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Liaison Counsel

UNITED STATES DISTRICT COURT  
DISTRICT OF OREGON  
PORTLAND DIVISION

In re VESTAS WIND SYSTEMS A/S )  
SECURITIES LITIGATION )  
\_\_\_\_\_)  
This Document Relates To: )  
ALL ACTIONS. )  
\_\_\_\_\_)

Case No. 3:11-cv-00585-MO

CLASS ACTION

DECLARATION OF ALAN H.  
MACDOUGALL REGARDING VESTAS'  
CORPORATE GOVERNANCE AND  
OPERATIONAL REFORMS

I, ALAN H MACDOUGALL, declare as follows:

1. I am the founder and managing director of Pensions & Investment Research Consultants Limited (“PIRC”), a research and advisory firm specializing in corporate governance and shareholder advocacy, regulated by the Financial Conduct Authority in the conduct of investment business (No. 144331). I submit this Declaration to describe and discuss the corporate governance and operational reforms instituted by Vestas Wind Systems A/S (“Vestas”) since this action began in March 2011.

2. PIRC is Europe’s leading independent research and advisory consultancy providing services to institutional investors on corporate governance and corporate social responsibility. Since 1986, it has been the pioneer and champion of good corporate governance companies operating in Europe and within the UK. PIRC represents a wide spectrum of clients all over the world ranging from pension funds, asset managers, hedge funds, faith-based investors and trade unions. Its “Global Proxy Voting and Corporate Governance Service” provides an authoritative and vital resource for active investors, whilst its widely-read “Shareholder Voting Guidelines” provide market-wide benchmarks for investors and forms part of the movement for corporate governance reform and long-term wealth creation strategies for responsible investors. A copy of my resume and a more detailed description of PIRC are attached hereto as Exhibits A and B.

3. I was retained by Robbins Geller Rudman & Dowd LLP, Lead Counsel to the Lead Plaintiff in this securities class action in early June 2011 to assist in the formulation of improved corporate governance structures and processes at Vestas, a Danish-based company, whose common stock trades on the NASDAQ OMX (in Denmark) and whose ADRs and common stock trade in the United States Over-the-Counter market.. My role was later expanded to include meeting with Vestas executives tasked with reviewing, reformulating and implementing the company’s revised

governance policies (described in the “Outline of Completed Corporate and Operational Changes at Vestas Wind Systems A/S, attached as Exhibit G to the Stipulation of Settlement dated as of June 26, 2004 (“Stipulation”).

4. In connection with this retention, I was advised that following several events that exposed Vestas to considerable potential criminal and civil sanctions, several shareholder securities class actions had been filed in the United States naming Vestas and others as defendants. Based on my own research and understanding of events that had occurred at the Vestas Board and corporate management level, I believed that functional breakdowns in Vestas internal corporate governance were a significant factor in these events. This view was derived from reading the complaint filed on behalf of the Lead Plaintiff, media accounts and other published reports and findings concerning the events that transpired at both Vestas’ U.S. and Danish locations.

5. At PIRC, our track record on corporate governance and corporate social responsibility rigorously focuses on: (i) increasing accountability of executives to shareholders; (ii) improving transparency and company disclosures so that shareholders can make informed judgments; and (iii) increasing the responsibility of corporate fiduciaries. Based on, among other things, my 35 years of experience in this field, I concluded that Vestas’ governance had broken down on all three accounts and that these breakdowns had contributed in large part to the predicament Vestas found itself in.

6. I agreed to assist counsel in analyzing Vestas’ then-existing governance structure and to recommend structural changes to the Company’s governance policies and procedures. I understood that in particular, my contextual knowledge of European and U.K. company governance standards (both legal and practical), listing requirements and expertise in advising European and U.K. institutional shareholders would be of particular value to Lead Counsel in this action as Vestas is a Danish-based company. In my experience, U.K., U.S. and European approaches to corporate

governance can, and often do, diverge and thus I understood that my role would be supplying the unique “European and U.K. perspective” to Lead Counsel in this Action.

7. Following my retention by Lead Counsel, I participated in several meetings with Vestas management and its inside and outside counsel in Los Angeles, Florida and Amsterdam. Following an initial meeting with Vestas counsel and in consultation with Lead Counsel, I made a detailed review of Vestas’ company documents and position papers and my review formed the basis of my recommendations to Lead Counsel. Further, this review was part of the presentations in the settlement-related meetings with the Vestas representatives and counsel and at subsequent discussions with Lead Counsel.

