Remuneration policy

for the Board of Directors and the Executive Management
Vestas Wind Systems A/S
Introduction
The remuneration policy for members of the Board of Directors and the Executive Management1 of Vestas Wind Systems A/S reflects the interests of the shareholders and the company, taking into consideration the assignments and the responsibility undertaken by such members. The remuneration policy promotes performance and aims at attracting and retaining talented executives while safeguarding the company's interests through long-term targets.

With respect to incentive pay, reference is made to the general guidelines for incentive pay, which are available at vestas.com/en/investor.

Remuneration of the Board of Directors
Efforts are made to ensure that the remuneration of the Board of Directors matches the level in comparable companies, whilst also taking into consideration board members’ required competencies, efforts and the scope of the board work, including the number of meetings.

Board members elected by the employees receive the same remuneration as the board members elected by the general meeting.

The remuneration of the board members for the past year and the level for the current year is approved at the Annual General Meeting as two separate items.

Fixed remuneration
Members of the Board of Directors receive a fixed cash payment (basic remuneration).

The chairman receives triple basic remuneration and the deputy chairman receives double basic remuneration for their extended board duties.

In addition to the basic remuneration, annual committee remuneration is paid to board members who are also members of one of the board committees. The remuneration is determined as a base fee, and the committee chairman receives an additional remuneration of 80 percent of the committee remuneration.

Remuneration for ad hoc tasks
Individual board members may take on specific ad hoc tasks outside their normal duties assigned by the Board of Directors. In each such case, the Board of Directors shall determine a fixed remuneration for the work carried out in relation to those tasks. The fixed remuneration will be presented for approval at the following Annual General Meeting.

Social security taxes and similar taxes
In addition to the remuneration, the company may pay social security taxes and similar taxes imposed by non-Danish authorities in relation to the remuneration.

Incentive programme, bonus pay, etc.
The Board of Directors is not included in incentive programmes (share-based programmes, bonus pay or similar plans).

Compensation on takeover of Vestas Wind Systems A/S
On any takeover, retiring board members will not receive any compensation for their lost board remuneration and similar benefits.

Reimbursement of expenses
Actual expenses in connection with board and committee meetings are reimbursed.

Pension scheme
The Board of Directors is not covered by any Vestas pension scheme or a defined benefit pension scheme.

Remuneration to the Executive Management
The Board of Directors believes that a combination of fixed and performance-based pay to the Executive Management helps ensure that the company can attract and retain key employees. The Executive Management is paid partly through variable performance-based elements to motivate performance, align with short and long-term business targets, and to enable flexible remuneration costs.

All members of the Executive Management are employed under executive service contracts, and the Board of Directors sets the terms within the frames of the contracts.

The Nomination & Compensation Committee submits proposals concerning the remuneration of the Executive Management and ensures that the remuneration is in line with the conditions in comparable companies. The proposals are submitted for approval at a board meeting.

Members of the Executive Management receive a competitive remuneration package consisting of the following components:

- fixed salary,
- cash bonus,
- share-based incentives, and
- personal benefits, e.g. company car, free telephony, broadband, newspapers.

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1 Executive Management includes all the executives registered as executives with the Danish Business Authority.
Directors. For any financial year, the number of shares based on financial key performance indicators as well approved by the Board of Directors. The targets may be shares based on achievement of certain targets Management may be granted restricted performance shares. The programme is disclosed in performance. The scheme is based on restricted scheme c

- Employment at the time of grant.

Variable components
The variable components shall always be within the limits of the general guidelines for incentive pay adopted by the general meeting.

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; ref. the general guidelines for incentive pay.

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 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.

Personal benefits
Members of the Executive Management have access to a number of work-related benefits, including company car, free telephony, broadband at home, and work-related newspapers and magazines. The extent of individual benefits is negotiated with each individual member of the Executive Management and reflects local market practice.

The Executive Management are covered by Vestas’ insurance policies:
- Accident insurance
- Health insurance
- Directors and officers liability insurance

Notice of termination
Vestas can terminate the employment giving 24 months’ notice. A member of the Executive Management can terminate the employment with Vestas by giving 12 months’ notice.
If a shareholder controls more than 50 per cent of the voting rights in the company, if the company is delisted from Nasdaq Copenhagen, or if the company is merged or demerged, members of the Executive Management will not receive any compensation. However, the company’s notice of termination towards the Group President & CEO will be extended for the following two years to a total of 36 months to the end of a month.

**Redundancy pay**
There is no agreed redundancy pay/compensation for voluntary or non-voluntary termination.

**Pension scheme**
Members of the Executive Management are not covered by Vestas’ employer administered pension plan or a defined benefit pension scheme. For Executive Management, pension is considered included in the fixed salary.

Aarhus, 30 March 2016

Approved at Vestas Wind Systems A/S’ Annual General Meeting