Corporate Governance 2009-2010

Vestas Wind Systems A/S' comments
on the Danish Committee
on Corporate Governance's recommendations

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Vestas

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Principles for good corporate governance

Corporate governance, defined as "the system used to lead and control a business", is largely built into the requirements on boards laid down in the Danish Companies Act.

The Board of Directors and the Executive Management of Vestas believe that corporate governance initiatives should be a constant process and address the principles of good corporate governance in an ongoing process with due consideration to current legislation, practice and recommendations. Such evaluation includes a review of the company's business concept, business procedures, goals, organisation, capital position, stakeholder relations, risks and the exercise of control.

Once a year the Board of Directors considers the recommendations for good corporate governance elaborated by the Danish Committee on Corporate Governance.

Recommendations for good corporate governance

Vestas' position on the individual recommendations is described in the following. The recommendations specify that it is equally legitimate for a company to provide an explanation, as to comply with a specific recommendation, as the key issue is to create transparency in corporate governance matters.

The recommendations include the following main areas:

Adopted by the Board of Directors of Vestas Wind Systems A/S on 26 October 2009.

I The role of the shareholders and their interaction with the management of the company

The shareholders, the owners of the company and society have a joint interest in the company always being capable of adjusting to changing demands which allow the company to continue to be competitive and continue to create value. Corporate governance implies that the Board of Directors and the Executive Board understand that interaction between the management and the shareholders is of vital importance to the company. As owners of the company, the shareholders can actively exercise their rights and use their influence resulting in the management protecting the interests of the shareholders as best as possible and ensuring efficient deployment of the company's funds, both in the short as well as the long term.

Therefore, good corporate governance depends on appropriate framework which encourage the shareholders to enter into a dialogue with the management of the company and each other. This can be encouraged through a strengthening of the role of the general meeting as a forum for communication and decisions.

The Danish Committee on Corporate Governance's recommendations regarding Corporate Governance as per 10 December 2008

1. Exercise of ownership and communication
The Committee recommends that the company contributes to the improvement of the communication between the company and the shareholders and between the individual shareholders in the company via the use of e.g. information technology.

Vestas Wind Systems A/S' Corporate Governance practice as per 26 October 2009

Vestas is in regular dialogue with the company's shareholders and investors. The daily communication mainly takes place through phone calls, written inquiries via ir@vestas.com and an informative homepage. Furthermore, twice a year a publication is prepared for the shareholders of the company. Here the President and CEO gives a brief presentation of the company's present status, development opportunities and an overview of the financial highlights of the relevant period.

In connection with the presentation of financial reports, Vestas holds information meetings for members of the media, analysts and investors. The presentations are webcast via the Internet and communicated in six different languages.

Following the financial presentation, Vestas' President and CEO and the manager of Group Communications take part in roadshows and hold meetings with investors and stakeholders in Europe and the USA.

Moreover, Vestas holds and participates in various exhibitions, analyst and investor meetings and other different IR activities throughout the year.

It is possible for Vestas' stakeholders to subscribe to Vestas' mailing list and via this service receive press releases and company announcements from Vestas Wind Systems A/S via e-mail.

2. Capital and share structure

The Committee recommends that the Board of Directors, at appropriate intervals, assesses whether the company's capital and share structure continue to be in the interests of the shareholders and the company and accounts for this assessment in the company's annual report.

Annually, Vestas' Board of Directors assesses if the company's capital structure and capital readiness at any given time are reasonable in consideration of the Group's operation and the shareholders' interests. Further statement is made in Vestas' annual report.

3. Preparations for the general meeting, including notice of meeting and proxy

The Committee recommends that the general meeting is convened at sufficient notice to enable the shareholders to prepare for the meeting and consider the business to be transacted at the general meeting. It is also recommended that the notice of meeting, including the agenda, is drawn up in such a way as to give the shareholders a satisfactory picture of the business covered by the items on the agenda and that proxies given to the company's Board of Directors, as far as possible, include the position of the shareholders regarding each item on the agenda.

The company's Article of Association establish the notice that must be given when calling the general meeting. Furthermore, the date for the annual general meeting is announced in the quarterly report for third quarter. On the date of notice convening the annual general meeting relevant documents for the use of the general meeting can be downloaded from vestas.com/investor.

Furthermore, on the day of notice convening the annual general meeting a link on vestas.com/investor to Vestas' Investor Portal will be created. Here it will be possible to register for the annual general meeting electronically and to cast proxy.

Shareholders unable to attend the general meeting may, by instruction proxy, authorize the Board of Directors or others to vote on each individual item on the agenda and thus exercise their influence at the general meeting. Authorization for the Board of Directors can only be granted for one pre-defined general meeting.

Further regulations are described in Vestas' Articles of Association which can be downloaded from vestas.com/investor.