8. The corporate governance reform challenge presented by the Vestas situation reflects concerns expressed about a lack of director accountability; executive management autonomy; lack of clarity with regard to responsibilities between leadership at board, executive management and operational levels within the company; weak or non-existent disclosure of company practices or major absences of best practice behaviors or processes; and disputes with regard to International Financial Reporting Standards (IFRS) implementation and the revenue accounting models used by Vestas. I believe these matters reflected a failure by Vestas to adhere to what European shareholders regard as appropriate global corporate governance best practice standards, and therefore led me to conclude that by reforming corporate governance practices at the company, Vestas stakeholders would be better served through the changes now set out in Exhibit G to the Stipulation.

9. The implemented reforms, as reflected in Exhibit G, have various components detailed in 27 organizational areas, broken down in to a description of each change or initiative, which in turn are indicated as having been adopted or their implementation status. I set out below

why the principle proposals in each section reflect a broad-reaching set of governance changes tailored to meet Vestas' unique business model and governance shortcomings. By working with Vestas' in-house and external counsel, on reforming the way the company governs itself, we were able to acquire a detailed perspective on how Vestas' Board of Directors interacts with and oversees its executive management, which enabled us to narrow the governance enhancements sought to those tailored to achieve measurable change.

10. In my professional opinion the ordinary shares and ADRs of companies with strong corporate governance are materially more valuable because companies with strong corporate governance can expect to achieve higher future earnings. Whilst there is a wealth of academic studies available on this point, I would refer the Court in particular to the Deutsche Bank AG studies published in the 'Beyond the Numbers' series (2003 et passim). In addition, the latest study by the UK Association of British Insurers, published in February 2008, confirms this evidence in a review of governance research. Their study found that "Over a five-year period, the shares of well-governed companies deliver an extra return of 37 basis points a month industry-adjusted; additionally, the volatility of share-price returns is also lower for portfolios of well-governed companies". Also, "well-governed companies deliver higher returns when adjusted for risk", (Selvaggi and Upton, Governance and Performance in Corporate Britain, ABI, London 2008, see [http://www.abi.org.uk/BookShop/ResearchReports/Research\\_Feb\\_08.pdf](http://www.abi.org.uk/BookShop/ResearchReports/Research_Feb_08.pdf)). Additionally, more specific to Vestas, since the Company has implemented the corporate governance reforms in 2012 and part of 2013, its ADR and share prices have more than tripled. It is *not* my assertion that all of the increased value is due to the corporate governance reforms, but it is certainly my opinion that improved corporate governance was a significant contributing factor in the increase in stakeholder value.

11. I now turn to the specifics of the corporate governance and operational reforms that have been implemented. Points 1 through 9 of Exhibit G establish and confirm a series of changes to the way that the Vestas Board functions, to entrench best practice and remove various conflicts and poor practices. These deal with clarifying and establishing a firm foundation for Board independence; independent representation on the Board Audit committee and financial qualification; audit fee disclosure; Board Committee charter updates and disclosures; confirming the establishment of independence criteria for the Board Chairman's election; continuing Board education and training; establishing clear Director Performance processes; providing for Board oversight of continuing Director capabilities and compensation, and for the Audit Committee to review on a quarterly basis the formal audit reporting of the company's management.

12. Point 10 is a welcome innovation in that it establishes the forms of communication that the company commits to using in developing a new culture of compliance with the Vestas Code of Conduct in relation to management responsibilities and ethical behavior.

13. Points 11 and 12 establish new product-quality assurance protocols and technology changes both of which speak to the concerns outlined in the Lead Plaintiff's Complaint regarding weaknesses in those procedures. The new Protocols derive from establishing the new 'gate criteria', creating new product quality hurdles and more effective monitoring of those processes by management. These are crucial parts of management gaining appropriate overviews of the production process and therefore facilitating accountability to stakeholders for those processes.

14. Point 13: The establishment of the Audit Committee's responsibility for the maintenance of the company's 'EthicsLine' whistle-blowing facility is to be welcomed.

15. Points 14 through 16: These provisions further enhance the way the company has consolidated and strengthened quality management provisions, risk management structures and

processes and the innovation of the Deal Execution Forum. Again these reforms reflect an enhancement of management's thinking on probity and best practice in key parts of the overall business processes of the company. These provisions therefore better enable stakeholders to hold management to account for the company's quality systems.

16. Point 17 reflects a welcome reorganization of the Group Financial Function. Matters surrounding the company's financial and accounting functions have been at the heart of stakeholder concerns as outlined in the Lead Plaintiff's Complaint. The re-organization of these functions at Group level should be an additional support for management to regain control and maintain effective oversight of these functions for the future. In this regard stakeholders can take some comfort from these arrangements being in place to enhance the line of sight for accountability, via the board through to management for the more successful performance of the company in managing its financial affairs.

17. Point 18 reflects a concern that Lead Counsel had with the previous set of Board Committee Charters. We felt that they had not kept pace with shareholder requirements from such Charters, failing to accurately reflect best practice and transparent responsibility for Committee terms of reference and responsibilities. These updates are to be welcomed.

