

# Charter of the Nomination & Compensation Committee of the Board of Directors of Vestas Wind Systems A/S

The Charter of the Nomination & Compensation Committee lays down the obligations and authority of the Committee.

The Nomination & Compensation Committee (the Committee) is a committee of the Board of Directors (the Board) established in accordance with the rules of procedure of the Board of Directors of Vestas Wind Systems A/S (the Company). The Committee is a committee of the Board with the main responsibility to prepare decisions to be taken by all members of the Board. The committee reviews all information within the areas of responsibility listed below and within such areas presents recommendations to the Board for final approval.

## Members

This charter lays down the obligations and authority of the Nomination and Compensation Committee of Vestas Wind Systems A/S.

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## Purpose

The Committee shall assist the Board with the following issues regarding nomination of candidates and evaluation of the Board and the Executive Management<sup>1</sup> (the ExM):

- a) Describe the required qualifications for the members of the Board and the ExM.
- b) Annually assess the Board and the ExM.
- c) Annually assess the individual members of the ExM.
- d) Conduct an annual evaluation of the performance of the Board and ExM.
- e) Consider proposals for candidates for the Board and the ExM.
- f) Propose the future composition of the Board.
- g) Succession planning for the Board and ExM.

The Committee shall assist the Board with the following issues regarding remuneration:

- a) The remuneration policy and review the annual remuneration report.
- b) Proposals on remuneration for members of the Board and the ExM.

- c) Strategy and guidelines regarding incentives and remuneration.
- d) Monitor compliance for pay and remuneration issues.
- e) Procedure regarding release of information about remuneration.
- f) Policy and decisions regarding share-based remuneration.
- g) Strategy and guidelines regarding standard employment contract for the ExM.
- h) Review the strategy and statutory reporting for Diversity and underrepresented gender.

## Members

The Committee shall consist of at least three members. Members of the Committee are elected for a one-year term by among the members of the Board and may not be a member of the ExM.

Election usually takes place at the board meeting following the Annual General Meeting. However, any member of the Committee can be removed by the Board at any time. The majority of the members of the Committee shall qualify as independent.

One of the members of the Committee shall be designated by the Board as chairman of the Committee.

## Responsibilities

The primary function of the Committee is to assist the Board by reviewing information within the areas of responsibilities and within such areas present recommendations to the Board.

The Committee shall assist the Board with the following issues regarding nomination of candidates and evaluation of the Board and the ExM:

- a) Describe the qualifications that members of the Board and the ExM must have as a collegial body, and for a specific membership, state the time that

members must expect to spend on having to carry out the membership and assess the competences, knowledge, and experience of the two governing bodies combined.

- b) Annually assess the structure, size, composition and results of the Board and the ExM, as well as recommend any changes to the Board.
- c) Annually assess the competences, knowledge, and experience of the individual members of the ExM, and report to the Board in this respect.
- d) Conduct an annual evaluation of the performance and achievements of the Board and the ExM and of the individual members, and report to the Board on the evaluation. Every third year the Committee conducts an external assessment of the Board according to the Corporate Governance Code.
- e) Consider proposals from relevant persons, including shareholders and members of the Board and the ExM for candidates for the Board and the ExM.
- f) Propose an action plan to the Board on the future composition of the Board, including proposals for specific changes.
- g) Succession planning for the Board and ExM in connection with the annual evaluation of performance and compensation for the members of both.

The Committee shall assist the Board with the following issues regarding remuneration:

- a) The remuneration policy to the Board and the ExM for approval by the Board prior to approval by the General Meeting. The remuneration policy should include content as required by relevant legislation. Review the remuneration report in connection with Vestas Annual Report.

<sup>1</sup> Group President & CEO and Executive Vice President & CFO.

Proposals for incentives and remuneration schemes should be accompanied by recommendations on targets and evaluation criteria for the purpose of ensuring that remuneration matches the long-term interests of the shareholders and the goals set for the company by the Board.

- b) Proposals to the Board on remuneration for members of the Board and the ExM, 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 and the ExM receive from other companies in the Group.