4. Duties of the Board of Directors and the rights of the shareholders in the event of takeover bids

In connection with a public takeover bid, the Committee recommends that in such situations, the Board of Directors does not, without the acceptance of the general meeting or on its own, attempt to counter a takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid.

In the event of a takeover bid, the Board of Directors will not, without the acceptance of the General Meeting, attempt to counter such a bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid.

II The role of the stakeholders and their importance to the company

It is essential for a company's prosperity and future possibilities that the company has a good relationship with its stakeholders. Stakeholders are everyone directly affected by the company's decisions and business. Thus, it is desirable that the company's management runs and develops the company with due consideration for its stakeholders and that the management provides an incentive for dialogue with these stakeholders. Successful interaction between the company and its stakeholders implies openness and mutual respect.

1. The company's policy in relation to the stakeholders
The Committee recommends that the Board of Directors adopts a policy on the company's relationship with its stakeholders.

Vestas' Board of Directors has adopted a policy regarding the company's relationship with its stakeholders.

2. The role of the stakeholders and their interests
The Committee recommends that the Board of Directors ensures that the interests and roles of the stakeholders are respected in accordance with the company's policy on such issues.

Vestas aims to develop and maintain good relations with its stakeholders, as such relations are considered to be important and positive for the company's development.

The Board of Directors monitors the Executive Management's management of the company to ensure that the interests and roles of the stakeholders are respected.

Each month, the Board of Directors receives a report from the Investor Relations department, which includes a description of meetings, activities, exhibitions etc. the department has participated in and intends to participate in. Moreover, the Board of Directors receives e.g. yearly reports regarding customer loyalty surveys and employee surveys.

III Openness and transparency

To a varying extent, it is necessary to provide shareholders, including potential shareholders, and other stakeholders with information about the company. Understanding and relating to the company depend on the amount of information and the quality of information published or provided by the company. Openness and transparency are essential conditions ensuring that the company's shareholders and other stakeholders are able to regularly evaluate and relate to the company and its prospects and so to contribute to constructive interaction with the company.

1. Information and publication of information

The Committee recommends that the Board of Directors adopts an information and communication policy.

Vestas' Board of Directors has adopted a communication policy. The policy can be downloaded from vestas.com/investor.

The Vestas Group pursues a communication policy which involves ensuring timely, adequate and simultaneous information about the company to the outside world and Vestas strives to be open and accessible to current and potential shareholders, investors and stakeholders; with due consideration to legal requirements and rooted in corporate governance standards.

Furthermore, the Committee recommends that the company draws up procedures to ensure immediate publication of all essential information of importance enabling the shareholders and the financial markets to evaluate the company and its activities as well as its business goals, strategies and results in a reliable and sufficient manner; unless publication can be omitted according to stock exchange legal rules.

A procedure ensuring that Vestas adheres to the information obligation has been drawn up. The procedure is anchored in Vestas' quality assurance programme.

The Committee recommends that information is published in both Danish and English and, if necessary, in any other relevant languages; this also applies to the company's website which must display identical information in these languages.

Vestas Wind Systems A/S' company announcements are published in Danish and English and are distributed by NASDAQ OMX Copenhagen's GlobeNewswire and published on vestas.com/investor and on vestas.dk/investor.

If the announcement relates to a specific market the announcement might be translated into the relevant language.

2. Investor relations

The Committee recommends that the Board of Directors lays the groundwork for an ongoing dialogue between the company and the company's shareholders and potential shareholders.

Vestas aims to safeguard the Group's – and by extension the shareholders' – long-term interests. This can only be achieved through a close and positive collaboration with all of Vestas' stakeholders, including the company's shareholders and potential shareholders. Management therefore engages in an ongoing dialogue with the stakeholders, who are given an opportunity to express their views about the company's operations and strategic and commercial development.

Vestas is regularly holding public and individual investor meetings. However, there is a "closed" period of four weeks prior to the announcement of a financial report. During these periods, communication with the media, analysts and investors is limited and Vestas will not comment on e.g. financial results, expectations and market forecasts.

3. Annual report and supplement information

The committee recommends that the Board of Directors considers to what extent the annual report shall be supplemented with accounting standards other than the required internationally recognized accounting standards, e.g. US-GAAP, should trade conditions or other circumstances render this relevant in relation to the information needs of the recipients, including the need for comparability.

Vestas' annual report is presented in accordance with "International Financial Reporting Standards" (IFRS) as adopted by the EU as well as with additional Danish disclosure requirements for annual reports of listed companies.

In connection with the preparation of the annual report, the Committee recommends that the Board of Directors decides whether it is expedient that the company publishes details of a non-financial nature, even in instances where this is not required by any applicable legislation or standard.

Financial and non-financial information is available in the annual report.