18. Points 19 through 26 are a welcome codification of better practices with regard to managerial communication practices across a range of crucial areas within and around the New Vestas Operating Model. Whilst stakeholders would not normally focus on these managerial practices, it is reassuring for them to know, and have reported to them, that the Board has instituted these managerial communication responsibilities and internal reporting systems as a reflection by the Board on where previous operational problems had existed. They are to be welcomed and

stakeholders will now and in the future have the opportunity to reflect on the disclosed outcomes they should provide.

19. Point 27 is a welcome response to concerns expressed by Lead Plaintiff's Complaint regarding the extent and depth of knowledge of the actual rules for formal approval of transactions within the company.

20. In sum, these provisions individually and collectively represent a significant enhancement above and beyond those found at many other European and UK listed companies. It is my conclusion that these reforms will have a significant positive financial impact on the value of Vestas, its common stock, and ADRs.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed this 27 day of October, 2014, at London, England.

  
ALAN H. MACDOUGALL

CERTIFICATE OF SERVICE

I hereby certify that on November 4, 2014, I authorized the electronic filing of the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the e-mail addresses denoted on the attached Electronic Mail Notice List, and I hereby certify that I caused to be mailed the foregoing document or paper via the United States Postal Service to the non-CM/ECF participants indicated on the attached Manual Notice List.

I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on November 4, 2014.

s/ TRIG R. SMITH

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TRIG R. SMITH

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## Mailing Information for a Case 3:11-cv-00585-MO In re: Vestas Wind Systems A/S Securities Litigation

### Electronic Mail Notice List

The following are those who are currently on the list to receive e-mail notices for this case.

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### Manual Notice List

The following is the list of attorneys who are **not** on the list to receive e-mail notices for this case (who therefore require manual noticing). You may wish to use your mouse to select and copy this list into your word processing program in order to create notices or labels for these recipients.

- (No manual recipients)

**EXHIBIT A**

**ALAN MACDOUGALL, Managing Director, PIRC Limited**

**Alan MacDougall is Managing Director and founder of PIRC Limited (Pensions & Investment Research Consultants Limited). PIRC is the leading independent research & advisory consultancy providing services to institutional investors on corporate governance & corporate social responsibility in Europe. PIRC's clients range from public & private sector pension funds to leading asset management firms, trade unions & faith-based investor groups. Alan has experience as an adviser to pension fund trustees & through PIRC's activities, being recognised as a leading European corporate governance expert.**

**A past board member of the International Corporate Governance Network (ICGN) & the ICGN Cross Border Voting Committee, he was also a member of the UK Financial Services Authority Listings Review consultative committee. He served as a member of the investment curriculum working party of the UK Pensions Regulator. He also served on the Shareholder Voting Working Group, a City of London practitioner group formerly chaired by Lord Paul Myners (former Financial Services Minister in the UK Government Treasury team).**

**Alan is the European corporate governance advisor to the Robbins Geller Rudman & Dowd firm, the largest and most successful securities litigation firm in the US. He has participated in various securities litigation settlements focussing on corporate governance reforms on behalf of institutional investors in the UK & Europe.**

**PIRC is the research and engagement partner of the Local Authority Pension Fund Forum, the UK's leading public pension fund shareholder activist body, and is a member of the National Association of Pension Funds (NAPF) and the UK Social Investment Forum.**

**PIRC is regulated by the Financial Conduct Authority in the conduct of investment business.**

**EXHIBIT B**

## Statements

### About PIRC

PIRC has become a globally recognised independent expert in corporate governance. From a foundation of critical and comprehensive data, research and analysis, PIRC's services for asset owners and asset managers focus on capital stewardship for the long term investor. The maintenance of company capital, the effective exercise of shareowner rights and an active engagement in capital market reform are at the heart of the PIRC perspective.

The core of our business is the monitoring of companies on behalf of institutional shareowners. Our analysis of portfolio companies helps to underpin our clients' portfolio management process.

We also provide both voting and engagement services to our clients to facilitate and support the exercise of their shareowner rights including governance advice in the context of securities litigation

PIRC's global proxy research and voting recommendations are based on companies' public disclosures and other sources of information, such as direct engagement with companies and other stakeholders.

We also work with clients to help them take a strategic view on corporate governance and social responsibility at their portfolio companies, rather than just a snapshot at the time of a given company meeting.

From the PIRC perspective identifying and mitigating governance risk lies at the core of our comprehensive services. Our latest innovative service for clients is a Corporate Governance Risk Rating to more clearly identify where potential risks lie in their portfolio companies, to both inform portfolio construction and to facilitate focused company engagement.

PIRC clients have unique access to comprehensive data on public companies around the world. We work with clients developing unique individual services for them, drawing on our database.