

Remuneration Report 2020

This report is prepared according to section 139b of the Danish Companies Act
- the accounting period 1 January 2020 - 31 December 2020

Preface

This remuneration report ("Remuneration Report") provides the overview of the total remuneration received by the Board of Directors (the Board) and the Executive Management of Vestas Wind Systems A/S, CVR no. 10403782 (the Company), during the financial year 2020 with comparative figures for the past five years. Executive Management refers in this Remuneration Report only to members of the Executive Management of the Company registered as such with the Danish Business Authority. This is currently the Group President & CEO (CEO) and the Executive Vice President & CFO (CFO).

The remuneration of the Board and Executive Management during the past financial year has been provided in accordance with the Remuneration Policy¹ of the Company adopted by the Annual General Meeting on 7 April 2020 (the Remuneration Policy).

The overall objective of the Remuneration Policy is to attract, motivate, and retain qualified members of the Board and Executive Management, to align the interests of the Board and Executive Management with the interests of the Company's shareholders and stakeholders as well as to support Vestas' strategic goals and promote value creation aligned to the interest of the shareholders. Vestas' vision of becoming the global leader in sustainable energy solutions requires Vestas to sustain a talented, agile, and cost-effective organisation. This combined with the long-term performance of the Company and the corporate values – Simplicity, Collaboration, Accountability, and Passion – guides the overall principles for and the individual elements of remuneration for both the Board and Executive Management. To ensure that Vestas' remuneration promotes both strategic goals as well as long-term value creation and sustainability, the remuneration includes both fixed remuneration, short-term incentives, and long-term incentives.

Remuneration of Executive Management is related to the result of Vestas' financial and sustainable performance through incentives. Vestas' financial health and performance is directly linked to its abilities to invest in research and development, thereby paving the way for even better solutions to provide the world with sustainable energy.

Remuneration Report 2020

The Remuneration Report has been prepared in accordance with section 139b of the Danish Companies Act and the European Commission Guidelines on the standardised presentation of the remuneration report under Directive 2007/36/EC, as amended by Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement (the Guidelines).

The information included in the Remuneration Report has partly been derived from the audited annual reports of Vestas for the financial years 2016-2020² with additional information to support the explanation of the remuneration of the Board and Executive Management. All amounts are included in EUR, gross.

¹ The Remuneration Policy can be found at the Company's Investor Relations website under the section Corporate governance (Governance principles).

² Financial reports can be found at the Company's Investor Relations website under the section Reports and presentations (Financial reports).

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1 Introduction

For the year 2020, Vestas' revenue amounted to EUR 14.8bn, with an EBIT margin before special items of 5.1 percent, and total investments* of EUR 659m, all in line with expectations. Compared to 2019, revenue increased while earnings decreased, and free cash flow* stayed at around the same level. The value of the combined order backlog increased from EUR 34bn to 43bn as the offshore business is now included.

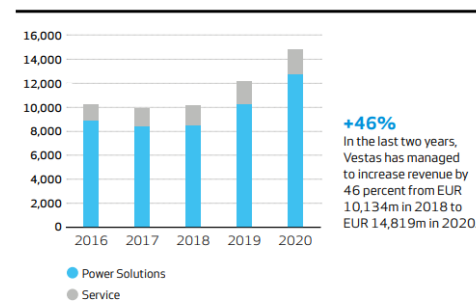
As a result of the performance in 2020, the Board proposes to the Annual General Meeting that a dividend of DKK 8.45 per share be distributed to the shareholders, compared to DKK 7.93 last year, and equivalent to 30.0 percent of the net profit for the year.

Vestas at a glance

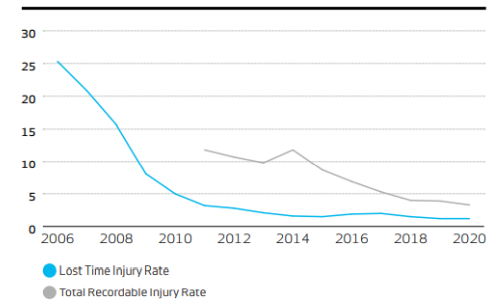
Specific management results in 2020

- Guided Vestas through a challenging COVID-19 year
- Reached milestone of 100 GW under service
- Achieved 100 percent control of the offshore joint venture
- Implemented a Sustainability Strategy
- First renewable energy manufacturer to reach the validation Science Based Targets of emission reduction targets

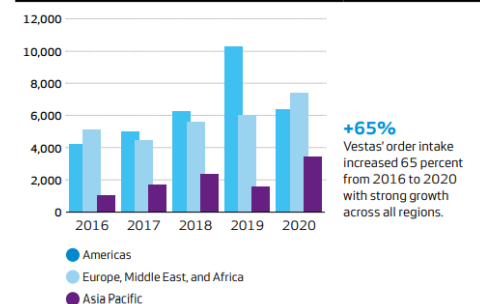
Revenue
mEUR



Incidence of injuries
Per million working hours



Order intake
MW



Share price index in 2020
Index · mDKK



In 2020, Vestas included two new members to the Board while one member resigned. Executive Management stayed consistent with Henrik Andersen, CEO, and Marika Fredriksson, CFO. Like the rest of the world, Vestas felt the effect of the pandemic in 2020 and regarding remuneration this resulted in a 10 percent deduction in salary for Executive Management. The Nomination & Compensation Committee met six times in 2020 and had regular follow-up on the performance of Vestas and the link to the expected incentive pay-out, discussed the future position and succession for Board and Executive Management, performed an external review of the executive benchmarking approach, and discussed and proposed the future incentive design for Executive Management.

