

Remuneration Report 2021

This report is prepared according to section 139b of the Danish Companies Act
- the accounting period 1 January 2021 - 31 December 2021

Vestas[®]

Wind. It means the world to us.[™]

Preface

This remuneration report ("Remuneration Report") provides the overview of the total remuneration received by the Board of Directors (the Board) and the Executive Management of Vestas Wind Systems A/S, CVR no. 10403782 (the Company), during the financial year 2021 with comparative figures for the past five years. Executive Management refers in this Remuneration Report only to members of the Executive Management of the Company registered as such with the Danish Business Authority. This is currently the Group President & CEO (CEO) and the Executive Vice President & CFO (CFO).

The remuneration of the Board and Executive Management during the past financial year has been provided in accordance with the Remuneration Policy¹ of the Company adopted by the Annual General Meeting on 7 April 2021 (the Remuneration Policy).

The overall objective of the Remuneration Policy is to attract, motivate, and retain qualified members of the Board and Executive Management, to align the interests of the Board and Executive Management with the interests of the Company's shareholders and stakeholders as well as to support Vestas' strategic goals and promote value creation aligned to the interest of the shareholders. Vestas' vision of becoming the global leader in sustainable energy solutions requires Vestas to sustain a talented, agile, and cost-effective organisation. This combined with the long-term performance of the Company and the corporate values – Simplicity, Collaboration, Accountability, and Passion – guides the overall principles for and the individual elements of remuneration for both the Board and Executive Management. To ensure that Vestas' remuneration promotes both strategic goals as well as long-term value creation and sustainability, the remuneration includes both fixed remuneration, short-term incentives, and long-term incentives. Remuneration of Executive Management is related to the result of Vestas' financial and sustainable performance through incentives. Vestas' financial health and performance is directly linked to its abilities to invest in research and development, thereby paving the way for even better solutions to provide the world with sustainable energy.

Remuneration Report 2021

The Remuneration Report has been prepared in accordance with section 139b of the Danish Companies Act and the European Commission Guidelines on the standardised presentation of the remuneration report under Directive 2007/36/EC, as amended by Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement (the Guidelines).

The information included in the Remuneration Report has partly been derived from the audited annual reports of Vestas for the financial years 2017-2021² with additional information to support the explanation of the remuneration of the Board and Executive Management. All amounts are included in EUR, gross.

In 2021, when the Annual General Meeting was held, the Remuneration Report for 2020 was presented without any remarks for changes in the Remuneration Report for 2021.

Compliance with the Remuneration Policy

The remuneration of the Board and the Executive Management complies with the guidelines and framework set out in the Remuneration Policy. There has been no derogation from the Remuneration Policy.

¹ The Remuneration Policy can be found on our corporate website.

² Financial reports can be found on our corporate website.

Introduction

Contents

Introduction.....	3
Board of Directors.....	5
Executive Management.....	9
Development in financial performance and remuneration.....	19
Statements.....	22

V164-9.5 MW™

Northwester 2 wind farm
Northwester 2 is a 219 MW offshore wind farm located in the North Sea, approx. 52 km off the coast of Ostend, Belgium.

For the year 2021, Vestas' revenue amounted to EUR15.6bn, with an EBIT margin before special items of 3.0 percent, and total investments, excl. acquisitions of subsidiaries and any financial investments, of EUR 813m. Compared to 2020, revenue increased while earnings decreased. The value of the combined order backlog increased from EUR 43bn to EUR47bn.

As a result of the performance in 2021, the Board proposes to the Annual General Meeting that a dividend of DKK 0.37 per share be distributed to the shareholders, compared to DKK 8.45 last year, and equivalent to 30.0 percent of the net profit for the year.

In 2021, shareholders elected one new member to the Board while one member resigned. Executive Management stayed consistent with Henrik Andersen, CEO, and Marika Fredriksson, CFO.

The Nomination & Compensation Committee met six times in 2021 and had regular follow-up on the performance of Vestas and the link to the expected incentive pay-out, discussed the future position and succession for Board and Executive Management, performed an external review of the executive benchmarking approach, and discussed and proposed the future incentive design for Executive Management.

Remuneration at a glance - 2021

The Board

Fixed board fee

Base fee

Chairman – EUR 180,000 ↑ 5%
Deputy chairman – EUR 120,000 ↑ 5%
Members – EUR 60,000 ↑ 5%

Fixed board committee fee

Base fee

Chairman – EUR 63,000 ↑ 5%
Members – EUR 35,000 ↑ 5%

Pension

Members of the Board do not receive pension

Benefits

Members of the Board do not receive benefits or variable pay

Shareholding

The Board – 159,245 shares ↑ 5%

The Executive Management

Fixed pay and shareholding

Base salary

CEO – EUR 1.68m ↑ 4%
CFO – EUR 1.06m ↑ 2%

Annual bonus

Actual % of base salary

CEO / CFO – 0%

Long term incentive plan

2016-2018 LTIP vesting outcome

CEO – EUR 0
CFO – EUR 1.94m

Pension

No pension entitlement

Total benefits (company car and insurance)

EUR 79,988

2021 bonus scorecard outcome

No payout

2021 Performance effect

Performance index: 13.0
CEO – (108,750) shares forfeited
CFO – (47,125) shares forfeited

Shareholding

CEO / CFO – 309,299 shares ↑ 12%

Board of Directors

V136-3.45 MW™

Lal Lal Wind Farm

Lal Lal Wind Farm is a 228 MW onshore wind power project. It is located in Victoria, Australia.

- > Fixed remuneration
- > Shareholding obligations

Fixed remuneration

After reviewing the remuneration levels in December 2020, the Board and the Nomination & Compensation Committee consider an increase on all member fees of the Board and its committees as matching the remuneration levels in comparable companies, considering, among others, the board members' required competencies, efforts, and the scope of the board work, including the number of meetings. Comparisons were made against Danish C25 companies as well as international levels for comparable companies.

