Vestas

Statutory report on **corporate governance**

according to section 107b of
the Danish Financial Statements Act
– the accounting period 1 January-31 December 2013

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Corporate governance principles

Corporate governance, defined as "the system used to manage and control a business", is to a wide extent reflected in the provisions concerning the board of directors set out in the Danish Companies Act.

To Vestas' Board of Directors corporate governance is not just a set of rules but a constant process. Consequently, the Board of Directors continuously addresses the guidelines and processes for the overall management of the Vestas Group. This ensures that the management at any time is able to solve its managerial tasks professionally and with due consideration to current legislation, practices and recommendations.

The evaluation of the guidelines and processes includes a review of the company's business model, business processes, goals, organisation, capital position, stakeholder relations and risks as well as exercise of the necessary control.

Once a year, the Board of Directors evaluates the recommendations for corporate governance prepared by the Danish Committee on Corporate Governance.

Danish recommendations on corporate governance

Pursuant to the rules of NASDAQ OMX Copenhagen A/S, listed companies must state their position to the Committee's recommendations. This must be done using the "comply or explain" principle.

Vestas' position with regard to each individual recommendation is described in this statutory report. It is specified in the recommendations on corporate governance that it is just as legitimate to explain a deviation from a specific recommendation as to comply with the recommendation. The key issue is to create transparency in the corporate governance matters.

Reference to documents

All documents referred to in this statutory report are available at vestas.com/investor/corporategovernance under "Statutory report".

Adopted by the Board of Directors of Vestas Wind Systems A/S, February 2014.

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Signature

The company complies with the recommendation.

The company partly complies with the recommendation.

The company does not comply with the recommendation.

1. Communication and interaction by the company with its investors and other stakeholders

The company's investors, employees and other stakeholders have a joint interest in stimulating the Company's growth, and in the company always being in a position to adapt to changing demands, thus allowing the company to continue to be competitive and create value.

Therefore, it is essential to establish a positive interaction not merely between management and investors, but also in relation to other stakeholders.

Good corporate governance is also about establishing appropriate frameworks which enable investors to enter into a dialogue with management of the company.

Openness and transparency are essential conditions for the company's investors and other stakeholders to have regular access to evaluate and relate to the company and its future, and thus engage in a constructive dialogue with the company.

As owners of the company, the shareholders should actively exercise their rights and influence at general meetings in order to help the company's management protect the interests of its shareholders as best as possible and thereby ensure an appropriate and balanced development of the company in the short and long term.

Recommendation	Vestas' comments

1.1. Dialogue between company, shareholders and other stakeholders

1.1.1. The committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.

Vestas' communication strategy contains clear guidelines on how Vestas attempts to give all stakeholders a true, fair and comprehensive view of Vestas.

Dialogue with the shareholders in 2013:

General meeting
In connection with Vestas' Annual General Meeting in 2013, an information page was set up at vestas.com/investor providing all relevant information about the Annual General Meeting.

Vestas further invited the company's shareholders to express their views at the Annual General Meeting or to pose questions before the meeting. Questions posed before the meeting were published at vestas.com/investor with their respective answers.

Shareholder information
In February and September, Vestas published Shareholder Information 1/2013 and 2/2013. A publication in which the company's Group President & CEO gave a brief presentation of the company's state of affairs, development potential and an overview of the financial highlights for the relevant period.

Financial reporting/roadshow
In 2013, in connection with the four presentations of the financial reports, Vestas arranged information meetings for members of the media, analysts and investors. These presentations were webcast live via the internet and are available for all stakeholders at vestas.com/investor (financial reports).

Following the financial presentations, the Group President & CEO, the Executive Vice President & CFO and employees from the Investor Relations department participated in roadshows in which meetings were held with investors and stakeholders in Europe and the USA. In 2013, Vestas held 43 roadshow days.

After each roadshow the Investor Relations department summaries the feedback received from investors to the Board of Directors in their monthly report.

Ongoing dialogue
In 2013, Vestas has had a regular dialogue with the company's shareholders and investors. Investor Relations aims to be visible and accessible to present and potential shareholders, investors and other stakeholders.

The day-to-day communication has mainly been handled by telephone and email via ir@vestas.com or by way of an informative website.