*) Excl. acquisitions of subsidiaries and any financial investments.

2 Board of Directors

2.1 Fixed remuneration

After reviewing the remuneration levels in December 2019, the Board and the Nomination & Compensation Committee consider the remuneration of the Board and its committees as matching the remuneration levels in comparable companies, considering, among others, the board members' required competencies, efforts, and the scope of the board work, including the number of meetings. Members of the Board receive a fixed basic annual fee (basic board remuneration) approved by the Annual General Meeting and the annual fees were continued at same level for 2020. The chairman receives three times the basic fee, and the deputy chair receives two times the basic fee for their extended board duties. Board members who are also members of one of the board committees receive an annual committee remuneration. The remuneration is determined as a base fee, and the committee chairman receives an additional remuneration of 80 percent of the committee base fee. Members of the Board are not eligible for performance shares, any other variable remuneration or pension contribution.

Fees approved at the Annual General Meeting for the financial year 2020

EUR

	Board	Audit Committee	Nomination & Compensation Committee	Technology & Manufacturing Committee
Member	57,021 (base fee)	33,542	33,542	33,542
Chairman	171,063 (3 x base fee)	60,375	60,375	60,375
Deputy Chairman	114,042 (2 x base fee)	-	-	-

Individual board members may take on specific ad hoc tasks outside the scope of duties assigned by the Board and may be entitled to additional fees for such tasks on the conditions set out in the Remuneration Policy. For the financial year 2020, none of the board members have received additional remuneration for carrying out ad hoc duties assigned by the Board. Additional compensation may be offered for board members taking up board responsibilities on behalf of Vestas in joint ventures and/or Vestas' subsidiaries. For the financial year 2020, none of the board members have received additional compensation for taking up responsibilities in joint ventures of subsidiaries. Vestas may pay social security taxes and similar taxes imposed on board members by non-Danish authorities in relation to the remuneration. In 2020, Vestas has covered the social security taxes for the non-Danish members.

New board members elected at the Annual General Meeting in April 2020 receive pro rata of the annual basic remuneration and committee fee for the time in the Board, in 2020. Board members not re-elected at the Annual General Meeting receive pro-rata of the annual basic remuneration and committee fee for time in the Board in 2020.

Table 1 - Remuneration of Board of Directors 2020
EUR

Name and position	Year	Annual fee ¹	Committee fees	Social security taxes	Total remuneration
Bert Nordberg (Chairman) Chairman Nomination & Compensation Committee Member Audit Committee	2020	171,063	93,917	55,031	320,011
Lars Josefsson (Deputy Chairman) Chairman Technology & Manufacturing Committee Member Nomination & Compensation Committee ²	2020	114,042	68,760	19,619	202,421
Anders Runevad ³ Member Technology & Manufacturing Committee ³ Member Nomination & Compensation Committee ³	2020	42,766	50,312	19,026	112,104
Bruce Grant Member Technology & Manufacturing Committee	2020	57,021	33,542	-	90,563
Carsten Bjerg Member Audit Committee Member Technology & Manufacturing Committee	2020	57,021	67,083	-	124,104
Eva Merete Søfelde Berneke Member Nomination & Compensation Committee Member Audit Committee ³	2020	57,021	58,698	-	115,719
Helle Thorning-Schmidt Member Nomination & Compensation Committee	2020	57,021	33,542	-	90,563
Jens Hesselberg Lund ² Chairman Audit Committee ²	2020	14,255	15,094	-	29,349
Karl-Henrik Sundström ³ Chairman Audit Committee ³	2020	42,765	45,281	17,997	106,043
Kim Hvid Thomsen Employee representative	2020	57,021	-	-	57,021
Michael Abildgaard Lisbjerg Employee representative	2020	57,021	-	-	57,021
Peter Lindholst ⁴ Employee representative	2020	19,006	-	-	19,006
Pia Kirk Jensen ⁵ Employee representative	2020	38,013	-	-	38,013
Sussie Dvinge Agerbo Employee representative	2020	57,021	-	-	57,021
Total		841,057	466,229	111,673	1,418,959

1) Fee is settled based on realised pay out in 2020 and is composed of fee levels from one quarter of the approved level from Annual General Meeting 2019 and three quarters of 2020 fee level.

2) Member until the Annual General Meeting 7 April 2020.

3) Member since the Annual General Meeting 7 April 2020.

4) Member until 30 April 2020.

5) Member since 1 May 2020.

Bert Nordberg is Chairman of the Board and Lars Josefsson is Deputy Chairman of the Board.

Audit Committee:	Karl-Henrik Sundström (Chairman), Bert Nordberg, Carsten Bjerg, and Eva Merete Søfelde Berneke
Nomination & Compensation Committee:	Bert Nordberg (Chairman), Anders Runevad, Eva Merete Søfelde Berneke, and Helle Thorning-Schmidt
Technology & Manufacturing Committee:	Lars Josefsson (Chairman), Anders Runevad, Carsten Bjerg, and Bruce Grant

2.2 Shareholding obligations

A board member elected by the General Meeting is obligated to maintain a holding of Vestas shares. The value of this holding must have a value equal to or above the gross value of the total annual basic board remuneration received by each individual board member, as approved by the General Meeting.

