

Remuneration Report 2023

2023 Remuneration at a glance

The Board fees approved for 2023 remained the same as the previous year.

STI for 2022 did not result in a pay-out.

In the short-term incentive plan (STI) the CEO and Board of Management's focus was on group and business financial targets with no individual targets set for 2023.

STI 2023 resulted in a pay-out.

In our Performance Share Plan (PSP), in addition to EVA, we introduced sustainability targets for 2022-2024, for the first time, and have employed them in all subsequent plans. These are linked to our strategic target to provide a product portfolio that will be ready for zero carbon fuels by 2030.

The 2020-2022 LTI did not result in a pay-out.

The 2021-2023 PSP resulted in a pay-out that will be transferred in the spring of 2024.

The Remuneration Report outlines the remuneration for Wärtsilä's Governing Bodies as required by the Finnish Securities Market Act, the Finnish Limited Liability Companies Act, the Decree of the Ministry of Finance on the remuneration policy and remuneration report of a share issuer (608/2019), and the Finnish Corporate Governance Code 2020 (the "Code") issued by the Securities Markets Association. The report presents information on the remuneration of the Chief Executive Officer and the Board of Directors during the financial year 2023. It also presents the development of average employee remuneration and company performance over the past five financial years, in comparison to the CEO and Board's remuneration.

Remuneration policy at a glance

According to the **Remuneration Policy for Governing Bodies of Wärtsilä** (the "Remuneration Policy" or "Policy"), remuneration at Wärtsilä shall follow '**Pay for Performance**' principles of being responsive, transparent, and competitive, while aligning relevant interests. These principles are used for structuring the reward approach throughout the organisation and are designed to align employee rewards with the interests of the company and its shareholders.

Remuneration for the Board of Directors (the "Board") consists of annual fees for Board membership, attendance fees, and committee fees. Fees vary based on position, workload, and responsibility. Annual fees are paid in shares and cash, attendance, and committee fees in cash. The Annual General Meeting ("AGM") decides on the fees for each term of office.

Remuneration of the Chief Executive Officer (the "CEO") consists of a base salary, pension, and benefits, as well as short- and long-term incentives. The objective is to have a good balance of rewarding elements, and to guarantee a market competitive level of fixed remuneration. This is supplemented with short- and long-term incentive schemes aimed at providing an appropriate reward for driving company performance.

The Board may deviate from the Policy in extraordinary circumstances. To read the full Policy, please visit Wärtsilä's website at www.wartsila.com/investors/governance.

1. Introduction

1.1. Letter from the Chair of the People Committee

Dear Shareholders,

I am pleased to present Wärtsilä's Remuneration Report for the financial year 2023 which has been approved by the Board of Directors.

During 2023, the People Committee has complied with and executed the company's Remuneration Policy. Furthermore, the People Committee has been closely supporting implementation of the People strategy and priorities. We want to provide an exciting and engaging work experience for our 17,500 employees, with a focus on improving diversity, inclusion, and wellbeing.

We continue to follow our 'Pay for Performance' principles of being responsive, transparent, and competitive while aligning relevant interests. These principles are designed to link employee remuneration with the interests of the Company and its shareholders by providing compensation solutions that reward performance for delivering business results. We see this a key element in attracting, engaging, developing, and retaining the best talent. In addition, we also develop and reward high performing teams.

In the short-term incentive plan (STI), the CEO and Board of Management's focus was solely on group and business financial targets with no individual targets.

Our long-term incentive programme is our Performance Share Plan and includes, in addition to financial targets, sustainability targets linked to CO₂ reduction. These sustainability targets cover both our reduction of Scope 1 & 2 emissions and our strategic target to provide a product portfolio that will be ready for zero carbon fuels by 2030. We saw a very positive development in all 3 of our financial targets – sales growth, EBIT and the operating cash flow. This resulted in a pay out under the short-term

incentive plan which recognised and rewarded the very good performance of our employees.

During the year we also made further progress with The Wärtsilä Way – our company strategy, and with integrating the Leadership Model into our learning programmes. Our purpose of enabling sustainable societies through innovation in technology and services inspires our employees to shape the decarbonisation of marine and energy. The Leadership Model, together with our values – Customer success, Passion and Performance – outline how we will reach this target position, and what behaviours are required in driving our success.

Later in the year we added the final element – the Continuous Improvement model – to our strategy to create customer value and help make our customers successful, while continuously eliminating waste, and improving teamwork, predictability, and performance.

We are happy to receive any feedback on our Remuneration Report, as well as on our Remuneration Policy.