It is possible for all Vestas' stakeholders to receive company announcements from Vestas Wind Systems A/S by email by subscribing to Vestas' mailing list at vestas.com/investor (Contact IR).

In 2013, Vestas participated in 31 Investor Relations events.

In 2013, the "Shareholder Corner" was established at vestas.com/investor. Here a short introduction to Vestas and a quick overview of the information are available at the investor page. It is also possible for the shareholders to ask questions or give feedback regarding which information they would like to see on the investor page.

In 2013, the chairman of the Board of Directors, the chairman of the Audit Committee and the Executive Management held meetings with some of the company's largest shareholders in order to enhance the dialogue between the shareholders and the company.

1.1.2. The committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.

Vestas' Board of Directors has adopted a policy regarding the company's relationship with its stakeholders, cf. rules of procedure for the Board of Directors. The policy was most recently updated at the board meeting in November 2013.

Vestas' relations to its stakeholders – present and potential shareholders, business partners, employees and the surrounding society – are anchored in the company's operating business model, vision, mission and objectives.

Vestas seeks to develop and maintain good relations to its stakeholders as such relations are believed to have a significant and positive impact on the company's development.

1.1.3. The committee recommends that the company publish quarterly reports.

Vestas discloses financial reports four times a year – one annual report and three interim financial reports, cf. rules of procedure for the Board of Directors. Financial reports disclosed in 2013 and the publication dates for future financial reports are available at vestas.com/investor.

1.2. General meeting

1.2.1. The Committee recommends that, when organising the company's general meeting, the board of directors plans the meeting to support active ownership.

At the board meeting held in November 2012, the Board of Directors decided that the Annual General Meeting in 2013 should be conducted by physical attendance.

The date for the Annual General Meeting was disclosed on 7 November 2012 and the convening was published on 25 February 2013.

To promote active ownership, the Board of Directors encourages all shareholders and investors to express their views by voting at the Annual General Meeting:

- by attending the general meeting or;
- through the InvestorPortal to:
  - cast their vote,
  - vote by correspondence,
  - fill-in a proxy,
  - grant authorisation to the Board of Directors,
  - appoint a third-party proxy or;
- by filling in and returning a correspondence vote or proxy.

Moreover, in 2013 an information page was established at the company's web site. The page contained all information about the Annual General Meeting, and according to the rules in force a Q&A feature was added allowing shareholders to ask questions before the Annual General Meeting.

1.2.2. The committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.

At the Annual General Meeting in 2013, it was possible for the shareholders to decide on each individual item on the agenda by using the proxy and in this way exercise their influence.

1.3. Takeover bids

1.3.1. The committee recommends that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.

If the Board of Directors has reason to believe that a takeover bid will be submitted, the Chairman will establish a working group with internal and external specialists to support the Board of Directors in making the necessary arrangements.

No decisions may be made, which prevent the shareholders from deciding on takeover bid themselves.

2. Tasks and responsibilities of the board of directors

It is incumbent upon the board of directors to carefully protect the interests of the shareholders with due consideration for the other stakeholders.

The board of directors is responsible for the overall and strategic management of the company to ensure value creation in the company. The board of directors must lay down the strategic goals of the company and ensure that the prerequisites necessary in order to reach such goals are present, in the form of financial resources and competences, and to ensure appropriate organisation of the activities of the company.

The prerequisite for meeting the company's strategic goals is that the board of directors employ a competent executive board, lays down the division of responsibilities between the board of directors and the executive board, the tasks and employment relationships of the executive board, and also establishes clear guidelines for accountability, planning, follow-up and risk management. The board of directors must supervise the executive board and lay down guidelines for the supervision.

The board of directors is responsible for ensuring the development, retention or dismissal of the executive board, as well as for ensuring that remuneration of the executive board reflects the long-term value creation in the company and the results otherwise achieved by the executive board.

The chairman of the board of directors organises, convenes and leads meetings of the board of directors to ensure efficiency in the board's work and to create the best possible working conditions for the members individually and collectively. This ensures that the individual member's special knowledge and skills are used in the best possible manner and to the benefit of the company.

In order for the board of directors to be able to meet its obligations, the chairman should cooperate with the board of directors on ensuring that members regularly receive updates, and expand their knowledge about matters relevant to the company, as well as ensure that the special knowledge and skills of each individual member are used in the best possible manner to the benefit of the company.