The board members have five years to accumulate the guided shareholdings, and the Nomination & Compensation Committee will assess the compliance annually in connection with the preparation of the Remuneration Report. Evaluation of the shareholdings and any individual exception follow the guidance set by the Nomination & Compensation Committee. The Board can allow for a short period of individual exception.

Table 2: Shareholdings of Board members elected by the General Meeting in 2020

Number of shares

Name	Member of the Board since	Holding as at 1 January 2020	Purchase	Sale	Holding as at 31 December 2020	Share holding as percentage of base fee ²	Shareholding obligation
Bert Nordberg ¹	2012	14,600	-	-	14,600	4,945%	Met
Lars Josefsson	2012	3,500	-	-	3,500	1,185%	Met
Anders Runevad	2020	8,096 ³	-	-	8,096	2,742%	Met
Bruce Grant	2019	-	-	-	-	-	In progress
Carsten Bjerg	2011	4,019	-	-	4,019	1,361%	Met
Eva Merete Søfelde Berneke ¹	2019	1,000	1,159	-	2,159	731%	Met
Helle Thorning-Schmidt	2019	-	-	-	-	-	In progress
Karl-Henrik Sundström	2020	-	1,640	-	1,640	555%	Met
Total		31,215	2,799	-	34,014		

1) Holding position covers both individually owned shares and shares held by closely related parties.

2) Share price at year end, DKK 1,439.50 / EUR 193.13.

3) Shareholding when entering Vestas Board

For the financial year 2020, Vestas has paid for a directors and officers' liability insurance covering the Board.

3 Executive Management

The Executive Management received an annual remuneration in accordance with the Remuneration Policy, which may consist of the following fixed and variable remuneration components:

- Fixed remuneration (annual fixed base salary)
- Benefits
- Cash bonus (short-term incentives)
- Performance shares (long-term incentives)
- Other forms of special remuneration provided for in the Remuneration Policy

These remuneration elements create a well-balanced package reflecting (i) individual performance and responsibility of the Executive Management in relation to established goals and targets, both in the short and the long term, and (ii) Vestas' overall performance.

The Executive Management's short- and long-term incentive programmes are linked directly to the financial targets in Vestas' strategy. The composition of the remuneration of each executive is determined with a view to contributing to the Company's ability to attract, motivate, and retain competent key employees, while at the same time ensuring that the Executive Management has an incentive to create added value aligned to the interest of the Company's shareholders through variable remuneration.

The Executive Management's terms of employment and remuneration are agreed between the individual executive and the Board. Executive Management does not receive additional remuneration for directorships (whether executive positions or board memberships) in joint ventures and/or Vestas' subsidiaries.

Table 3: Actual remuneration of current Executive Management for 2020

EUR

Name and position	Fixed remuneration			Variable remuneration			Total remuneration ³
	Base salary	Benefits	Total	Cash bonus	Share program ¹	Total	
Henrik Andersen, CEO	1,502,666	34,942	1,537,608	-	2,540,579	2,540,579	4,078,187
Marika Fredriksson, CFO	976,733	30,614	1,007,347	-	1,058,574	1,058,574	2,065,921
Total	2,479,399	65,556	2,544,955	-	3,599,153	3,599,153	6,144,108

¹ The original awarded shares in the 2020 programme - the number of shares will be adjusted based on performance on the selected KPIs in 2020, 2021, and 2022.

² Value of the share program is set at the closing share price on the day before the disclosure of the company announcement in May 2020 – share price EUR 84.69.

³ Numbers displayed in Vestas' Annual Report on the full remuneration for Executive Management differs on the share program. For the purpose of showing annual remuneration in this Remuneration Report, the full value of the share allotment for 2020 is displayed – for Vestas' Annual Report, the value of the share program is accounted for according to IFRS 2 (see details in below table).

Below tables display how the share programs and total remuneration for CEO and CFO are calculated for Vestas annual report following the principles and accounting standards in IFRS2. When displaying Executive Management in Vestas Annual Report, additional key management personnel besides the CEO and CFO are included and hence the difference in the displayed amounts. According to the IFRS 2, the value of the share programmes are pro-rated per vesting year and the expected performance adjustment for the financial year is included. This differs from the principles used when displaying the total remuneration for Executive Management in this remuneration report above in table 3.

Table 4: Executive Management, IFRS2 cost of Share Program 2020 split per vesting year
EUR

Name and position		2020	2021	2022	2023	2024	2025	Total
Henrik Andersen, CEO	2020 Share Program	416,352	690,766	690,766	399,906	258,149	84,639	2,540,578
Marika Fredriksson, CFO	2020 Share Program	173,480	287,820	287,820	166,627	107,562	35,266	1,058,575
Total 2020 IFRS2 cost		589,832	978,586	978,586	566,533	365,711	119,905	3,599,153

Total cost of 2020 programme is split across the vesting years as IFRS2 standard requires.