4. Quarterly reports

The Committee recommends that companies publish quarterly reports.

Vestas publishes accounts four times a year: one annual report and three quarterly reports. The publication dates for upcoming reports are listed in the financial calendar on vestas.com/investor.

IV Tasks and responsibilities of the Board of Directors

The Board of Directors is responsible for safeguarding the interests of the shareholders with care and due consideration for the other stakeholders. As concerns the managerial division of tasks between the Board of Directors and the Executive Board, the Board of Directors is assigned with and responsible for undertaking the overall management of the company as well as establishing guidelines for and supervising the Executive Board's work. One important management task is to develop and establish appropriate strategies for the company. It is essential that the Board of Directors ensures ongoing development of and follow-up on the necessary strategies in collaboration with the Executive Board.

1. Overall tasks and responsibilities of the Board of Directors

The Committee recommends that the Board of Directors discusses and establishes its most important tasks related to the overall strategic management as well as the financial and managerial supervision of the company and regularly evaluates the Executive Board's work.

As prescribed by Danish law the Board of Directors is responsible for the overall 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 and evaluating the adequacy of the company's capital contingency programme.

The tasks of the Board of Directors are described in the order of business for the Board of Directors. Once a year, the Board of Directors scrutinizes the contents of the document to ensure that it is an effective and operational tool supporting the tasks of the Board.

Furthermore, once a year the Board holds a strategy seminar with participation of the members of the Vestas Government. Here the strategies of the Group and future visions are discussed.

2. The chairman's tasks

The Committee recommends that the company prepares a work and task description specifying the tasks, duties and responsibilities of the chairman and, if required, of the deputy chairman.

Vestas has a work and task description regarding the tasks of the Chairman and the Vice-Chairman.

The Committee recommends that the chairman ensures that the special knowledge and competence of each individual member of the Board of Directors is used in the best possible manner in the work of the Board of Directors', to the benefit of the company.

The Chairman is to ensure that the special knowledge and competence of the individual members of the Board of Directors are put to the best possible use in their work for the Board of Directors for the benefit of the company.

The Committee recommends that the company appoints a deputy chairman, who must be able to act in the chairman's absence and also to act as an effective sounding board for the chairman.

The Board of Directors includes a Chairman and a Vice-Chairman.

3. Procedures

The Committee recommends that the procedures always match the needs of the company and that all the members of the Board of Directors review the procedures at least once a year for this purpose.

The Board of Directors examines the order of business for the Board of Directors and the Executive Management once a year to ensure that it is an efficient and operational tool for the work of the Board of Directors and the Executive Management.

4. Information from the Executive Board to the Board of Directors

The Committee recommends that the Board of Directors establishes procedures for how the Executive Board reports to the Board of Directors and for any other communication between the Board of Directors and the Executive Board; with a view to ensure that the information required by the Board of Directors, about the company's business, is regularly provided to the Board of Directors.

The order of business lays down procedures for the Executive Management's reports to the Board of Directors and for the general dialogue between the Board of Directors and the Executive Management. In this context, it is essential to ensure that the Board of Directors continuously receives any information about the business of the company they may need. However, in all events, the Executive Management is to ensure that all significant information is passed on to the Board of Directors, irrespective of whether the Board of Directors may have expressly requested such information.

V The composition of the Board of Directors

It is essential that the Board of Directors is composed in such a way as to allow it to perform its managerial tasks, including the strategic and control tasks, in an effective and forward-looking manner and, at the same time, to act as a constructive and qualified sounding board for the members of the Executive Management. It is also essential that the members of the Board of Directors always act independently of special interests. The Board of Directors must regularly ensure that its composition and the competence of its members, individually and collectively, reflect the demands made by the company's situation and circumstances.

To ensure the quality of board work and thus increase the Board of Directors' contribution to the value creation, it is important that the composition of the supervisory board is regularly reviewed, including as regards diversity in relation to gender and age, etc.

1. Composition of the Board of Directors
The Committee recommends that the Board of Directors regularly assesses the competence it must have to best perform its tasks and, in light hereof, assesses the composition of the Board of Directors.

As a way to achieve this, the Committee recommends that:

- when assessing its composition, the Board of Directors takes diversity into consideration in relation to gender, age, etc.,
- the Board of Directors ensures a formal, thorough and transparent process for selection and nomination of candidates,
- the Board of Directors includes a description of the nominated candidates' background, including information about other managerial positions and directorships held by the candidates in both Danish and foreign companies as well as demanding organisational tasks performed by the individual persons, in the notice convening the general meeting when the election of the members to the Board of Directors is on the agenda,
- the description provides information about the recruitment criteria established by the Board of Directors, including the requirements for professional qualifications, international experience, educational background etc. which represent essential qualities with regard to the Board of Directors, and that the shareholders of the company are given an opportunity to discuss these criteria at the general meeting,

Seen in the light of tasks faced by the Board of Directors the Board regularly assesses which qualifications are deemed necessary.

