

# Share and financial management



## The Vestas share

Vestas Wind Systems A/S' total share capital amounts to DKK 221,544,727, and its shares are listed on Nasdaq Copenhagen. Vestas has one share class and a total of 221,544,727 shares, which are 100 percent free float.

In 2016, the Vestas share was the second most traded share on NASDAQ Copenhagen with a turnover of EUR 17bn.

The share price ended the year at DKK 459.00, equal to a market capitalisation of EUR 14bn.

During 2016, the price of the Vestas share declined by 5 percent. This was in line with the general trend in NASDAQ Copenhagen's C20 index, which fell by 2 percent in 2016.

## Ownership

At the end of the year, the company had 145,267 shareholders registered by name (212,871,304 shares), including custodian banks – a decrease of approx 3 percent during 2016.

No shareholders have reported that they have a shareholding of 5 percent or more in accordance with the Danish Companies Act, article 55.

## Management's ownership

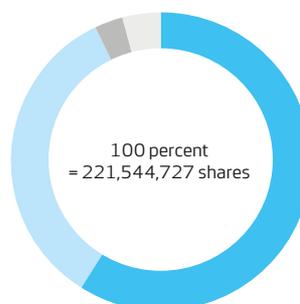
At 31 December 2016, members of Vestas' Board of Directors held a total of 52,018 Vestas shares, and Vestas' Executive Management held 140,569 Vestas shares. These shareholdings represented a combined market value of EUR 12m. Furthermore the members of the Executive Management are exposed to the Vestas share via Vestas' long term incentive programme.

The members of Vestas' Board of Directors and Executive Management are registered on Vestas Global Insider List's permanent insider section. As a general rule, they may only trade in Vestas shares, Vestas debt instruments, derivatives or other financial instruments linked thereto during a four-week period following the release of financial reports or other similar financial announcements. Furthermore they have a duty to report any such transactions to Vestas, and an overview of the transactions made during the year is available at [vestas.com/investor](http://vestas.com/investor).

As per 31 December 2016, Vestas owned 7,770,888 treasury shares corresponding to 3 percent of the share capital.

## Share capital distribution at 31 December 2016

Number of shares · Percent



■ Capital, international shareholders  
■ Capital, Danish shareholders  
■ Capital, Vestas  
■ Capital, shareholders not registered by name

## Ownership

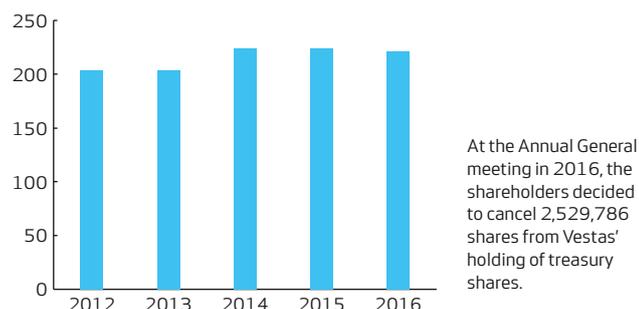
As per 31 December 2016, the international shareholders, Danish shareholders, and Vestas held 130m (59 percent), 75m shares (34 percent), and 8m shares (3 percent) respectively – and capital not registered by name amounted to 9m shares (4 percent).

## Financial management

The Board of Directors continuously evaluates to which extent the company's capital structure, including equity capital and other financial resources, are reasonable in consideration of the Group's operations and the stakeholders' interests. Read more about financial and capital structure strategy on page 016.

## Development in number of shares

Number in 1,000,000



## Distribution to shareholders

In general, the intention of the Board of Directors is to recommend a dividend of 25-30 percent of the net result of the year. In addition, Vestas may from time to time supplement with share buy-back programmes. However, any distribution of cash to shareholders will always be decided with due consideration of capital structure targets and availability of excess cash.

### Dividend

In March 2016, the shareholders approved a dividend of DKK 6.82 per share to be paid out for the financial year 2015. This was equivalent to a dividend percentage of 29.9 percent measured against the net profit for the year. For the financial year 2016, the Board of Directors recommends a dividend of DKK 9.71 (EUR 1.31) per share equivalent to 30.0 percent of the net result for the year after tax.

### Distribution

	2016	2015
Dividend per share (DKK)	9.71*	6.82
Dividend per share (EUR)	1.31*	0.91
Dividend (EURm)**	289*	205
Payout ratio (%)	30.0*	29.9
Share buy-back (EURm)	401	150

\* Based on recommended dividend.

\*\* Based on issued shares as per 31 December.

## Share buy-back programme 2016

On 18 August 2016, the Board of Directors initiated a new share buy-back programme. The programme was implemented in accordance with Article 5 of Regulation No 596/2014 of the European Parliament and Council of 16 April 2014 (MAR) (the "Safe Harbour" rules).

The share buy-back programme was initiated pursuant to the authorisation granted to the Board of Directors by the General Meeting. The main purpose of the share buy-back programme was to adjust Vestas' capital structure and secondly to meet the obligations arising from share based incentive programmes to employees of Vestas. It was completed on 30 December 2016. In total, Vestas paid EUR 401m for 6.0m shares.

