



Wärtsilä Corporation

Annual report 2013

Governance

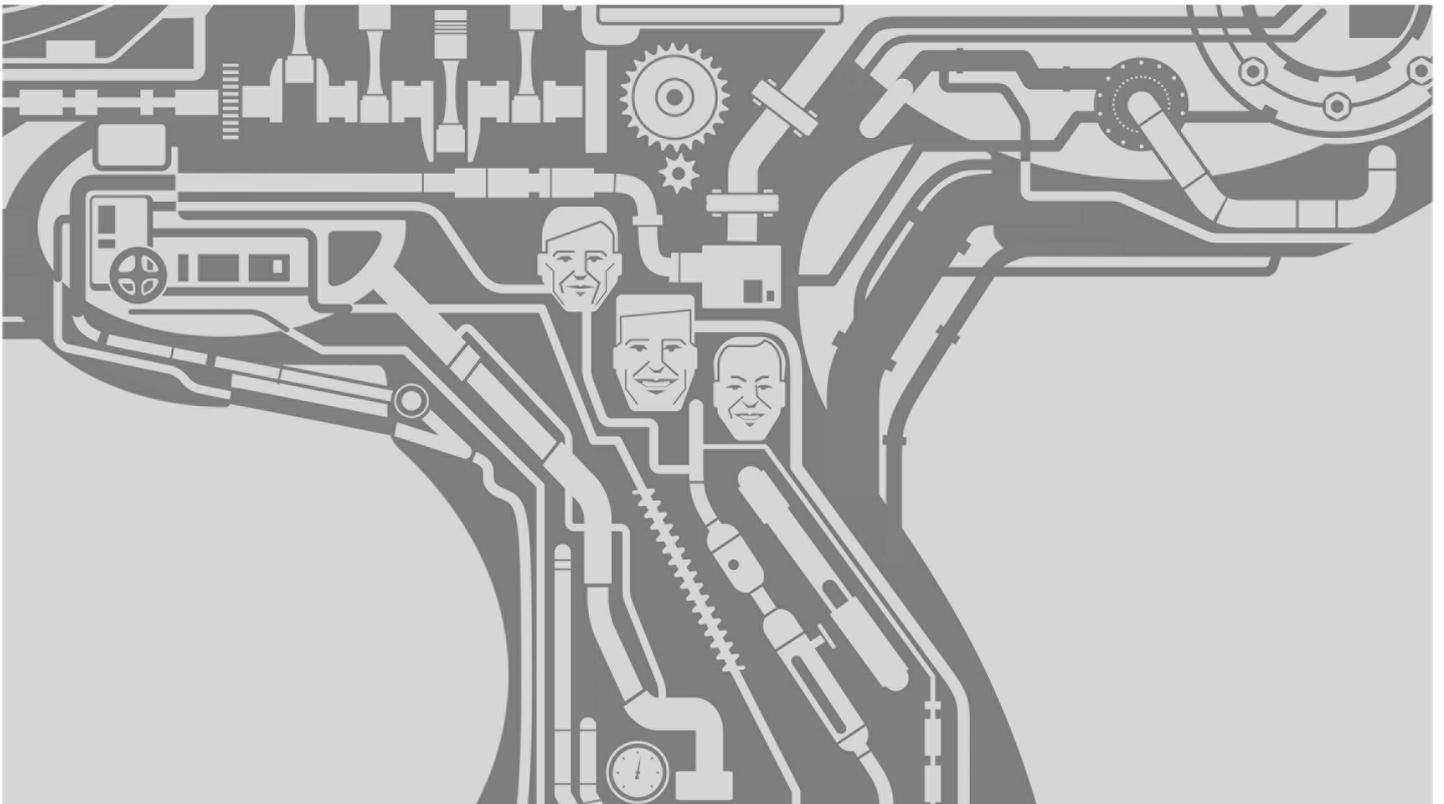


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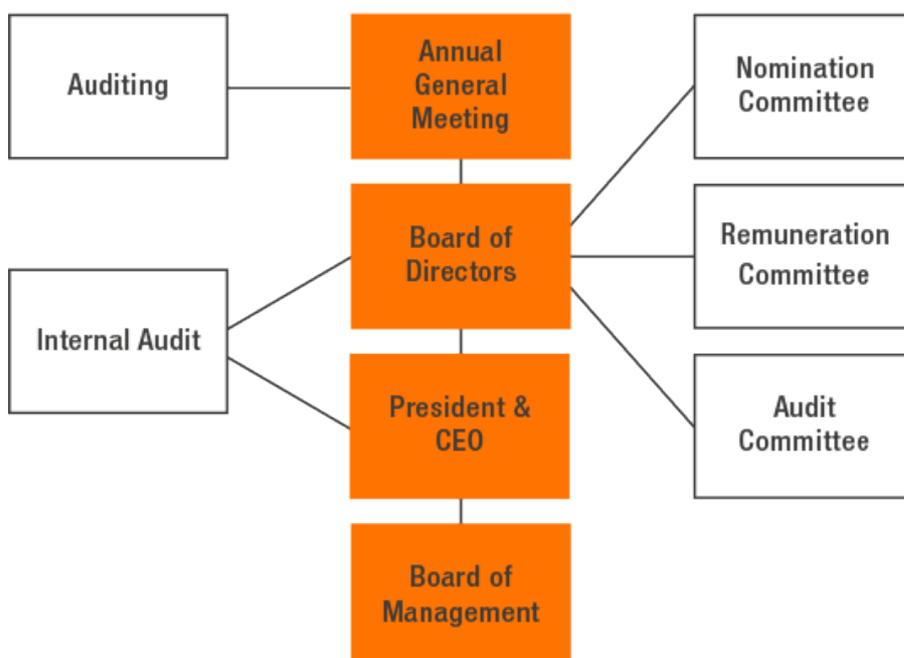
Wärtsilä Corporation complies with the guidelines and provisions of its Articles of Association, the Finnish Limited Liability Companies Act, and the rules and regulations of NASDAQ OMX Helsinki Stock Exchange. Wärtsilä also complies with the Corporate Governance Code 2010 issued by the Finnish Securities Market Association. The Code is publicly available on www.cgfinland.fi. Wärtsilä has not deviated from any of the Code's recommendations.

Wärtsilä's Corporate Governance Statement, prepared in accordance with recommendation 54 of the Finnish Corporate Governance Code, is also published as a separate statement on Wärtsilä's website as well as in this Annual Report. The content of this Corporate Governance section corresponds fully to Wärtsilä's Corporate Governance Statement. Wärtsilä's Audit Committee has reviewed the Corporate Governance Statement, and the company's external auditor has monitored the issuing of the statement and verified that the description of the main features of the internal control and risk management section, as related to the financial reporting process included in the statement, matches the Financial Statements.

Governing bodies

Wärtsilä implements a single-tier governance model, in which the management of the Wärtsilä Group is the responsibility of the General Meeting of shareholders, the Board of Directors, and the President and CEO. Their duties are for the most part defined by the Finnish Companies Act. The General Meeting of shareholders elects the Board of Directors and auditors. The Board of Directors is responsible for the strategic management of the company. The Board appoints the President and CEO, who is in charge of the operative, day-to-day management of the company. He is assisted in his work by the Board of Management.

Governing bodies



Annual General Meeting

Wärtsilä's ultimate decision-making body is the General Meeting of shareholders. It resolves issues as defined for General Meetings in the Finnish Companies Act and the company's Articles of Association. These include:

- approving the financial statements
- deciding on the distribution of dividends
- discharging the company's Board of Directors and CEO from liability for the financial year
- electing the company's Board of Directors and auditors and deciding on their remuneration

A General Meeting of Wärtsilä Corporation shareholders is held at least once a year, at no later than the end of June. If needed, the company may also hold an Extraordinary General Meeting. An invitation to the General Meeting is published in at least two daily newspapers in common circulation in Finland, as decided by the Board of Directors. The invitation shall be published no earlier than two months, and no later than three weeks, before the General Meeting. It shall, however, be published at least nine days prior to the shareholders' record date. Wärtsilä also publishes invitations to its General Meetings as stock exchange releases, as well as on its website, together with the documents and draft resolutions to be submitted to the General Meeting. The invitation to the General Meeting contains the proposed meeting agenda.

Shareholders have the right to add items falling within the competence of the Annual General Meeting to the meeting's agenda. The request must be submitted to the Board of Directors in writing well in advance of the meeting so that the item can be added to the Notice of the General Meeting. Wärtsilä publishes well in advance on the company website the date by which a shareholder shall notify the Board of Directors of his or her demand, and the address or email address to which it shall be sent. The demand is always deemed to have arrived in sufficient time if the Board has been notified of the demand at the latest four weeks before the delivery of the Notice of the General Meeting.

All shareholders registered by the record date in the company's list of shareholders maintained by Euroclear Finland Ltd have the right to attend the Annual General Meeting. Each share entitles the holders to one vote. The General Meeting is organised in such a manner that shareholders can participate in the meeting as extensively as possible. The Chairman of the Board of Directors and a sufficient number of members of the Board attend the General Meeting. A person proposed for the first time as a Board member is to participate in the General Meeting that decides on his or her election unless there are well-founded reasons for absence. The President & CEO and members of the Board of Management are also in attendance.

Annual General Meeting 2013

Wärtsilä's Annual General Meeting was held on 7 March 2013. A total of 1,330 shareholders representing 105,191,509 votes participated in person or by proxy. The Annual General Meeting approved the financial statements and discharged the members of the Board of Directors and the company's President & CEO from liability for the financial year 2012. The Meeting approved the Board of Directors' proposal to pay a dividend of EUR 1.00 per share. The dividend was paid on 19 March 2013. The minutes of the meeting and other related documents can be found on Wärtsilä's website www.wartsila.com > Investors > Governance > Shareholder meetings > [Annual General Meeting 2013](#).

The Board of Directors

Responsibility for the management of the company and the proper organisation of its operations is invested in the company's Board of Directors, which is composed of five to ten members. Board members serve for one year at a time and are elected by the General Meeting. According to the Corporate Governance Code's recommendation 14, the majority of board members shall be independent of the company and at least two of the members representing this majority shall be independent of significant shareholders of the company.

The proposal for board composition is included in the Notice of the General Meeting. The same applies to a proposal for the composition of the board made by shareholders with at least 10% of the votes carried by the company shares, provided that the candidates have given their consent to the election and the company has received information on the proposal sufficiently in advance as to be included in the Notice of the General Meeting. The candidates proposed shall be disclosed separately in corresponding order. Wärtsilä publishes the biographical details of the candidates for the board on its website in connection with publication of the Notice of the General Meeting.

The Board elects a chairman and a deputy chairman from among its members. The Board steers and supervises the company's operations and decides on policies, goals and strategies of major importance. The principles applied by the Board to its regular work are set out in the Board Charter. The Board has also approved the rules of procedure applied by the Board's committees setting out their main tasks and working principles. In addition to matters requiring its decision, the Board is also given updates at its meetings on the Group's operations, financial position and risks.

The Board conducts an annual self-evaluation of its operations and working methods. The purpose of this evaluation is to assess how the Board has executed its tasks during the year and to act as a basis for developing Board functions.

The Board of Directors convenes 7-10 times a year following a pre-determined schedule. In addition to these meetings, the Board convenes as necessary. All meetings are documented.

Board of Directors in 2013

As of 7 March 2013, the Board consisted of the following nine members: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh (deputy chairman), Mr Sune Carlsson, Mr Alexander Ehrnrooth, Mr Paul Ehrnrooth, Mr Mikael Lilius (chairman), Ms Gunilla Nordström, Mr Markus Rauramo and Mr Matti Vuoria.