Members of the Board receive a fixed basic annual fee (basic board remuneration) approved by the Annual General Meeting in April 2021. The annual fees were increased with 5 percent from the level for 2020. The annual fees were last adjusted in 2019 and the increase of 5 percent for 2021 is considered in line with market comparison for similar companies and a reflection of the growth of the Company.

The Chairman receives three times the basic fee, and the Deputy Chairman receives two times the basic fee for their extended board duties. Board members who are also members of one of the board committees receive an annual committee remuneration. The remuneration is determined as a base fee, and the committee chairman receives an additional remuneration of 80 percent of the committee base fee. Members of the Board are not eligible for performance shares, any other variable remuneration or pension contribution.

Individual board members may take on specific ad hoc tasks outside the scope of duties assigned by the Board and may be entitled to additional fees for such tasks on the conditions set out in the Remuneration Policy. For the financial year 2021, none of the board members have received additional remuneration for carrying out ad hoc duties assigned by the Board. Additional compensation may be offered for board members taking up board responsibilities on behalf of Vestas in joint ventures and/or Vestas' subsidiaries.

For the financial year 2021, none of the board members have received additional compensation for taking up responsibilities in joint ventures of subsidiaries.

Vestas may pay social security taxes and similar taxes imposed on board members by non-Danish authorities in relation to the remuneration. In 2021, Vestas has covered the social security taxes for the non-Danish members.

For the financial year 2021, Vestas has paid for a directors and officers' liability insurance covering the Board.

New board members elected at the Annual General Meeting in April 2021 receive pro rata of the annual basic remuneration and committee fee for the time in the Board, in 2021. Board members not re-elected at the Annual General Meeting receive pro-rata of the annual basic remuneration and committee fee for time in the Board in 2021.

Remuneration components

Component	Description	Size of component
Fixed fee	Members of the Board receive a fixed cash payment (basic board remuneration).	The basic board remuneration for the Chairman corresponds to triple basic Board remuneration, and for the Deputy Chairman it corresponds to double basic board remuneration, provided to compensate for their extended board duties.
Shareholding obligations	A board member elected by the General Meeting is obligated to maintain a holding of Vestas shares.	The value of this holding must have a value equal to or above the gross value of the total annual basic board remuneration received by each individual board member, as approved by the General Meeting.

Table 1: Fees approved at the Annual General Meeting for the financial year 2021

EUR

	Board	Audit Committee	Nomination & Compensation Committee	Technology & Manufacturing Committee
Member	60,000 (base fee)	35,000	35,000	35,000
Chairman	180,000 (3 x base fee)	63,000	63,000	63,000
Deputy Chairman	120,000 (2 x base fee)	-	-	-

The Board's chairmanship

Bert Nordberg, Chairman
Anders Runevad, Deputy Chairman

Audit Committee:

Karl-Henrik Sundström, Chairman
Bert Nordberg
Eva Merete Søfelde Berneke

Nomination & Compensation Committee:

Bert Nordberg, Chairman
Anders Runevad
Eva Merete Søfelde Berneke
Helle Thorning-Schmidt

Technology & Manufacturing Committee:

Anders Runevad, Chairman
Lars Josefsson
Bruce Grant

Table 2: Remuneration of Board of Directors 2021

EUR

Name and position	Annual fee ¹	Committee fees	Social security taxes	Total remuneration
Bert Nordberg (Chairman) Chairman Nomination & Compensation Committee Member Audit Committee	177,868	97,653	53,976	329,497
Anders Runevad ² (Deputy Chairman) Chairman Technology & Manufacturing Committee ³ Member Nomination & Compensation Committee	104,292	90,930	38,238	233,460
Bruce Grant Member Technology & Manufacturing Committee	59,289	34,876	-	94,165
Carsten Bjerg ⁴ Member Audit Committee ⁴ Member Technology & Manufacturing Committee ⁴	14,287	16,808	-	31,094
Eva Merete Søfelde Berneke Member Nomination & Compensation Committee Member Audit Committee	59,289	69,752	-	129,042
Helle Thorning-Schmidt Member Nomination & Compensation Committee	59,289	34,876	-	94,165
Karl-Henrik Sundström Chairman Audit Committee	59,289	62,777	23,913	145,980
Kentaro Hosomi ⁵	45,003	-	-	45,003
Lars Josefsson ⁶ Member Technology & Manufacturing Committee	73,576	41,599	11,639	126,814
Kim Hvid Thomsen Employee representative	59,289	-	-	59,289
Michael Abildgaard Lisbjerg Employee representative	59,289	-	-	59,289
Pia Kirk Jensen Employee representative	59,289	-	-	59,289
Sussie Dvinge Employee representative	59,289	-	-	59,289
Total	889,339	449,271	127,766	1,466,375

¹ Fee is settled based on realised pay out in 2021 and is composed of fee levels from one quarter of the approved level from Annual General Meeting 2020 and three quarters of 2021 fee level.

² Deputy Chairman since the Annual General Meeting 7 April 2021.

³ Chairman of the Technology & Manufacturing Committee since 7 April 2021.

⁴ Member until the Annual General Meeting 7 April 2021.

⁵ Member since the Annual General Meeting 7 April 2021.

⁶ Deputy Chairman until the Annual General Meeting 7 April 2021.

Shareholding obligations

A board member elected by the General Meeting is obligated to maintain a holding of Vestas shares. The value of this holding must have a value equal to or above the gross value of the total annual basic board remuneration received by each individual board member, as approved by the General Meeting.

The board members have five years to accumulate the guided shareholdings, and the Nomination & Compensation Committee will assess the compliance annually in connection with the preparation of the Remuneration Report. Evaluation of the shareholdings and any individual exception follow the guidance set by the Nomination & Compensation Committee. The Board can allow for a short period of individual exception.