Tom Johnstone
Chair of the People Committee

People committee annual clock 2023



People Committee members' meeting participation in 2023

	Number of meetings
Tom Johnstone, Chair	4/4
Karin Falk	4/4
Johan Forssell	4/4

1.2 Remuneration and Company performance

In 2023, Wärtsilä continued to develop positively in many ways. Our financial performance improved steadily throughout the year, and we achieved all-time highs in order intake, net sales, and cash flow from operating activities. We improved our profitability through growing services, improving the quality of revenues, and progressing in turning around Energy Storage & Optimisation and former Voyage operations. We mitigated the headwinds from cost inflation, geopolitical concerns, and a slowdown of global economic growth. The market sentiment for our businesses remained fairly positive in both marine and energy, and we maintained our focus on executing our strategy and supporting our customers in their decarbonisation journeys.

Wärtsilä's Remuneration Principles set by the Policy are applicable to all employees, in all countries and in all businesses. These principles guide the development of remuneration and related practices, including for the CEO. The short-term incentive scheme (STI) is designed to provide incentives for the achievement of, and to reward the delivery of, the short-term business plan. The STI has been consistently based on profitability (comparable operating result) and cash flow targets over the past years. Long-term incentive (LTI) schemes are approved by the Board of Directors. They annually introduce individual performance share plans (PSP), each with a three-year performance period, designed to align the interests of participants with those of Wärtsilä's shareholders. LTI plans launched prior to 2021 were based on share price development. The current long-term incentive scheme, which is launched yearly, measures Economic Value Added (EVA) and sustainability targets connected to our decarbonisation strategy, namely to become carbon neutral in our own operations, and to have a product portfolio ready for zero carbon fuels. By aligning the incentive schemes with the goals of the Company, we can ensure that remuneration drives the best interests of the Company.

As Wärtsilä is a global company, the remuneration markets in which Wärtsilä operates vary significantly. Nevertheless, the



People Committee considers that the most transparent means for comparing the development of remuneration over time, is to compare the CEO and Board's remuneration with that of employees globally. Therefore, the figures shown for average employee remuneration are based on data for all Wärtsilä employees.

In line with the Pay for Performance principle, a substantial part of the CEO's remuneration is based on variable pay, i.e.,

short- and long-term incentives. As our performance targets for short- and long-term incentives are linked to the business results, this development is reflected in the CEO's remuneration. Employee remuneration is less volatile than the CEO's, since a smaller portion of their total remuneration is based on variable pay elements. However, as all short-term incentive schemes are connected to the same performance indicators to a varying degree, employee remuneration is also impacted by Company performance. Board fees remained unchanged in 2023.

Five-year development of remuneration and Company performance

	2019	2020	2021	2022	2023
Total Board remuneration, TEUR	808	816	794	946	910
Change compared to previous year, %	-2.5	1.0	-3.0	19.1	-3.8
CEO base + benefits, TEUR*	894	843	915	980	1,021
Change compared to previous year, %	3.7	-5.7	8.5	7.1	4.2
CEO total remuneration, TEUR*	1,072	1,021	1,812	1,712	1,322
Change compared to previous year, %	-63.9	-4.8	77.5	-5.5	-22.8
Average employee remuneration, TEUR**	58.5	58.1	62.9	68.2	73.1
Change compared to previous year, %		-0.6	8.3	8.4	7.2
Comparable operating result, MEUR	457	275	357	325	497
Cash flow, MEUR	232	681	731	-62	822

*Company had a new CEO as of 1 Feb 2021, the 2021 total remuneration combines the previous CEO's earnings including STI earned 2020 and paid 2021, as well as the new CEO's total remuneration.

**Average employee remuneration comprises personnel expenses without other compulsory personnel costs divided by the average number of personnel during the year.

The comparison figures show the remuneration paid out during each financial year. Pay-outs for the STI and LTI are always made during the year following the performance period. This means that, for example, remuneration figures presented for 2022 are based on the STI performance period 2021 and the LTI performance period of 2019–2021. During the past five financial years, the STI has resulted in pay-outs in 2021.

1.3. Any deviations or clawbacks made

No deviations from the Remuneration Policy were made during 2023 and the Company has not exercised any rights to reclaim or cancel any paid or unpaid incentives.