## Holding of treasury shares as per 31 December 2016

Number

Treasury shares as per 31 December 2015	5,170,588
Reduction of the share capital – 28 April 2016	(2,529,786)
Acquisition of treasury shares outside buy-back programme	+300,000
Bought under the share buy-back programme 2016	+6,047,780
Exercised share options and performance shares	(1,217,694)
<b>Total holding of treasury shares as per 31 December 2016</b>	<b>7,770,888</b>

At Vestas' Annual General Meeting in 2017, a resolution will be proposed that 6,047,780 shares out of Vestas' holding of 7.8m treasury shares will be cancelled.

## Authorities granted to the Board of Directors

Vestas' articles of association include an authorisation to Vestas' Board of Directors to increase the company's share capital in one or more issues of new shares up to a nominal value of DKK 22,407,451 (22,407,451 shares), ref. article 3 of the articles of association. The authorisation is valid until 1 March 2019.

At the Annual General Meeting in 2016, the shareholders authorised the Board of Directors to let the company acquire treasury shares in the period until 31 December 2017 equal to 10 percent of the share capital at the time of the authorisation, provided that the nominal value of the company's total holding of treasury shares at no time exceeds 10 percent of the company's share capital at the time of the authorisation.

## Communication with shareholders

Vestas aims to be visible and accessible to existing and potential shareholders and other stakeholders with due consideration to legislative requirements and based on corporate governance standards.

To maintain the interest in the Vestas share at a high level, Vestas regularly provides information to the company's stakeholders by means of:

- broad distribution of the company's financial reports and company announcements;
- live audiocasts in connection with the company's presentation of financial results;
- an informative website;
- roadshow activities following each financial presentation;
- meetings for investors and analysts, investor seminars, exhibitions, conference calls, capital markets days, company visits, and other events; and
- daily contact and correspondence through Investor Relations.

Executive Management and Investor Relations also travel extensively to ensure that all investors with a major holding of Vestas shares can meet with the company on a regular basis and other shareholders and potential investors also have access to the company's Management and Investor Relations.

Vestas aims to continuously improve the communication with its shareholders to inform them about Vestas' goals and to safeguard long-term shareholder interests.

However, in order to optimise communication it is necessary for Vestas to know the identity of its shareholders. Vestas therefore recommends that its shareholders have their Vestas shares registered by name in the company's register of shareholders.

## Financial calendar

3 March 2017	Convening for the Annual General Meeting
6 April 2017	Annual General Meeting
5 May 2017	Disclosure of Interim financial report first quarter 2017
17 August 2017	Disclosure of Interim financial report second quarter 2017
9 November 2017	Disclosure of Interim financial report third quarter 2017

## Analyst coverage

Vestas is currently covered by 24 sell-side analysts, including the major global investment banks that regularly produce research reports on Vestas. A list of analysts covering Vestas can be found at [vestas.com/investor](http://vestas.com/investor), where other information such as annual and quarterly reports, company announcements, information about annual general meetings, and the composition of the Board of Directors are available.

# Corporate governance

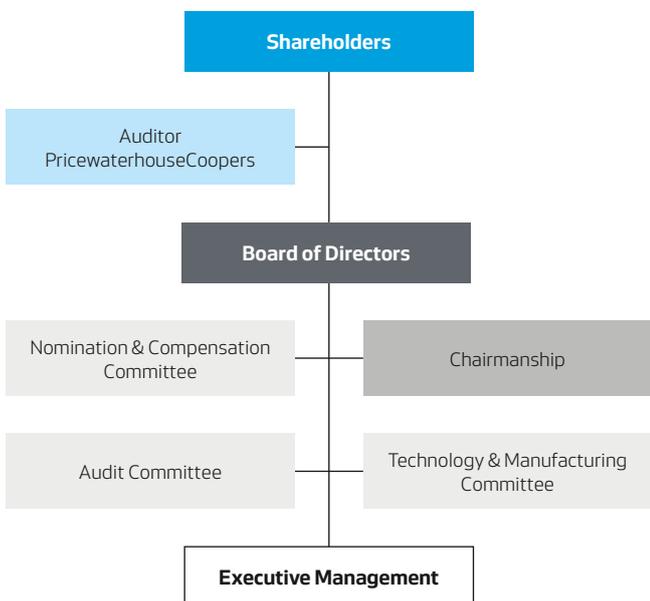


## Management structure

Vestas Wind Systems A/S is a Danish limited liability company with a two-tier management system in which the Board of Directors and the Executive Management handle the management of the company's affairs. No persons hold dual membership of the Board of Director and the Executive Management, and no member of the Board of Directors is a former member of the Executive Management. The company is also the parent company of the Vestas Group.

The management of the company and the Group is governed by the company's articles of association, the Danish Companies Act, and other applicable Danish laws and regulations.