Table 3: Shareholdings of Board members elected by the General Meeting in 2021

Number of shares

Name	Member of the Board since	Holding as at 1 January 2021	Purchase	Sale	Holding as at 28 April 2021 - shares split 1:5	Purchase	Sale	Holding as at 31 December 2021	Shareholding as percentage of base fee ¹ (%)	Shareholding obligation
Bert Nordberg	2012	14,600	-	-	73,000	-	-	73,000	3,272	Met
Anders Runevad	2020	8,096	-	-	40,480	-	-	40,480	1,814	Met
Bruce Grant	2019	-	-	-	-	-	-	0	-	Not met
Eva Merete Søfelde Berneke	2019	2,079	500	-	12,895	4,400	-	17,295	775	Met
Helle Thorning-Schmidt	2019	554	-	-	2,770	-	-	2,770	124	Met
Karl-Henrik Sundström	2020	1,640	-	-	8,200	-	-	8,200	367	Met
Kentaro Hosomi	2021	- ²	-	-	-	-	-	0	-	Not met
Lars Josefsson	2012	3,500	-	-	17,500	-	-	17,500	787	Met
Total		30,469	500	-	154,845	4,400	-	159,245		

¹ Share price at year end, DKK 200.00 (EUR 26.89).

² Shareholding when entering the Board – 7 April 2021.

Executive Management

- > Remuneration components
- > Annual fixed remuneration
- > Cash bonus
- > Performance shares
- > Extraordinary items, termination, and severance payments
- > Claw-back

V164-9.5 MW™

Borssele III/IV
Borssele III and IV offshore wind farm is a 731.5 MW wind project located 22 km offshore the Zeeland province in the Netherlands.

Remuneration components

The Executive Management received an annual remuneration in accordance with the Remuneration Policy, which may consist of the following fixed and variable remuneration components:

- Base salary (Includes pension as per Remuneration Policy)
- Benefits
- Short-term incentive (STI)
- Long-term incentive (LTI)
- Shareholding obligations

These remuneration elements create a well-balanced package reflecting (i) individual performance and responsibility of the Executive Management in relation to established goals and targets, both in the short and the long term, and (ii) Vestas' overall performance.

The table shows a summary of the actual remuneration of the Executive Management for 2021. Henrik Andersen, CEO, did not have any performance shares vesting in 2021, as he did not participate in share programmes for 2016 and 2018. Marika Frederiksson, CFO, however, participated in both 2016 and 2018 programme. The first half of the 2018 programme and the remaining part of the 2016 programme vested in 2021. To add, both CEO and CFO had their performance shares adjusted with index 13.0 in 2021. This resulted in Henrik Andersen, CEO, forfeiting 108,750 shares in total across 2019, 2020, and 2021 share programmes at a total value of EUR 2.9m. and Marika Frederiksson, CFO, forfeiting 47,125 shares in total across 2019, 2020, and 2021 share programmes accounted at a total value of EUR 1.3m. Overall, this results in a large proportion of performance shares to be forfeited across 2019, 2020, and 2021 programme for both CEO and CFO. Additionally, no bonus was paid out in 2021. The 2019 share programme performance period is finalised with 2021 financial year, whereas the 2020 programme is missing one year performance adjustment, and the 2021 programme two performance years.

Component	2021 total effect - for CEO and CFO	Description	Size of component
Base salary	EUR 2,739,127	The annual fixed salary set to provide a competitive remuneration to attract and retain competent members of Executive Management, having the required professional and personal competences and enabling Vestas to obtain its short- and long-term goals.	The base pay of Executive Management is reviewed by the Nomination & Compensation Committee annually and assessed against similar roles in comparable companies
Benefits	EUR 79,988	Members of Executive Management have received customary work-related non-monetary employment benefits such as company car, insurance, newspaper, telephone, and internet access as approved by the Board and in line with the Remuneration Policy.	The extent of individual benefits is negotiated with each member of the Executive Management and reflects local market practice.
Short-term incentive	EUR 0	Members of Executive Management participate in an annual cash incentive based on the results of the financial year. The bonus is intended to ensure the attainment of Vestas' short-term objectives following the principles from the Remuneration Policy, and the payment is dependent on the adoption of the Annual Report of the relevant financial year.	The bonus pay-out level is defined by a weighted target achievement and is capped at 75 percent of the annual fixed salary with the target pay-out level set at 50 percent of the annual fixed salary.
Long-term incentive	Allotted EUR 3,494,334 Forfeited EUR (4,191,828)	The Executive Management is eligible for participation in a performance share incentive programme. The objective of the performance share programme is to retain members of the Executive Management, create long-term shareholder value, and ensure achievement of Vestas' long-term strategic goals in a sustainable way. The programme is based on restricted performance shares and contains elements of both short- and long-term performance.	The annual target number of shares may amount to a value of 100-200 percent of the annual fixed salary for the Executive Management at a target achievement and compared to the Vestas share price at or around the communication of the target number to the Executive Management. The actual number of restricted performance shares available for distribution ranges between 0 and 150 percent of the target level.
Shareholding obligations	Met	All members of Executive Management are subject to the guidance of holding Vestas shares. The intention is for the Executive Management to obtain ownership of the shares through participation in Vestas' share incentive programmes.	Obligations of holding shares at a value equal to or above the gross value of their annual fixed salary.

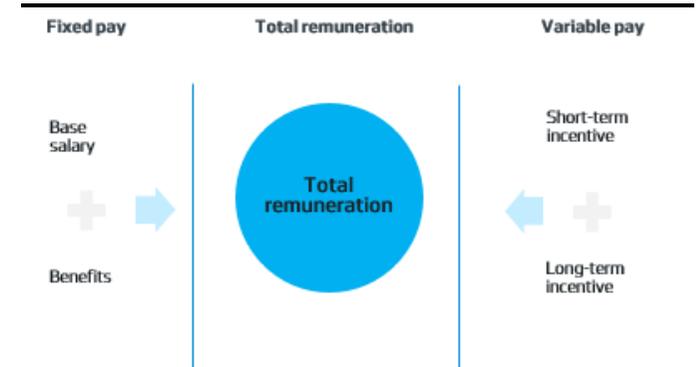


The Board believes that a combination of fixed and performance-based pay to the Executive Management contributes to Vestas' ability to attract and retain key employees.