Recommendation	**Vestas' comments**
2.1. Overall tasks and responsibilities	
2.1.1. The committee recommends that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.	When the Board of Directors reviewed its rules of procedure at the board meeting held in November 2013 the Board defined its most important tasks.

2.1.2. The committee recommends that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.

Once a year, the Board of Directors arranges a strategy seminar with participation of the members of the Executive Management to discuss the strategies and future visions for the company, cf. rules of procedure for the Board of Directors. The latest strategy seminar took place in September 2013.

2.1.3. The committee recommends that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and longterm value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website.

The Board of Directors evaluates continuously to what extent the company's capital structure, share structure and capital resources are reasonable in consideration of the Group's operations and the stakeholders' interests, cf. rules of procedure for the Board of Directors. The Annual Report 2013 contains further details.

2.1.4. The committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.

At least once a year, the Board of Directors reviews and approves the rules of procedure of the Executive Management.

The rules of procedure lay down, among other things, procedures governing the Executive Management's reporting to the Board of Directors and for the mutual dialogue between the Board of Directors and the Executive Management in general. This ensures that the Board of Directors continuously receives the needed information about the company's operations. However, the Executive Management must in any case ensure that all significant information is passed on to the Board of Directors, whether or not the Board of Directors has expressly requested such information.

The rules of procedure for the Executive Management were last updated in connection with the board meeting in November 2013.

2.1.5. The committee recommends that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.

At the board meeting in November 2013 the Board of Directors discussed the Executive Management's:

- composition,
- development,
- risks and
- succession plans.

2.1.6. The committee recommends that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.

At the end of 2013, the number of different nationalities was 79. Non-Danish nationals held 53 per cent of the positions in the upper management level. 17 per cent were women. The aim is to have many nationalities represented at all locations which also have a broad range of professional groups. Another intention is for the number of women managers to rise and to increase the share of non-Danish nationals in management positions. However, qualifications always have first priority.

The Board of Directors also discusses diversity with respect to the board composition, in particular in connection with assessments of new board candidates. When proposing new board candidates, the Board of Directors pursues the goal of having several nationalities of both sexes. In addition, the Board of Directors is focused on having a diverse age distribution. However, this goal must not compromise the other recruitment criterias.

In accordance with Danish legislation, the Board of Directors has defined a target that the board must comprise of two to three members elected by the general meeting representing the under-represented gender no later than 2017. A report and status on this target can be found in the Annual Report 2013.

2.2. Corporate social responsibility

2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.

The actions of any company have an influence on the environment in which it operates. A company is responsible for the impact that the company's activities may have on nature and the local and global society.

Vestas is an international company that strives to act as a responsible social-minded company on a global scale. It is therefore Vestas' aim to carry out its activities in a way which has the least adverse impact on the environment and the surroundings in general.

Policies concerning corporate social responsibility are incorporated in Vestas' Code of Conduct. At least once a year, Vestas' Board of Directors reviews the company's policies regarding corporate social responsibility, cf. rules of procedure for the Board of Directors. The policies were most recently updated at the board meeting in November 2013.

2.3. Chairman and vice-chairman of the board of directors

2.3.1. The committee recommends appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.

In accordance with article 8(2) of Vestas' articles of association, the Board of Directors may decide to appoint a deputy chairman.

Vestas' Board of Directors has appointed a deputy chairman who is an effective sparring partner for the chairman and will assume the responsibilities of the chairman in the event of the chairman's absence.

2.3.2. The committee recommends ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.

The chairman must not perform duties for the company that are not an inherent part of the office as chairman with the exception of isolated tasks that the chairman is requested to perform by and on behalf of the Board of Directors, cf. rules of procedure for the Board of Directors.

The chairman of the Board of Directors has not performed such isolated tasks in 2013.

If it is decided by the Board of Directors that the chairman must participate in the day-to-day management, this decision will be disclosed in a company announcement.

3. Composition and organisation of the board of directors

The board of directors should be composed so that it is able to execute its strategic, managerial and supervisory tasks.

It is essential that the board of directors be composed so as to ensure effective performance of its tasks in a constructive and qualified dialogue with the executive board. It is also essential that the members of the board of directors always act independently of specia interests.