Table 5: Executive Management, total IFRS2 cost of all active share programmes in 2020
EUR

Share program	2020
2020	589,832
2019	873,417
2018	165,691
2017	134,114
2016	93,545
2015	41,115
Total share programmes 2020	1,897,714
Expected KPI adjustment 2020	(219,879)
Total 2020 after adjustment	1,677,835

Table 6: Actual remuneration of Executive Management as displayed in Vestas Annual Report (IFRS2)
EUR

	Fixed remuneration	Variable remuneration	Annual Report 2020
	Total fixed remuneration	Share program (IFRS2)	
Henrik Andersen, CEO	1,537,608	921,728	2,459,336
Marika Fredriksson, CFO	1,007,347	756,107	1,763,454
Total 2020	2,544,955	1,677,835	4,222,790

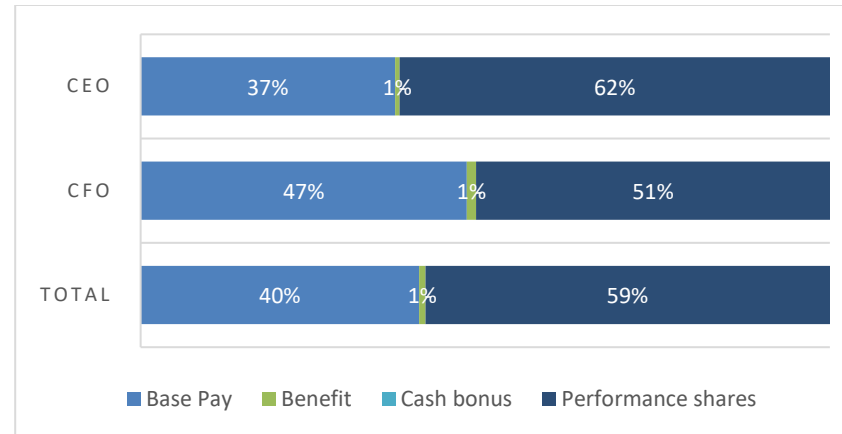
The total IFRS2 cost of active share programmes in 2020 from table 5 is included for the total remuneration displayed in Vestas Annual Report for Executive Management, see note 1.3 to the consolidated financial statements, Annual Report 2020. The total remuneration from table 3 in this report differs in displaying only the 2020 awarded share programme instead of the pro-rated cost from all active share programmes adjusted

for the expected KPI performance in 2020. The difference on the displayed value of share programmes forms the explanation of the difference in the total remuneration displayed as EUR 4m to CEO and CFO from note 1.3 to the consolidated financial statements, Annual Report 2020.

The intent and purpose of the below table is to show the relative value of each element in the compensation/remuneration package, based on actual results for 2020 cash bonus and the original allotted number of shares from the 2020 share programme. The share programme will be performance adjusted for three years but is below stated without any performance adjustment. See section 3.5 for details on the performance adjustment of the share programme.

Table 7: Relative Remuneration Composition of current Executive Management

EUR



3.1 Annual fixed salary

The annual fixed salary set to provide a competitive remuneration to attract and retain competent members of Executive Management, having the required professional and personal competences and enabling Vestas to obtain its short- and long-term goals.

In 2020, Vestas was like most companies affected by the global pandemic and faced consequences of the measures to ensure continued delivery. As some of the consequences, Vestas cancelled the annual salary review process for all employees and underwent layoffs in some of the locations in Europe. In this regard and because Vestas face the challenges together, Executive Management took a voluntary 10 percent pay-cut from May until end of 2020.

The base pay of Executive Management is reviewed by the Nomination & Compensation Committee annually and assessed against similar roles in comparable companies. In 2020, the Nomination & Compensation Committee performed an additional review including an external partner with expertise in benchmarking for the executive positions. Purpose of the additional review was consideration of Vestas future attraction and retention of executive candidates. Vestas experiences an increasing international effect on the remuneration expectations of candidates for the top-level positions. Vestas' standard benchmark practice for executive positions provide solid and valid data for executives but is sometimes challenged on consistency when benchmarking executive international positions.

In 2020, the fixed salary for Executive Management is in line with the Remuneration Policy as concluded competitive to attract and retain when compared against comparable positions as well as the salary development in alignment with Vestas' employees in general however effected by a pay-cut for Executive Management.

3.2 Benefits

Members of Executive Management have received customary work-related non-monetary employment benefits such as company car, insurance, newspaper, telephone, and internet access as approved by the Board and in line with the Remuneration Policy.

3.3 Pension scheme

Members of the Executive Management are not covered by Vestas' employer administered pension, as this is considered included in their annual fixed salary as defined by the Remuneration Policy.

3.4 Cash bonus

Members of Executive Management participate in an annual cash incentive based on the results of the financial year. The bonus is intended to ensure the attainment of Vestas' short-term objectives following the principles from the Remuneration Policy, and the payment is dependent on the adoption of the Annual Report of the relevant financial year.

The bonus pay-out level is defined by a weighted target achievement and is capped at 75 percent of the annual fixed salary with the target pay-out level set at 50 percent of the annual fixed salary.

The bonus is based on target achievement on a number of parameters approved by the Board including financial and commercial KPIs (as displayed in below overview) aligned to the strategic priorities of the financial year. Based on input from the Nomination & Compensation Committee, the Board ascertains whether the bonus parameters have been met by the relevant members of the Executive Management, based on their insight in the operations of Vestas and any relevant key figures also displayed in Vestas Annual Report. Each KPI in the bonus has a set threshold performance level (minimum condition for any pay-out at index 50 for the given KPI), target performance (index 100 for the given KPI) and stretched performance level (maximum pay-out at index 150 for the given KPI). If the KPI EBIT margin is not met at the threshold performance level, Vestas will not pay out from Vestas global bonus programme to Executive Management nor any other employee in the Company.

CEO and CFO share the same bonus scorecard as approved by the Board and displayed with indication of 2020 result below. All employees in Vestas share the same KPIs and targets as the below listed for CEO and CFO – with the possible addition of 1-2 additional KPIs.