- c) Strategy and guidelines regarding incentive earnings and remuneration schemes for the Group in general.
- d) Assisting the Board in monitoring how the company complies with the current rules governing public insight into pay and remuneration issues, for example in the remuneration report and the annual report.
- e) Procedure regarding release of information in relation to pay and remuneration.
- f) In respect of share-based remuneration offered to members of the management and employees, the Committee shall:
- Discuss the general policy on such schemes.
  - Review information about such remuneration disclosed in the annual report and at the General Meeting.
  - Submit proposals to the Board regarding incentive programmes, accompanied by a statement giving the arguments for the choice made as well as its consequences.
- g) Strategy and guidelines regarding standard employment contract for the ExM and submitting proposals to the Board for standard agreements for the ExM.
- h) Review the strategy and statutory reporting for Diversity and underrepresented gender through discussion of current status and ongoing initiatives on the agenda for Diversity and Inclusion.
- i) Miscellaneous  
The Committee may engage independent advisors as it determines necessary to carry out its duties.

The Committee shall have available appropriate funding as determined necessary by the Committee for the fulfilment of its tasks and duties.

The Committee shall, once a year:

- Conduct a performance evaluation of the Committee and report such evaluation to the Board.
- Evaluate the adequacy of this charter and recommend any proposed changes to the Board.

## Meetings

The Committee shall meet as often as it determines appropriate. Further, the Committee shall meet upon request of a member of the Committee or the Group President & CEO.

Meetings shall be convened at not less than eight days' written notice to all members of the Committee, and such notice shall include an agenda for the meeting in question.

Any written material relating to the individual agenda items shall, to the extent possible, be forwarded to the members together with the notice convening the meeting.

Under special circumstances, a committee resolution may be passed over the phone or in writing. In such cases, the proposed resolution shall be forwarded to the members and the Chairman shall subsequently seek to obtain a written, oral or electronically transferred statement from all members of the Committee and arrange for the recording of the resolution in the minute book.

## Agenda for committee meetings

The agenda for an ordinary meeting contains at a minimum the following items:

1. Approval of the minutes of the last meeting.
2. Report from People & Culture's activities.
3. Any other issues that the chair or a member of the Committee may request are considered.
4. Any other business.

Moreover, the items below will be considered at Committee meetings in connection with:

## The meeting in first quarter:

- Update of the charter.
- Short Term Incentives – approval of results and payment for current year.
- Procedure for nominating candidate to the Board.
- Evaluation of the work and performance of the ExM will be carried out on the basis of the following elements:
  - the Group's general development,
  - the Group's reputation and market position,
  - implementation of the Group's strategy,
  - the Group's financial targets,
  - the customer loyalty survey, and
  - the employee satisfaction survey.

## The meeting in second quarter:

- People Review results.
- Executive Remuneration Review.
- Succession planning for the Board and ExM.
- Long Term Incentives – status and approval of allocation.
- Employee compensation investment for coming year.
- Procedure for evaluation of the Board.

## The meeting in third quarter:

- Short Term Incentive design approval.
- Long Term Incentive design approval.
- Evaluation of the Board's work:
  - the contributions and results of the individual members of the Board and

the contributions of the combined Board.

- Evaluation of the Board's and the ExM's co-operation includes the following elements:
  - the on-going dialogue / information,
  - board material,
  - cooperation with the board committees,
  - follow up on management decisions and their implementation, and
  - evaluation of the processes and methods used, etc.
- Review of the work carried out in the Committee.
- Review of the statutory report on Diversity.

## The meeting in fourth quarter:

- Approval of KPI selection for Short and Long Term Incentives for the coming year.
- Review of the statutory report on corporate governance regarding nomination and compensation topics.
- Annual targets for short and long term incentives for the coming year.
- Update of the remuneration policy.
- Review remuneration part of annual report.
- Review the compensation of the Board and the Committees.
- Review of potential board member candidates and decision concerning the recommendation of new members to the Board.

## Quorum

The Committee forms a quorum when two or more of its members are present. Resolutions are passed by simple majority.

## Remuneration

Each member of the Committee shall receive a fixed annual remuneration – to be determined together with the remuneration to the members of the Board – at the Annual General Meeting in connection with the adoption of the audited annual report.

## Reporting to the Board of Directors

The Committee will regularly inform the Board of discussions and present recommendations to the Board. Material presented to or prepared by the Committee will be available to the Board upon request considering however the confidentiality and private nature of the materials.

## Committee reporting

The Committee shall ensure that matters related to the overall areas of responsibility of the Committee are included in the quarterly reporting of the company.

Aarhus, February 2022

Approved by the Board of Directors