The Executive Management's short- and long-term incentive programmes are linked directly to the financial targets in Vestas' strategy. The composition of the remuneration of each executive is determined with a view to contributing to the Company's ability to attract, motivate, and retain competent key employees, while at the same time ensuring that the Executive Management has an incentive to create added value aligned to the interest of the Company's shareholders through variable remuneration.

The Executive Management's terms of employment and remuneration are agreed between the individual executive and the Board. Executive Management does not receive additional remuneration for directorships (whether executive positions or board memberships) in joint ventures and/or Vestas' subsidiaries.

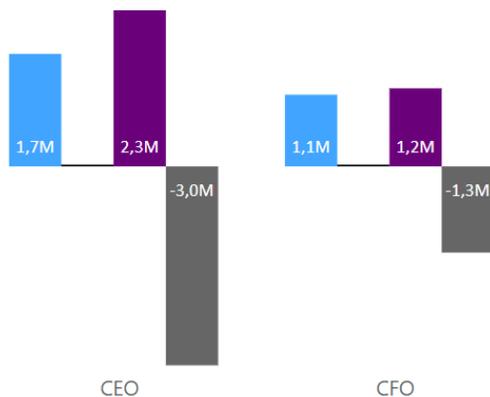
The total remuneration components for the Executive Management



Annual base salary compared to LTI target and forfeited

mEUR

● Annual base salary ● STI ● LTI, target ● LTI, forfeited



The table to the right display how the share programs and total remuneration for CEO and CFO are calculated for Vestas annual report following the principles and accounting standards in IFRS2. When displaying Executive Management in Vestas Annual Report, additional key management personnel besides the CEO and CFO are included and hence the difference in the displayed amounts. According to the IFRS 2, the value of the share programmes is pro-rated per vesting year and the expected performance adjustment for the financial year is included. This differs from the principles used when displaying the total remuneration for Executive Management in this remuneration report in table 4.

The total IFRS2 cost of active share programmes in 2021 from table 4 is included for the total remuneration displayed in Vestas Annual Report for Executive Management, see note 1.3 to the consolidated financial statements, Annual Report 2021. The total remuneration from table 4 in this report differs in displaying only

the 2021 awarded share programme instead of the pro-rated cost from all active share programmes adjusted for the expected KPI performance in 2021. The difference on the displayed value of share programmes forms the explanation of the difference in the total remuneration displayed as EUR 5m to CEO and CFO from note 1.4 to the Consolidated financial statements, Annual Report 2021.

The intent and purpose of the relative remuneration composition is to show the relative value of each element in the remuneration package, based on actual results for 2021 cash bonus and the original allotted number of shares from the 2021 share programme. The share programme will be performance adjusted for three years but is stated without any performance adjustment. See table 10 for details on the performance adjustment of the share programme.

Relative remuneration composition of current Executive Management - actual
Percent



Table 4: Remuneration of current Executive Management and performances shares at target for 2021

Name and position	Fixed remuneration			Variable remuneration			Total remuneration ³
	Base salary	Benefits	Total	Cash bonus	Target share program ¹	Total	
Henrik Andersen, CEO	1,678,087	44,084	1,722,170	-	2,329,556	2,329,556	4,051,726
Marika Fredriksson, CFO	1,061,040	35,904	1,096,944	-	1,164,778	1,164,778	2,261,722
Total	2,739,127	79,988	2,819,114	-	3,494,334²	3,494,334	6,313,448
Annual Report 2021	2,739,127	79,988	2,819,114	-	1,994,479	1,994,479⁴	4,813,593⁵

¹ The original awarded shares in the 2021 programme - the number of shares will be adjusted based on performance on the selected KPIs in 2021, 2022, and 2023.

² Value of the share program is set at the closing share price on the day before the disclosure of the company announcement in May 2021 - share price EUR 31.

³ Numbers displayed in Vestas' Annual Report on the full remuneration for Executive Management differs on the share program. For the purpose of showing annual remuneration in this Remuneration Report, the full value of the share allotment for 2021 is displayed - for Vestas' Annual Report, the value of the share program is accounted for according to IFRS 2.

⁴ Difference in the share program Remuneration total and Annual Report disclosure due to IFRS2 principles and accounting standards.

⁵ Refer note 1.4 to the Consolidated financial statements, Annual Report 2021.

Annual fixed salary

In connection with Vestas' annual salary review process the salary for CEO and CFO was evaluated by the Nomination & Compensation Committee and the salary was increased with 4 percent for CEO and 2 percent for CFO. The increases in 2021 followed the year of no increases in 2020 and a voluntary 10 percent pay-cut from May until end of 2020.

The base pay of Executive Management is reviewed by the Nomination & Compensation Committee annually and assessed against similar roles in comparable companies. In 2021, the Nomination & Compensation Committee performed a review of top 25 positions evaluating their impact and contribution by advice from an external partner with position evaluation of executive positions. The evaluation of executive positions is carried out consistently every second year by the Nomination & Compensation Committee to ensure proper ground for comparison to market benchmark.

Based on the position evaluation, the Nomination & Compensation Committee reviewed the compensation of the group against market benchmark for general industry on executive positions and against international benchmark in order to reflect the global nature of our business and in particular to be able to attract talent given the different compensation structures in competition with other multinationals companies. The Nomination & Compensation Committee concluded that the current compensation approach and structure is in line with the relevant market. We are positioned "on market" for base pay and total cash (including short term incentives), and towards the upper quartile of the market for total compensation when including the share incentive. The Nomination & Compensation Committee has reconfirmed this being the right approach in order to ensure Vestas' ability to attract and retain top candidates for our most critical positions and in order to reflect our market and industry leadership accordingly.

In 2021, the fixed salary for Executive Management is in line with the Remuneration Policy as concluded competitive to attract and retain when compared against comparable positions as well as the salary development in alignment with Vestas' employees in general.





The bonus is intended to ensure the attainment of Vestas' short-term objectives, and payment is dependent on the adoption of the Annual Report for the relevant financial year.