In connection with the designation of new board candidates, the Board of Directors uses external assistance for the search process and assessment of the profiles and qualifications specifically required in order to complement the expertise reflected in the overall composition of the Board.

New candidates are selected on the basis of criteria such as gender and age, always provided that the other recruitment criteria are not compromised.

In connection with convening the General Meeting, where new Board members will be elected, a detailed description of the individual candidates is ellaborated. The description contains details regarding age, position, independence, fiduciary positions in Danish and foreign companies and organisations and special competencies.

Furthermore, the notice convening the General Meeting includes a brief description of the recruitment criteria.

In the notice convening the General Meeting it is informed that when proposing candidates for Board membership, the Board of Directors strives to ensure that the Board of Directors:

- is able to act independently of special interests;
- represents a balance between continuity and renewal;
- matches the company's situation; and
- has industry insight and the commercial and financial skills required to allow the Board of Directors to perform its tasks in the best possible manner.

- the description provides information about the Board of Directors' assessment of its composition, including its diversity, and that the shareholders of the company are given an opportunity to discuss the composition of the Board of Directors at the general meeting, and
- every year in the management's review, the Board of Directors accounts for its composition, including its diversity, and for any special competence possessed by the individual members.

The Board of Directors is of the opinion that its composition represents a broad international board with business management experience.

A description of the Boards composition and a profile of the members of the Board of Directors is provided in the annual report and on vestas.com/investor.

2. Training and introduction for members of the Board of Directors

The Committee recommends that new members joining the Board of Directors are given an introduction to the company and that the chairman, in collaboration with each individual Board of Directors member, decides whether it is necessary to offer the member in question relevant supplementary training.

New Board members will be introduced to the company by the Chairman and the Executive Management. Moreover, it will be evaluated if it is necessary to offer the member in question relevant supplementary training.

The Committee recommends that every year, the Board of Directors assesses whether the competence and expertise of the members need to be updated in some respect.

Once a year it is assessed if there are areas where the Board members' competence and expertise should be updated. The individual member of the Board of Directors is, however, also responsible for actively studying and keeping abreast of the situation of the Vestas Group and the relevant sector insight.

3. The number of members of the Board of Directors

The Commission recommends that the Board of Directors has only so many members as to allow a constructive debate and an effective decision-making process that enables all the members of the Board of Directors to play an active role and that the size of the Board of Directors allows the competence and experience of members of the Board of Directors to match the requirements of the company.

Vestas' Articles of Association state that the Board of Directors must consist of 3–8 members elected by the General Meeting. In addition, the Board of Directors may, in accordance with Danish legislation, include a number of members elected by the company's employees.

The Board of Directors is to ensure that the number of members of the Board of Directors is sufficient to assure the necessary professional breadth and to make possible an appropriate division of tasks among the members, while simultaneously ensuring that the size of the Board of Directors does not hinder an efficient and rapid decision-making process.

The Board of Directors currently consists of eight external members with broad international experience in corporate management, as well as four employee representatives.

The Commission recommends that at regular intervals, the Board of Directors considers whether the number of members of the Board of Directors is appropriate in relation to the requirements of the company.

In relation to the tasks faced by the Board of Directors the Board will continually assess whether the number of Board members is appropriate.

4. The independence of the Board of Directors

In order for the members of the Board of Directors to act independently of special interests, the Committee recommends that at least half of the members of the Board of Directors elected by the general meeting are independent persons.

In this context, an independent member of the Board of Directors elected by the general meeting may not:

- Be an employee of the company or have been employed by the company within the past five years.
- Be or have been a member of the Executive Board of the company.
- Be a professional consultant to the company or be employed by, or have a financial interest in, a company which is a professional consultant to the company.
- Have some other essential strategic interest in the company other than that of a shareholder.
- Furthermore, any person related, in terms of business or in any other way, to the company's major shareholders is not regarded as an independent person.
- Family ties with persons not regarded as independent persons also imply a situation of non-independence.

The independence of the Board of Directors is continually examined, hereunder in relation to trade between the company and other companies that may be of interest to the members of the Board of Directors.

All Board members elected at the General Meeting, except Jørn Ankær Thomsen, who is associated with one of the law firms that provide legal advice to the company, are considered independent of the company. Moreover, the employee representatives cannot be considered independent due to their employment with the Vestas Group.

The Committee recommends that at least once a year, the Board of Directors lists the names of the members of the Board of Directors who are not regarded as independent persons and also discloses whether new candidates for the Board of Directors are considered independent persons and states the grounds for such consideration.