The board of directors defines the skills required by the company and regularly assesses whether its composition and the skills of its members individually and collectively reflect the requirements of the company's situation and conditions.

Diversity improves the quality of the work and the interaction of the board of directors, e.g. through different approaches to the performance of management tasks.

To increase value creation, the board of directors should evaluate its members every year and ensure integration of new talent while maintaining continuity.

In addition to the members of the board of directors elected by the general meeting, the board of directors may comprise members elected by the employees pursuant to the regulations of the Companies Act.

Recommendation	**Vestas' comments**
3.1. Composition	
3.1.1. The committee recommends that the board of directors annually accounts for • the skills it must have to best perform its tasks, • the composition of the board of directors, and • the special skills of each member.	The Annual Report 2013 contained a description of: • the competences of the Board of Directors • the composition of the Board of Directors and • the special competences of each member.

3.1.2. The committee recommends that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.

The Board of Directors uses external consultants to identify and assess the profiles and qualifications specifically needed in order to supplement the expertise reflected in the overall composition of the Board of Directors.

The criteria used when nominating new candidates include gender and age, but without compromising on the other recruitment criteria.

In 2013, Håkan Eriksson and Kurt Anker Nielsen resigned as members of the Board of Directors. Henrik Andersen and Henry Sténson were elected new members of the Board of Directors.

3.1.3. The committee recommends that a description of the nominated candidates' qualifications, including information about the candidates'

- other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda.
- demanding organisational tasks, and information
- about whether candidates to the board of directors are considered independent.

The notice convening Vestas' Annual General Meeting in 2013 at which election of board members was on the agenda was accompanied by a detailed description of each individual candidate, including information about age, position, education, former employment, other offices held in Danish and foreign companies and organisations, positions of trust, independence and special competences, cf. the rules of procedure for the Board of Directors.

3.1.4. The committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.

Vestas' articles of association do not stipulate a retirement age for board members. According to the rules of procedure for the Board of Directors, the Board of Directors will not nominate candidates who have reached the age of 70.

The company does not wish to limit shareholders' possibility of nominating candidates – which, moreover, is not considered good corporate governance by international shareholders – and the articles of association therefore do not stipulate a retirement age for members of the Board of Directors.

3.1.5. The committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.

Board members elected by the general meeting are up for election every year at the company's Annual General Meeting, cf. article 8(1) of Vestas' articles of association.

3.2 Independence of the board of directors

3.2.1. The committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.

To be considered independent, this person may not:

- be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,
- within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors,
- represent the interests of a controlling shareholder,
- within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.
- be or within the past three years have been employed or partner at the external auditor,
- have been chief executive in a company holding cross-memberships with the company,
- have been member of the board of directors for more than 12 years, or
- have been close relatives with persons who are not considered independent.

According to the definition of an independent person as set out in the recommendation, six out of the eight board members elected by the general meeting in 2013 were independent.

One member has been a member of the Board of Directors for more than 12 years, and one member is associated with one of the law firms that advises the company.

3.3. Members of the board of directors and the number of other executive functions

3.3.1. The committee recommends that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.

Vestas believes that each board member is capable of assessing, in a satisfactory manner, the member's time commitment for the board work and each function in order that the number of functions held will not adversely impact the quality of the work performed on Vestas' Board of Directors.

3.3.2. The committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:

- the position of the relevant person,
- the age and gender of the relevant person,
- whether the member is considered independent,
- the date of appointment to the board of directors of the member,
- expiry of the current election period,
- other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and
- demanding organisational tasks, and
- the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.

The Annual Report 2013 contains the information set out in recommendation 3.3.2., including a description of the composition of the Board of Directors and a profile for each individual board member.

3.4. Board committees

3.4.1. The committee recommends that the company publish the following on the company's website:

- the terms of reference of the board committees,
- the most important activities of the committees during the year, and the number of meetings held by each committee, and
- the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.

The following information about the company's board committees is available at vestas.com/investor (corporate governance):

- charter
- composition
- function
- responsibilities
- work methods and
- number of meetings.

The purpose of Vestas' board committees is to prepare decisions and recommendations for consideration and approval by the entire Board of Directors. The committees are not authorised to make independent decisions, but report to and make recommendations to the entire Board of Directors.