## Vestas' management structure



## Shareholders

At the end of the year, the company had 145,267 shareholders registered by name, including custodian banks. Vestas seeks to have an international group of shareholders and to inform everyone openly about the company's long-term targets, priorities, and initiatives conducted as well as short-term opportunities and limitations.

## General meeting

The general meeting, consisting of the company's shareholders, is the supreme management body of Vestas Wind Systems A/S and is the supreme authority in all company matters, subject to the limits laid down by Danish legislation and the company's articles of association. Shareholders may exercise their rights to make decisions in the company at the general meeting.

The general meeting is held at least once a year. All shareholders are entitled, in compliance with a few formal requirements, to have equal access to submit proposals, attend, vote, and speak at general meetings, ref. articles 4 and 6 of the articles of association.

## Attendance

Shareholders wishing to exercise their influence at the general meeting must first register their shares by name in order to subsequently request an admission card and voting papers.

The right of a shareholder to attend the general meeting and to vote is based on the shares held by the shareholder at the record date. The record date is one week before the general meeting. The shares held by each shareholder at the record date are calculated on the basis of registration of the shareholder's ownership in the register of shareholders and notifications about ownership received by the company, but which have not yet been registered in the company's register of shareholders.

## Voting and amendment requirements

Vestas has a single class of shares, and no shares carry any special rights. Each share carries one vote. Proposals put to the vote are adopted by a simple majority of votes, unless the Danish Companies Act or the articles of association prescribe special rules regarding the adoption. Amendments to the articles of association, dissolution, demerger and merger, which under Danish law must be passed by the general meeting, can only be passed by a majority of no less than

two-thirds of all votes cast and of the voting capital represented at the general meeting unless otherwise prescribed by the Danish Companies Act. Read more about Share and financial management on page 041.

The Board of Directors encourages all shareholders to exercise their influence and recommends that all shareholders ensure that their holding of Vestas shares are registered by name in the company's register of shareholders.

The Board of Directors also encourages all shareholders to express their opinions by voting at the general meeting.

### Board of Directors

Pursuant to the company's existing articles of association, the company is managed by a Board of Directors composed of five to 10 members elected by the general meeting and a number of representatives elected by the employees. The Board of Directors currently consists of 12 members, of which eight are elected by the general meeting and four are elected by and among the employees. Read more about the members of the Board of Directors on page 050.

The Board of Directors is responsible for the overall operation of the Group and, through the independent oversight of management, accountable to shareholders for the performance of the business. They also deal with the overall and strategic 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;
- ensuring satisfactory bookkeeping and financial reporting;
- ensuring the necessary procedures for risk management and internal controls; and
- ensuring that an adequate capital contingency programme is in place at all times.

In cooperation with the Executive Management, the Board of Directors establishes and approves overall policies, procedures and controls in key areas, not least in relation to the financial reporting. This requires a well-defined organisational structure, unambiguous reporting lines, authorisation and certification procedures, and adequate segregation of duties.

### Composition of the Board

The existing Board members elected by the general meeting were elected in 2016 and their election term expires in 2017, as Board members elected by the general meeting must retire at the following annual general meeting. However, such Board members shall be eligible for re-election, ref. article 8(1) of the articles of association.

Board members elected by the general meeting may be recommended for election by the shareholders or by the Board of Directors.

When proposing candidates for Board membership, the Board of Directors seeks to ensure that it is possible for the general meeting to elect a continuing Board of Directors that:

- is able to act independently of special interests;
- represent a balance between continuity and renewal;
- match the company's situation;
- is knowledgeable of the industry and has the business and financial competencies necessary to ensure that the Board of Directors can perform its duties in the best way possible; and,
- reflects the competencies and experience required in order to manage a company with shares registered for trade on a stock exchange and fulfils its obligations as a listed company.

When proposing new board candidates, the Board of Directors pursues the goal of having several nationalities of both genders represented.

In addition, the Board of Directors focuses on having a diverse age distribution. However, these goals must not compromise the other recruitment criteria.

As it is not considered good corporate governance by international shareholders and to not limit shareholders' ability to nominate candidates, the articles of association do not stipulate a retirement age for members of the Board of Directors. But 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.

In 2016, the Annual General Meeting re-elected all members of the Board of Directors. After the Annual General Meeting, the Board of Directors held a statutory board meeting. At the meeting, Bert Nordberg was re-elected as Chairman of the Board and Lars Josefsson was re-elected as Deputy Chairman of the Board.

### Assessment of the work performed by the Board of Directors

Pursuant to the rules of procedure for the Board of Directors, once a year, the Board of Directors must evaluate its work. In connection with the approval of the interim financial report for the third quarter, the Board evaluates its working methods and the results of its work and each Board member's contribution in an open dialogue at the Board meeting. The evaluation is headed by the Chairman.

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

- the contributions and results of the individual members of the Board of Directors – and the combined board;
- the contributions and results of the individual members of the Executive Management – and the combined Executive Management; and
- the co-operation 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.