In the annual report it is stated and justified who of the board members cannot be deemed independent. Equivalent information is given upon nominating new candidates.

The Committee recommends that the members of the Executive Board of the company are not members of the Board of Directors of the company.

There are no conflicts of interest between major shareholders, the Board of Directors and the Executive Board. No current or former director of the company is a member of the Board of Directors.

The Committee recommends that the annual report contains the following information about members of the Board of Directors:

- occupation of the individual members of the Board of Directors,
- other managerial positions or directorships held by a member of the Board of Directors in Danish and foreign companies as well as demanding organizational tasks performed by that individual and
- number of shares, options and warrants held by a member of the Board of Directors in the company and group enterprises, as well as changes in the member's portfolio of the mentioned securities having taken place during the financial year.

With regard to the members of the Board of Directors elected at the General Meeting; Vestas' annual report contains information about their age, positions other management positions in Danish and foreign companies and organizations, holdings of shares, options and warrants in the company and companies associated with the Vestas Group, as well changes in these members' holdings of said securities that may have taken place during the financial year.

5. Members of the Board of Directors elected by the employees

The Committee recommends that the company considers the need to explain the system of employee elected board members in the company's annual report or on its website.

The Danish system regarding election of company representatives for the Board of Directors is described on vestas.com/investor.

6. Meeting frequency

The Committee recommends that the Board of Directors meets at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the annual meeting frequency is published in the annual report.

The Board of Directors holds at least 5 ordinary meetings every year according to a predeterm-ined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company. The yearly meeting frequency is announced in the annual report.

7. Time allocated to Board of Directors' work and the number of directorships

The Committee recommends that a member of the Board of Directors, who is also a member of the Executive Board of an active company, holds no more than three ordinary directorships or one chairmanship and one ordinary directorship in companies not forming part of the group unless in exceptional circumstances.

Vestas follows the recommendation, but is also of the opinion that each individual Board member is able to appropriately balance his or her time available for board duties and the number of directorships so that the number of directorships does not adversely impact the quality of the board duty in Vestas. Further information is available on vestas.com/investor.

8. Retirement age

The Committee recommends that the company agrees on a retirement age for members of the Board of Directors and that the annual report contains information about the age of the individual members of the Board of Directors.

The retirement age of members of the Board of Directors is 70 years according to the Danish act on Amendment of Act on Prohibition of Differential Treatment on the Labour Market, etc. (Lov om ændring af lov om forbud mod forskelsbehandling på arbejdsmarkedet mv.).

The attitude of the Board of Directors towards age is that age is not a qualification in itself, but must be part of the overall evaluation of the qualifications of the Board member.

A profile of the individual members of the Board of Directors is available on vestas.com/investor and in the annual report, here the year of birth of the individual members of the Board of Directors is shown also.

9. Election period

The Committee recommends that members of the Board of Directors are up for re-election every year at the General Meeting and that the Board of Directors in this connection makes special efforts to ensure the balance between replacement and continuity on the Board of Directors as regards the chairmanship and the deputy chairmanship.

According to the company's Articles of Association, members of the Board of Directors elected at the General Meeting are to be elected every year at the Annual General Meeting of the company. There is no limit to the number of times a Board member may be re-elected. A Board meeting is held after the General Meeting, where the Board of Directors elects their chairman and deputy chairman.

The Committee recommends that the annual report states when the individual member of the Board of Directors joined the board, whether the member of the Board of Directors was re-elected and when the new election period expires.

The Annual Report includes information about when the individual Board member entered the Board – and that the Board members elected at the General Meeting are elected every year.

In relation to the employee elected Board members information is given as to the first time they were elected, when the last election occurred and when their electoral period ends.

10. Use of Board of Directors committees

The Committee recommends that the Board of Directors considers and decides whether to establish committees, including nomination, remuneration and audit committees.

Vestas has appointed four committees:

- Audit Committee
- People & Compensation Committee
- Manufacturing & Excellence Committee
- Technology Committee

If the Board of Directors appoints a committee, the Committee recommends that such appointment takes place only in connection with matters relating to specific issues for the purpose of preparing decisions to be made by all the members of the Board of Directors.

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 authorized to make independent decisions; instead they report and make recommendations to the combined Board of Directors.

In the event of appointment of a Board of Directors committee, the Committee recommends that the Board of Directors draws up terms of reference for that committee setting, out its responsibilities and powers.

Terms of reference have been drawn up for each committee.

The Committee recommends that the company's annual report describes important issues included in the terms of reference of the individual Board of Directors committee and that the annual report lists the names of the members of the individual Board of Directors committee as well as the number of meetings of that committee held during the financial year.

Further description of the committees' composition, function, tasks, method of working and number of meetings appears from the Annual Report and on vestas.com/investor.

