Corporate governance

Corporate governance principles
To the Board of Directors of Vestas Wind Systems A/S (the Board), corporate governance is a constant process to support value creation and accountable management, and thus to contribute to the long-term success of Vestas.

The Board believes that having an open and transparent corporate governance supports a company in being directed and monitored in a responsible manner – and in management focusing on creating value. In addition, it provides a fair view of Vestas to the world with timely, reliable, accurate, and up-to-date information which fosters the confidence of the financial markets, investors, business partners, customers, employees, and the public in general.

In light of the challenges Vestas faces in a market characterised by competition, changing market mechanisms, ongoing consolidation, and ever-increasing quality requirements, a clear and well-considered management and communication strategy is of special importance.

In 2019, the evaluation of the guidelines and processes included a review of the company's business model, strategy, business processes, goals, organisation, capital position, stakeholder relations, and risks as well as the exercise of the necessary internal controls.

For more information on financial reporting risks and control activities, see Vestas' Statutory Report on Corporate Governance at the corporate website.

Governance structure
The fundamental element of Vestas Wind Systems A/S' corporate governance system is its two-tier management structure with a clear, transparent, and effective separation between the Board's and Executive Management's responsibilities and tasks in connection with the management of the company's affairs, with no one serving as a member of both. Documents related to policies, regulations, and governing principles, which Vestas adheres to, are available at the corporate website.

Vestas' management structure

Shareholders

Board of Directors

Nomination & Compensation Committee

Chairmanship

Audit Committee

Technology & Manufacturing Committee

Executive Management

Shareholders
Shareholders have ultimate authority over the company and exercise their rights of co-administration and supervision at general meetings, which usually take place within the first four months of the business year. All shareholders are, with a few formal requirements, entitled to submit proposals for, attend, vote, and speak at general meetings, ref. articles 4 and 6 of the Articles of association.

In 2019, the Annual General Meeting took place in April and the minutes of meeting are available at the corporate website.

Shareholder rights
The right of a shareholder to attend a general meeting and to vote is determined by holding of shares at the record date.

Shareholders who wish to attend a general meeting must notify Vestas of their attendance no later than three days before the general meeting in question.

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.

An overview of the votes cast at the Annual General Meeting in April 2019 is available at the corporate website.

The company's auditor
Vestas' annual report is audited by an independent external audit firm appointed annually by the shareholders at the Annual General Meeting. Retiring auditors are eligible for re-election.

The auditor is obligated to act in the interest of the shareholders, as well as the public.

The Board 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.

In 2019, the external auditor participated in one meeting with the Board and in six meetings with the Audit Committee. For The independent auditor's report and the Independent assurance report on the Sustainability Highlights 2019, see pages 111 and 114.
Appointment of the auditor
PricewaterhouseCoopers has been the auditor of the listed company, Vestas Wind Systems A/S, since 1998.

The last public call to tender was made to all auditors for the audit of the 2009 consolidated financial statement, in line with the EU regulation 537/2014 of 16 April 2014. Based on the results of the tendering process, the Audit Committee recommended to the Board that it proposed PricewaterhouseCoopers for election in 2010. After completing the tendering process, PricewaterhouseCoopers can therefore be proposed for election at the Annual General Meeting as Vestas’ auditor without further tendering processes up to and including the financial year 2023.

In April 2019, the Annual General Meeting re-elected PricewaterhouseCoopers as Vestas’ external auditor for the financial year 2019.

Policy for audit and non-audit services
One area of particular focus in corporate governance is the independence of the auditor. Vestas’ auditor may be used, within certain parameters, for certain non-audit services, and may often be the preferable choice due to business knowledge, confidentiality, and cost considerations.

Vestas has a policy for non-audit services ensuring that the additional services do not impair the auditor's independence or objectivity. The Audit Committee is responsible for the development and maintenance of this policy.

During 2019, audit and non-audit services provided by Vestas’ auditor globally totalled EUR 6m, for more details about the audit fee see note 6.1 in the Consolidated financial statements, page 100.

Internal audit
Once a year, the Audit Committee assesses the need for an internal audit function. In 2019, the committee found that it was not necessary to establish such internal audit function.