For the financial year 2020, Vestas did not meet the minimum performance requirement for the EBIT margin KPI, and hence no bonus was paid out to Executive Management. The actual performance result for CEO and CFO bonus is 0.

With Vestas performance and execution throughout the entire year despite the very challenging COVID-19 situation, Vestas Board has decided, by recommendation from the Nomination and Compensation Committee, to award all eligible employees an extraordinary recognition reward. Eligible employees are defined as employees in active employment at the end of 2020, hence employees on garden leave are not eligible. The recognition is not a bonus nor replacing the standard global bonus but an extraordinary award for ensuring business continuity and growth in 2020. Executive Management is by agreement with the Board not eligible for the extraordinary recognition.

Table 8: 2020 bonus scorecard for Executive Management

KPI	Weight of KPI	2020 result of KPI
EBIT margin %	50%	Below target
Free Cash Flow	15%	At target
Revenue	15%	Above target
Internal production matters	20%	Below target
Total	100%	0% of base pay

3.5 Performance shares

The Executive Management is eligible for participation in a performance share incentive programme. The objective of the performance share programme is to retain members of the Executive Management, create long-term shareholder value, and ensure achievement of Vestas' long-term strategic goals in a sustainable way. The programme is based on restricted performance shares and contains elements of both short- and long-term performance.

The main terms of the programme are disclosed in a company announcement in connection with the Board's approval of the programme. Vesting of shares under the programme is contingent on continued employment at the time of vesting, subject to certain good leaver provisions.

The performance shares are conditionally awarded free of charge as annual revolving grants with a three- to five-year vesting period. This ensures a long-term connection to the share price development for the remuneration of the Executive Management. The development of Vestas' share price is a direct indicator of the sustainability of the Company – both by displaying the long-term economic condition of the Company and due to the correlation of sustainable and responsible companies and better long-term performance.

3.5.1 2020 performance share programme

For 2020, the Executive Management was allocated performance shares contingent on future achievement of certain targets. In 2020, the KPIs were based on the financial targets earnings per share (EPS), return on capital employed (ROCE), and the Vestas market share (see table below). All KPIs and targets were defined by the Nomination & Compensation Committee and approved by the Board. Each KPI has a set threshold performance level (minimum condition for any pay-out at index 50 for the given KPI), target performance level (index 100 for the given KPI) and stretched performance level (maximum pay-out at index 150 for the given KPI).

The Board has assessed within the overall Remuneration Policy that the CEO is allotted 30,000 shares and the CFO 12,500 shares in 2020 performance share programme. The actual number of performance shares available for distribution will range between 0 and 150 per cent of the allotted number. At the day of announcement, the value of the allotted number of shares corresponds to 165 percent of the CEO annualised fixed salary, and 106 percent of the CFO annual fixed salary which is within the limits set in the Remuneration Policy of 100-200 percent of the fixed annual salary for both CEO and CFO. In preparation for the 2020 allotment of share programme, the Nomination and Compensation Committee evaluated the development of Vestas share price and in comparison with international benchmark, decided on the proposed number of shares to be allotted for the CEO and CFO finally approval by the Board before communicated.

The programme is based on the three performance years 2020, 2021, and 2022. The actual number of performance shares is dependent on the performance in the three performance years, and will be adjusted upwards or downwards, based on Vestas' performance on the selected KPIs.

Following the Vestas' acquisition of Mitsubishi Heavy Industries, Ltd.'s shares in the MHI Vestas Offshore Wind A/S (MVOW) joint venture, the Board decided, upon prior recommendation from the Nomination & Compensation Committee, to not exclude the effect of the acquisition in the calculation of the KPI "Earnings per share (EPS)" for the 2020 performance year. The MVOW joint venture has been owned by Vestas with a share of 50 percent since 2014, and created the market leading player in the offshore wind energy industry by bringing the V164 turbine to the market. Among other things, this has accelerated the journey of improving cost of offshore wind power and improved the prospects of the industry. The acquisition of the remaining shares is seen by the Board as an important step in the implementation of Vestas' long-term strategy to become the leader in sustainable energy solutions. Hence, the decision not to exclude the acquisition in the KPI is aligned to the objective of the programmes as described in Vestas Remuneration Policy; "to retain members of the Executive Management, create long-term shareholder value, and ensure achievement of Vestas' long-term strategic goals in a sustainable way". Vestas will ensure that the acquisition is fully considered in the future target setting and calculation of results to ensure that the acquisition is applied consistently.

Table 9: Performance result share programmes - 2020 performance (indicative results for illustration only)

KPI	Weight of KPI	2020 result of KPI
Earnings per share	50%	At target
ROCE	30%	Below target
Market share	20%	Pending
Total	100%	Performance result for 2020 (assuming target performance on market share KPI): 72.0 percent of allotted number of shares

The 2020 programme will be adjusted to 2020 performance for only one third of the shares in the programme. The same performance adjustment for 2020 financial year also applies to one third of the shares in the 2018 and 2019 programmes. For CEO this is resulting in 5,600 shares to be lapsed from the 2019 and 2020 programme in total and for the CFO this is resulting in 3,500 shares to be lapsed from the 2018, 2019, and 2020 programme in total – see below table. The actual performance adjustment of the share incentives will be applied in April 2021, when results are known for the final KPI "Vestas Market Share". The result of the "Vestas Market Share" KPI cannot be completed until all financial reports of competitors are published. In calculations within this Remuneration Report, a target achievement of the "Vestas Market Share" KPI has been assumed.