Until 7 March 2013, the Board consisted of the following nine members: Ms Maarit Aarni-Sirviö, Mr Kaj-Gustaf Bergh, Mr Alexander Ehrnrooth, Mr Paul Ehrnrooth, Mr Lars Josefsson, Mr Mikael Lilius (chairman), Ms Gunilla Nordström, Mr Markus Rauramo and Mr Matti Vuoria (deputy chairman).

During 2013, the strategic development of Wärtsilä and its position in the growth markets was a major item on the Board's agenda. In addition to all other Board responsibilities, other matters on the agenda have been the monitoring of developments related to Wärtsilä's operational environment and financial position.

Independence of the Board of Directors

All nine Board members were determined to be independent of the company and five members were determined to be independent of significant shareholders. The four members determined to be dependent of significant shareholders are Mr Kaj-Gustaf Bergh, Mr Alexander Ehrnrooth and Mr Paul Ehrnrooth due to their positions on the Board of Directors of Fiskars Corporation, as well as Mr Sune Carlsson due to his position on the board of Investor AB. During 2013, Fiskars Corporation and Investor AB completed the legal combination

of their respective Wärtsilä ownership interests into a joint venture. When formed, the joint company Avlis AB and its wholly owned subsidiary Avlis Invest AB's total ownership was 42,948,325 or 21.77% of Wärtsilä's share capital and votes. Fiskars owned 59.7% of Avlis AB and Investor 40.3%.

Meeting attendance of the Board of Directors

During 2013, Wärtsilä's Board of Directors held 12 meetings. The average attendance of all directors was 97%.

Board member meeting participation in 2013

| | Number of meetings | % of meetings |
|-----------------------------------|--------------------|---------------|
| Mikael Lilius, Chairman | 11/12 | 92 |
| Kaj-Gustaf Bergh, Deputy Chairman | 12/12 | 100 |
| Maarit Aarni-Sirviö | 11/12 | 92 |
| Sune Carlsson | 10/10 | 100 |
| Alexander Ehrnrooth | 12/12 | 100 |
| Paul Ehrnrooth | 12/12 | 100 |
| Gunilla Nordström | 11/12 | 92 |
| Markus Rauramo | 12/12 | 100 |
| Matti Vuoria | 12/12 | 100 |
| Until 7 March 2013 | | |
| Lars Josefsson | 2/2 | 100 |

Responsibilities of the Board of Directors

The Board considers all the matters stipulated to be the responsibility of a board of directors by legislation, other regulations, and the company's Articles of Association. The most important of these are:

- the annual and interim financial statements
- the matters to be put before the General Meetings of shareholders
- the appointment of the President and CEO, the Executive Vice President and the CEO's deputy, if any
- the organisation of financial supervision within the company

The Board is also responsible for considering any matters that are so far-reaching with respect to the area of the Group's operations, that they cannot be considered to fall within the scope of the Group's day-to-day administration. Examples of such matters include:

- approval of the Group's strategic plan and long-term goals
- approval of the Group's annual business plan and budget
- decisions concerning investments, acquisitions or divestments that are significant or that deviate from the Group's strategy
- approval of product development projects and development programmes with strategic importance
- decisions to raise loans and the granting of security or similar collateral commitments when their size is significant

- approval of risk management principles
- the Group's organisational structure
- appointment of the company's Board of Management and approval of their remuneration and pension benefits
- monitoring and assessing the performance of the President and CEO
- approval of the company's management principles and steering systems
- appointment of the Board of Director's committees
- the granting of donations to good causes

Board of Directors CVs

Mikael Lilius



Independent of the company and significant shareholders. Chairman of the Board of Wärtsilä Corporation. Born 1949, B.Sc. (Econ.). Member of the Board of Wärtsilä Corporation since 2010, Chairman of the Board since 2011.

Primary working experience

Fortum Oyj, President and CEO, 2000-2009; Gambro AB, President and CEO, 1998-2000; Incentive AB, President and CEO, 1991-1998; KF Industri AB (Nordico), President & CEO, 1989-1991 and Huhtamäki Oy, President of the Packing Division, 1986-1989.

Other positions of trust

Metso Corporation, Mehiläinen Oy, Chairman of the Boards; Ambea AB, Evli Bank Ltd., Member of the Boards; Ab Kelonia Oy, Member of the Supervisory Board, East Office of Finnish Industries, Deputy Member of the Board.

Kaj-Gustaf Bergh



Independent of the company, dependent of significant shareholders due to a position on the Board of Directors of Fiskars Corporation. Born 1955, B.Sc., LL.M. Managing Director of Föreningen Konstsamfundet r.f. Member of the Board of Wärtsilä Corporation since 2008, Deputy Chairman of the Board since 2013.

Primary working experience

Skandinaviska Enskilda Banken, Member of management, 2000-2001; SEB Asset Management, Director; 1998-2000; Ane Gyllenberg Ab, Chief executive officer, 1986-1998; Oy Bensow Ab, Director, Executive vice president, 1985-1986; Ane Gyllenberg Ab, Administrative manager, 1984-1985 and Ky von Konow & Co, Administrative manager, 1982-1983.

Other positions of trust

Sponda Oyj, Finaref Group Ab, Fiskars Corporation, Ab Forum Capita Oy and KSF Media Holding Ab, Chairman of the Boards; Julius Tallberg Oy Ab, and Ramirent Group, Member of the Boards.

Relevant prior positions of trust

Board chairmanships: Ålandsbanken Abp 2011-2013 and Aktia Abp 2005-2009. Board membership: Stockmann Oyj Abp 2007-2013.

Maarit Aarni-Sirviö



Independent of the company and significant shareholders. Born 1953, M.Sc. (Tech.), eMBA. Secretary General of Directors' Institute of Finland – Hallitusammattilaiset ry; Managing Director of Boardview Oy; Senior Adviser at Eera Oy. Member of the Board of Wärtsilä Corporation since 2007.

Primary working experience

Mint of Finland Ltd., President and CEO 2008-2010; Borealis Group 1994-2008, several senior positions of which the most recent was Vice President BU Phenol 2001-2008; Vice President BU Olefins 1997-2001 in Copenhagen, Denmark and Neste Oy 1977-94.

Other positions of trust

Member of the Board of Directors' Institute of Finland – Hallitusammattilaiset rt; ecoDa (The European Confederation of Directors Associations), Member of the Board.

Relevant prior positions of trust

Board memberships: Rautaruukki Oy, 2005-2012; Ponsse Oy, 2007-2010 and Vattenfall AB, Sweden, 2004-2007.

Sune Carlsson



Independent of the company, dependent of significant shareholders due to a position on the Board of Directors of Investor AB. Born 1941, M.Sc. (Eng.). Vice Chairman of the Board of Investor AB. Member of the Board of Wärtsilä since 2013.

Primary working experience

AB SKF, President & CEO 1998-2003; ABB Ltd, Executive Vice President 1988-1998 and ASEA AB, Executive Vice President 1977-1988.

Other positions of trust

Atlas Copco AB, Chairman of the Board.

Relevant prior positions of trust

Board chairmanships: Stena AB, 2009-2011; Autoliv Inc, 2003-2011 and Scania AB, 2004-2006.

Alexander Ehrnrooth



Independent of the company, dependent of significant shareholders due to a position on the Board of Directors of Fiskars Corporation. Born 1974, M.Sc. (Econ.), MBA. President & CEO of Virala Oy Ab. Member of the Board of Wärtsilä Corporation since 2010.

Primary working experience

President & CEO of Virala Oy Ab 1995-.

Other positions of trust

Fiskars Corporation, Vice Chairman of the Board; Aleba Corporation and Belgrano Investments Oy, Chairman of the Board.

Relevant prior positions of trust

Board chairmanships: Oral Hammaslääkärit Oyj, 2006-2007; Turvatiimi Oyj, 2008-2010.

Paul Ehrnrooth



Independent of the company, dependent of significant shareholders due to a position on the Board of Directors of Fiskars Corporation. Born 1965, M.Sc. (Econ.). President & Chairman of the Board of Turret Oy Ab. Member of the Board of Wärtsilä Corporation since 2010.

Primary working experience

Savox Oy, President and CEO, 1999-2007; several management positions in Wärtsilä Corporation 1994-1999 and Kone Corporation 1993-1994.

Other positions of trust

Fiskars Corporation and Ixonos Oyj, Deputy Chairman of the Board; Savox Group, Chairman of the Board.

Gunilla Nordström



Independent of the company and significant shareholders. Born 1959, M.Sc. in Electronics, Industrial Marketing Management. President and CEO of Electrolux Major Appliances Asia/Pacific, based in Singapore, and Executive Vice President of Electrolux AB. Member of the Board of Wärtsilä Corporation since 2012.

Primary working experience

Senior management positions with Telefonaktiebolaget LM Ericsson and Sony Ericsson in Europe, Latin America and Asia, 1983-2007.

Other positions of trust

Member of the Board of Directors of Atlas Copco AB, Sweden.

Relevant prior positions of trust

Board memberships: Luleå University, Sweden 2007-2010 and Videocon Industries Limited, India 2009-2010.

Markus Rauramo



Independent of the company and significant shareholders. Born 1968, M.Sc. (Econ. and Pol. Hist.). Chief Financial Officer and Member of the Management team of Fortum. Member of the Board of Wärtsilä Corporation since 2011.

Primary working experience

Stora Enso Oyj Helsinki, CFO and Member of the GET 2008-2012; Stora Enso International London, SVP Group Treasurer 2004-2008; Stora Enso Oyj Helsinki, VP Strategy and Investments 2001-2004; Stora Enso Financial Services Brussels, VP Head of Funding 1999-2001 and Enso Oyj Helsinki, several financial tasks 1993-1999.

Other positions of trust

Oy Proselectum AB and Teollisuuden Voima Oyj, Member of the Boards.

Matti Vuoria



Independent of the company and significant shareholders. Born 1951, BA, LL.M. President & CEO of Varma Mutual Pension Insurance Company. Member of the Board of Wäertsilä Corporation since 2005.

Primary working experience

Full-time Chairman of the Board of Directors, Fortum Corporation 1998-2003; Secretary General, Ministry of Trade and Industry 1992-1998.

Other positions of trust

Sampo plc, Deputy Chairman of the Board; Stora Enso Oyj, The Federation of Financial Services and The Finnish Pension Alliance TELA, Member of the Boards; The Securities Market Association, Chairman of the Board.

Relevant prior positions of trust

Board memberships: Nordic Investment Bank, Danisco A/S, Orion Corporation and Nokian Tyres plc.

The Board's committees

The Board of Directors appoints annually an Audit Committee, a Nomination Committee and a Remuneration Committee, and may also nominate any other committees if considered necessary in its constitutive meeting following the Annual General Meeting. The Board appoints the members of these committees and their chairmen. The Board also has the right to remove a member from a committee. The members of each committee are appointed for the same term of office as the Board itself. In addition to the committee members, other Board members may participate in committee meetings, if they so wish. The purpose of the Board's committees is to prepare matters to be put before the Board for its decision. The committees have no decision-making authority of their own.

The Audit Committee

The Board of Directors appoints an Audit Committee to assist it in its work. The Board appoints from among its members at least three members to the Committee. These members shall have the qualifications necessary to perform the responsibilities of the Audit Committee.