11. Assessment of the Board of Directors' work

The Committee recommends that the Board of Directors establishes an assessment procedure that regularly and systematically evaluates the work, results and composition of the Board of Directors as well as the work and results of the individual members, including the chairman, for the purpose of improving the Board of Directors' work and that the criteria of assessment are clearly defined.

A formalized procedure for how the Board of Directors' work is evaluated has not been drawn up, but the chairman ensures that once a year the Board of Directors evaluates the method of working and the results of the Board of Directors as well as the individual Board member's contribution. The evaluation is made by the Chairman and the result is discussed by the Board of Directors as a whole.

The Committee recommends that such assessment is made once a year and that the chairman of the Board of Directors is in charge of this process, drawing on external support, if necessary. It is also recommended that the outcome is discussed by the entire Board of Directors and that the Board of Directors provides details of its procedures of self-assessment in the company's annual report.

The chairmanship and the President and CEO evaluate the work of the Board of Directors and the cooperation between the Board of Directors and the Executive Management once a year, which is mentioned in the annual report.

The Committee recommends that the Board of Directors assesses the Executive Board's work and results once a year according to previously established explicit criteria.

The Board of Directors evaluates the Executive Management's work and results based on the following criteria:

- Vestas' financial priorities
    1. EBIT margin
    2. Net working capital
    3. Revenue
- Customer loyalty survey
- Employee satisfaction survey

The Comittee recommends that the Executive Board and the Board of Directors establish a procedure whereby the collaboration between the Board of Directors and the Executive Board is evaluated yearly through a formalised dialogue between the CEO and the Chairman of the Board of Directors and that the result of the evaluation be presented to the entire Board of Directors.

The Board of Directors and the Executive Management evaluate their cooperation once a year.

VI Remuneration of the members of the Board of Directors and the Executive Management

Competitive remuneration is a prerequisite for attracting and retaining competent members of the Board of Directors and the Executive Management. The remuneration of the members of the two boards should be reasonable in relation to the tasks assigned and the responsibilities involved in performing these tasks.

Performance-related pay based on results may contribute towards interests between the shareholders and the management of the company and may cause the management to focus on increasing the company's value creation.

It is essential that there is openness about all important issues regarding the principles and amounts of the total remuneration offered to the members of the Board of Directors and the Executive Management.

1. Remuneration
The Committee recommends that the total remuneration (fixed pay, incentive pay covering all forms of variable pay, pension, severance pay and other benefits) be at a competitive and fair level, reflecting the independent performance and value creation in the company of the members of the Executive Management and the Board of Directors.

It is the aim that the remuneration of the Board of Directors and the Executive Management is in accordance with the remuneration level in comparable companies. The Board of Directors receives a fixed cash remuneration which is approved annually at the general meeting.

It is the opinion of the Board of Director's that 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.

2. Remuneration policy
The Committee recommends that the Board of Directors adopts a remuneration policy and that the company discloses the contents of such policy in its annual report and on the company's website.

Vestas has a formalized remuneration policy and the Board of Directors finds that the information contained in the annual report on remuneration and the process involved in the General Meeting's approval of the remuneration paid to members of the Board represents a fair balance between the need for openness about remuneration paid to members of the Board and the Executive Management and the need to ensure confidentiality about compensation to individual members.

The Committee recommends that the remuneration policy reflects the interests of the company and the shareholders, match the specific conditions of the company and be reasonable in relation to the tasks and responsibilities undertaken and that it promotes long-term behaviour and is transparent and easy to understand.

The remuneration policy for the Board of Directors and the Executive Management reflects the interests of the shareholders and the company, taking into consideration any specific matters, including the assignments and the responsibility undertaken. In addition, the remuneration policy helps to promote long-term goals for safeguarding the company's interests.

The Committee recommends that the remuneration policy includes a statement explaining the fixed pay and the overall principles of the incentive pay programme (covering all forms of variable pay), including the terms of the vesting/granting of bonus/performance-related bonus and/or price-related incentive schemes, etc., as well as pension schemes and severance programmes and other benefits. Information about the relationship between the fixed pay, the incentive pay and the other elements of the pay is a part of the remuneration policy.

Vestas' remuneration policy for the Board of Directors and the Executive Management includes a statement explaining the fixed pay, pension schemes and severance programmes and other benefits. Regarding the incentive pay the overall guidelines can be downloaded from vestas.com/investor.

The Committee recommends that any defined benefit schemes be disclosed.

The Board of Directors and the Executive Management are not covered by the Vestas pension scheme.

The Committee recommends that the company's reporting regarding the remuneration policy, including incentive pay, includes a statement explaining how such policy was implemented in the past financial year, how such policy is implemented in the current financial year and how the company plans to implement it in the next financial year.

The annual report contains an account of how the remuneration policy has been implemented and how it is deemed followed in the following financial year.