Table 10: Expected effect from 2020 performance on all share programme
EUR

Name and position	Programme	Original allotted #shares	#shares to be adjusted for 2020 performance (1/3 of allotted)	#shares lapsed from the performance in 2020	Total effect of expected 2020 performance for all programmes	#shares in programme after expected 2020 performance adjustment (including effect of previous performance years)
Henrik Andersen, CEO	2019	30,000	10,000	(2,800)	(5,600)	26,120
	2020	30,000	10,000	(2,800)		27,200
Marika Fredriksson, CFO	2018	12,500	4,167	(1,167)	(3,500)	9,019
	2019	12,500	4,167	(1,167)		10,883
	2020	12,500	4,167	(1,167)		11,333

The Nomination & Compensation Committee will evaluate the selected KPIs annually and may redefine or adjust these for any individual performance year, subject to approval by the Board.

The performance shares will vest in two portions

- the first half of the shares will vest in 2023, three years after the disclosure of the programme and
- the second half of the shares will vest in 2025, five years after the disclosure.

3.5.2 Performance shares vested in 2020

In 2020, Henrik Andersen, CEO, did not have any performance shares vesting in 2020. Marika Fredriksson, CFO, had the following performance share programmes vesting and resulted in pay-out in 2020.

Table 11: Performance shares vested in 2020
EUR

Name and position	Award year	Performance period	Vesting dates	Awarded shares (target number)	Award share price	Value at award	Shares vested in 2020 ¹	Share price at vesting	Value of vested shares
Marika Fredriksson, CFO	2017	2017-2019	<u>2020</u>	12,500	79.29	991,119	5,544	79.92	443,074
	2015	2015-2017	<u>2022</u> <u>2018</u> <u>2020</u>	20,000	42.83	856,568	13,891	96.76	1,344,038

¹ Number of shares adjusted based on performance result of the selected KPIs in the performance period. The awarded shares vest only by half.

Table 12: Performance shares outstanding
#shares/EUR

Name and position	Award year	Performance period	Vesting dates	Awarded #shares (target)	Award share price (EUR)	Value of award (EUR)	Performance adjustment index for financial year				#shares		
							2016	2017	2018	2019	Total dividend in program	Outstanding unvested shares	Total vested shares
Henrik Andersen, CEO	2019	2019-2021	May 2024 May 2022	30,000	76	2,292,231	-	-	-	89.2	354	29,274	-
	2020	2020-2022	May 2025 May 2023	30,000	85	2,550,000	-	-	-	-	-	30,000	-
Marika Fredriksson, CFO	2016	2016-2018	Feb. 2021 May 2019	12,500	60	745,645	150.0	109.3	55.3	-	721	6,955	6,874
	2017	2017-2019	May 2022 May 2020	12,500	79	991,122	-	109.3	55.3	89.2	514	5,544	5,544
	2018	2018-2020	May 2023 May 2021	12,500	56	698,728	-	-	55.3	89.2	262	10,448	-
	2019	2019-2021	May 2024 May 2022	12,500	76	955,096	-	-	-	89.2	146	12,196	-
	2020	2020-2022	May 2025 May 2023	12,500	85	1,062,500	-	-	-	-	-	12,500	-

3.6 Shareholding obligations

Members of Executive Management are subject to the guidance of holding Vestas shares at a value equal to or above the gross value of their annual fixed salary. The intention is for the Executive Management to obtain ownership of the shares through participation in Vestas' share incentive programmes. The members of Executive Management have five years to accumulate the required shareholdings, and the Nomination & Compensation Committee will assess the compliance with the obligation, as part of the preparation of the annual Remuneration Report. The Nomination & Compensation Committee can propose for the Board to allow for a short period of individual exception. Evaluation of the shareholdings and any individual exception follow the guidance set by the Nomination and Compensation Committee.

Table 13: Shareholding by the Executive Management
EUR

Name and Position	1 January 2020				31 December 2020				
	Holding (number)	Purchase (number)	Vested (number)	Sale (number)	Holding (number)	Share price ¹	Value of position	Pct. of base salary	Share holding
Henrik Andersen, CEO	12,700	-	-	575	12,125	193	2,341,735	156%	Met
Marika Fredriksson, CFO	30,653	3,000	19,435	10,884	42,204	193	8,150,977	835%	Met
Total	43,353	3,000	19,435	11,459	54,329		10,492,713		

1) Share price at year end, DKK 1,439.50 / EUR 193.13.

3.7 Extraordinary items, termination and severance payments

This section handles the extraordinary payments to the Executive Management.

For the financial year 2020 no extraordinary payments were made to the CEO or CFO, but as described above the CEO and CFO took a 10 percent pay-cut until end of 2020, see section 3.1.

3.8 Claw-back

The Company may within certain limitations decide to reclaim incentive remuneration in full or in part in cases where a cash bonus or other incentive remuneration has been provided to a member of the Executive Management on the basis of data or accounts which subsequently prove to have been misstated.

In the financial year 2020, no incentive remuneration was reclaimed.