The Board defines the duties of the Audit Committee in the charter confirmed for the Committee. The Audit Committee monitors the reporting process of financial statements, supervises the financial reporting process, and monitors the efficiency of the internal control, internal audit and risk management systems. Furthermore, the Committee reviews the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, monitors the statutory audit of the financial statements

and consolidated financial statements, evaluates the independence of the statutory audit firm, and prepares the proposal for resolution on the election of the auditor.

The Chairman of the Audit Committee convenes the Committee as required. He also reports the Committee's proposals to the Board of Directors and regularly reports to the Board on the Committee's meetings.

Audit Committee in 2013

Chairman Markus Rauramo, members Maarit Aarni-Sirviö and Alexander Ehrnrooth. All members are independent of the company and two members are independent of significant shareholders. The Audit Committee met 5 times in 2013. The average attendance of all Committee members was 100%.

The Nomination Committee

The Board of Directors appoints a Nomination Committee to assist it in its work. The Board appoints at least three of its members to serve on the Committee. The majority of the members of the Committee shall be independent of the company.

The Board defines the duties of the Nomination Committee in the charter confirmed for the Committee. The Committee communicates, as necessary, with major shareholders in matters concerning the appointment of the Board of Directors. The Nomination Committee can also, as necessary, prepare proposals to be put before the General Meeting concerning the appointment of Board members. The Nomination Committee prepares matters concerning the remuneration that applies to Board members.

The Chairman of the Nomination Committee convenes the Committee as required. He also reports the Committee's proposals to the Board of Directors and regularly reports to the Board on the Committee's meetings.

Nomination Committee in 2013

Chairman Mikael Lilius, members Kaj-Gustaf Bergh and Matti Vuoria. All members are independent of the company and two are independent of significant shareholders. The Nomination Committee met 2 times in 2013. The average attendance of all Committee members was 100%.

The Remuneration Committee

The Board appoints a Remuneration Committee to assist it in its work. The Board appoints at least three of its members to sit on the Committee. The majority of the members of the Committee shall be independent of the company.

The Board defines the duties of the Remuneration Committee in the charter confirmed for the Committee. The Remuneration Committee prepares, as necessary, matters concerning the nomination of the President and CEO, the CEO's deputy and other board of management members to be put before the Board. The Committee prepares proposals to be put before the Board of Directors concerning the incentive schemes and remuneration that apply to the President and CEO and the Board of Management members.

The Chairman of the Remuneration Committee convenes the Committee as required. He also reports the Committee's proposals to the Board of Directors and regularly reports to the Board on the Committee's meetings.

Remuneration Committee in 2013

Chairman Mikael Lilius, members Paul Ehrnrooth and Matti Vuoria. All members are independent of the company and two are independent of significant shareholders. The Remuneration Committee met 2 times in 2013. The average attendance of all Committee members was 100%.

Board member committee meeting participation in 2013

| | Audit Committee | Nomination Committee | Remuneration Committee |
|---------------------|-----------------|----------------------|------------------------|
| Mikael Lilius | - | 2 | 2 |
| Kaj-Gustaf Bergh | - | 2 | - |
| Maarit Aarni-Sirviö | 5 | - | - |
| Sune Carlsson | - | - | - |
| Alexander Ehrnrooth | 5 | - | - |
| Paul Ehrnrooth | - | - | 2 |
| Gunilla Nordström | - | - | - |
| Markus Rauramo | 5 | - | - |
| Matti Vuoria | - | 2 | 2 |
| Until 7 March 2013 | | | |
| Lars Josefsson | 1 | - | - |

Board of Management

The company's Board of Management comprises eight members: the President & CEO, the Senior Executive Vice President heading the Ship Power business, the Executive Vice Presidents heading the Power Plants and Services businesses, the Chief Financial Officer, and the Executive Vice Presidents heading the Communications & Branding, the Corporate Relations & Legal Affairs and Human Resources functions. Board of Management members are appointed by the company's Board of Directors, which also approves their remuneration and other terms of employment.

The Board of Management is chaired by the President & CEO. It considers strategic issues related to the Group and its businesses, as well as investments, product policy, the Group's structure and corporate steering systems, and it supervises the company's operations.

The Chief Financial Officer's main areas of responsibility include group control, treasury (including project and customer financing), taxation and process development, corporate planning, corporate real estate, and the information management support functions. The Executive Vice Presidents heading the businesses are each responsible for the sales volumes and profitability of their respective global businesses, employing the services of the Group's worldwide subsidiaries. The main areas of responsibility of the Executive Vice President, Corporate Relations & Legal are corporate relations and legal affairs, intellectual asset management and sustainability, as well as environmental and occupational health and safety. The Executive Vice President, Human Resources is responsible for people related processes. The main areas of responsibility of the Executive Vice President, Communications & Branding are external and internal communications, as well as branding. Information on the members of the Board of Management, their areas of responsibility and holdings can be found in the section [Board of Management CVs](#) and in the full [Governance statement](#).

The Board of Management in 2013

In 2013, the Board of Management met 14 times. The main issues addressed by the Board of Management included market development and business strategy, the growth and profitability of the company, as well as issues relating to developments regarding competitiveness and costs. Another focus area has been the further development of Wärtsilä's organisational structure and the implementation of organisational changes. The development of markets, the regulatory operating environment, order intake and production capacity, as well as supplier and other stakeholder relationships were also important matters addressed by the Board of Management. Other important considerations for the Board of Management included the development of the company's personnel and management resources worldwide. The Board of Management gave considerable attention to the integration of the acquired Hamworthy plc.

The President & CEO and the Senior Executive Vice President

The Board of Directors appoints a President for the Group who is also its Chief Executive Officer. The President & CEO is in charge of the day-to-day management of the company and its administration, in accordance with the company's Articles of Association, the Finnish Companies Act, and the instructions of the Board of Directors. He is assisted in this work by the Board of Management. The President & CEO's service terms and conditions are specified in writing in his service contract. The President & CEO of the company is Mr Björn Rosengren. The deputy to the President & CEO is Mr Jaakko Eskola, Senior Executive Vice President, Ship Power, following the retirement of the former deputy, Chief Financial Officer Mr Raimo Lind, on 31 July 2013.

Board of Management CVs

Björn Rosengren



President & CEO of Wärtsilä Corporation since 2011. Born 1959, M.Sc. (Tech.). Joined the company in 2011.

Primary working experience

Senior Executive Vice President Atlas Copco AB and Business Area President for Construction and Mining Technique 2002-2011; President of the Atlas Copco Rock Drilling Equipment division 2001-2002; President of the Atlas Copco Craelius division 1998-2001; GM of Nordhydraulic, Nordwin AB, Sweden 1995-1998; Various positions within ESAB Group 1985-1995.

Positions of trust

Danfoss A/S, Denmark, Member of the board.

Jaakko Eskola



Senior Executive Vice President and Deputy to the CEO since 2013. President, Ship Power since 2006. Born 1958, M.Sc. (Eng.). Joined the company in 1998.

Primary working experience

Wärtsilä Corporation, Vice President, Power Plants Sales & Marketing 2005-2006; Wärtsilä Development & Financial Services Oy, President 1998-2005; PCA Corporate Finance, Executive Director 1997-1998; National Banking Group, various managerial positions in international project finance 1986-1997; Industrialization Fund of Finland, Corporate Analyst 1984-1986; VTT Technical Research Centre of Finland, Researcher 1983-1984.

Positions of trust

ALMACO Group, Member of the Board; Finnish Marine Industries Association, Chairman of the Board.

Relevant prior positions of trust

European Marine Equipment Council (EMEC), President, 2008-2011.

Pierpaolo Barbone



President, Services & Executive Vice President since 1 October 2013. Born 1957, M.Sc. (Eng.). Joined the company in 1996.

Primary working experience

Wärtsilä Corporation, Vice President Services, South Europe & Africa January-September 2013; Wärtsilä Corporation, Vice President Services, Middle East & Asia 2010-2013; Wärtsilä Italia S.p.A., Executive Vice President 2000-2003; Ciserv Group, President 2001-2006; Wärtsilä Corporation, Vice President Field Service 1997-2009; Wärtsilä Italia S.p.A., Vice President Services 1997-2003; Fincantieri C.N.I. S.p.A., Isotta Fraschini diesel engines business unit, Sales manager 1989-1996.

Päivi Castrén



Executive Vice President, Human Resources since 2012. Born 1958, M.Sc. (Soc. Sc.). Joined the company in 2005.

Primary working experience

Wärtsilä Corporation, Vice President, Human Resources 2005-2011; Nokia Corporation, Director, Human Resources, Nokia Finland 2002-2005; Nokia Networks, HR Director 2000-2002; Nokia Networks, Networks Systems division, HR Director 1999-2000; Nokia Networks, HR manager 1995-1998; Valmet Paper Machinery, HR manager 1988-1995.

Positions of trust

Confederation of Finnish Industries, EK, Chairman of the Committee of Education, Work and Employment; Confederation of Technology Industries, Chairman of the Committee of Education and Employment; Wilhelm Wahlforss Foundation, Chairman of the Board; AinoActive Oy, Member of the Board.

Kari Hietanen



Executive Vice President, Corporate Relations and Legal Affairs since 2012, Company Secretary since 2002. Born 1963, LL.M. Joined the company in 1989.

Primary working experience

Executive Vice President, Human Resources and Legal Affairs, 2002-2011; Wärtsilä Power Divisions, Group General Counsel 2000-2002; Wärtsilä Diesel Group, General Counsel 1994-1999; Metra Corporation and Wärtsilä Diesel Group, Legal Counsel 1989-1994;

Positions of trust

German-Finnish Chamber of Commerce and Finnish-Korean Trade Association, Deputy Chairman of the Boards; East Office of Finnish Industries Ltd, Member of the Board; Confederation of Finnish Industries, Chairman of the Trade Policy Committee.

Atte Palomäki



Executive Vice President, Communications & Branding since 2008. Born 1965, M.Sc. (Pol.). Joined the company in 2008.

Primary working experience

Nordea Bank AB (publ.), Group chief press officer 2007-2008, Chief communication officer, Finland 2005-2006; Kauppalehti, Senior business correspondent 2002-2005; MTV3, Senior economic correspondent 2000-2002, News producer 1995-2000 and News anchor 1993-1995.

Positions of trust

Talentum Oyj, Member of the Board; Finnfacts, Member of the Advisory Board.

Vesa Riihimäki



President, Power Plants & Executive Vice President since 2009. Born 1966, M.Sc. (Eng.). Joined the company in 1992.

Primary working experience

Vice President, Power Plant Technology 2004-2009; General Manager, Electrical & Automation Systems 2002-2003; Wärtsilä Finland Oy, Design Manager Power Generation Systems 2000-2002, Wärtsilä NSD Finland Oy, Design Manager, Electrical Systems 1997-2000; Chief Design Engineer, Projects 1993-1997 and Wärtsilä Diesel Oy, Design Engineer, Projects 1992-1993.

Marco Wirén



Executive Vice President and Chief Financial Officer since 1 August 2013. Born 1966, M.Sc. (Econ.). Joined the company in 2013.

Primary working experience

SSAB, Executive Vice President and CFO 2008-2013; SSAB, Vice President Business control 2007-2008; Eitel Networks, CFO and VP Business Development 2002-2007; NCC, VP Business Development and Group Controller 1995-2001.

Lars Hellberg

President, PowerTech & Executive Vice President until 30 September 2013.

Raimo Lind

CFO, Senior Vice President and Deputy to the CEO until 31 July 2013.

Christoph Vitzthum

President, Services & Executive Vice President until 30 September 2013.