Cash bonus

The bonus is based on target achievement on a number of parameters approved by the Board including financial and commercial KPIs (as displayed in table 5) aligned to the strategic priorities of the financial year. Based on input from the Nomination & Compensation Committee, the Board ascertains whether the bonus parameters have been met by the relevant members of the Executive Management, based on their insight in the operations of Vestas and any relevant key figures also displayed in Vestas Annual Report. Each KPI in the bonus has a set threshold performance level (minimum condition for any pay-out at index 50 for the given KPI), target performance (index 100 for the given KPI) and stretched performance level (maximum pay-out at index 150 for the given KPI). If the KPI EBIT margin is not met at the threshold performance level, Vestas will not pay out from Vestas global bonus programme to Executive Management nor any other employee in the Group.

CEO and CFO share the same bonus scorecard as approved by the Board and displayed with indication of 2021 result in table 5. The scorecard is a continuation from 2020. All employees in Vestas share the same KPIs and targets as in table 5 listed for CEO and CFO – with the possible addition of 1-2 additional KPIs.

Table 5: 2021 bonus scorecard for Executive Management

KPI	Weight of KPI (%)	2021 result of KPI
EBIT margin (%) ¹	50	Below target
Free Cash Flow	15	Below target
Revenue	15	Below target
Internal Production Matters	20	Below target
Total	100	0% of base pay

¹ Minimum level of EBIT margin (index 50 or above) must be reached as a requirement for any bonus payout. EBIT margin is before special items

Table 6: Historical summary of actual bonus pay-out for Executive Management

Year	CEO	CFO
2021	No payout	No payout
2020	No payout	No payout
2019	EUR 0.95m	EUR 0.59m



For the financial year 2021, Vestas did not meet the minimum performance requirement for the EBIT margin KPI, and hence no bonus was paid out to Executive Management. The actual performance result for CEO and CFO bonus is 0.

Performance shares

The Executive Management is eligible for participation in a performance share incentive programme. The objective of the performance share programme is to retain members of the Executive Management, create long-term shareholder value, and ensure achievement of Vestas' long-term strategic goals in a sustainable way. The programme is based on restricted performance shares and contains elements of both short- and long-term performance.

The main terms of the programme are disclosed in a company announcement in connection with the Board's approval of the programme. Vesting of shares under the programme is contingent on continued employment at the time of vesting, subject to certain good leaver provisions.

The performance share programme has been revised for the sake of simplification. The 2021 performance share programme will fully vest after a three-year performance period with all shares vesting at once instead of the previous split vesting in two portions. The simplification has been made with the purpose of better understanding and hence higher perceived value by participants as well as ease in explanation of the programme to relevant stakeholders. Before the simplification a market comparison was made, and this showed a clear tendency of full vesting after three years or less. Based on the above, the Nomination & Compensation committee recommended the Board's approval of the simplified 2021 performance share programme to offer competitive and easier to explain incentives. Performance period of three years was kept ensuring the long-term performance aspect of the programme.

At same occasion the Board approved the proposal from the Nomination & Compensation Committee to introduce a cap for value at vesting for CEO and CFO equalling 300 percent of base pay. The above mentioned adjustments to the performance share programme were all approved by Vestas' shareholders as part of ensuring a long-term connection to the share price development for the remuneration of the Executive Management. The development of Vestas' share price is a direct indicator of the sustainability of the Company – both by displaying the long-term economic condition of the Company and due to the correlation of sustainable and responsible companies and better long-term performance.

2021 performance share programme

For 2021, the Executive Management was allocated performance shares contingent on future achievement of certain targets. In 2021, the KPIs were like previous years based on the financial targets earnings per share (EPS), return on capital employed (ROCE), and the Vestas market share (see table 8). All KPIs and targets were defined by the Nomination & Compensation Committee and approved by the Board. Each KPI has a set threshold performance level (minimum condition for any pay-out at index 50 for the given KPI), target performance level (index 100 for the given KPI) and stretched performance level (maximum pay-out at index 150 for the given KPI).

The Board has assessed within the overall Remuneration Policy that the CEO is allotted 75,000 shares and the CFO 37,500 shares in 2021 performance share programme. The actual number of performance shares available for distribution will range between 0 and 150 percent of the allotted number. At the day of announcement, the value of the allotted number of shares corresponds to 165 percent of the CEO annualised fixed salary, and 106 percent of the CFO annual fixed salary which is within the limits set in the Remuneration Policy of 100-200 percent of the fixed annual salary for both CEO and CFO. In preparation for the 2021 allotment of share programme, the Nomination and Compensation Committee evaluated the development of Vestas share price and in comparison, with international benchmark for incentive pay, decided on the proposed number of shares to be allotted for the CEO and CFO finally approval by the Board before communicated.

The programme is based on the three performance years 2021, 2022, and 2023. The actual number of performance shares is dependent on the performance in the three performance years, and will be adjusted upwards or downwards, based on Vestas' performance on the selected KPIs as illustrated in table 8.

In April 2021, Vestas carried out a share split in the ratio of 1:5. For comparison reasons, all data showing number of shares in this report has been converted to the number of shares corresponding to after the share split.

Table 7: Historical performance index share programme

Performance year	Performance index of target
2021 (expected)	13.0
2020	74.2
2019	89.2
2018	55.3
2017	109.3

Table 8: Performance result share programmes - 2021 performance (indicative results for illustration only)

KPI	Weight of KPI (%)	2021 result of KPI
Earnings per share	50	Below target
ROCE	30	Below target
Market share	20	Pending
Total	100	Performance result for 2021 (assuming year end results): 13 percent of allotted number of shares



The objective of the performance share programme is to retain members of the Executive Management, create long-term shareholder value, and ensure achievement of Vestas' long-term strategic goals in a sustainable way.

The 2021 programme will be adjusted to 2021 performance for only one third of the shares in the programme. The same performance adjustment for 2021 financial year also applies to one third of the shares in the 2019 and 2020 programmes. For CEO this is resulting in 108,750 shares to be lapsed from the 2019, 2020, and 2021 programme in total and for the CFO this is resulting in 47,125 shares to be lapsed from the 2019, 2020, and 2021 programme in total – see table 10. The actual performance adjustment of the share incentives will be applied in April 2022, when results are known for the final KPI “Vestas Market Share”. The result of the “Vestas Market Share” KPI cannot be completed until all financial reports of competitors are published. In calculations within this Remuneration Report, the “Vestas Market Share” KPI has been assumed results as of year-end 2021.