In October 2016, the three board committees evaluated their performance for 2016. The evaluations were conducted as an open dialogue among the members of the Committees. An evaluation form was used to guide the members of the Committees in their preparation and to make sure that all relevant issues were touched upon in connection with the evaluations. The evaluations did not result in any significant changes.

The same procedure was used when the Board of Directors conducted their evaluation in November 2016. The evaluation did not result in any significant changes.

### Board committees

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; instead they report and make recommendations to the entire Board of Directors.

Vestas has established three permanent Board committees.

**Audit Committee** – supports the Board of Directors in assessments and controls relating to auditing, accounting policies, systems of internal controls, financial reporting, procedures for handling complaints regarding accounting and auditing, the need for an internal audit function, and Vestas' ethics and anticorruption programmes.

**The Nomination & Compensation Committee** – supports the Board of Directors in evaluation of the performance and achievement of the Board of Directors and Executive Management and overall staff-related topics, including assessments of remuneration.

**The Technology & Manufacturing Committee** – assists the Board of Directors in assessing technological matters, IPR strategy, and product development plans. The committee also supports the Board in matters concerning production, monitors and evaluates the short- and long-term manufacturing footprint, evaluates sustainability performance, and gives support to the Vestas Governance Forums.

All members of the committees are elected by the Board of Directors from among its members.

### Executive Management

The Executive Management of Vestas Wind Systems A/S is appointed by the company's Board of Directors and among the members of the Executive Management they have appointed a Chief Executive Officer who is the manager of the day-to-day work of the Executive Management. Moreover, the Board of Directors lays down the distribution of competences among the members of the Executive Management.

### The work of the Executive Management

The Executive Management is responsible for the day-to-day management of the company, observing the guidelines and recommendations issued by the Board of Directors.

The Executive Management is also responsible for presenting proposals for the company's overall objectives, strategies, and action plans as well as proposals for the overall operating, investment, financing, and liquidity budgets to the Board of Directors.

The Executive Management monitors compliance with relevant legislation and other financial reporting regulations and provisions.

### 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 the Board of Directors of Vestas Wind Systems A/S 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 is at any time able to conduct its managerial tasks professionally and with due consideration to current legislation, practices, and recommendations.

### Financial reporting risks

Based on Vestas' financial risk management policy, the Global Finance function prepares a description of the key risks relating to financial reporting and measures taken to control such risks.

Global Finance works actively with anchoring financial risk management throughout the organisation, including ensuring systematic identification and management of all relevant risks relating to financial reporting.

As part of the financial risk assessment, Vestas' Board of Directors and Executive Management annually assess the risk of fraud and the measures to be taken to reduce and/or eliminate such risks, including assessing any possibility of the general management overriding controls and affecting the financial reporting. Read more about risk management on page 039.

### Control activities

Global Finance is responsible for the implementation and monitoring of Vestas' global financial processes. This helps to ensure a uniform design and structure of the Group's internal controls. The objective of the Group's control activities is to ensure compliance with the targets, policies, manuals, procedures, etc. defined by the Executive Management.

Furthermore, the activities must help ensure that any errors, deviations, and shortcomings are prevented, discovered, and rectified.

Vestas continuously adjusts and implements global financial processes and controls for all units and functions aimed at further mitigating the risk of incorrect financial reporting.

### Information and communication

Vestas' policies, adopted by the Board of Directors, lay down, among other things, overall requirements on financial reporting and external financial reporting in accordance with current legislation and applicable regulations.

The information systems are designed to identify, collect, and communicate relevant information, reports, etc. on an ongoing basis and on all levels to facilitate an effective, reliable workflow and the performance of controls. This is done in due consideration of the confidentiality required as a listed company.

### Code of Conduct

As Vestas gradually grows bigger with employees and business partners with widely different cultural backgrounds, business practices, religious beliefs, and political convictions, it is becoming more and more important to have a formal set of common values. The purpose of Vestas' Code of Conduct is to ensure that all employees and other persons acting on behalf of Vestas know what correct Vestas behaviour is.

Vestas' Code of Conduct sets the framework for the work of supporting the principles of the UN Global Compact. Vestas will endeavour to ensure that its business partners also respect these principles. Read more about Vestas' Code of Conduct on page 032.

### Statutory report on corporate governance

Pursuant to section 107b of the Danish Financial Statements Act and clause 4.3 of "Rules for Issuers of Shares – Nasdaq Copenhagen", listed companies shall give a statement on how they address the Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance. The recommendations of the report specify that the circumstances of each company will govern the extent to which the recommendations are complied with or not, as the key issue is to create transparency in corporate governance matters.

### Danish recommendation regarding corporate governance

Number

	2016	2015
Complies with the recommendation	43	44
Partly complies with the recommendation	4	3
Does not comply with the recommendation	0	0
<b>Number of recommendations</b>	<b>47</b>	<b>47</b>

Vestas' statutory report, which is part of the annual report, is only available at [www.vestas.com/investor/corporate\\_governance#!statutoryreports](http://www.vestas.com/investor/corporate_governance#!statutoryreports).