Corporate Management

The company's Corporate Management includes, in addition to the Board of Management, the following directors responsible for corporate functions:

Riitta Hovi

Deputy General Counsel, Corporate Legal Affairs
Born 1960, LL.M. MBA

Anu Hämäläinen

Vice President, Group Control
Born 1965, M.Sc. (Econ.)

Philip Maguire

Vice President, Group Quality
Born 1957, B.Sc. (Hons) in Electrical and Electronic Engineering

Johan Jägerroos

Vice President, Corporate Internal Audit
Born 1965, M.Sc. (Econ.)

Esa Kivineva

Chief Information Officer (CIO)
Born 1961, Ph.D. (Eng.)

Markus Pietikäinen

Vice President, Group Treasury & Financial Services
Born 1975, M.Sc. (Econ.)

Business Management teams

Each business head is supported by a Business Management team.

Power Plants

Vesa Riihimäki

President, Power Plants & Executive Vice President
Born 1966, M.Sc. (Eng.)

Tore Björkman

Vice President, Sales, Europe and Africa
Born 1957, B.Sc. (Mech. Eng.)

Minna Blomqvist

Vice President, Human Resources
Born 1969, M.Sc. (Eng.)

Frank Donnelly

Vice President, Sales, Americas
Born 1953, B.Sc. (Math.)

Jussi Heikkinen

Vice President, Marketing & Business Development
Born 1955, M.Sc. (Energy and Power Plant Technology)

Thomas Hägglund

Vice President, Power Plant Technology
Born 1962, M.Sc. (Eng.)

Antti Kämi

Vice President, Project Management
Born 1964, M.Sc. (Civil Eng.)

Caj Malmsten

Vice President, Finance & Business Control
Born 1972, M.Sc. (Econ.)

Markus Pietikäinen

Vice President, Group Treasury & Financial Services
Born 1975, M.Sc. (Econ.)

Rakesh Sarin

Vice President, Sales, Middle East and Asia
Born 1955, B.Sc. (Chemical Eng.)

Laura Susi-Gamba

Vice President, Legal Affairs
Born 1963, LL.M.

Niklas Åberg

Vice President, Quality Management
Born 1967, M.Sc. (Eng.)

Ship Power

Jaakko Eskola

President, Ship Power & Senior Executive Vice President and Deputy to the CEO
Born 1958, M.Sc. (Eng.)

Lars Anderson

Vice President, 4-stroke until 31 August 2013
Born 1968, B.Sc. (Mech. Eng.), MBA

Arjen Berends

Vice President, Finance & Control
Born 1968, MBA

Aaron Bresnahan

Vice President, Ship Power Sales
Born 1969, MBA & MA (Strategic Studies)

Per Hansson

Vice President, Strategy
Born 1967, M.Sc. (Eng.)

Roger Holm

Senior Vice President, 4-stroke as of 1 September 2013
Born 1972, M.Sc. (Econ.)

Sinikka Ilveskoski

Vice President, Legal & Contract Management
Born 1967, LL.M.

Timo Koponen

Vice President, Flow & Gas Solutions
Born 1969, M.Sc. (Econ.)

Juha Kytölä

Vice President, Environmental Solutions
Born 1964, M.Sc. (Eng.)

Arto Lehtinen

Vice President, Propulsion
Born 1971, M.Sc. (Eng.)

Magnus Miemois

Vice President, Solutions
Born 1970, M.Sc. (Eng.)

Minna Rahkamaa

Vice President, Human Resources as of 28 February 2013
Born 1968, M.Sc. (Econ.)

Mikael Simelius

Vice President, Marketing
Born 1964, M.Sc. (Econ.)

Martin Wernli

Vice President, 2-stroke
Born 1960, J.D. Attorney at Law

Services

Pierpaolo Barbone

President, Services & Executive Vice President as of 1 October 2013
Vice President, Area South Europe & Africa until 31 October 2013
Born 1957, M.Sc. (Min. Eng.)

Fred van Beers

Vice President, Area North Europe
Born 1962, B.Sc. (Merchant Eng.), B.Sc./BBA (BtB Marketing)

Peter Bjurs

Vice President, Finance
Born 1965, M.Sc. (Econ.)

Javier Cavada

Vice President, South Europe & Africa as of 1 November 2013
Born 1975, Ph.D. (Eng.)

Stefan Fant

Vice President, Contract and Project Management
Born 1955, B.Sc. (Mech.)

Tomas Hakala

Vice President, Area Americas
Born 1968, B.Sc. (Mech.)

Roger Holm

Vice President, Seals & Bearings until 31 August 2013
Born 1972, M.Sc. (Econ.)

Christer Kantola

Vice President, Solutions Management
Born 1952, B.Sc. (Mech.)

Michel Kubbinga

Vice President, Area Middle East & Asia
Born 1960, M.Sc. (Eng.)

Ralf Lindbäck

Vice President, Legal Affairs
Born 1958, LL.M.

Stefan Nysjö

Vice President, Delivery Management
Born 1970, B.Sc. (Mech.)

Philip Maguire

Vice President, Wäertsilä Group Quality
Born 1957, B.Sc. (Hons) in Electrical and Electronic Engineering

Nelli Paasikivi

Vice President, Strategy, QEHS & Operational Development
Born 1968, M.Sc. (Energy)

Sini Spets

Vice President, Human Resources
Born 1974, M.Sc. (Psychology)

PowerTech

Roger Holm

Head of PowerTech as of 1 October 2013
Senior Vice President, 4-stroke, Ship Power
Born 1972, M.Sc. (Econ.)

Hannu Mäntymaa

Vice President, Wärtsilä Operational Excellence
Born 1977, M.Sc. (Eng.)

Paolo Tonon

Vice President, Research & Development
Born 1970, M.Sc. (Eng.)

Sergio Razeto

Vice President, Product Centre 4-Stroke
Born 1950, M.Sc. (Eng.)

Stefan Damlin

Vice President, Finance & Business Development
Born 1968, M.Sc. (Econ.)

Kai Kamila

Vice President, Human Resources
Born 1960, M.Ed.

In the latter part of 2013 Wärtsilä initiated steps to integrate PowerTech into Ship Power's 4-stroke organisation. The new organisational set up became effective in the beginning of 2014.

Managing Directors of the subsidiaries

The Managing Directors of the Group's subsidiaries are responsible for ensuring that the local resources are correctly dimensioned to meet the needs of the businesses, that the subsidiary's personnel development needs are met, that the subsidiary's operations fulfill the requirements stipulated in the Group's quality system, that these operations comply with the respective country's legal requirements and with good business practice, and that communication in the subsidiary is conducted according to the targets of the Group.

Insider management

Wärtsilä complies with the legal provisions applying to the management of insiders, as well as the Guidelines for Insiders approved by NASDAQ OMX Helsinki Exchange for public listed companies and the stipulations and guidelines of the Finnish Financial Supervision Authority.

Wärtsilä's permanent insiders comprise the statutory insiders, i.e. the Board of Directors, the President & CEO, the Deputy to the CEO, the Principal Auditor, as well as the members of the Board of Management.

Certain members of the Corporate Management and other employees, as required by their duties, also belong to the company's own non-public insider register. When significant projects are at the preparation stage, the company also draws up insider registers for the projects concerned. Insiders are given written notification of their status as insiders as well as instructions on the obligations that apply to insiders.

The company's insiders are not permitted to trade in the company's shares for 14 days (however Wärtsilä recommends 30 days) prior to publication of the interim reports or the annual financial statements bulletin.

Wärtsilä's insider register is maintained by the parent company's legal affairs function, which is responsible for keeping the information updated. Information on the interests and holdings of the company's permanent insiders and related parties is available on Wärtsilä's website.

Audit

Internal

The Group's internal audit is handled by its Internal Audit unit, which reports to the President and CEO. The purpose of the Internal Audit is to analyse the company's operations and processes, as well as the effectiveness and quality of its supervision mechanisms. The internal auditor also participates, if necessary, in audits undertaken in conjunction with acquisitions and carries out special tasks when needed.

The Internal Audit function covers all of the company's organisational levels and subsidiaries. An internal audit is undertaken in the main subsidiaries on an annual basis, and in network companies at 3-year intervals. The Internal Audit function prepares an annual plan under which they independently audit different parts of the company, but it is also empowered to carry out special audits. The annual plan is approved by the Audit Committee, to which the Internal Audit function also reports at regular intervals. If required, the auditors also have the possibility to take direct contact with the Audit Committee or members of the Board of Directors.

External

The company has one auditor, which shall be an auditing firm authorised by the Central Chamber of Commerce. The auditor is elected by the Annual General Meeting to audit the accounts for the ongoing financial year, and its duties cease at the close of the subsequent Annual General Meeting. The auditor is responsible for auditing the consolidated and parent company financial statements and accounting records, and the administration of the parent company.

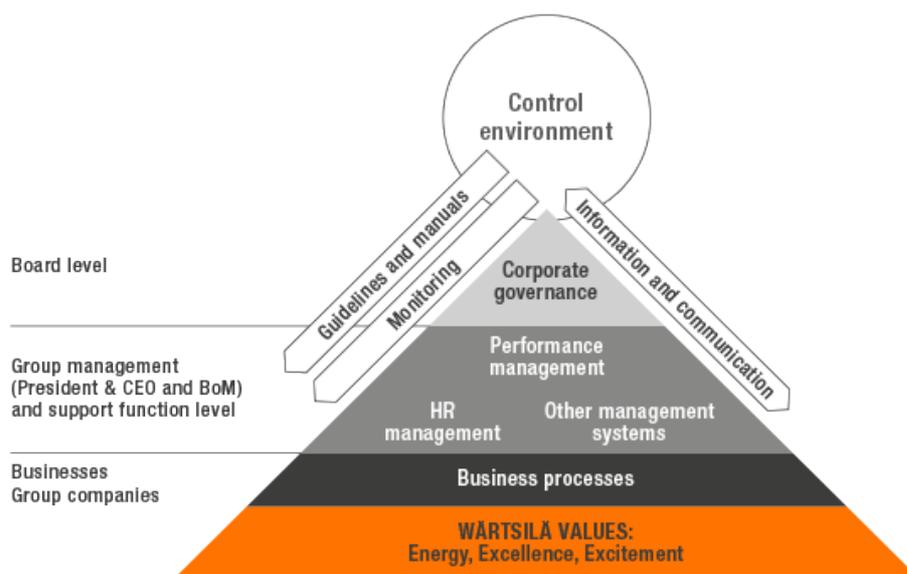
Following the closing of the annual accounts, the external auditor submits the statutory auditor's report to the company's shareholders and reports regularly also its findings to the Board of Directors' Audit Committee. An auditor, in addition to fulfilling general competency requirements, must also comply with certain legal independence requirements guaranteeing the execution of an independent and reliable audit.

Auditor in 2013

The Annual General Meeting appointed the firm of public auditors, KPMG Oy Ab, as Wartsilä Corporation's auditor for the year 2013. The lead partner was Virpi Halonen. Auditing fees paid to all the auditors of the Group companies amounted to EUR 2.7 million in 2013. Consultancy fees unrelated to auditing duties paid to the auditors totalled EUR 1.5 million. These latter fees mainly concerned consultation on taxation matters.

Internal control

Main components of Wartsilä's internal control



Wartsilä has defined its objectives for internal control according to the international COSO framework. Wartsilä defines internal control as a process implemented by Wartsilä's Board of Directors, the Management, the Boards of Directors of Group companies, and other personnel, which is designed to provide reasonable assurance regarding the achievement of objectives.