4 Development in financial performance and remuneration

Table 14: Comparison of remuneration and Vestas' performance with yearly development over the past five years¹⁾
EUR

	2020	Dev.	2019	Dev.	2018	Dev.	2017	Dev.	2016	Dev.	2015
Financial performance											
Revenue, mEUR (Vestas)	14,819	22,0%	12,147	19,9%	10,134	1,8%	9,953	(2,8)%	10,237	21,5%	8423
EBIT margin % (Vestas)	4,7	(43,4)%	8,3	(8,8)%	9,1	(26,6)%	12,4	(10,8)%	13,9	28,7%	10,8
Group President & CEO and Executive Vice President & CFO – total remuneration											
Henrik Andersen	4,078,187	(16)%	4,880,706 ²⁾	-	-	-	-	-	-	-	-
Marika Fredriksson	2,065,921	(17)%	2,491,785 ²⁾	62,2%	1,536,028	(32,7)%	2,282,138	8,2%	2,109,676	(4,6)%	2,210,491
Average total remuneration of Vestas employees (FTEs)											
Employees in Vestas ³⁾	65.769	(11,4)%	74.219	7,6%	68.980	(7,4)%	74.515	(4,5)%	78.045	2,5%	76.124
Comparison with the Company (Vestas Wind Systems A/S)											
Revenue mEUR (the Company)	1,755	22,6%	1,432	8,1%	1,376	(18,7)%	1,693	(12,2)%	1,929	25,5%	1537
EBIT margin % (the Company)	11,7	(65,5)%	33,9	(25,7)%	49	(9,3)%	54	(14,3)%	63	46,5%	43
Average remuneration employees in the Company ⁴⁾	119.232	(6,5)%	127.512	15,6%	110.274	(9,8)%	122.283	0,9%	121.216	4,6%	115.915

¹⁾ The table sets a year-over-year comparison of remuneration and key financial results of the Company and Vestas. Percent change is calculated as separate year-over-year comparison.

²⁾ Total remuneration is calculated with actual cash bonus. Henrik Andersen was appointed Group President & CEO as per 1 August 2019, his total remuneration is therefore based on annualised values.

³⁾ Vestas (all Vestas Group) comparison is for salaried employees, settled at Full Time Equivalent (FTE) and full year. Total remuneration including base pay, cash allowances, variable pay elements, pension, company car, health/medical insurance, Life/Disability insurance, bonus, share incentives.

⁴⁾ Comparison is made for the Company (Vestas Wind Systems A/S), settled at Full Time Equivalent (FTE) and full year. Total remuneration including base pay, cash allowances, variable pay elements, pension, company car, health/medical insurance, Life/Disability insurance, bonus, share incentives.

The remuneration components annual bonus and performance share programme influence the fluctuating remuneration development. The annual bonus has been slightly decreasing over the past five years with no bonus pay-out for the performance in 2018 and 2020 but a close to target pay-out for 2019. CEO and CFO had a negative effect on the base pay in 2020, effected by their voluntary 10 percent pay-cut from May until end of 2020.

The development of the average employee remuneration both for the Company and Vestas are generally following each other. The decrease in remuneration from 2017 to 2018 is seen because Vestas did not pay out bonus for 2018, and the increase from 2018 to 2019 is due to bonus for 2019. No bonus is paid for 2020 but all eligible employees are awarded with an extraordinary recognition this is however less than the close to target bonus paid out for 2019.

Table 15: Comparison of remuneration and Vestas' performance over the past five years (continued)

EUR

Board of Directors	2020	Dev.¹	2019	Dev.	2018	Dev.	2017	Dev.	2016	Dev.	2015
Bert Nordberg, Chairman	320,011	2.2%	290,817	16.9%	267,566	0%	267,524	(0.4)%	266,164	5.1%	251,004
Lars Josefsson, Deputy Chairman	202,421	(15.3)%	227,175	(5.9)%	243,242	0%	243,204	(0.3)%	239,788	9.0%	219,630
Anders Runevad	112,104	-	-	-	-	-	-	-	-	-	-
Bruce Grant	90,563	0%	67,862	-	-	-	-	-	-	-	-
Carsten Bjerg	124,104	0%	123,157	2.8%	120,644	0%	120,644	0%	116,852	14.4%	103,105
Eva Merete S. Berneke	115,719	37%	56,691	-	-	-	-	-	-	-	-
Helle Thorning-Schmidt	90,563	0%	67,862	-	-	-	-	-	-	-	-
Jens Hesselberg Lund	29,349	(37)%	100,816	3.8%	65,349	-	-	-	-	-	-
Karl-Henrik Sundström	106,043	-	-	-	-	-	-	-	-	-	-
Kim Hvid Thomsen	57,021	0%	64,511	(34.6)%	87,132	0%	87,132	0%	85,126	10.2%	77,328
Michael A. Lisbjerg	57,021	0%	56,133	6.2%	53,619	0%	53,619	0%	53,399	1.7%	51,552
Peter Lindholst	19,006	0%	56,133	6.2%	53,619	0%	53,619	0%	40,215	-	-
Sussie Dvinge Agerbo	57,021	0%	56,133	6.2%	53,619	0%	53,619	0%	53,399	1.7%	51,552
Pia Kirk Jensen	38,013	-	-	-	-	-	-	-	-	-	-
Other members (not part of board in 2020) ²	-		146,737		409,207		409,207		581,468		531,643
Total cost	1,418,959	(0.9)%	1,314,027	14.7%	1,353,997	6.8%	1,288,568	(11.9)%	1,436,411	12.4%	1,285,814

¹ The table sets a year-over-year comparison of remuneration of the Board (including social security taxes). Percent change is calculated as separate year-over-year comparison based on annualised values while remuneration is displayed in actual values.

² Other members included without naming to calculate total development.