## Annual General Meeting 2017

The Annual General Meeting of Vestas Wind Systems A/S will be held on 6 April 2017 at 1 p.m. (CET) at Crown Plaza Copenhagen Towers in Copenhagen, Denmark.

### Time schedule

22 February 2017	Deadline for proposals for the agenda
3 March 2017	Disclosure of the convening
30 March 2017	Record date
31 March 2017	Deadline for ordering an admission card Deadline for submitting a proxy
5 April 2017	Deadline for voting by correspondence
6 April 2017	Annual General Meeting 2017

### Dividend

For the financial year 2016 the Board of Directors recommends a dividend of DKK 9.71 (EUR 1.31) per share be paid for 2016. This is equivalent to a dividend payout ratio of 30.0 percent measured against the net profit for the year.

### Election of board members

The board members' election terms expire in 2017, as board members elected by the general meeting must retire at the following annual general meeting. The board members elected by the general meeting have all informed the Board of Directors that they will stand for re-election.

### Appointment of auditors

The Board of Directors proposes that PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab be re-appointed as the company's auditor.

### Proposals from the Board of Directors

The Board of Directors expects to propose that the share capital be reduced by 6,047,780 number of treasury shares. The proposal can only be adopted by a majority of not less than two-thirds of all votes

cast and of the share capital represented. The shares were acquired as part of the company's share buy-back programme as disclosed in company announcement No. 26/2016 of 18 August 2016.

The Board of Directors will also propose that the Board of Directors is granted an authorisation to, in the period until 31 December 2018, allow the company to acquire treasury shares up to an aggregate nominal value of 10 percent of the company's share capital at the time of the authorisation, provided that the company's total holding of treasury shares does not at any time exceed 10 percent of the company's share capital. The purchase price paid in connection with acquisition of treasury shares must not deviate from the price quoted on Nasdaq Copenhagen at the time of acquisition by more than 10 percent. The proposal can be adopted by a simple majority of votes.

The Board of Directors proposes that articles 6(3) and 6(4) of the articles of association are amended since it is not a requirement pursuant to the Danish Companies Act that shareholders request an admission card in order to attend a General Meeting. It is however a requirement that shareholders notify the company of their attendance. The articles will hereafter read as follows:

- Article 6(3) Any shareholder who is entitled to attend a General Meeting, ref. Article 6(2), and who wishes to attend a General Meeting or to be represented by proxy, must notify the Company of their attendance no later than three days before the date of the relevant General Meeting. Notification of participation shall not prevent the shareholder from deciding to be represented by proxy after notification has taken place.
- Article 6(4) Voting rights may be exercised by proxy, provided that the proxy holder documents the right to attend the General Meeting and presents a written and dated proxy form.

## Members of the Board of Directors

	Born	Independent	Date of election	Expiry of election period	Share trading in 2016	Number of shares 2016 <sup>1)</sup>
Mr Bert Nordberg	23/03/1956	Yes	March 2012 and re-elected for subsequent terms, most recently in 2016	2017	0	14,000
Mr Lars Josefsson	31/05/1953	Yes	March 2012 and re-elected for subsequent terms, most recently in 2016	2017	+ 500	2,500
Mr Carsten Bjerg	12/11/1959	Yes	March 2011 and re-elected for subsequent terms, most recently in 2016	2017	0	4,019
Ms Eija Pitkänen	23/04/1961	Yes	March 2012 and re-elected for subsequent terms, most recently in 2016	2017	0	1,250
Mr Henrik Andersen	31/12/1967	Yes	March 2013 and re-elected for subsequent terms, most recently in 2016	2017	+1,500 +1,000	7,000
Mr Henry Sténson	10/06/1955	Yes	March 2013 and re-elected for subsequent terms, most recently in 2016	2017	- 5,000	5,000
Mr Kim Hvid Thomsen	08/08/1963	-	May 1996 and re-elected for subsequent terms, most recently for 2016	2020	0	5,810
Ms Lykke Friis	27/10/1969	Yes	March 2014 and re-elected for subsequent terms, most recently for 2016	2017	+ 594	2,305
Mr Michael Abildgaard Lisbjerg	17/09/1974	-	April 2008 and re-elected for subsequent terms, most recently for 2016	2020	0	834
Mr Peter Lindholst	25/02/1971	-	March 2016	2020	0	500
Ms Sussie Dvinge Agerbo	05/10/1970	-	November 2005 and re-elected for subsequent terms, most recently for 2016	2020	0	3,300
Mr Torben Ballegaard	07/02/1951	Yes	March 2015 and re-elected in 2016	2017	0	5,500