Internal control covers all the policies, processes, procedures and organisational structures within Wartsilä that help management, and ultimately the Board, to ensure that Wartsilä is achieving its objectives, that the business conduct is ethical and in compliance with all applicable laws and regulations, that the company's assets, including its brand, are safeguarded, and that its financial reporting is correct. Internal control is not a separate process or set of activities, but is embedded within Wartsilä's operations.

The system of internal control operates at all levels of Wartsilä. Wartsilä maintains and develops its internal control system with the ultimate aim of improving its business performance and, at the same time, of complying with laws and regulations in countries where it operates.

Performance management

Planning and target setting, an integral part of performance management in Wärtsilä, is a regular management activity and not part of Wärtsilä's internal control system. The establishment of objectives, however, is an important pre-requisite for internal control. Through the performance management process, financial and non-financial targets are set for Wärtsilä annually at the Group level. These Group level targets are then translated into targets for the Businesses, Group Companies, and eventually individuals.

The achievement of the annual targets is followed up through monthly management reporting. The performance of the Businesses and the achievement of the annual targets are reviewed on a monthly basis in the respective Management team meetings. The performance and the achievement of the targets of the Group and of the different Businesses are reviewed on a monthly basis by the Board of Management. The respective management teams and the Board of Management also address the reliability of Wärtsilä's financial reporting.

Wärtsilä's financial reporting is carried out in a harmonised way in all major Group Companies, using a single instance ERP system and a common chart of accounts. The International Financial Reporting Standards (IFRS) are applied throughout the entire Group. Wärtsilä's finance and control process is essential for the functioning of internal control. Adequate controls in the financial management and accounting processes are needed to ensure the reliability of financial reporting.

The Board of Directors regularly assesses the adequacy and effectiveness of Wärtsilä's internal controls and risk management. It is also responsible for ensuring that the internal control of accounting and financial administration is arranged appropriately. The Audit Committee of Wärtsilä Corporation's Board of Directors is responsible for overseeing the financial reporting process. The Group Finance & Control function is responsible for notifying relevant levels of management regarding deviations from plans, analysing the underlying reasons, and suggesting corrective actions. Group Finance & Control supports the Businesses in decision-making and analysis to ensure the attainment of financial targets. It maintains and develops the company's performance management processes, so that the management at different levels of the organisation is able to receive timely, reliable and adequate information regarding the achievement of the organisation's objectives. In addition, it is responsible for developing the financial reporting processes and respective controls.

Legal and compliance management

Legal and compliance management practices and processes occupy a central role in Wärtsilä's system of internal control. It is Wärtsilä's policy to act in accordance with the applicable laws and regulations in all countries where it operates.

Legal and compliance management acts predominantly in a proactive manner. Legal Affairs supports the President & CEO and the divisions in analysing and making decisions on matters involving contract policy, risk management and regulatory considerations. Another key activity is to lead compliance management and strengthen and ensure the culture of appropriate conduct and behaviour, both internally and in external business transactions. Compliance management is based on the Code of Conduct and relevant group level policies and directives. Company-wide control mechanisms and processes are a part of the overall internal control system.

HR management

Human resource management practices and processes play an active role in Wärtsilä's system of internal control. Wärtsilä's key human resource management processes with respect to internal control are compensation and benefits, HR development, recruitment and resourcing management, individual performance management, as well as processes for collecting employee feedback. The HR function is

responsible for maintaining and developing Wärtsilä's HR processes to enable effective internal control, also at the individual level.

Other management systems

The Board of Management is responsible for developing and implementing Wärtsilä's management system, continuously improving its performance, and ensuring that it operates effectively. The Wärtsilä management system covers all global processes and management procedures within Wärtsilä related to fulfilling customer requirements. The proper functioning of the management system highlighted below ensures, for their part, the attainment of Wärtsilä's internal control objectives.

Quality

The quality of Wärtsilä's solutions, and thus also quality management, is a top priority for Wärtsilä. Compliance with Wärtsilä's Quality Management System ISO 9001:2000 is compulsory throughout the Group, and compliance with the system is rigorously monitored.

Sustainability

Wärtsilä is strongly committed to sustainability. Wärtsilä's vision, mission and values, together with a solid financial performance, form the basis for sustainable development within Wärtsilä. Furthermore, significant attention is paid to the social and environmental sustainability of Wärtsilä's operations. Environmental, and occupational health and safety management systems, are in use globally to further develop performance.

Risk management

Internal control within Wärtsilä is designed to support the company in achieving its targets. The risks related to the achievement of targets need to be identified and evaluated in order for them to be managed. Thus, the identification and assessment of risks is a pre-requisite for internal control within Wärtsilä. Wärtsilä's internal control mechanisms and procedures provide management assurance that the risk management actions are carried out as planned.

Wärtsilä has defined and implemented entity level and process level control activities, as well as information system controls. Control activities at different levels are needed to directly mitigate risks at the respective levels. Wärtsilä's risk management processes consist of Group-wide risk assessment and management processes, as well as project-specific risk assessments and project risk management. The Group-wide risk assessment process results in the creation of action plans for the identified and prioritised risks.

Each Business reports its main risks to the Board of Management of Wärtsilä, which also follows up the execution of the defined risk management action plans on a regular basis. The Board of Directors of Wärtsilä Corporation is responsible for defining the Group's overall level of risk tolerance, and for ensuring that Wärtsilä has adequate tools and resources for managing risks. The President & CEO, with the assistance of the Board of Management, is responsible for organising and ensuring risk management in all of Wärtsilä's operations. Business management is responsible for defining action plans for managing the most important risks.

Wärtsilä's most important strategic, operative and financial risks can be found in the [Risks and risk management section](#).

Information management

Information management plays a key role in Wärtsilä's internal control system. Information systems are critical for effective internal control as many of the control activities are programmed controls.

Values and the control environment

The foundation of Wärtsilä's internal control system is its values: Energy, Excellence and Excitement. Wärtsilä's values are reflected in its day-to-day relations with its suppliers, customers and investors, and also in Wärtsilä's internal guidelines, policies, manuals, processes and practices. The control environment sets the tone for internal control in Wärtsilä, influencing the control awareness of its people. It provides discipline and structure for all the other components of internal control. The elements of Wärtsilä's control environment are included in the corporate culture, the integrity, ethical values and competence of Wärtsilä's personnel, as well as the attention and direction provided to the personnel by the Board of Directors of Wärtsilä. Wärtsilä's values and control environment provide Wärtsilä's Board of Directors and Management the basis for reasonable assurance regarding the achievement of the objectives for internal control. The President & CEO and the Board of Management define Wärtsilä's values and ethical principles (reflected in the Code of Conduct), and set an example for the corporate culture, which together create the basis for the control environment. They are, together with Business management, responsible for communicating Wärtsilä's values to the organisation.

Business processes

The controls embedded in Wärtsilä's business processes have a key role in ensuring effective internal control in the company. Controls in the business processes help ensure the achievement of all the objectives of internal control within Wärtsilä, especially those related to the efficiency of operations and safeguarding the company's profitability and reputation. Business management is responsible for ensuring that in their area of responsibility, the defined Group level processes and controls are implemented and complied with. Where no Group level processes and controls exist, Business management is responsible for ensuring that efficient Business level processes with adequate controls have been described and implemented.

Guidelines and communication

Guidelines and manuals

The components of Wärtsilä's internal control system, including for example, corporate governance, the management system, the performance management process, as well as the business and other processes, are described in various guidelines and manuals. The key Group level policies and guidelines are compiled in Wärtsilä's Corporate Manual. Wärtsilä's Group level Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied in all Wärtsilä Group companies. The manual supports the achievement of the objectives regarding the reliability of Wärtsilä's financial reporting. Wärtsilä's Group level policies, and any changes to them, shall be approved by a member of the Board of Management.

In addition to the Group level guidelines and manuals, the Businesses have issued related guidelines and instructions for their own, specific purposes. The Business level guidelines and manuals are aligned with, and do not contradict, the Group level guidelines and manuals.

Information and communication

An effective internal control system needs sufficient, timely and reliable information to enable the management to assess achievement of the company's objectives. Both financial and non-financial information is needed, relating to both internal and external events and activities. Informal means by which employees can provide feedback to management, and to communicate suspected misconduct (e.g. directly to the Compliance, Legal Affairs or Internal Audit function) are used. All external communications are carried out in accordance with the Group Communications Policy.

Monitoring

Monitoring is a process that assesses the quality of Wärtsilä's system of internal control and its performance over time. Monitoring within Wärtsilä is performed both on an ongoing basis, and through separate evaluations that include internal, external and quality audits. Business management is responsible for ensuring that relevant laws and regulations are complied with in their respective responsibility areas. Wärtsilä's management in turn performs monitoring as part of its regular supervisory activities. The Audit Committee of the Board of Directors assesses and assures the adequacy and effectiveness of Wärtsilä's internal controls and risk management.

The Internal Audit function assists the Audit Committee in assessing and assuring the adequacy and effectiveness of Wärtsilä's internal controls and risk management by performing regular audits of Group legal entities and support functions according to its annual plan. Wärtsilä's external auditor and other assurance providers, such as quality auditors, conduct evaluations of Wärtsilä's internal controls. The Group Finance & Control function oversees the financial reporting processes and controls to ensure that they are being followed. It also monitors the correctness of all external and internal financial reporting. The Legal and compliance function monitors the adherence to the compliance policies of the group. The external auditors verify the correctness of the external annual financial reports.

Salary and remuneration report 2013

Remuneration of the Board of Directors

The Annual General Meeting decides annually on the fees to be paid to the members of the Board of Directors for one term of office at a time.

The Annual General Meeting approved the following fees to the members of the Board of Directors for 2013:

- to the ordinary members EUR 60,000/year
- to the deputy chairman EUR 90,000/year
- to the chairman EUR 120,000/year

Roughly 40% of the annual fee is paid in Wärtsilä shares. In addition, each member will be paid EUR 400/board meeting attended, the chairman's meeting fee being double this amount. Each member of the Nomination Committee and the Remuneration Committee will be paid EUR 500/committee meeting attended and each member of the Audit Committee will be paid EUR 1,000/committee meeting attended, the chairman's meeting fee being double these amounts. The nine members of Wärtsilä's Board of Directors

were paid altogether EUR 702,500.00 for the financial period that ended on 31 December 2013. The Board's members were not covered by the company's incentive schemes.