2. Remuneration of the Board of Directors for 2023

The 2023 Annual General Meeting approved the payment to the members of the Board of Directors for 2023 as presented in the table below:

Fees paid to the Board in 2023

(TEUR)	2023
Annual fixed compensation	
Chair of the Board	200
Deputy Chair	105
Ordinary members	80
Fixed compensation for committee members (per term)	
Chair of the Audit Committee	25
Members of Audit Committee	10
Chair of the People Committee	10
Members of People Committee	5
Meeting fees (per meeting)	
Chair of the Board / Committee	1.5
Member	0.75

The members of Wärtsilä's Board of Directors were paid altogether EUR 910,000. Approximately 40% of the annual Board remuneration is paid in Wärtsilä Corporation shares, and the remainder in cash. In addition, Board members get reimbursed for their travel costs in accordance with Wärtsilä's travel policy. The members of the Board are not covered by incentive schemes and do not receive performance-based remuneration, nor do they have a pension scheme arranged by Wärtsilä. All payments to members of the Board during the financial year 2023 were in compliance with the Remuneration Policy.

Fees paid to the members of the Board in 2023

	Attendance fees, TEUR*	Annual fees, TEUR	Total remuneration, TEUR**
Tom Johnstone, Chair	24	200	224 (7,480 shares)
Mika Vehviläinen, Deputy Chair (as of March 9, 2023)	5	105	110 (3,927 shares)
Risto Murto (until March 9, 2023)	2		2 (no shares)
Karen Bomba	17	80	97 (2,992 shares)
Morten H. Engelstoft	16	80	96 (2,992 shares)
Karin Falk	12	80	92 (2,992 shares)
Johan Forssell	12	80	92 (2,992 shares)
Mats Rahmström	7	80	87 (2,992 shares)
Tiina Tuomela	32	80	112 (2,992 shares)

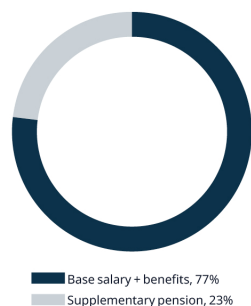
*Attendance fees also include committee fees.

**Total remuneration includes the number of shares. The value of the share portion is approximately 40% of the annual fees.

3. Remuneration of the CEO for 2023

In 2023, CEO Håkan Agnevall was paid a total remuneration of EUR 1,321,783. The relative proportion of fixed pay was 100% and variable pay 0%. The fixed pay includes a base salary, benefits, and supplementary pension contributions, while variable pay includes short- and long-term incentives and other temporary payments. The CEO's remuneration for 2023 is further illustrated below.

Actualised CEO remuneration 2023



Metric	STI 2022 – paid in 2023		STI 2023 – accrued (paid in 2024)	
	Weighting	Achievement	Weighting	Achievement
Group comparable operating result	50%	Below minimum	50%	Above target
Group cash flow from operating activities	25%w	Below minimum	25%	Above maximum
Group sales growth	25%	Below minimum	25%	Above target
Pay-out to CEO based on STI, EUR	0		686,965	

Remuneration element	Paid	Description	Compliance with the Policy
Salary and short-term benefits	Paid EUR 1,021,327	The CEO has the following short-term benefits: phone, car, medical insurance.	Complies with the Policy.
Short-term incentives	Paid EUR 0 Accrued EUR 686,965 Policy maximum An amount equalling the annual fixed pay	For the financial year 2022, paid in 2023: EUR 0. For the financial year 2023, paid in 2024 ('accrued'): EUR 686,965.	Complies with the Policy.
Long-term incentives	Paid EUR 0 Accrued 12,140 shares (gross) Policy maximum Three times the annual fixed pay at grant	For PSP 2021–2023, the CEO was granted 104,651 shares, with value at target EUR 900,000 and with a maximum earning opportunity of 175% of the base pay at grant. The performance measure in the PSP is Economic Value Added. The plan resulted in a gross award equivalent to 12,140 shares. The final taxable value of the award is dependent on the share price at the time of transfer. Ongoing schemes: For PSP 2022-2024, the CEO was granted 86,136 shares, with value at target EUR 963,000 and with a maximum earning opportunity of 175% of the base pay at grant. The performance measure in the PSP is Economic Value Added (weighted 85%) and sustainability targets (weighted 15%). For PSP 2023-2025, the CEO was granted 122,735 shares, with a value at target EUR 1,001,520 and with a maximum earning opportunity of 175% of the base pay at grant. The performance measure in the PSP is Economic Value Added (weighted 85%) and sustainability targets (weighted 15%).	Complies with the Policy.
Pension	Paid EUR 300,456	The CEO is eligible to take retirement upon reaching the age of six three (63). His pension scheme is determined according to a defined contribution based system. The retirement pension contribution is equivalent to 30% of the annual salary.	Complies with the Policy.
Severance benefits	N/A	Remuneration paid to the CEO if dismissed by the company corresponds to 18 months' salary plus a six months' period of notice salary.	Complies with the Policy.