## Members of the Executive Management

	Born	Position	Date of appointment	Fiduciary positions / positions of trust	Share trading in 2016	Number of shares 2016 <sup>1)</sup>
Mr Anders Runevad	16/03/1960	Group President & CEO	September 2013	Deputy chairman of the board of MHI Vestas Offshore Wind A/S (DK). Member of the board of NKT Holding A/S (DK). Member of the General Council of the Confederation of Danish Industries (DK) and The Industrial Policy Committee of the Confederation of Danish Industries (DK).	+ 12,627 <sup>2)</sup> - 7,675 + 1,500	11,452
Mr Anders Vedel	06/03/1957	Executive Vice President & CTO	February 2012	Member of the boards of Hvide Sande Harbour (DK) and MHI Vestas Offshore Wind A/S (DK).	+ 26,823 <sup>3)</sup> + 18,938 <sup>3)</sup> - 33,761	16,941
Mr Jean-Marc Lechêne	29/10/1958	Executive Vice President & COO	July 2012	Member of the board of Norican Global A/S (DK).	+ 11,758 <sup>4)</sup> + 18,938 <sup>4)</sup> - 5,000	27,696
Mr Juan Araluce	17/01/1963	Executive Vice President & CSO	February 2012	Member of the board of MHI Vestas Offshore Wind A/S (DK).	+ 46,578 <sup>5)</sup> + 18,938 <sup>5)</sup> - 18,354 + 6,589	66,353
Ms Marika Fredriksson	04/11/1963	Executive Vice President & CFO	May 2013	Member of the boards of SSAB (SE) and ÅF AB (SE).	+ 12,627 <sup>6)</sup>	18,127

1) The mentioned number of shares includes both own and related parties' total shareholdings. At 31 December 2016, the shares of the Board of Directors and the Executive Management represented a combined market value of approx EUR 1.2m.

2) In 2016, Mr Anders Runevad was granted 12,627 performance shares (DKK 0 per share).

3) In 2016, Mr Anders Vedel exercised 22,426 and 4,397 share options (DKK 57.76 and DKK 181.16 per share, respectively) – and was granted 18,938 performance shares (DKK 0 per share).

4) In 2016, Mr Jean-Marc Lechêne exercised 11,758 share options (DKK 57.76 per share) – and was granted 18,938 performance shares (DKK 0 per share).

5) In 2016, Mr Juan Araluce exercised 33,952 and 12,626 share options (DKK 57.76 and DKK 181.16 per share, respectively) – and was granted 18,938 performance shares (DKK 0 per share).

6) In 2016, Ms Marika Fredriksson was granted 12,627 performance shares (DKK 0 per share).

# Remuneration report 2016 · Board of Directors

In 2016, Vestas' remuneration policy for members of Vestas Wind Systems A/S' Board of Directors was updated, and approved at the Annual General meeting in March 2016. The amendment of the remuneration policy concerned the remuneration of the chairmen of the board committees.

Efforts are made to ensure that the remuneration of the Board of Directors matches the level in comparable companies, whilst also taking into

consideration board members' required competencies, efforts and the scope of the board work, including the number of meetings.

In 2016, the Board of Directors held nine board meetings, six Audit Committee meetings, four Nomination & Compensation Committee meetings, and four Technology & Manufacturing Committee meetings.

## Fixed remuneration

Members of the Board of Directors receive a fixed cash amount (basic remuneration), which is approved by the general meeting for the current financial year. The chairman receives a triple basic remuneration and the deputy chairman receives a double basic remuneration for their extended board duties.

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

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

On any takeover, retiring board members will not receive any compensation for their lost board remuneration and similar benefits.

· Basic remuneration of EUR 53,619 (DKK 400,000) - compared to EUR 52,763 in 2015.

· Basic committee remuneration of EUR 33,512 (DKK 250,000) - compared to EUR 26,382 in 2015

· Chairmen of the committees receive EUR 60,322 (DKK 450,000) - compared to EUR 52,764 in 2015

## Remuneration for ad hoc tasks

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

In 2016, no members of the Board of Directors have taken on specific ad hoc tasks.

## Social security taxes and similar taxes

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

EUR 106,263 – compared to EUR 95,809 in 2015.

## Incentive programme, bonus pay, etc.

According to the remuneration policy the members of the Board of Directors are not included in incentive programmes (share programmes, bonus pay, or similar plans).<sup>1)</sup>

-

## Reimbursement of expenses

Expenses in connection with board and committee meetings are reimbursed as per account rendered.

EUR 22,069 – compared to EUR 40,308 in 2015.

## Pension scheme

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

-

## Members of the Board of Directors

Number

2014 

2015 

2016 

 Members elected by the general meeting

 Members elected by the employees

The Board of Directors has defined a target outlining that members of the underrepresented gender should constitute two to three board members elected by the general meeting no later than in 2017.

## Board of Directors remuneration for the financial year<sup>2)</sup>

	2016		2015	
	Number of members	EUR	Number of members	EUR
Board	12	804,285	12	791,445
Committees:				
Audit	4	160,858	4	131,910
Nomination & Compensation	4	160,858	4	131,910
Technology & Manufacturing	4	160,858	4	131,910

1) Employee elected members of the Board of Directors participate in incentive programmes, bonus pay, etc. on equal terms with other Vestas employees, ref. note 6.2 to the consolidated financial statements. Vestas annual report 2016, page 100.

2) Exclusive of social security taxes and similar taxes.