Fees paid to the Board of Directors (thousands of euros)

| Board of Directors | Attendance fees | | Yearly fees | | Total | |
|-----------------------------------|-----------------|------|-------------|------|-------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Mikael Lilius, Chairman | 12 | 18 | 120 | 120 | 132 | 138 |
| Kaj-Gustaf Bergh, Deputy Chairman | 6 | 10 | 90 | 60 | 96 | 70 |
| Maarit Aarni-Sirviö | 8 | 8 | 60 | 60 | 68 | 71 |
| Sune Carlsson | 4 | 0 | 60 | 0 | 64 | 0 |
| Alexander Ehrnrooth | 9 | 11 | 60 | 60 | 69 | 71 |
| Paul Ehrnrooth | 6 | 8 | 60 | 60 | 66 | 68 |
| Gunilla Nordström | 4 | 2 | 60 | 60 | 64 | 62 |
| Markus Rauramo | 14 | 17 | 60 | 60 | 74 | 77 |
| Matti Vuoria | 6 | 8 | 60 | 90 | 66 | 98 |
| Until 7 March 2013 | | | | | | |
| Lars Josefsson | 2 | 10 | 0 | 60 | 2 | 70 |

Fees paid in Wärtsilä shares in 2013

| Board of Directors | No. of shares |
|-----------------------------------|---------------|
| Mikael Lilius, Chairman | 1 281 |
| Kaj-Gustaf Bergh, Deputy Chairman | 960 |
| Maarit Aarni-Sirviö | 640 |
| Sune Carlsson | 640 |
| Alexander Ehrnrooth | 640 |
| Paul Ehrnrooth | 640 |
| Gunilla Nordström | 640 |
| Markus Rauramo | 640 |
| Matti Vuoria | 640 |

Board of Directors' share ownership in Wärtsilä on 31 December 2013

| Board of Directors | No. of shares |
|---|---------------|
| Mikael Lilius, Chairman | 14 451 |
| Change in 2013 | 1 281 |
| Kaj-Gustaf Bergh, Deputy Chairman | 6 742 |
| Change in 2013 | 960 |
| Maarit Aarni-Sirviö | 7 830 |
| Change in 2013 | 640 |
| Sune Carlsson | 640 |
| Change in 2013 | 640 |
| Alexander Ehrnrooth | 3 854 |
| Change in 2013 | 640 |
| Paul Ehrnrooth | 3 828 |
| Change in 2013 | 640 |
| Paul Ehrnrooth, through controlled corporations | 730 000 |
| Change in 2013 | 0 |

| | |
|-------------------|--------|
| Gunilla Nordström | 1 443 |
| Change in 2013 | 640 |
| Markus Rauramo | 2 554 |
| Change in 2013 | 640 |
| Matti Vuoria | 12 026 |
| Change in 2013 | 640 |

Remuneration of the President & CEO and the Board of Management

The remuneration paid to the President & CEO and other members of the Board of Management, and the principles underlying it, are determined by the Board of Directors. The remuneration paid to the President & CEO and to the other members of the Board of Management consists of a monthly salary and a bonus. The Board of Directors determines on a yearly basis the terms for the bonus payment. The bonus payments for the President & CEO and the Board of Management are paid based on the achievement of the company's profitability and other financial targets for the financial year. The variable salary can be at most 43% of the maximum total salary for the President & CEO and one third of the maximum total salary for the other members of the Board of Management. Additionally, the Group has a long-term incentive scheme for senior management tied to the development of the company's share price.

The President & CEO is eligible to take retirement upon reaching the age of sixty. His pension scheme is determined according to a defined contribution based system. The retirement pension contribution is a relative part of his annual salary. Remuneration paid to the President & CEO if dismissed by the company corresponds to 18 months' salary plus a six months' period of notice salary.

The members of the Board of Management have a company specific pension scheme. The optional retirement age of certain Board of Management members is sixty years. Additional pension schemes are based on the retirement scheme of the national social security system to which the person in question belongs and is either defined benefit or defined contribution based.

Financial benefits of President & CEO Björn Rosengren:

- Salary and other short term benefits 2013: EUR 660 thousand
- Bonuses 2013: EUR 300 thousand
- Bonus schemes based on share price development: 138 thousand
- Optional retirement age: 60
- Period of notice: 6 months
- Compensation paid if dismissed by the company: 18 months' salary + 6 months' period of notice salary

Further information on Board of Management remuneration can be found in the Consolidated Financial Statements, [Note 27 Related party disclosures](#).

Board of Management's share ownership in Wärtsilä on 31 December 2013

| Board of Management | No. of shares |
|---------------------|---------------|
| Björn Rosengren | 6 000 |
| Change in 2013 | 0 |
| Jaakko Eskola | 0 |
| Change in 2013 | 0 |

| | |
|-------------------|-----|
| Pierpaolo Barbone | 0 |
| Change in 2013 | 0 |
| Päivi Castrén | 0 |
| Change in 2013 | 0 |
| Kari Hietanen | 144 |
| Change in 2013 | 0 |
| Atte Palomäki | 600 |
| Change in 2013 | 0 |
| Vesa Riihimäki | 0 |
| Change in 2013 | 0 |
| Marco Wirén | 0 |
| Change in 2013 | 0 |

Monthly updated information on shares held by the President & CEO and other members of the Board of Management can be found on Wärtsilä's website at www.wartsila.com.

Incentive schemes

The Board of Directors determines the incentive schemes for the President & CEO and other members of the Board of Management and the principles underlying them. The Board of Directors also decides on other possible long-term incentive schemes for senior management, unless they are by law determined by the Annual General Meeting. The Board of Management decides on bonus schemes for other directors and managers.

Short-term management incentive schemes

The Group operates a bonus scheme, which is implemented globally in all Businesses. The bonus is based on the Group's profitability and agreed personal targets. Close to 2,000 directors and managers are covered by this bonus scheme.

The Group's white- and blue-collar employees are covered by various bonus or profit-based incentive schemes. These are applied in each country according to that country's legislation, or to agreements concerning profit-sharing schemes. All in all, some 65% of the company's employees are covered by the Group's bonus schemes and various other profit-related incentive schemes.

Long-term incentive scheme

The Board of Directors has decided on a long-term bonus scheme for senior management tied to the development of the company's share. The yearly bonus scheme applies to approximately 100 directors. The size of the bonus is based on the share price development during a pre-determined timeframe, and an upper limit is set for the bonus. The bonus scheme takes into account 50% of the dividends paid.

The 2010 bonus scheme came to a close at the end of 2012 and was paid in April 2013.

The 2011 bonus scheme comprises 1,765,250 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 23.34. The bonus cannot exceed EUR 10.00 per bonus right and it takes into account 50% of dividends paid. The 2011 bonus scheme will be due for payment in February 2015. Members of the Board of Management are obliged to use one third of the possible bonus payment to acquire Wärtsilä shares.

The 2012 bonus scheme comprises 1,979,000 bonus rights. The bonus payment is based on the share price development during a three-year period on the basis of a share price of EUR 33.28. The bonus cannot exceed EUR 10.00 per bonus right and it takes into account 50% of dividends paid. The 2012 bonus scheme

will be due for payment in February 2016. Members of the Board of Management are obliged to use one third of the possible bonus payment to acquire Wärtsilä shares.

Risks and risk management

Wärtsilä, such as any company, is exposed to risk through the normal course of its activities. No business can be conducted without accepting a certain level of risk, and any expected gain from a business activity is to be assessed against the risk that activity involves.

The purpose of risk management is to ensure that we are able to effectively execute our strategy and to reach our targets, in the short term as well as over the long run. The key is to identify the risks that have the potential to restrain us from reaching our goals, and thereafter to determine whether those risks are within the limits of our risk appetite. In any case, actions need to be taken to avoid, mitigate, transfer, or to purely monitor the risk. For this purpose our structured risk management process offers a set of reactive, proactive, protective, and preventive tools that are used not only to protect us against threats, but also to turn some of the risks into opportunities.

Risks can only be managed if they are identified and understood in advance, and plans have been made to manage them. Therefore, risk management is a central part of Wärtsilä's strategic and operational management.

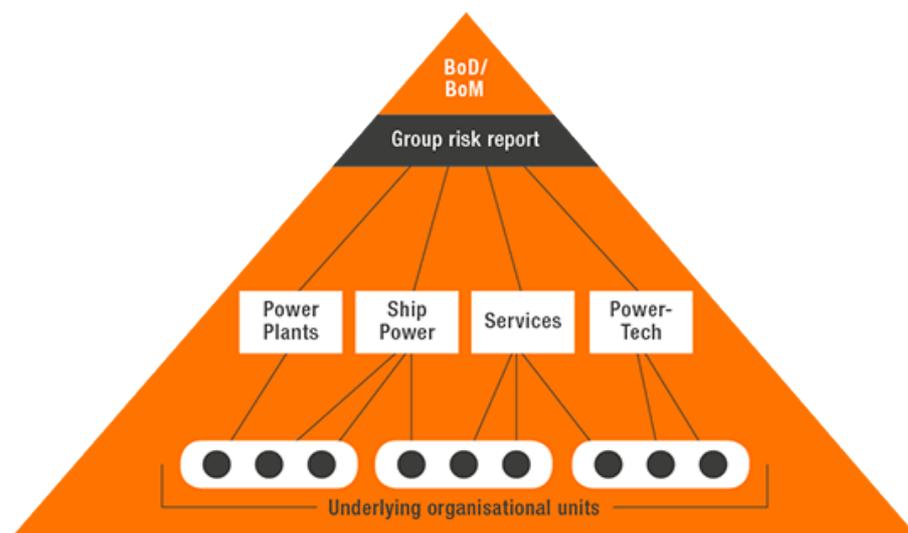
Risk management principles

Risk management at Wärtsilä is a continuous process of analysing and managing all the opportunities and threats faced by the company in its efforts to achieve its goals, and to ensure the continuity of the business. The basis for risk management is the lifecycle quality of Wärtsilä's operations and products, and the continuous, systematic, loss-prevention efforts at all levels of the Group based on the principle "everybody is responsible". In the long-term this is the only way to reduce the total risk related costs.

The Board of Directors and the Board of Management decide and give guidelines on strategic matters. The Businesses are responsible for achieving their set strategic goals and for mitigating and managing their risks. The Corporate Risk Management function is part of Group Treasury, which reports to the CFO. The function is responsible for the risk reporting process and conducting risk assessments with the Businesses, as well as with their underlying organisation. It co-ordinates risk management activities within the Group, reviews the business risk profile, prepares the risk management policy, and co-operates with the Businesses in the implementation of risk mitigation work. Furthermore, it develops and manages global and local insurance schemes for insurable risks.

The Audit Committee reviews and assesses the adequacy of this risk management. The Internal Audit function is responsible for reviewing the risk management process on an annual basis.

Risk reporting



Risk mitigation actions are decided in the normal course of business. At its meetings, the Board of Management conducts annual Management Reviews for each Business, including their risks and risk mitigation. The risk maps of the Group and all Businesses are then presented within the Finance Management Review prior to the budgeting round in the autumn.

The risks are identified as being either internal or external, they are quantified in euro, and their probabilities are estimated. The Group risk report is then prepared and presented to the Board of Directors.

Risk management is part of the Businesses' management process and risk management has been integrated into the Business Management teams' agenda. The Businesses are accountable for organising and reporting on risk management from their underlying geographical business areas, business lines and product centres. All follow-up actions are also the Businesses' responsibility.

Risk categories

Wärtsilä defines risk as the effect of uncertainty on our objectives. A failure to capitalise upon an opportunity is also recognised as a potential risk. The magnitude of a risk is determined based on the combination of the probability and the loss exposure of the occurrence. The relevant risks for Wärtsilä have been classified under four categories: strategic, operational, hazard, and financial risks. The outcome or potential loss expectancy is highest with strategic and operational risks and lowest with hazard and financial risks.

Risk radars are used to map the primary risks within the risk categories. Through annual risk assessment workshops between the Businesses and the Corporate Risk Management function, Business specific risk radars are generated for the use and evaluation of the Business Management teams, and are reviewed and updated on a regular basis by them. The Business specific radars are consolidated into a single Group Risk Radar, which is presented to the Board of Directors and the Audit Committee once a year. The purpose is to facilitate the discussion on risk and to give a quick overview of where priorities should lie in terms of risk management. In the next chapters Wärtsilä's current strategic, operational, and hazard risks are discussed in more detail. Financial risks are presented in the notes to the financial statements, [note 31](#).

Risk radar



Strategic risks

Strategic risk assessment is part of the strategic planning process within the Group. At Wärtsilä, strategic risks are defined as being such that they have a potential for imposing a long-term impact on the business.

