

Remuneration report 2017

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.

In 2017, the Executive Management has received a fixed salary of EUR 4.5m and EUR 3.1m in cash bonus for the financial year 2016, and 77,923 Vestas shares according to the share-based incentive programme 2014.

According to Vestas' remuneration policy, the remuneration of Vestas Wind Systems A/S' Executive Management comprises the following four elements.

Fixed salary

The fixed salary is based on market level and is continuously reviewed by the Nomination & Compensation Committee against comparable positions.

Cash bonus

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

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

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

Share-based incentives

The focus of the share-based programme is to retain and create long-term shareholder value.

The intention of the grants is to ensure value creation and fulfilment of the company's long-term goals, and the scheme contains elements of both short and long-term performance. The scheme is based on restricted performance shares. The programme is disclosed following the annual general meeting and will be conditional upon continued employment at the time of grant.

For any single financial year, the Executive Management may be granted restricted performance shares based on achievement of certain targets approved by the Board of Directors. The targets may be based on financial KPIs as well as the Group's market share as defined by the Board of Directors.

Share-based incentive programme 2017

In May 2017, the Board of Directors announced that it had decided to continue the share-based incentive programme for all participants, including the Executive Management, and launch a new programme for 2017 based on the terms and conditions governing the restricted performance share programme for the year 2016, ref. Vestas' remuneration policy and general guidelines for incentive pay.

Number of shares

The number of shares to be granted is based on a defined target level for each position. No payments for any grants are made by the participants. If all KPIs are reached on target level, a total of 310,000 shares will be granted from the programme with a total present value calculated based on the current share price amounting to EUR 24.5m (value at close of Nasdaq Copenhagen on 2 May, 2017). For 2017, the target number of shares for the Executive Management will be 86,000 shares in total.

The actual number of restricted performance shares available for distribution may range between 0 and 150 percent of the target level and is determined by Vestas' performance in the financial years 2017, 2018, and 2019. The maximum grant of shares under the programme in total is 465,000 shares based on full performance achievement.

Time of grant

The shares are to be granted in 2020 and 2022.

Share-based incentive programmes for the Executive Management

Total outstanding shares per year for vesting (performance adjusted until year 2017)

	2018	2019	2020	2021	2022
Share-based incentive programme 2013	84,374				
Share-based incentive programme 2014		79,124			
Share-based incentive programme 2015	79,080		79,080		
Share-based incentive programme 2016		50,829		50,829	
Share-based incentive programme 2017			43,000		43,000

Key performance indicators

The KPIs for all three performance years are based on financial targets including Earnings per share, Return on Capital Employed, the market share of the Vestas Group, as well as commercial targets for relevant participants. All KPIs and targets are defined by the Board of Directors.

Conditions

The restricted performance shares are governed by the specific terms and conditions of the programme and subject to mandatory law. If a participant chooses to leave Vestas before the time of grant, the participant's rights to receive shares will generally lapse.

Adjustments to the programme

The number of shares available for grant and the calculation of the KPIs may be adjusted in the event of certain changes in Vestas' capital structure. In addition, calculation of the KPIs may be adjusted for certain non-operational events. Further, in the event of a change of control, merger, winding-up or demerger of Vestas, an accelerated grant may extraordinarily take place. In the event of certain transfers of activities or changes in ownership interests within the Vestas Group, adjustment, replacement of the programme and/or settlement in cash of the programme entirely or partly may also take place.

Personal benefits

Members of the Executive Management have access to a number of work-related benefits, including company car, free telephony, broadband at home, and work-related newspapers and magazines.

Remuneration of the Executive Management

EUR

	2017	2016
Fixed salary	4,466,736	4,338,163
Cash bonus for the previous year	3,085,366	3,082,664

Vestas' headquarter and main research and development centre is located in Aarhus, Denmark. The company is listed on the Nasdaq Copenhagen stock exchange and has by the end of 2017 147,912 Danish shareholders registered by name.