Against this background and keeping in mind that publication of the committees' activities in certain instances may be detrimental to the company, the Board of Directors has decided not to publish the committees' most important activities.

3.4.2. The committee recommends that a majority of the members of a board committee be independent.

According to the definition of independence by the Committee on Corporate Governance, two out of the three board committees comply with the recommendation.

The Nomination & Compensation Committee has four members, two of whom are independent.

When appointing members to the individual board committees, the Board of Directors mainly considers the competences of each member and that these competences are put to the best possible use for the company. In this context, the Board attaches less importance to the independence of each member.

3.4.3. The committee recommends that the board of directors set up a formal audit committee composed such that

- the chairman of the board of directors is not chairman of the audit committee, and
- between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.

According to applicable Danish law and the rules of procedure for the Board of Directors, Vestas has established an audit committee.

A description of the committee's composition, responsibilities and work methods is available at vestas.com/investor.

The committee members meet the requirements set out in recommendation 3.4.3.

3.4.4. The committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:

- significant accounting policies,
- significant accounting estimates,
- related party transactions, and
- uncertainties and risks, including in relation to the outlook for the current year.

In connection with the preparation of the company's four financial reports in 2013, the Audit Committee reviewed the financial reports on the basis of the criteria set out in recommendation 3.4.4. and reported to the Board of Directors, cf. the charter of the Audit Committee.

3.4.5. The committee recommends that the audit committee:

- annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and
- monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.

Once a year, the Audit Committee assesses the need for an internal audit function, cf. the charter of the Audit Committee. In the 2013 financial year, the Committee found that it was not necessary to establish an internal audit function because the tasks that would normally be undertaken by an internal audit are handled by an internal compliance department, which reports directly to the Audit Committee.

The committee ensures that conclusions and recommendations from the internal compliance department are communicated and implemented in the company to the extent required.

3.4.6. The committee recommends that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:

- describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,
- annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,
- annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,
- consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and
- propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.

The committee's tasks relating to recommendations 3.4.6. and 3.4.7. are handled in a board committee termed Vestas' Nomination & Compensation Committee. The Board of Directors has assessed that the committee members have the necessary competences to perform both tasks, and that this structure is optimal for Vestas.

The Nomination & Compensation Committee's tasks are described in the committee's charter.

3.4.7. The committee recommends that the board of directors establish a remuneration committee with at least the following preparatory tasks:

- to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,
- make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and
- recommend a remuneration policy applicable for the company in general.

The committee tasks relating to recommendations 3.4.6. and 3.4.7. are handled in a board committee termed Vestas' Nomination & Compensation Committee. The Board of Directors has assessed that the committee's members have the necessary competences to perform both tasks, and that this structure is optimal for Vestas.

A description of the committee's composition, tasks and work methods is available at vestas.com/investor.

The Nomination & Compensation Committee's tasks are described in the committee's charter.

3.4.8. The committee recommends that the remuneration committee does not consult with the same external advisers as the executive board of the company.

According to the committee's charter, the committee may choose the external advisors they believe have the best skills to assist the committee.

The Board of Directors believes the company's advisers are top class professionals capable of acting as advisors both to the committee and the company.

3.5. Evaluation of the performance of the board of directors and the executive board

3.5.1. The committee recommends that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.

The Nomination & Compensation Committee has the responsibility of conducting an annual evaluation of:

- the contributions and results of the individual member of the Board of Directors – and the combined board,
- the contributions and results of the individual member of the Executive Management – and the combined management and
- the co-orboration between the Board of Directors and the Executive Management.

The chairman presents the result of the evaluation at a board meeting – and the result of the evaluation is discussed.

3.5.2. The committee recommends that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.

The Board of Directors currently consists of eight members elected by the general meeting with broad international experience within corporate management as well as four employee representatives.

In connection with the distribution of the tasks and duties of the Board of Directors and the continuous dialogue during board meetings, the chairman strives to ensure that the particular knowledge and qualifications of each board member are applied in the best possible manner to the benefit of the company, cf. the rules of procedure for the Board of Directors.