Business environment risks

The business cycles in the global economy, and in customers’ industries, influence the demand for Wärtsilä’s products, as well as our financial condition and operating result. The flexible multi-product manufacturing model based on capacity outsourcing, together with a stable business mix with a large share of sales deriving from Services, brings Wärtsilä certain stability in a cyclical market. Important economic matters that indirectly affect Wärtsilä, its clients, and suppliers include inter alia, the liquidity and solvency of financial institutions - and thus not only their capability, but also their willingness to extend credit, the counter cyclical stimulus programmes adopted by governments - especially in the power and infrastructure sectors, the enhanced activities of multilateral institutions such as the IFC, the availability of export credit schemes and guarantees, and other such factors. However, Wärtsilä’s relatively large order book gives the company time to adapt to market conditions.

The implementation of environmental regulations is important for Wärtsilä’s future growth potential. Therefore, possible changes in the legislation timeline and scope are actively monitored.

Market and customer risks

In the Power Plants business, lower than expected GDP growth resulted in a decline in market activity during 2013. Macro-economic volatility and significant exchange rate fluctuations in emerging market currencies caused delays in investment decisions. In general, the non-OECD markets remained more active, but in the OECD countries slow growth continued to impact demand. Power Plants has three customer segments: industrial customers, IPPs and utilities. All customer types were represented in the order intake profile, but the share of industrial customers declined compared to the long-term average. Orders were received from all geographic markets.

Market activity in the shipping and ship building industry improved during 2013. However, the business environment remains challenging, and concerns over the global economy continue to cause uncertainty. Although the merchant shipping sector in general still suffers from overcapacity, competitive newbuilding prices and the increased fuel efficiency of modern vessels supported investments in merchant vessels. Contracting in the offshore industry and in various areas of specialised tonnage remained active. The shipbuilding market is dominated by Asian yards in South Korea and China. In addition, Brazil is an important market for Wärtsilä's offshore segment. Wärtsilä is well represented in all the major shipbuilding areas and is active in all the main vessel segments. This mitigates both single customer related, and geography related risks. The Ship Power market still continues to bear some consequences of the financial crisis. This, combined with the overcapacity in the shipping markets, is currently one of the major obstacles to a full recovery.

The Services business remained stable during 2013, and its mid- and long-term activities are expected to grow in line with the development of the existing installed base, as well as with general global economic developments. However, the prevailing conditions of the marine market segment continue to be challenging. Wärtsilä has more than ten thousand individual customers engaging in service and spare part sales annually, and the current active engine base is 182,000 MW. Thanks to this, dependency on any single customer or customer segment is minor.

During the last few years, Wärtsilä has increased its focus on credit management processes to better manage the increasing risks resulting from higher leverage and decreasing profitability in certain customer segments. Exposure to individual customers is limited, but an industry-wide impact might also affect the profitability of Wärtsilä's Services business.

Competitive situation and price risk

In the liquid fuels based power plant market, Wärtsilä's main competitors are MAN Diesel, Caterpillar (MAK), and Rolls-Royce. In natural gas based power generation, the main competitors are gas turbine manufacturers, such as GE and Siemens. During the first half of 2013, the overall market size of the natural gas and liquid fuel based power plants declined significantly. In this challenging market environment, Wärtsilä's market share increased to 5.8%. Wärtsilä's success in the market can be attributed to its flexible power generation solution, which can be used in a wide range of different applications and power plant sizes.

For Ship Power, price competition has continued to be intense. The competitive landscape remained largely unchanged in 2013. The most significant competitors in main engines markets are MAN Diesel, Caterpillar (MAK), and Hyundai Heavy Industries (HiMSEN). Wärtsilä has a strong position in medium-speed engines with a 52% market share in 2013. In low-speed and auxiliary engines Wärtsilä's market share was 10% and 4% respectively. In propulsion equipment, the competition is more fragmented and varies by product category. One of the main competitors for these products is Rolls-Royce. In environmental solutions, as well as in flow and gas products, the markets are very fragmented. Alfa Laval is one of the competitors in these product areas. The concept of selling packaged solutions, rather than only single products, reduces price volatility. The strategic move to becoming a systems integrator with automation and ship design capability has proven to be very important in the competition for new projects with larger and more value-added

scopes. However, larger projects may increase variations in business volume, depending on the timing of the projects.

In the Services business, Wärtsilä has no direct competitors capable of offering a similar portfolio of services from a single source. Excluding the networks of other engine manufacturers, there are few global players in the service market. Increased pressure on operating expenditure, especially in the marine merchant sector, can lead to a further increase in competition for service in that particular segment. Price competition continues to be present, especially among specific customer groups and application types. The size of this group has, however, not changed to any large degree.

Political and legislative risks

Wärtsilä is present in over 200 locations in nearly 70 countries and has delivered power plants to more than 169 countries. Political developments and changes in legislation can have a significant impact on Wärtsilä's business. Wärtsilä actively monitors political and legal developments in its markets, and engages in dialogue with various official bodies on projects of importance to Wärtsilä's operations. Much of this engagement takes place through interest groups and trade organisations. The company monitors political and legislative changes at both the corporate and subsidiary levels.

Climate change and sustainability risks

Wärtsilä has assessed its sustainability risks, including climate change risks, in both its strategic and operative risk assessments. However, the risks were not found to be significant. The potential business risks related to sustainability, climate change, and Wärtsilä's products are in the areas of regulatory emission restrictions and changes in customer attitudes to using combustion engines and fossil fuels. The risks in environmental legislation changes are related to the complexity of the overall field of different emissions, the balance between commercially available fuels and resulting emissions, available abatement technologies, the impact on overall energy efficiency, and the resulting financial feasibility of the various alternative ways to meet regulatory demands.

Being at the forefront of technological developments mitigates sustainability risks and gives Wärtsilä many opportunities arising from tightening environmental regulations. Over the years, Wärtsilä has worked continuously to improve the efficiency of its products while at the same time seeking ways to reduce emissions. The fuel flexibility of Wärtsilä's products enables the utilisation of various fuels, including gas and those from renewable sources, while their operational flexibility enables the installation of large capacity based wind and solar energy systems without hampering the reliability of the electricity grid. Wärtsilä's technology also enables energy to be generated with a minimum use of water. The lack of fresh water is expected to be one of the major challenges facing the world in the future. In shipping, Wärtsilä can reduce the carbon footprint of vessels through optimised ship design, and optimal propulsion solutions. Environmental Solutions offer alternative technologies to reduce SOx emissions and to treat waste and ballast water. In Power Plants, Wärtsilä's Smart Power Generation concept supports the increase in low carbon power generation, including wind, solar and natural gas fired plants. Wärtsilä offers several retrofit solutions for the after-sales market to reduce emissions and to increase fuel efficiency.

For more information, please see the separate [Sustainability report](#) included in this annual report.

Technology risks

Wärtsilä aims to increase the competitiveness of its solutions through solid R&D work and innovation. New products are developed based on Wärtsilä's strategic view of optimising lifecycle value for its customers with modern and sustainable power solutions and efficiency through, for example, environmental technologies, ship design, and electrical & automation solutions. As a technology leader, Wärtsilä also needs to maintain

the cost competitiveness of its products and places high emphasis on product efficiency and emissions control.

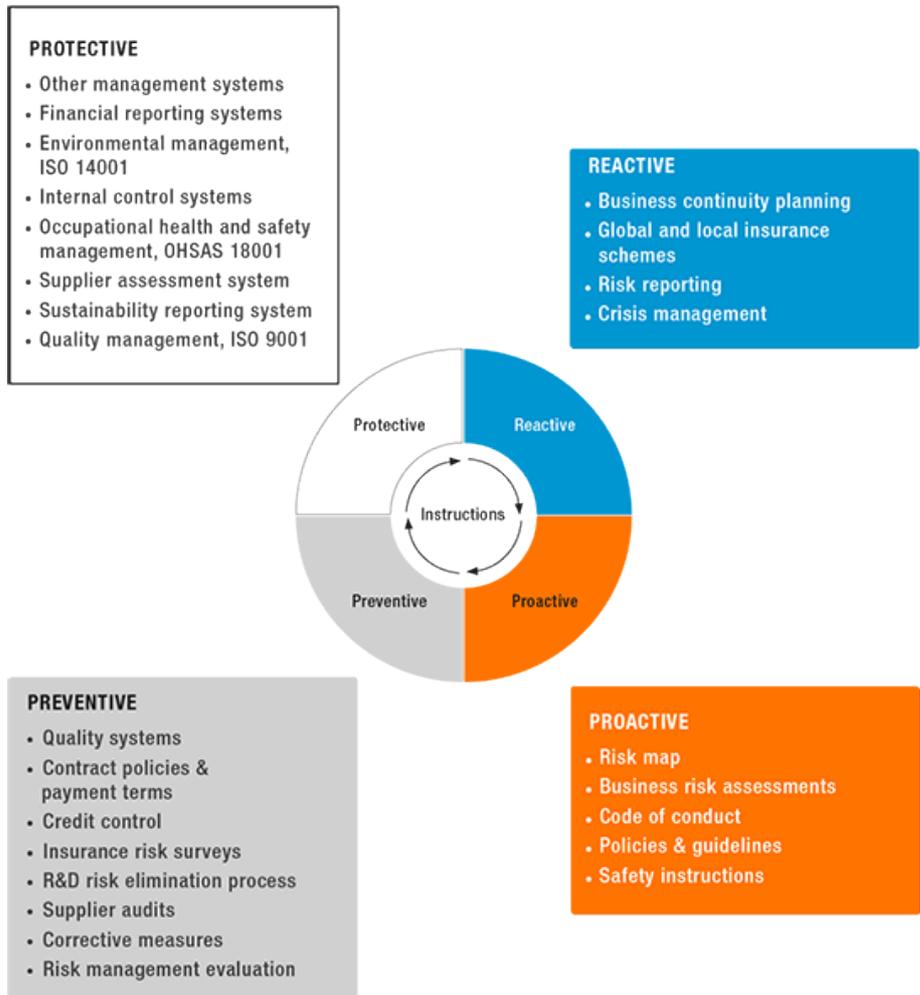
Operations, risks and opportunities



Operational risks

Operational risk management is part of the daily work of the Businesses. Opportunities and risks are identified, assessed, and managed on a daily basis and reported to, and managed by, the appropriate management level. On a periodic basis the status of the opportunities and risks are reviewed and appropriate further actions taken.

Risk management process



Manufacturing risk

Risk assessments have been made for all the main delivery centres, and significant safety and risk mitigation investments have been completed. Wärtsilä utilises management systems for quality, environmental, occupational health and safety, and other systems to improve productivity and safety. Wärtsilä has implemented business continuity plans for its key delivery centres. Wärtsilä constantly analyses its manufacturing footprint and capacity costs, including the supply chain.

Supplier and subcontractor risk

The centralised Wärtsilä Supply Management (WSM) function is responsible for all strategic sourcing activities. Within that responsibility, WSM manages and controls Wärtsilä’s supplier network to verify that the suppliers’ performance meet Wärtsilä’s expectations. Supplier performance is, therefore, also continuously measured. A key activity in managing business continuity planning is the continuous assessment of business interruption risks, which is made in co-operation with our suppliers. Several supplier risk audits have been completed jointly with the insurer as one means of mitigating risk. These audits are now part of the regular work for the WSM and Risk Management functions. To further mitigate risks, a comprehensive follow-up of suppliers’ creditworthiness has been established.

Wärtsilä Supply Management has developed its activities by creating close collaboration and long-term relationships with its main suppliers. Through these close relationships, WSM secures a common view with its suppliers on values and goals. These shared values and goals support Wärtsilä's management of strategic risks. In addition, WSM continues its supplier structuring programme in order to create and maintain a sustainable supplier base. As part of that programme, WSM is further developing its global sourcing activities. Furthermore, supplier related risks are also addressed by having double sourcing on key components.