The Committee recommends that the remuneration policy contains clear and comprehensible information that is easy to understand by the individual shareholder and which enables the shareholder to see that the Board of Directors complies with the remuneration policy and the guidelines adopted for incentive pay. Thus, there must be a connection between the information communicated to and approved by the general meeting prior to the granting and the annual report stating the facts after the granting.

The remuneration policy for the Board of Directors and the Executive Management is available on vestas.com/investor.

The Committee recommends that the company's remuneration policy be mentioned in the statement given by the chairman at the company's general meeting and that the remuneration of the Board of Directors for the current financial year be presented for adoption at the general meeting when the annual report for the previous year is submitted for adoption.

The remuneration policy is mentioned in the statement given by the Chairman in connection with the submission of the remuneration of the Board of Directors for approval.

3. General guidelines for incentive pay

The Committee recommends that the general guidelines for incentive pay reflect the interests of the shareholders and the company, match the specific conditions of the company and be reasonable in relation to the tasks and responsibilities undertaken. There must be a connection between the information communicated to and approved by the general meeting prior to the granting and the annual report showing the specific results of the approved guidelines for incentive pay.

The general guidelines for incentive pay reflect the interests of the shareholders and the company and has been approved by the company's shareholders at the general meeting. The overall guidelines can be downloaded from vestas.com/investor.

The annual report will include a statement showing the specific results of the approved guidelines.

The Committee recommends that the remuneration of the members of the Board of Directors does not consist of share option schemes, but e.g. bonus schemes and shares at market price.

The Board of Directors receives a fixed cash remuneration which is approved annually by the general meeting. The Board of Directors does not receive incentive pay.

If the remuneration of the members of the Executive Management consists of share or subscription options, the Committee recommends that the schemes be set up as roll-over schemes (i.e. the options are granted periodically e.g. every year and expire over a number of years) and that the redemption price be higher than the market price at the time of granting.

A share option programme for the Executive Management has been established. The granting takes place annually in connection with the submission of the annual report and may be exercised three years after being granted, at the earliest. If not exercised, they will normally expire within five years from the date of granting. The exercise price for the options is determined at the beginning of the financial year. The exercise price of the options at that time may not be lower than the market price of the company's shares.

The Committee recommends that incentive pay programmes be designed in such a way that they promote long-term behaviour are transparent and easy to understand, even for outsiders, and that valuation at the time of granting be made according to generally accepted methods.

The Board of Directors is of the opinion that 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.

Each year, the Executive Management may be granted options at a maximum net present value, at the time of the grant, equivalent to 115 per cent of the employee's gross salary. The net present value at the time of the grant is calculated in accordance with the Black & Scholes model.

4. Severance programmes

The Committee recommends that information about the most important aspects of severance programmes be disclosed in the company's annual report.

The most important aspects of the Board of Directors' and the Executive Management's severance programmes are disclosed in the annual report.

The severance schemes for the Board of Directors and the Executive Management do not contain uncommon terms of notice, severance pay and pension obligations.

5. Openness about remuneration

The Committee recommends that the annual report includes information about the total amount of remuneration provided by the company or other companies within the same group to the individual members of the Board of Directors and the Executive Management.

Moreover, in the event of a take-over the Board of Directors will not receive any compensation. In the event the voting majority of the company changes hands or the company is dissolved through a merger or demerger the Executive Management will not receive any compensation, but their notice of termination will be changed from 24 to 36 months.

The Board of Directors receives a fixed cash remuneration approved annually by the general meeting. Efforts are made to ensure that the remuneration of the Board corresponds to the remuneration level in comparable companies.

Remuneration paid to Board members is presented for approval retrospectively as an integral part of the annual report in accordance with the Danish Companies Act.

The Executive Management is remunerated with a competitive compensation package comprising three elements; a fixed salary, a bonus and an option scheme. The fixed salary is based on a market level, bonus is based on the annual results and the option scheme has focus on employee retention and long-term value creation for the shareholders. The Executive Management is not covered by / included in any Vestas pension scheme.

Disclosures / information about the total remuneration to members of the Board of Directors and the Executive Management, respectively, are /is provided in the consolidated accounts. The Board of Directors finds that this information is adequate for the shareholders to assess the compensation level for members of both the Board and the Executive Management. Against this background, the annual report will not include any information about the compensation paid to each individual member.

VII Risk management

Effective risk management is a prerequisite allowing the Board of Directors to perform its tasks in the best possible way. Therefore, it is essential that the Board of Directors arranges appropriate risk management systems to be established and generally ensure that such systems meet the requirements of the company at any time.