In connection with the nomination of candidates for the Annual General Meeting in 2013, the Board found that the number of Board members was suitable considering the tasks assigned to the Board.

3.5.3. The committee recommends that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.

Once a year, the Board of Directors evaluates the work and performance of the Executive Management. This evaluation is effected in a dialogue between the Nomination & Compensation Committee and the Group President & CEO and the results of the evaluation are subsequently presented to the entire Board of Directors.

The evaluation is based on the following criteria, among others:

- the Group's general performance
- the Group's reputation and position
- implementation of the Group's strategy
- the Group's financial targets
- the customer satisfaction survey; and
- the employee satisfaction survey.

3.5.4. The committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.

Once a year, the Nomination & Compensation Committe and the Group President & CEO evaluate the cooperation between the Board of Directors and the Executive Management.

The evaluation of the cooperation includes:

- the ongoing dialogue / information
- board material
- cooperation with the board committees
- follow-up on management decisions and their implementation
- evaluation of the processes and methods used etc.

The outcome of the evaluation was presented to the Board of Directors at the board meeting in November 2013.

4. Remuneration of management

Openness and transparency about all important issues regarding company policy on and amounts of the total remuneration offered to members of the governing bodies are essential.

Company policy on remuneration should support a long-term value creation for the company. Competitive remuneration is a prerequisite for attracting and retaining competent members of the management of the company (the board of directors and the executive board). The company should have a remuneration policy, according to which the total remuneration package, i.e. the fixed and variable components and other remuneration components, as well as other significant employment terms, should be reasonable and reflect the governing body members' independent performance, responsibilities and value creation for the company.

The variable component of the remuneration (the incentive pay scheme) should be based on actual achievements over a period of time with a view to long-term value creation so as not to promote short-term and risky behaviour.

Recommendation | **Vestas' comments**

4.1. Form and content of the remuneration policy

4.1.1. The committee recommends that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including

- a detailed description of the components of the remuneration for members of the board of directors and the executive board,
- the reasons for choosing the individual components of the remuneration, and
- a description of the criteria on which the balance between the individual components of the remuneration is based.

The remuneration policy should be approved by the general meeting and published on the company's website.

In 2013, Vestas' remuneration policy and general guidelines for incentive pay for the Board of Directors and the Executive Management were updated. The documents were subsequently submitted to and approved by the Annual General Meeting in 2013.

4.1.2. The committee recommends that, if the remuneration policy includes variable components,

- limits be set on the variable components of the total remuneration package,
- a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,
- there be clarity about performance criteria and measurability for award of variable components,
- there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and
- an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.

Vestas offers its managers remuneration that includes both variable and fixed components.

Bonus programme

Vestas' annual bonus programme for all employees is based on clear and unambiguous financial targets and sub-targets. The targets are determined by the Board of Directors annually and distributed through general management communication and individually targeted communication. For all staff groups, the bonus programme has defined upper limits for payment, and no bonus is payable until the defined minimum EBIT and cash flow criteria have been met.

Stock option programme

Vestas' long-term restricted share based incentive programme for the Executive Management and senior executives aims to ensure a direct linkage between senior management's remuneration and investors' assessment of expectations for long-term value creation. No shares will be allocated and no adjustment will be made until the minimum EBIT and free cash flow criteria defined by the Board of Directors have been met.

Further information on the variable components of the remuneration policy can be found in the remuneration policy and the overall guidelines governing incentive pay.

If components of remuneration are found to have been paid erroneously to members of the Executive Management, the company may in exceptional cases reclaim such variable components in full or in part, cf. the remuneration policy.

4.1.3. The committee recommends that remuneration of members of the board of directors does not include share options.

Members of the Board of Directors receive a fixed annual cash remuneration, which is approved every year by the general meeting. Members of the Board of Directors receive no incentive remuneration, cf. the remuneration policy.

4.1.4. The committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.

Restricted shares may be granted to members of the Executive Management.

Shares allocated vest at the rate of 50 per cent after three years and the remainder five years after the year of grant.

4.1.5. The committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.

Current severance agreements for members of the Executive Management and senior executives do not exceed 24 months' salary on retirement at the initiative of Vestas or the employee.

4.2. Disclosure of the remuneration policy

4.2.1. The committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.

The chairman's statement at the Annual General Meeting in 2013 included an overall reference to the remuneration policy in connection with the presentation of the Board of Directors' remuneration for approval.