The Nomination & Compensation Committee will evaluate the selected KPIs annually and may redefine or adjust these for any individual performance year, subject to approval by the Board.

The performance shares will vest in one portion in 2024, three years after the disclosure of the programme.

Performance shares vested in 2021

In 2021, Henrik Andersen, CEO, did not have any performance shares vesting. Marika Fredriksson, CFO, had the following performance share programmes vesting and resulted in pay-out in 2021.

Table 9: Performance shares vested in 2021

EUR – number of shares

Name and position	Award year	Performance period	Vesting dates	Awarded shares (target number)	Award share price (EUR)	Value at award (EUR)	Shares vested in 2021 ¹ (number)	Share price at vesting (EUR)	Value of vested shares (EUR)
Marika Fredriksson, CFO	2016	2016-2018	<u>2021</u> 2019	62,500	11.97	748,125	34,775	33.04	1,148,966
	2018	2018-2020	2023 <u>2021</u>	62,500	11.22	701,250	23,585	33.45	788,918

¹ Number of shares adjusted based on performance result of the selected KPIs in the performance period. The awarded shares vest only by half

Table 10: Expected effect from 2021 performance on all share programme

EUR

Name and position	Programme	Original allotted #shares	#shares to be adjusted for 2021 performance (1/3 of allotted)	#shares lapsed from the performance in 2021	Total effect of expected 2021 performance for all programmes	#shares in programme after expected 2021 performance adjustment (including effect of previous performance years)
Henrik Andersen, CEO	2019	150,000	50,000	(43,500)	(108,750)	88,200
	2020	150,000	50,000	(43,500)		93,600
	2021	75,000	25,000	(21,750)		53,250
Marika Fredriksson, CFO	2019	62,500	20,833	(18,125)	(47,125)	36,750
	2020	62,500	20,833	(18,125)		39,008
	2021	37,500	12,500	(10,875)		26,625

Table 11: Performance shares outstanding as of 31 December 2021

Name and position	Award year	Performance period	Vesting dates	Awarded #shares (target)	Award share price (EUR)	Value of award (EUR)	Performance index					Total dividend in program	Outstanding unvested shares	Total vested shares
							2016	2017	2018	2019	2020			
Henrik Andersen, CEO	2019	2019-2021	May 2024 May 2022	150,000	15	2,292,231	-	-		89.2	74.2	2,640	134,340	-
	2020	2020-2022	May 2025 May 2023	150,000	17	2,550,000	-	-		-	74.2	890	137,990	-
	2021	2021-2023	May 2024	75,000	31	2,325,000					-		75,000	-
Marika Fredriksson, CFO	2016	2016-2018	Feb. 2021 May 2019	62,500	12	745,645	150.0	109.3	55.3			3,605	0	34,775
	2017	2017-2019	May 2022 May 2020	62,500	16	991,122	-	109.3	55.3	89.2		2,735	27,885	-
	2018	2018-2020	June 2022 ¹ May 2021	62,500	11	698,728	-	-	55.3	89.2	74.2	1,620	23,585	23,585
	2019	2019-2021	June 2022 ¹ May 2022	62,500	15	955,096	-	-		89.2	74.2	1,090	55,970	-
	2020	2020-2022	June 2022 ¹ May 2023	62,500	17	1,062,500	-	-		-	74.2	370	57,500	-
	2021	2021-2023	June 2022 ¹ May 2023 ¹ May 2024	37,500	31	1,162,500					-		37,500	-

¹ As an effect of Marika Fredriksson's severance agreement, the vesting of outstanding performance shares for any completed performance period will be accelerated in June 2022. Additionally, an accelerated vesting will also apply upon the completion of any later performance periods.

Extraordinary items, termination, and severance payments

This section handles the extraordinary payments to the Executive Management.

Vestas has entered into a severance agreement with CFO, Marika Frederiksson, with final termination date 30 June 2022 and release from duty 28 February 2022. This agreement includes accelerated vestings of performance shares, and as an effect, performance shares will extraordinarily vest after the applicable performance periods for each programme. The programmes will remain subject to the ordinary performance adjustments set out in the applicable terms and conditions

No severance payment has been agreed upon in the severance agreement. Any potential bonus pay-out for 2022 will be pro-rated for time of employment in 2022; from 1 January to 28 February and remain subject to standard performance adjustment. Other ancillary benefits covering relocation costs and assistance with tax returns have been provided to the CFO as part of the severance agreement and these are capped at a total value of DKK 150,000 incl. VAT. The severance agreement is concluded in compliance with Vestas' Remuneration Policy as well as in line with the regulatory framework for remuneration of members of Executive Management.

Claw-back

The Company may within certain limitations decide to reclaim incentive remuneration in full or in part in cases where a cash bonus or other incentive remuneration has been provided to a member of the Executive Management on the basis of data or accounts which subsequently prove to have been misstated.

In the financial year 2021, no incentive remuneration was reclaimed.

Table 12: Shareholding by the Executive Management

Number of shares

Name and position	1 January 2021			28 April 2021 ¹					31 December 2021				
	Holding	Purchase	Vested	Sale	Holding	Purchase	Vested	Sale	Holding	Share price (EUR) ²	Value of position (EUR)	% of base salary	Share holding
Henrik Andersen, CEO	12,125	-	-	-	60,625	4,200	-	-	64,825	26.89	1,734,144	104	Met
Marika Fredriksson, CFO	42,204	-	6,955	3,895	226,320	8,050	23,585	13,208	244,474	26.89	6,573,905	620	Met
Total	54,329		6,955	3,895	286,945	12,250	23,585	13,208	309,299		8,308,049		

¹ Share split 28 April 2021.

² Share price at year end, DKK 200.00 (EUR 26.89).