# Remuneration report 2016 · Executive Management

The Board of Directors believes that a combination of fixed and performance-based pay to the Executive Management helps ensure that the company can attract and retain key employees. The Executive Manage-

ment is paid partly through variable performance-based elements to motivate performance, align with short- and long-term business targets, and to enable flexible remuneration costs.

<p><b>Fixed salary</b></p> <p>The fixed salary is based on market level to attract and retain talented executives with the required competencies.</p>	EUR 4.3m – compared to EUR 4.2m in 2015.
<p><b>Cash bonus</b></p> <p>The bonus scheme is based on the results for the year and is paid out annually after adoption of the annual report for the relevant financial year.</p> <p>The bonus pay-out-level is defined by a weighted target achievement and is capped at a certain percentage of the fixed salary with the target and maximum pay-out levels set at 50 percent and 75 percent of the annual base salary, respectively.</p> <p>The bonus scheme is based on target achievement of a number of parameters, including financial key performance indicators like EBIT as well as any other targets approved by the Board of Directors. No pay-out will be made if the target for EBIT is not met at the defined minimum acceptable performance level.</p> <p>The members of the Executive Management will not receive any extraordinary compensation in the event of termination in connection with a change of ownership of the company's voting majority or if the company is dissolved through a merger or demerger. The Executive Management's notice of termination will, however, be extended to 36 months.</p> <p>There is no agreed redundancy pay or compensation for voluntary or non-voluntary termination.</p>	EUR 3.1m – compared to EUR 2.8m in 2015.
<p><b>Share-based incentives</b></p> <p>The focus of the share-based programme is to retain executive talent and create long-term shareholder value.</p> <p>The targets may be based on financial key performance indicators as well as the Group's market share as defined by the Board of Directors. For any financial year, the number of shares to be granted to the combined Executive Management may amount to a total of 120,000 performance shares based on an initial target level. The programme is based on three performance years.</p> <p>The maximum size of the grant is 150 percent of the target, corresponding to a total grant to the Executive Management of 180,000 performance shares. The number of shares available for grant may be adjusted in the event of changes in the company's capital structure. The performance shares will be granted in two portions; the first half of the shares will be granted after the three performance years following the disclosure of the programme and the second half of the shares will be granted five years after the disclosure, with the total grant size based on the results in the three performance years. If the minimum requirements for financial performance are not met, there will be no grant of performance shares.</p>	97,467 shares – compared to 136,000 shares in 2015.
<p><b>Personal benefits</b></p> <p>Members of the Executive Management have access to a number of work-related benefits, including company car, free telephony, broadband at home, and work-related newspapers and magazines.</p>	–
<p><b>Pension scheme</b></p> <p>Members of the Executive Management are not covered by Vestas' employer administered pension plan or a defined benefit pension scheme. Pension is considered included in the fixed salary.</p>	–

## Members of the Executive Management

Number

2014 

2015 

2016 

In 2016, there has been no change in the composition of the Executive Management.

## Executive Management's remuneration<sup>1)</sup>

	2016	2015
Fixed salary (EUR)	4,338,163	4,214,731
Bonus (EUR)	3,082,664	2,840,118
Performance shares:		
For the financial year (number)	97,467 <sup>2)</sup>	136,000 <sup>3)</sup>
Options:		
Total outstanding options for the period 2008-2012 (number)	-	85,159
Expired options (number)	-	9,376
Options exercised (number)	85,159	15,475

1) Ref. note 1.3 and note 6.2 to the consolidated financial statements. Annual report 2016.

2) The number of shares has been adjusted based on current estimate of performance in 2016. Allocation of performance shares for the 2016-2018 performance programme will be adjusted based on the level of actual achievement in the measurement period. The 2016 performance shares will be granted equally to the Executive Management in 2019 and 2021.

3) The 2015 performance shares will be granted equally to the Executive Management in 2018 and 2020.

## Fiduciary positions of the members of the Board of Directors

The members of the Board of Directors have informed the company of the following competencies and fiduciary positions in Danish and foreign companies and organisations.

