors at the board meeting in November 2014.

## 4. Remuneration of management

Recommendation	Vestas' comments	
<b>4.1. Form and content of the remuneration policy</b>		
<p>4.1.1. The committee recommends that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including</p> <ul style="list-style-type: none"><li>• a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li><li>• the reasons for choosing the individual components of the remuneration, and</li><li>• a description of the criteria on which the balance between the individual components of the remuneration is based.</li></ul>	<p>In 2014, the Board of Directors did not find it necessary to update the remuneration policy and general guidelines for incentive pay for the Board of Directors and the Executive Management.</p>	
<p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>	<p>The remuneration policy is available at <a href="http://www.vestas.com/investor">www.vestas.com/investor</a> (Corporate governance).</p>	
<p>4.1.2. The committee recommends that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"><li>• limits be set on the variable components of the total remuneration package,</li><li>• a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,</li><li>• there be clarity about performance criteria and measurability for award of variable components,</li><li>• there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and</li><li>• an agreement be made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</li></ul>	<p>Vestas offers its managers remuneration that includes both variable and fixed components.</p>	
	<p><b>Bonus programme</b></p> <p>Vestas' annual bonus programme for all employees is based on clear and unambiguous financial targets and sub-targets. The targets are determined by the Board of Directors annually and distributed through general management communication and individually targeted communication. For all staff groups, the bonus programme has defined upper limits for payment, and no bonus is payable until the defined minimum EBIT and cash flow criteria have been met.</p>	
	<p><b>Stock option programme</b></p> <p>Vestas' long-term restricted share-based incentive programme for the Executive Management and senior executives aims to ensure a direct linkage between senior management's remuneration and investors' assessment of expectations for long-term value creation. No shares will be allocated and no adjustment will be made until the minimum EBIT and free cash flow criteria defined by the Board of Directors have been met.</p>	

Further information on the variable components of the remuneration policy can be found in the remuneration policy and the overall guidelines governing incentive pay.

If components of remuneration are found to have been paid erroneously to members of the Executive Management, the company may in exceptional cases reclaim such variable components in full or in part, cf. the remuneration policy.

4.1.3. The committee recommends that remuneration of members of the board of directors do not include share options.

Members of the Board of Directors receive a fixed annual cash remuneration, which is approved every year by the general meeting. Members of the Board of Directors receive no incentive remuneration.



4.1.4. The committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.

Restricted shares may be granted to members of the Executive Management.



Shares allocated vest at the rate of 50 per cent after three years and the remainder five years after the year of grant.

4.1.5. The committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.

Current severance agreements for members of the Executive Management and senior executives do not exceed 24 months' salary on retirement at the initiative of Vestas or the employee.



## 4.2. Disclosure of the remuneration policy

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4.2.1. The committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.

When the remuneration policy was presented for adoption at the Annual General Meeting in 2013, the Chairman included an explanation in his report. At the Annual General Meeting in 2014 there were no changes to the policy and it was therefore not explained. If changes are implemented in the policy or the Company's compliance, the Chairman will comment on such at the relevant Annual General Meeting.



The annual report 2014 provides a remuneration report for the Board of Directors and the Executive Management explaining the link between the remuneration for 2014 and the remuneration policy and the general guidelines for incentive pay.

4.2.2. The committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.

The Board of Directors receives a fixed cash remuneration, which is approved by the general meeting every year. The company aims to ensure that the remuneration to the Board of Directors corresponds to the level in comparable companies.



The Annual General Meeting in 2014 approved the level of the Board of Directors' remuneration for 2014.

For the financial year 2014, a total remuneration of EUR 1.1m was paid to the Board of Directors, ref. the Annual Report 2014. This remuneration will be presented for approval at the Annual General Meeting in 2015.

4.2.3. The committee recommends that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/ resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.

The base remuneration paid to members of the Board of Directors and members of the board committees is disclosed in the annual report 2014.

The annual report 2014 does not disclose the remuneration paid to each member of the Executive Management. The total remuneration paid to the Executive Management is disclosed.

The annual report 2014 provides a remuneration report for the Board of Directors and the Executive Management explaining the link between the remuneration for 2014 and the remuneration policy and the general guidelines for incentive pay.

The Board of Directors believes that the information on remuneration disclosed in the annual report 2014 constitutes a reasonable balance between the need for openness about remuneration to the Board of Directors and the Executive Management and the need to secure confidentiality with regard to the remuneration paid to the individual members.



## 5. Financial reporting, risk management and audits

Recommendation	Vestas' comments	
<b>5.1. Identification of risks and transparency about other relevant information</b>		
5.1.1. The committee recommends that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	The conditions stated in recommendation 5.1.1. are accounted for in the management report section of the annual report 2014	
<b>5.2. Whistleblower scheme</b>		
5.2.1. The committee recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	Vestas has established a whistleblower scheme, called the EthicsLine.  The purpose of the scheme is to ensure that information is neither suppressed nor hidden, and it provides the company's employees and business partners opportunity to file reports of any misconduct, irregularities or matters that are against Vestas' policies and guidelines.  The Audit Committee monitors the development and implementation of Vestas' ethics and anti-corruption program pursuant to Vestas' Code of Conduct.	
<b>5.3. Contact to auditor</b>		
5.3.1. The committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.	The Board of Directors and Executive Management grant the auditor(s) access to make any investigations, they find necessary, and ensure that the auditor(s) receive the information and the assistance needed for them to exercise their duties.  The Board of Directors maintains a regular dialogue with the auditor, however, it is the responsibility of the Audit Committee to make arrangements for the necessary exchange of information.  Furthermore, the Board of Directors assesses if and when it is relevant to meet with the auditor(s) with or without the Executive Management being present.  In 2014, the Board of Directors and the Executive Management had one meeting with the auditor(s), and the Audit Committee had regular meetings with the auditor(s) with and without the Executive Management being present.  As representative for the Board of Directors the Chairman of the Board of Directors had a meeting with the auditor(s) in October 2014.	

5.3.2. The committee recommends that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.

The contractual basis and thereby the scope of the auditor's work, including any non-audit related services, is agreed between the company's Board of Directors and the auditors based on a recommendation from the Audit Committee.

The Executive Management and the auditor define the specific scope of the auditor's services, and the auditor's fee is agreed with the Board of Directors.





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