Meeting participation in 2019*

<table>
<thead>
<tr>
<th>Board committees</th>
<th>Meeting participation in 2019*</th>
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<tbody>
<tr>
<td>Born</td>
<td>Nationality</td>
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<tr>
<td>Bert Nordberg</td>
<td>1956</td>
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<tr>
<td>Bruce Grant</td>
<td>1959</td>
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<tr>
<td>Carsten Bjerg</td>
<td>1959</td>
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<tr>
<td>Eva Berneke</td>
<td>1969</td>
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<tr>
<td>Helle Thorning-Schmidt</td>
<td>1966</td>
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<tr>
<td>Henrik Andersen***</td>
<td>1967</td>
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<tr>
<td>Jens Hesselberg Lund</td>
<td>1969</td>
</tr>
<tr>
<td>Lars Josefsson</td>
<td>1953</td>
</tr>
</tbody>
</table>

Elected by shareholders
Bert Nordberg 1956 Swedish 2012 2020 Yes 11/11 2/2 6/6 -4,600 +4,600 14,600
Bruce Grant 1959 American 2019 2020 Yes 8/9 3/3 0 0
Carsten Bjerg 1959 Danish 2011 2020 Yes 10/11 5/5 4/4 0 0 4,019
Eva Berneke 1969 Danish 2019 2020 Yes 9/9 3/3 0 0
Helle Thorning-Schmidt 1966 Danish 2019 2020 Yes 9/9 4/4 0 0
Henrik Andersen*** 1967 Danish 2013 - - 6/6 3/3 3/3 - -
Jens Hesselberg Lund 1969 Danish 2018 2020 Yes 11/11 5/5 - -
Lars Josefsson 1953 Swedish 2012 2020 Yes 11/11 6/6 4/4 0 3,500

Elected by employees
Kim Hvid Thomsen 1963 Danish 1996 2024 No 11/11 1/1 -650 3,060
Michael Lisbjerg 1974 Danish 2008 2024 No 11/11 0 834
Peter Lindholst 1971 Danish 2016 2024 No 11/11 0 570
Sussie Dvinge Agerbo 1970 Danish 2005 2024 No 11/11 0 800

* The first figure represents attendance and the second figure the possible number of meetings. In cases where a board member was appointed or stepped down during the year, only meetings in that member’s active Board period are shown.

** The mentioned number of shares includes both own and related parties’ total shareholdings.

*** Henrik Andersen stepped down from the Board in August 2019.
In November 2019, the election of employee representatives took place and all four members were re-elected.

As at 31 December 2019, the Board consisted of 11 members, seven of whom were elected by shareholders and four by the employees in Denmark.

The Board’s responsibility
The Board is responsible for the overall operation of Vestas and, through the independent oversight of management, accountable to shareholders for the performance of the business. It also deals 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 Executive Management;
- ensuring responsible organisation of the company’s business;
- defining the company’s business concept and strategy;
- ensuring satisfactory financial organisation and 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 Executive Management, the Board establishes and approves overall policies, procedures and controls in key areas, not least in relation to financial reporting. This requires a well-defined organisational structure, unambiguous reporting lines, authorisation and certification procedures, and adequate segregation of duties.

Board committees
The purpose of Vestas’ board committees is to prepare decisions and recommendations for consideration and approval by the entire Board. The committees are not authorised to make independent decisions; instead they report and make recommendations to the entire Board. Vestas has established three permanent board committees and all members of the committees are elected by the Board from among its members. Information about the members of each committee, charters, and an overview of their activities in 2019 are available at the corporate website.

Duties of the board committees
The Audit Committee – supports the Board 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 in evaluation of the performance and achievement of the Board and Executive Management and overall staff-related topics, including assessment of remuneration.

The Technology & Manufacturing Committee – assists the Board 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 various forums within technology and manufacturing.

Assessment of the work performed by the Board
Once a year, the Board evaluates its working methods, the results of its work, and the skills of its members, including whether each board member participates actively in board discussions and contributes with independent judgement.

In October and November 2019, the three board committees evaluated their performance for 2019. The evaluations were conducted as an open dialogue among the members of the committees and facilitated internally by the chairmen. An evaluation form was made available 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 assessment included an evaluation of: the working climate and cooperation, competence, board work, and role of the chairman. The self-assessment revealed a good collaboration in each of the committees and between the committees and the Executive Management. The same procedure was used when the Board conducted its self-assessment in 2019.

The evaluations revealed good performance by the Board and by the board committees as well as the collaboration between the Board and the Executive Management. The evaluations did not result in any significant changes.

The results of the assessments are used by the Nomination & Compensation Committee when they propose nomination of members to the Board and to the board committees.

Remuneration
The remuneration of the Board is approved each year at the annual general meeting. The Remuneration report 2019 is available at the corporate website.