5 Compliance with the Remuneration Policy

The remuneration of the Board and the Executive Management complies with the guidelines and framework set out in the Remuneration Policy. There has been no derogation from the Remuneration Policy.

6 Independent Auditor's Statement on the Remuneration Report

To the Shareholders of Vestas Wind Systems A/S

We have examined whether the remuneration report for Vestas Wind Systems A/S for the financial year 1 January - 31 December 2020 contains the information required under section 139 b, subsection 3 of the Danish Companies Act.

We express reasonable assurance in our conclusion.

The Board of Directors' responsibility for the remuneration report

The Board of Directors is responsible for the preparation of the remuneration report in accordance with section 139 b, subsection 3 of the Danish Companies Act. The Board of Directors is also responsible for the internal control that the Board of Directors deems necessary to prepare the remuneration report without material misstatement, regardless of whether this is due to fraud or error.

Auditor's independence and quality management

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PricewaterhouseCoopers are subject to the International Standard on Quality Control, ISQC 1, and thus applies a comprehensive quality control system, including documented policies and procedures concerning compliance with ethical requirements, professional standards and current statutory requirements and other regulation.

Auditor's responsibility

Our responsibility is to express a conclusion on the remuneration report based on our examinations. We conducted our examinations in accordance with *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and additional requirements under Danish auditor regulation to obtain reasonable assurance in respect of our conclusion.

As part of our examination, we checked whether the remuneration report contains the information required under section 139 b, subsection 3 of the Companies Act, number 1 - 6, on the remuneration of each individual member of the Executive Board and the Board of Directors.

We believe that the procedures performed provide a sufficient basis for our conclusion. Our examinations have not included procedures to verify the accuracy and completeness of the information provided in the remuneration report, and therefore we do not express any conclusion in this regard.

Conclusion

In our opinion the remuneration report, in all material respects, contains the information required under the Companies Act, section 139 b, subsection 3.

Hellerup, 10 February 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 3377 1231

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Kim Tromholt
State Authorised Public Accountant
mne33251

7 The Board of Director's Statement on the Report

The Board has today considered and adopted the Remuneration Report of Vestas A/S for the financial year 2020.

The report has been prepared in accordance with section 139 b of the Danish Companies Act (in Danish: "Selskabsloven").

The Remuneration Report will be presented to the Annual General Meeting 2021 for an advisory vote.

Appendix 1: Development in board remuneration over the past five years needs the following elaboration, which is reflected in the tables above:

Eva Merete Søfelde Berneke:	April 2019 – elected as new member of the Board August 2019 – elected as new member of the Nomination and Compensation Committee April 2020 – elected as new member of the Audit Committee
Jens Hesselberg Lund:	April 2018 – elected as new member of the Board April 2018 – elected as new member of the Audit Committee August 2019 – elected as new chairman of the Audit Committee April 2020 – resigned from the position as member of the Board April 2020 – stepped down from the Audit Committee
Bruce Grant:	April 2019 – elected as new member of the Board April 2019 – elected as new member of the Technology & Manufacturing Committee
Helle Thorning-Schmidt:	April 2019 – elected as new member of the Board April 2019 – elected as new member of the Nomination & Compensation Committee
Kim Hvid Thomsen:	April 2019 – stepped down from the Technology & Manufacturing Committee
Eija Pitkänen:	April 2019 – resigned from the position as member of the Board April 2019 – stepped out of the Technology & Manufacturing Committee
Torben Ballegaard Sørensen:	April 2019 – resigned from the position as member of the Board April 2019 – stepped down from the Technology & Manufacturing Committee
Henry Sténson:	April 2018 – stepped down from the Audit Committee April 2019 – resigned from the position as member of the Board
Bert Nordberg:	August 2019 – elected as new member of the Audit Committee
Henrik Andersen:	August 2019 – resigned from the position as member of the Board August 2019 – stepped down from the Audit Committee August 2019 – stepped down from the Nomination & Compensation Committee
Lars Josefsson:	April 2020 – stepped down from the Nomination & Compensation Committee
Anders Runevad:	April 2020 – elected as new member of the Board April 2020 – elected as new member of the Nomination & Compensation Committee April 2020 – elected as new member of the Technology & Manufacturing Committee
Karl-Henrik Sundström:	April 2020 – elected as new member of the Board April 2020 – elected as new chairman of the Audit Committee
Peter Lind Holst:	April 2020 – stepped down as member of the Board
Pia Kirk Jensen:	Maj 2020 – joined as new member of the Board

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Disclaimer and cautionary statement

This document contains forward-looking statements concerning Vestas' financial condition, results of operations and business. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning Vestas' potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. A number of factors that affect Vestas' future operations and could cause Vestas' results to differ materially from those expressed in the forward-looking statements included in this document, include (without limitation): (a) changes in demand for Vestas' products; (b) currency and interest rate fluctuations; (c) loss of market share and industry competition; (d) environmental and physical risks, including adverse weather conditions; (e) legislative, fiscal, and regulatory developments, including changes in tax or accounting policies; (f) economic and financial market conditions in various countries and regions; (g) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects; (h) ability to enforce patents; (i) product development risks; (j) cost of commodities; (k) customer credit risks; (l) supply of components; and (m) customer created delays affecting product installation, grid connections and other revenue-recognition factors.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Additional factors that may affect future results are contained in Vestas' Annual Report for the year ended 31 December 2020 (available at www.vestas.com/investor) and these factors also should be considered. Each forward-looking statement speaks only as of the date of this document. Vestas does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events other than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.

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