Lifecycle quality of products and product liability risk

Launching new products always involves risks. In the R&D process, several risk management techniques are applied, including FMEA (Failure Modes and Effects Analysis), a risk elimination tool, and in-house validation testing. Wärtsilä seeks to control quality risks by monitoring the incoming quality from the supply chain, and by designing and manufacturing products with all due care. Wärtsilä applies a GATE model in order to control the product development process. First, only a limited release of new products is allowed, and via the gate approach, full release authority is given to the sales organisations only after testing and further validation has been completed. The 5S (meaning sort, shine, set, standardise and sustain) philosophy is implemented in all production sites to increase quality and to support lean operations.

Services is responsible for supporting the customers in all warranty issues, and offers a feedback loop from the field to production and R&D while taking care of customers' installations throughout their lifecycle. The company makes warranty provisions to cover any costs that may arise after product delivery. The product liability insurance covers unexpected damages.

Wärtsilä seeks to continuously improve the quality of its products and services through adoption of best industry practice and good governance, supported by a solid facts base. Leadership at all levels is responsible for the quality of output from their organisations, and is accountable for ensuring that appropriate review and feedback mechanisms are in place. The centralised Wärtsilä Quality function is responsible for co-ordinating quality activities across the businesses, and for ensuring that senior governance mechanisms are in place and effective.

Contractual risks

Wärtsilä's non-service sales consist of projects and equipment supply deliveries of various sizes. The most substantial orders concern turnkey power plants. However, in relation to the total volume of business, the risks from individual projects do not reach significant levels. The lifecycle quality of the products and work, from the initial design, throughout all stages of the production process, to the eventual field service work, plus the use of standard sales contracts including the establishment of a contract review process, together reduce the risk of product liability claims.

For Services, the target is to sign long-term service agreements aimed at keeping the customer's investment productive throughout its lifetime. This enables the customer to focus on his core business while Wärtsilä ensures optimal performance of the installation. Reliable performance and risk management are identified as key needs of our customers. An essential part of a service agreement is adequate preparation prior to the operational phase of the installation, including the recruitment and training of personnel, purchasing of safety stock and tools, establishment of the operational infrastructure, maintenance routines, and occupational health and safety systems. The target is to prevent the unexpected and to ensure cost efficiency and smooth operations for both the customers and Wärtsilä as the service provider.

Risk of non-compliance, corruption and fraud

Wärtsilä complies with the law and its own internal regulations everywhere the company does business. Wärtsilä's Code of Conduct is the key guideline for all employees globally. Wärtsilä is committed to high

ethical standards and integrity in its Businesses, preventing corruption, and violations of the principles set forth in the Code of Conduct, as well as in Wärtsilä's Anti-Corruption and Compliance Reporting policies. Compliance processes are embedded in all of the Businesses, and the responsibility for compliance and awareness of ethics and integrity is that of all Wärtsilä employees.

Wärtsilä is fully committed to compliance with the anti-corruption laws and statutes. Wärtsilä's Anti-Corruption Policy absolutely forbids any kind of corruption and bribery, and the top-management of the company has a zero-tolerance policy regarding corruption and fraud.

The Compliance function promotes Group wide compliance and continuously strives to raise awareness of the risk of corruption and bribery and other misconduct. It is primarily responsible for creating and enforcing Group level policies and procedures, training programmes, compliance investigations, managing the consequences of misconduct and reporting. Continuous development of Wärtsilä's compliance programme and nurturing the company's commendable ethical culture are pivotal tasks for the Compliance function. Moreover, Compliance supports and co-operates with the Businesses and other corporate functions in their risk management efforts.

While Wärtsilä is aware of the risk of being subject to fraud by external business parties, and that the risk of corruption and fraud is heightened in many markets where the company operates, Wärtsilä maintains its highly ethical practices at all times. Full compliance with its stringent anti-corruption regime, including policies to prevent the corruption and bribery risk of third parties, is demanded by Wärtsilä.

Commodity price risk

Oil

The direct effect of oil price changes on Wärtsilä's production is limited, with their impact being mainly demand related. Higher oil prices represent a risk for global economic growth and increase operating costs, especially in the shipping markets. However, they also stimulate investments in exploration and production for oil and gas, both on land and offshore. Furthermore, high oil prices increase investments in gas carriers, gas based power plants and, increasingly, also in gas fuelled vessels. Low oil prices can delay investment decisions in oil producing countries and regions. Wärtsilä is a global company involved in different shipping and power plant segments where oil price changes can have an opposite impact on demand drivers. This position is further diversified by the increasing importance of natural gas in Wärtsilä's business.

Metals

Metal prices have an indirect effect on the component costs of our products. Furthermore, some key components are sourced with long-term contracts, and thus raw material price volatility is limited.

Electricity

Electricity prices have no substantial impact on Wärtsilä's production costs. In the Power Plants business, high electricity prices support investments in new capacity from utility customers. Lower grid electricity prices do not favour industrial customers' investments in their own generating capacity.

Hazard risks

Occupational health and safety systems, travel safety instructions, and crises management guidelines are aimed at protecting Wärtsilä employees. Appropriate insurances are in place for the personnel, and to emphasise the importance of employee safety, the Board of Management has decided on a corporate level target for zero lost time injuries. A specific Zero Injury project exists for this purpose, and the target is a part of the company's sustainability programme.

Environmental management systems are in place to mitigate environmental hazard risks.

Wärtsilä's Real Estate unit maintains a register of all properties used and gives guidelines for the purchase, sale, rental and security of premises and uses external advisors for environmental audits.

None of Wärtsilä's major production plants are situated in natural disaster areas. Catastrophic peril related scenarios are identified, and where necessary, exposures are mitigated by, for example, elevating sites above the flood risk level or by constructing flood dikes.

For Wärtsilä's main production sites, business impact analyses have been conducted and continuity plans created to cover both property and business interruption risks.

The risks that Wärtsilä is unable to influence through its own efforts are transferred whenever possible to insurance companies. Wärtsilä uses appropriate insurance policies to cover indemnity risks related to its personnel, assets, and business interruptions, including supplier triggered interruptions, as well as third-party and product liability.

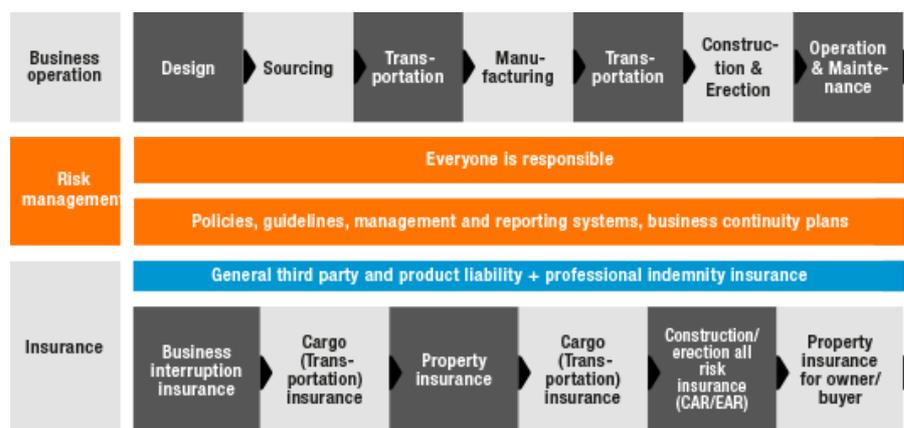
Wärtsilä has established its own captive insurance company, Vulcan Insurance PCC Ltd, as a risk management tool.

Information & cyber security related risks

Information security risks are continuously identified and mitigation activities have been executed in network security, endpoint protection, and access risk management. The Wärtsilä Security Operations Centre (SOC) and vulnerability scanning capabilities for cyber security threats have been established in 2013. The focus will move towards improving common information security capabilities, such as enabling the use of mobile and cloud technology, continuity, and information risk management for corporate applications.

Cyber security risks are extensively assessed, and it appears that information and automation system related risks have exceeded the physical and personnel risks. Therefore, a cyber security strategy has been created and will be implemented throughout the coming years. The strategy addresses both the internal operations and Wärtsilä customer deliveries.

Which insurances cover our business?



Both risk management work and property & casualty insurance cover Wärtsilä's products over their entire lifecycle.

Financial risks

Wärtsilä's financial risks are presented in the notes to the financial statements, [Note 31](#).

Wärtsilä's risk profiles & responsibilities

| Risks | Risk profile | Policy or other guideline | Responsible body |
|--------------------------------------|--------------|---|---|
| Strategic risks | | Wärtsilä's strategy and business plan | Wärtsilä Board of Directors (BoD), Board of Management (BoM) and Wärtsilä's Businesses (Businesses) |
| Business environment risk | ■ ■ ■ ■ ■ | Wärtsilä's strategy and business plan | BoM and Businesses |
| Market and customer risk | ■ ■ ■ ■ ■ | Wärtsilä's strategy and business plan | BoM and Businesses |
| Competitive situation and price risk | ■ ■ ■ ■ ■ | Wärtsilä's strategy and business plan | BoM and Businesses |
| Political and legislative risk | ■ ■ ■ | Various guidelines and risk management policy | Businesses, R&D, Risk management (RM) and Legal functions |

| | | | |
|--|---|--|---|
| Climate change and sustainability risk |  | QHSE policy, Code of Conduct, management systems (ISO 14001 & OHSAS 18001) | Businesses, R&D and Sustainability function |
| Technology risk |  | Patents and industrial rights, product guarantees | Businesses and R&D function |
| Operational risks | | Wärtsilä's strategy and business plans | BoM and Businesses |
| Manufacturing risk |  | Production systems, Business Continuity Plan | Manufacturing and Businesses |
| Supplier and subcontractor risk |  | Supplier requirement and supplier management system, Business Continuity Plan | Businesses and Supply Management |
| Lifecycle quality of products and product liability risk |  | Management systems (ISO 9001), safety instruction and manuals, risk management policy, R&D risk elimination instructions | Manufacturing, R&D function, Businesses, RM and Legal functions |
| Contractual risks |  | Standard contracts | Legal function and Businesses |
| Commodity price risk |  | Production cost control | Businesses and Treasury function |
| Data security risk |  | Data security principles and Cyber Security Strategy | Businesses and IM fuction |
| Non-compliance risk |  | Code of Conduct, Anti-corruption policy, Compliance policy | Businesses and Compliance function |
| Hazard risks | | Risk management policy and guidelines | Businesses and RM function |
| Personnel risk |  | Management system (OHSAS 18001), travel safety instructions, crises management guidelines and premises safety plans | Businesses, Human Resources (HR), RM and security functions |
| Natural catastrophes |  | Crises management guidelines, Business Continuity Plan | Businesses and RM fuction |
| Fire, cargo and other accidents |  | Management systems (ISO 14001 & OHSAS 18001), premises safety plan | Businesses, RM and Real Estate functions |
| Financial risks | | Wärtsilä's strategy and business plans | Businesses and Treasury function |
| Foreign exchange risk |  | Treasury policy | Businesses and Treasury function |
| Interest rate risk |  | Treasury policy | Businesses and Treasury function |

| | | | |
|--------------------------------|---|----------------------------|----------------------------------|
| Liquidity and refinancing risk |  | Treasury policy | Businesses and Treasury function |
| Credit risk |  | Credit and Treasury policy | Businesses and Treasury function |

Low      High