Development in financial performance and remuneration



+
The remuneration components annual bonus and performance share programme influence the fluctuating remuneration development. The annual bonus has been slightly decreasing over the past five years with no bonus pay-out for the performance in 2018, 2020, and 2021 but a close to target pay-out for 2019. The salary for CEO and CFO was evaluated by the Nomination & Compensation Committee and the salary was increased with 4 percent for CEO and 2 percent for CFO. The increases in 2021 followed the year of no increases in 2020 and a voluntary 10 percent pay-cut from May until end of 2020.

The development of the average employee remuneration both for the Company and Vestas are generally following each other. The decrease in remuneration from 2017 to 2018 is seen because Vestas did not pay out bonus for 2018, and the increase from 2018 to 2019 is due to bonus for 2019. No bonus was paid for 2020 but all eligible employees was awarded with an extraordinary recognition. This is however less than the close to target bonus paid out for 2019. Salaries have increased slightly for the Group overall in 2021 with the integration of MHI Vestas Offshore Wind A/S (MVOW) and salary increases which is in line with the current market.

+ 3.2%

Average increase in salaries for employees in Vestas in 2021.

Table 13: Comparison of remuneration and Vestas' performance with yearly development over the past five years¹

EUR

	2021	Dev. (%)	2020	Dev. (%)	2019	Dev. (%)	2018	Dev. (%)	2017	Dev. (%)	2016
Revenue, mEUR (Vestas)	15,587	5.2	14,819	22.0	12,147	19.9	10,134	1.8	9,953	(2.8)	10,237
EBIT margin, before special items % (Vestas)	3.0	(36.2)	4.7	(43.4)	8.3	(8.8)	9.1	(26.6)	12.4	(10.8)	13.9
Henrik Andersen	4,051,726	(0.65)	4,078,187	(16)	4,880,706 ²	-	-	-	-	-	-
Marika Fredriksson	2,261,722	9.5	2,065,921	(17)	2,491,785 ²	62.2	1,536,028	(32.7)	2,282,138	8.2	2,109,676
Average remuneration employees in Vestas ³	67,883	3.2	65,769	(11.4)	74,219	7.6	68,980	(7.4)	74,515	(4.5)	78,045
Revenue mEUR (the Company)	1,443	(17.8)	1,755	22.6	1,432	8.1	1,376	(18.7)	1,693	(12.2)	1,929
EBIT margin % (the Company)	(32.2)	(375)	11.7	(65.5)	33.9	(25.7)	49	(9.3)	54	(14.3)	63
Average remuneration employees in the Company ⁴	116,056	(2.6)	119,232	(6.5)	127,512	15.6	110,274	(9.8)	122,283	0.9	121,216

¹ The table sets a year-over-year comparison of remuneration and key financial results of the Company and Vestas. Percent change is calculated as separate year-over-year comparison.

² Total remuneration is calculated with actual cash bonus. Henrik Andersen was appointed Group President & CEO as per 1 August 2019, his total remuneration is therefore based on annualised values.

³ Vestas (all Vestas Group) comparison is for salaried employees, settled at Full Time Equivalent (FTE) and full year. Total remuneration including base pay, cash allowances, variable pay elements, pension, company car, health/medical insurance, Life/Disability insurance, bonus, share incentives.

⁴ Comparison is made for the Company (Vestas Wind Systems A/S), settled at Full Time Equivalent (FTE) and full year. Total remuneration including base pay, cash allowances, variable pay elements, pension, company car, health/medical insurance, Life/Disability insurance, bonus, share incentives.

Table 14: Comparison of remuneration and Vestas' performance over the past five years (continued)

EUR

Board of Directors	2021	% Dev.	2020	Dev. (%) ¹	2019	Dev. (%)	2018	Dev. (%)	2017	Dev. (%)	2016
Bert Nordberg, Chairman	329,497	3.0	320,011	2.2	290,817	16.9	267,566	0	267,524	(0.4)	266,164
Lars Josefsson, Deputy Chairman	126,814	(37.4)	202,421	(15.3)	227,175	(5.9)	243,242	0	243,204	(0.3)	239,788
Anders Runevad, Deputy Chairman	233,460	108.3	112,104	-	-	-	-	-	-	-	-
Bruce Grant	94,165	4.0	90,563	0	67,862	-	-	-	-	-	-
Carsten Bjerg	31,094	(74.9)	124,104	0	123,157	2.8	120,644	0	120,644	0	116,852
Eva Merete S. Berneke	129,042	11.5	115,719	37	56,691	-	-	-	-	-	-
Helle Thorning-Schmidt	94,165	4.0	90,563	0	67,862	-	-	-	-	-	-
Jens Hesselberg Lund	-	-	29,349	(37)	100,816	3.8	65,349	-	-	-	-
Karl-Henrik Sundström	145,980	37.7	106,043	-	-	-	-	-	-	-	-
Kentaro Hosomi	45,003	-	-	-	-	-	-	-	-	-	-
Kim Hvid Thomsen	59,289	4.0	57,021	0	64,511	(34.6)	87,132	0	87,132	0	85,126
Michael A. Lisbjerg	59,289	4.0	57,021	0	56,133	6.2	53,619	0	53,619	0	53,399
Peter Lindholst	-	-	19,006	0	56,133	6.2	53,619	0	53,619	0	40,215
Sussie Dvinge	59,289	4.0	57,021	0	56,133	6.2	53,619	0	53,619	0	53,399
Pia Kirk Jensen	59,289	56.0	38,013	-	-	-	-	-	-	-	-
Other members (not part of board in 2021) ²	-	-	-	-	146,737	-	409,207	-	409,207	-	581,468
Total cost	1,466,376	3.3	1,418,959	(0.9)	1,314,027	14.7	1,353,997	6.8	1,288,568	(11.9)	1,436,411

¹ The table sets a year-over-year comparison of remuneration of the Board (including social security taxes). Percent change is calculated as separate year-over-year comparison based on annualised values while remuneration is displayed in actual values.

² Other members included without naming to calculate total development.

