General guidelines for incentive pay

for the Board of Directors and the Executive Management

Vestas Wind Systems A/S
Introduction

Pursuant to section 139 of the Danish Companies Act, the Board of Directors is required to establish general guidelines for incentive pay before entering into incentive pay agreements with members of the company’s Board of Directors and Executive Management.

General principles

In the Board of Directors’ opinion, a combination of fixed and performance-based salary to the Executive Management contributes towards ensuring that the company is able to attract and retain key personnel, and, moreover, partly incentive-based compensation encourages the Executive Management to create value to the benefit of the shareholders.

The objective of the guidelines is to lay down the framework for the variable portion of the salary considering the company’s short and long-term targets, and to ensure that the pay system does not lead to imprudence or unreasonable behaviour or risk acceptance.

Persons comprised by the scheme

a. Board of Directors
The Board of Directors receives a fixed cash remuneration which is approved annually by the general meeting. The remuneration is normally approved at the general meeting for the year in question and the final remuneration is finally approved the following year. The Board of Directors thus does not receive incentive pay but individual board members may receive a fixed remuneration for taking on specific ad hoc tasks outside their normal duties assigned by the Board of Directors, ref. the remuneration policy for members of the Board of Directors and the Executive Management.

b. Executive Management
These guidelines for incentive pay only apply to the members of the Executive Management at any time registered as such with the Danish Business Authority. Other staff groups not comprised by the framework of these guidelines may have bonus schemes or other incentive-based remuneration programmes included in their respective terms of employment.

According to the articles of association, the registered Executive Management must consist of at least one and not more than six members.

The terms of employment and remuneration of the Executive Management are in each case agreed between the individual member of the Executive Management and the Board of Directors, and the remuneration will normally include all the elements stated below.

The Board of Directors has appointed a Nomination & Compensation Committee which continuously evaluates the remuneration to the Executive Management.
Remuneration components

Total remuneration to the Executive Management is comprised by the following components:

- fixed salary ("gross salary"),
- usual ancillary benefits such as company car, telephone, newspapers,
- cash bonus, and
- share-based incentives.

Cash bonus

Members of the Executive Management participate in a bonus scheme based on the results for the year. The bonus is paid out annually after adoption of the annual report for the relevant financial year.

The bonus pay-out-level is defined by a weighted target achievement and is capped at a certain percentage of the fixed salary with the target and maximum pay-out levels set at 50 per cent and 75 per cent of the annual base salary respectively.

The bonus scheme is based on target achievement of a number of parameters, including financial key performance indicators like EBIT as well as any other targets approved by the Board of Directors. No pay-out will be made if the target for EBIT is not met at the defined minimum acceptable performance level.

Share-based incentives

Members of the Executive Management are eligible for participation in a share-based long-term incentive programme. The focus of the share-based programme is to retain and create long-term shareholder value.

The intention of the grants is to ensure value creation and fulfilment of the company’s long-term goals and the scheme contains elements of both short and long-term performance. The scheme is based on restricted performance shares. The programme is disclosed in connection with the Board of Directors’ approval of the annual report and will be conditional upon continued employment at the time of grant.

For any single financial year, the Executive Management may be granted restricted performance shares based on achievement of certain targets approved by the Board of Directors. The targets may be based on financial key performance indicators as well as the Group’s market share as defined by the Board of Directors. For any financial year, the number of shares to be granted to the combined Executive Management may amount to a total of 120,000 performance shares based on an initial target level. The programme is based on three performance years. The actual number of shares is decided after the end of the three performance years, and can be adjusted upwards or downwards, taking the company’s performance into consideration. The overall performance measurement is decided by the Board of Directors.
The maximum size of the grant is 150 per cent of the target, corresponding to a total grant to the Executive Management of 180,000 performance shares. The number of shares available for grant may be adjusted in the event of changes in the company’s capital structure. The performance shares will be granted in two portions; the first half of the shares will be granted after the three performance years following the disclosure of the programme and the second half of the shares will be granted five years after the disclosure, with the total grant size based on the results in the three performance years. However, in the event of a change of control, merger, winding-up or demerger of the company, accelerated grant may extraordinarily take place. Furthermore, in the event of certain transfers of activities or changes in ownership interests within the Vestas Group, adjustment, replacement of the programme and/or settlement in cash of the programme entirely or partly may take place.

The value at the grant will be dependent on the development of the Vestas share price. If a participant chooses to leave Vestas before the time of grant, the participant’s rights to receive the shares will lapse.

The company may cover any granted performance shares by purchase of treasury shares, ref. the general meeting’s authorisation to the Board of Directors.

Approval

These general guidelines were approved at the company’s Annual General Meeting on 30 March 2015 and they replace the general guidelines approved by the Annual General Meeting in 2013.

Article 13 of the articles of association contains the following wording:

“The Company has adopted general guidelines for incentive pay pursuant to Section 139 of the Danish Companies Act. The general guidelines have been approved by the general meeting and are accessible at the Company's website.”

Specific incentive payment agreements may be concluded on or after the day following publication of the adopted guidelines at the company’s website.

Publication

Pursuant to section 139(2) of the Danish Companies Act, the general guidelines for incentive pay in force at any time will be accessible at the company’s website (vestas.com/en/investor) from the date of approval by the general meeting.