The purpose of risk management is to:

- Develop and maintain an understanding of the organisation of the company's strategic and operational goals, including an identification of the critical success factors for achieving such goals.
- Analyse the possibilities and challenges related to the implementation of the above goals, as well as the risk of these goals not being met.
- Analyse the most important activities launched by the company to identify the risks in this connection.
- Determine the venture spirit of the company.

1. Identification of risks
The Committee recommends that the Board of Directors and the Executive Management, when formulating the company's strategy and overall goals, identify the greatest business risks involved in achieving such strategy and goals.

Vestas is focused on risk management in the critical business procedures and identification of risks is an integrated part of the preparation / formulation of the company's strategy, goals and plans of action.

2. Plan for risk management
The Committee recommends that on the basis of the risks identified, the Executive Management prepares a plan for the company's risk management and submits this plan to the Board of Directors for approval. It is also recommended that the Executive Management regularly reports to the Board of Directors to allow the latter to systematically follow the trends in significant risk areas.

The Board of Directors has approved a risk policy, including insurance, exchange and investment policy anchored in plans of action and business processes.

In-house reporting of the Group's most significant risks forms part of Vestas' management information. Group Finance & Operations provides support for the entire Group and works to hedge Vestas' risks. For example, a global insurance programme has been set up. In addition to handling the legally required insurance policies, this programme includes policies deemed appropriate from the perspective of business considerations.

3. Openness about risk management
The Committee recommends that the company's annual report includes information about the company's risk management activities.

A separate section regarding risk management is included in Vestas' annual report.

VIII Audit

Ensuring a competent and independent audit is an essential part of the Board of Directors' work. The Committee recommends that the contractual basis and thus the framework of the auditor's work is determined between the Board of Directors and the auditors.

1. The Board of Directors' nomination of an auditor
The Committee recommends that having consulted the Executive Management, the Board of Directors makes a specific and critical assessment of the auditor's independence and competence, etc., to be nominated as an auditor candidate at the general meeting.

As a part of the Board's work the Board of Directors will ensure competent and independent audits. At the board meeting in preparation of/for the General Meeting, the appointment of auditors is discussed by the Board of Directors and the Executive Management, hereunder independence and competence etc.

2. Agreement with the auditor
The Committee recommends that the auditor agreement and the auditor's fee are agreed between the company's Board of Directors and the auditor.

In conjunction with the Board of Directors of the company the contractual basis – and thus the framework for the work of the auditors, including non-audit services – is agreed in conjunction with the firm of auditors. The results of the audit, including the observations and conclusions of the auditors, are discussed during meetings with the Board of Directors.

The Executive Management and the auditor define the specific framework of the auditor's work (scope) as agreed with the Board of Directors. The auditor's fee appears from the annual report.

3. Non-audit services
The Committee recommends that every year, the Board of Directors lays down the overall, general scope of the auditor's provision of non-audit services with a view to ensuring the auditor's independence, etc.

See above.

4. Internal control systems
The Committee recommends that at least once a year, the Board of Directors reviews and assesses the internal control systems within the company as well as the management's guidelines for and supervision of such systems and that the Board of Directors considers the extent to which this function is able to assist the Board of Directors in this work.

In connection with the audit of the annual accounts, the Board of Directors examines and assesses the internal controlling systems and the management's guidelines and supervision of this.

5. Accounting policies and accounting estimates
When the Board of Directors reviews the annual report (or a draft of it) with the auditor, the Committee recommends that particular efforts are made to discuss the accounting policies applied in the most important areas as well as important accounting estimates and that the expediency of the accounting policies applied are assessed.

In connection with the audit of the annual accounts, the Board of Directors examines and discusses the accounting policy and accounting estimates. Furthermore, the Board of Directors evaluates if the applied accounting policy is assessed.

6. Result of the audit
The Committee recommends that the result of the audit is discussed during meetings with the Board of Directors for the purpose of reviewing the auditor's observations and opinion, possibly on the basis of an audit report entry.

The auditors participate in the meeting where the annual report is approved. The Board of Directors is presented with the auditor's report and goes through the auditors' observations and conclusions.

7. Audit committee
In companies with complex accounting and audit conditions, the Committee recommends that the Board of Directors considers establishing an audit committee to assist the Board of Directors in accounting and audit matters.

According to Danish legislation the Board of Directors has set up an audit committee.

The Committee shall assist the Board of Directors in overseeing the:

- external auditors,
- accounting policies,
- systems of internal controls,
- procedure for handling complaints regarding accounting, internal accounting controls, auditing and financial reporting matters and
- need for an internal audit function.

The Committee does not have authorisation to make independent decisions; instead they report and make recommendations to the combined Board of Directors.

No. 1 in Modern Energy

Vestas Wind Systems A/S

Alsvej 21
8940 Randers SV
Denmark

Tel:+45 9730 0000
Fax:+45 9730 0001

vestas@vestas.com