4.2.2. The committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.

The Board of Directors receives a fixed cash remuneration, which is approved by the general meeting each year, cf. article 8(7) of Vestas' articles of association. The company aims to ensure that the remuneration to the Board of Directors corresponds to the level in comparable companies.

The Annual General Meeting in 2013 approved the level of the Board of Directors' remuneration for 2013.

For the financial year 2013, a total remuneration of EUR 1.0m was paid to the Board of Directors, cf. the Annual Report 2013. This remuneration will be presented for approval at the Annual General Meeting in 2014.

4.2.3. The committee recommends that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/ resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.

The base remuneration paid to members of the Board of Directors and members of the board committees is disclosed in the Annual Report 2013.

The Annual Report 2013 does not disclose the remuneration paid to each member of the Executive Management. The total remuneration paid to the Executive Management is disclosed.

The Annual Report 2013 provides a remuneration report for the Board of Directors and the Executive Management explaining the link between the remuneration for 2013 and the remuneration policy and the general guidelines for incentive pay.

The Board of Directors believes that the information on remuneration disclosed in the Annual Report 2013 constitutes a reasonable balance between the need for openness about remuneration to the Board of Directors and the Executive Management and the need to secure confidentiality with regard to the remuneration paid to the individual members.

5. Financial reporting, risk management and audits

Each member of the board of directors and the executive board is responsible for preparing the annual report and other financial reports in accordance with current legislation, applicable standards and any further requirements concerning financial statements stipulated in the articles of association, etc.

The annual report and other financial reports should be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.

The members of the board of directors and executive board must ensure that the financial reporting is easy to understand and balanced and provides a true and fair view of the company's financial position, performance and cash flow. The management commentary must give a true and fair presentation of the state of affairs, including value creation and the outlook.

When considering and approving the annual report, the board of directors must decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.

Effective risk management and an effective internal control system contribute to reducing strategic and business risks, to ensuring observance of current rules and regulations and to ensuring the quality of the basis for management decisions and financial reporting. It is essential that the risks are identified and communicated, and that the risks are managed appropriately.

Effective risk management and internal control are a precondition for the board of directors and the executive board to efficiently perform the tasks bestowed upon them. Consequently, it is essential that the board of directors ensure effective risk management and effective internal controls.

An independent and competent audit is essential for the board's work.

Recommendation	**Vestas' comments**
5.1. Identification of risks and transparency about other relevant information	
5.1.1. The committee recommends that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	The conditions stated in recommendation 5.1.1. are accounted for in the management report section of the Annual Report 2013.

5.2. Whistleblower scheme

5.2.1. The committee recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.

Vestas has established a whistleblowing scheme, called the EthicsLine, ref. the charter of the Audit Committee.

The purpose of the scheme is to ensure that information is neither suppressed nor hidden, and it provides the company's employees and business partners opportunity to file reports of any misconduct, irregularities or matters that are against Vestas' policies and guidelines.

Such reports can be made anonymously. Employees and business partners can call a free hotline or report and ask questions online.

5.3. Contact to auditor

5.3.1. The committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.

The Board of Directors and Executive Management grant the auditor(s) access to make any investigations, they find necessary, and ensure that the auditor(s) receive the information and the assistance needed for them to exercise their duties ref. the rules of procedure for the Board of Directors.

The Board of Directors maintains a regular dialogue with the auditor, however, it is the responsibility of the Audit Committee to make arrangements for the necessary exchange of information, ref. the charter of the Audit Committee.

Furthermore, the Board of Directors assesses if and when it is relevant to meet with the auditor(s) with or without the Executive Management being present.

In 2013, the Board of Directors had one meeting with the auditor(s), and the Audit Committee had regular meetings with the auditor(s) with and without the Executive Management being present.

5.3.2. The committee recommends that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.

The contractual basis and thereby the scope of the auditor's work, including any non-audit related services, is agreed between the company's Board of Directors and the auditors based on a recommendation from the Audit Committee, ref. the charter of the Audit Committee.

The Executive Management and the auditor define the specific scope of the auditor's services, and the auditor's fee is agreed with the Board of Directors.

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