Statements

V150-4.2 MW™

New player

A prototype of the V150-4.2 MW™ turbine is installed at Vestas' test site in Østerild, Denmark

- > To the shareholders of Vestas Wind Systems A/S
- > The Board of Directors' responsibility for the remuneration report
- > Auditor's independence and quality management
- > Auditor's responsibility
- > The Board of Directors' Statement on the Report

To the shareholders of Vestas Wind Systems A/S

We have examined whether the remuneration report for Vestas Wind Systems A/S for the financial year 1 January - 31 December 2021 contains the information required under section 139 b, subsection 3 of the Danish Companies Act.

We express reasonable assurance in our conclusion.

The Board of Directors' responsibility for the remuneration report

The Board of Directors is responsible for the preparation of the remuneration report in accordance with section 139 b, subsection 3 of the Danish Companies Act. The Board of Directors is also responsible for the internal control that the Board of Directors deems necessary to prepare the remuneration report without material misstatement, regardless of whether this is due to fraud or error.

Auditor's independence and quality management

We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and ethical requirements applicable in Denmark.

PricewaterhouseCoopers is subject to the International Standard on Quality Control, ISQC 1, and thus applies a comprehensive quality control system, including documented policies and procedures concerning compliance with ethical requirements, professional standards and current statutory requirements and other regulation.

Auditor's responsibility

Our responsibility is to express a conclusion on the remuneration report based on our examinations. We conducted our examinations in accordance with ISAE 3000 (revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and the additional requirements applicable in Denmark to obtain reasonable assurance in respect of our conclusion.

As part of our examination, we checked whether the remuneration report contains the information required under section 139 b, subsection 3 of the Danish Companies Act, number 1 - 6, on the remuneration of each individual member of the Executive Board and the Board of Directors.

We believe that the procedures performed provide a sufficient basis for our conclusion. Our examinations have not included procedures to verify the accuracy and completeness of the information provided in the remuneration report, and therefore we do not express any conclusion in this regard.

Conclusion

In our opinion the remuneration report, in all material respects, contains the information required under the Danish Companies Act, section 139 b, subsection 3.

Hellerup, 10 February 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Claus Lindholm Jacobsen
State Authorised Public
Accountant
mne23328

Kim Tromholt
State Authorised Public
Accountant
mne33251

The Board of Directors' Statement on the Report

The Board has today considered and adopted the Remuneration Report of Vestas A/S for the financial year 2021.

The report has been prepared in accordance with section 139 b of the Danish Companies Act (in Danish: "Selskabsloven").

The Remuneration Report will be presented to the Annual General Meeting 2022 for an advisory vote.

Appendix 1

Development in board remuneration over the past five years needs the following elaboration, which is reflected in the tables above:

Eva Merete Søfelde Berneke:

April 2019 – elected as new member of the Board
August 2019 – elected as new member of the Nomination and Compensation Committee
April 2020 – elected as new member of the Audit Committee

Jens Hesselberg Lund:

April 2018 – elected as new member of the Board
April 2018 – elected as new member of the Audit Committee
August 2019 – elected as new chairman of the Audit Committee
April 2020 – resigned from the position as member of the Board
April 2020 – stepped down from the Audit Committee

Bruce Grant:

April 2019 – elected as new member of the Board
April 2019 – elected as new member of the Technology & Manufacturing Committee

Helle Thorning-Schmidt:

April 2019 – elected as new member of the Board
April 2019 – elected as new member of the Nomination & Compensation Committee

Kim Hvid Thomsen:

April 2019 – stepped down from the Technology & Manufacturing Committee

Eija Pitkänen:

April 2019 – resigned from the position as member of the Board
April 2019 – stepped out of the Technology & Manufacturing Committee

Torben Ballegaard Sørensen:

April 2019 – resigned from the position as member of the Board
April 2019 – stepped down from the Technology & Manufacturing Committee

Henry Sténson:

April 2018 – stepped down from the Audit Committee
April 2019 – resigned from the position as member of the Board

Bert Nordberg:

August 2019 – elected as new member of the Audit Committee

Henrik Andersen:

August 2019 – resigned from the position as member of the Board
August 2019 – stepped down from the Audit Committee
August 2019 – stepped down from the Nomination & Compensation Committee

Lars Josefsson:

April 2020 – stepped down from the Nomination & Compensation Committee
April 2021 – stepped down as Chairman of the Technology & Manufacturing Committee

Anders Runevad:

April 2020 – elected as new member of the Board
April 2020 – elected as new member of the Nomination & Compensation Committee
April 2020 – elected as new member of the Technology & Manufacturing Committee
April 2021 – elected as Deputy Chairman
April 2021 – elected as new chairman of the Technology & Manufacturing Committee

Karl-Henrik Sundström:

April 2020 – elected as new member of the Board
April 2020 – elected as new chairman of the Audit Committee

Peter Lindholst:

April 2020 – stepped down as member of the Board

Pia Kirk Jensen:

Maj 2020 – joined as new member of the Board

Kentaro Hosomi:

April 2021 – elected as new member of the Board

Carsten Bjerg:

April 2021 – resigned from the position as member of the Board
April 2021 – stepped down from the Audit Committee
April 2021 – stepped down from the Technology & Manufacturing Committee

Disclaimer and cautionary statement

This document contains forward-looking statements concerning Vestas' financial condition, results of operations and business. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning Vestas' potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. A number of factors that affect Vestas' future operations and could cause Vestas' results to differ materially from those expressed in the forward-looking statements included in this document, include (without limitation): (a) changes in demand for Vestas' products; (b) currency and interest rate fluctuations; (c) loss of market share and industry competition; (d) environmental and physical risks, including adverse weather conditions; (e) legislative, fiscal, and regulatory developments, including changes in tax or accounting policies; (f) economic and financial market conditions in various countries and regions; (g) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects; (h) ability to enforce patents; (i) product development risks; (j) cost of commodities; (k) customer credit risks; (l) supply of components; and (m) customer created delays affecting product installation, grid connections and other revenue-recognition factors.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' Annual Report for the year ended 31 December 2021 (available at www.vestas.com/investor) and these factors also should be considered. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events other than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.

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