Name and title	Position in Vestas	Fiduciary positions	Positions of trust	Special competencies
<b>Bert Nordberg</b> Director	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors</li> <li>Chairman of the Nomination &amp; Compensation Committee</li> </ul>	Member of the boards of AB Electrolux (SE), Axis AB (SE), Saab Group AB (SE), and Svenska Cellulosa Aktiebolaget SCA (SE).		Special competence in restructuring, services and infrastructure business; several years of international business experience; development market knowledge.
<b>Lars Josefsson</b> Independent consultant	<ul style="list-style-type: none"> <li>Deputy Chairman of the Board of Directors</li> <li>Chairman of the Technology &amp; Manufacturing Committee</li> <li>Member of the Nomination &amp; Compensation Committee</li> </ul>	<p>Chairman of the Boards of Driconeq AB (SE), Ouman Oy (FI), and TimeZynk AB (SE).</p> <p>Member of the Boards of Holmen AB (SE) and Metso Oyj (FI).</p>		In-depth knowledge of managing international companies including research and development, technology and production.
<b>Carsten Bjerg</b> Director	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Member of the Technology &amp; Manufacturing Committee</li> <li>Member of the Audit Committee</li> </ul>	<p>Chairman of the boards of PCH Engineering A/S (DK), Ellegaard A/S (DK), and Guldager A/S (DK).</p> <p>Deputy chairman of the boards of Højgaard Holding A/S (DK) and Rockwool International A/S (DK).</p> <p>Member of the boards of Agrometer A/S (DK), MT Højgaard A/S (DK), and Nissens A/S (DK).</p>		In-depth knowledge of managing an international group including thorough knowledge of R&D, manufacturing, and strategic management.
<b>Eija Pitkänen</b> Sustainability and Compliance Officer Sonera	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Member of the Technology &amp; Manufacturing Committee</li> </ul>		Member of the board of Finnish Refugee Council (FI).	Extensive international experience in developing and executing global sustainability strategies as part of business in several international companies.
<b>Henrik Andersen</b> Group President & CEO of Hempel A/S	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Chairman of the Audit Committee<sup>1)</sup></li> <li>Member of the Nomination &amp; Compensation Committee</li> </ul>	Member of the board of Maj Invest Holding A/S (DK).	Member of The investment committee of Maj Invest Equity 4 K/S (DK).	In-depth knowledge of accounting, finance and capital markets, international business experience including restructuring and strategic management of international companies.
<b>Henry Sténson</b> Executive Vice President of Corporate Communication & Sustainability Affairs, Volvo Group	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Member of the Audit Committee</li> </ul>	Member of the boards of Braathens Regional AB (SE) and Stonghold Invest AB (SE).		More than 20 years' experience from executive teams in global business and extensive experience from communications with media, capital markets and international public affairs. Furthermore, experience from industrial turnaround processes and crisis management.
<b>Kim Hvid Thomsen</b> HR Business Partner, People & Culture, Vestas Wind Systems A/S	<ul style="list-style-type: none"> <li>Member of the Board of Directors (elected by Group employees)</li> <li>Member of the Technology &amp; Manufacturing Committee</li> </ul>			In-depth knowledge of production processes and human resources, etc. of the Vestas Group.

1) Fulfills the demand for qualifications within financial accounting and meets the definition of independence of audit committee members as set out in the Danish Auditors Act.

Name and title	Position in Vestas	Fiduciary positions	Positions of trust	Special competencies
<b>Lykke Friis</b> Prorector for Education, University of Copenhagen	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Member of the Nomination &amp; Compensation Committee</li> </ul>	<p>Member of the boards of European Council of Foreign Relations (UK), Rockwool Foundation, and VELUX A/S (DK).</p> <p>Member of the European Commission's high level group on Horizon 2020 (EU).</p>	<p>Chairman of the Danish Foreign Policy Society (DK).</p> <p>President of the Danish Cancer Society.</p> <p>Member of The Danish-German Chamber of Commerce (DK).</p>	In-depth knowledge of international energy policy and European Union regulation. Furthermore, experience from public affairs and managing research and development.
<b>Michael Abildgaard Lisbjerg</b> Senior Shop Steward and Skilled Worker, Production, Vestas Manufacturing A/S	<ul style="list-style-type: none"> <li>Member of the Board of Directors (elected by Group employees)</li> </ul>	Deputy chairman of the boards of DM Skjern-Ringkøbing P/S (DK) and DMSR af 24. oktober 2016 ApS (DK).		In-depth knowledge of production processes and human resources, etc. of the Vestas Group.
<b>Peter Lindholm</b> Vice President, Concept Development, Power Solutions, Vestas Wind Systems A/S	<ul style="list-style-type: none"> <li>Member of the Board of Directors (elected by company employees)</li> </ul>			In-depth knowledge of wind turbine design and innovation, and experience from Vestas in managing R&D activities in an international set-up.
<b>Sussie Dvinge Agerbo</b> Management Assistant, Power Solutions, Vestas Wind Systems A/S	<ul style="list-style-type: none"> <li>Member of the Board of Directors (elected by company employees)</li> </ul>			In-depth knowledge of project management and organizational structures including human resources and staff development.
<b>Torben Ballegaard</b> Director	<ul style="list-style-type: none"> <li>Member of the Board of Directors</li> <li>Member of the Audit Committee</li> </ul>	<p>Chairman of the boards of AS3 Companies A/S (DK), CAPNOVA A/S (DK), Tajco Group A/S (DK), and Liquid Vanity A/S (DK).</p> <p>Member of the board of Egmont International Holding A/S (DK).</p>	<p>Chairman of The Foundation Capnova Invest Zealand (DK).</p> <p>Member of the boards of The Egmont Foundation (DK) and Centre for Advanced Technology (CAT) Foundation (DK).</p>	Experience from growth and continuous improvement of global and complex industrial organizations. Leadership development. Product and business innovation and strategic execution. International sales and marketing. Value adding board work, financial controlling, and interaction with capital markets.