

Remuneration Report 2022

2022 REMUNERATION AT A GLANCE

The Board fees approved for 2022 increased compared to 2021.

Total remuneration paid for the CEO includes base salary, benefits, supplementary pension contributions and short-term incentive (STI). STI for 2021 resulted in a pay-out, which was made in 2022.

In our share-based long-term incentive scheme (LTI), we introduced sustainability targets for 2022-2024. These are linked to our strategic target to provide a product portfolio that will be ready for zero carbon fuels by 2030.

The 2019-2021 LTI did not result in pay-outs.

In the short-term incentive plan (STI) the CEO and Board of Management's focus was on group financial and business financial targets with no individual targets for 2022.

STI 2022 did not result in pay-outs.

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 2022. 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, competitive, and 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 driving company performance and providing an appropriate reward.

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 2022. It has been approved by the Board of Directors.

During 2022, 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 has followed-up on the People priorities. We want to provide an exciting and engaging work experience for our 17,500 employees. Our focus is 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 match employee rewards with the interests of the Company and its shareholders by providing compensation solutions that reward performance for delivering business results.

We develop high performing teams that make a difference. We recognise people for their performance and see rewarding as a key element in attracting, engaging, developing, and retaining the best talent.

In the short-term incentive plan (STI) the CEO and Board of Management's focus was on group financial and business financial targets with no individual targets this year. In our long-term incentive scheme (LTI) 2022-2024, we introduced sustainability targets. These are linked to our strategic target to provide a product portfolio that will be ready for zero carbon fuels by 2030.

We made progress with The Wärtsilä Way – our company strategy. Our purpose of enabling sustainable societies through innovations in technology and services inspires our employees to shape the decarbonisation of marine and energy.

We introduced our Leadership Model, which supports our strategic growth by outlining the desired leadership behaviours at Wärtsilä. Results from our employee engagement survey MyVoice showed that engagement is improving, our work is meaningful, and leadership is one of our strengths.

We welcome shareholder feedback on our Remuneration Report, Policy and practices.



Tom Johnstone
Chair of the People Committee

People committee annual clock 2022



People Committee members' meeting participation in 2022

	Number of meetings
Tom Johnstone, Chair	4/4
Maarit Aarni-Sirviö	1/1
Karin Falk	3/3
Johan Forssell	4/4

1.2 Remuneration and Company performance

The following section presents the development of both the average remuneration for employees, and the company's performance over the past five financial years, in comparison to the CEO and Board's remuneration. The year 2022 was characterised by geopolitical tensions and uncertainty in the global business environment. The war in Ukraine has had a strong direct and indirect impact on the markets we operate in, especially the energy markets. Following Russia's attack on Ukraine, we exited from the Russian market. However, despite the continuing challenging market conditions, demand has remained at a good level both for equipment and services and we were able to grow our order intake and sales.

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 introduce annually individual performance share plans, 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, that is launched yearly, measures Economic Value Added (EVA) and sustainability targets connected to our decarbonisation strategy: 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

Five-year development of remuneration and Company performance

	2018	2019	2020	2021	2022
Total Board remuneration, TEUR	829	808	816	794	946
Change compared to previous year, %		-2.5	1.0	-3.0	19.1
CEO base + benefits, TEUR*	862	894	843	915	980
Change compared to previous year, %		3.7	-5.7	8.5	7.12
CEO total remuneration, TEUR*	2,967	1,072	1,021	1,812	1,712
Change compared to previous year, %		-63.9	-4.8	77.5	-5.5
Deputy CEO base + benefits, TEUR**	384				
Change compared to previous year, %					
Deputy CEO total remuneration, TEUR**	1,396				
Change compared to previous year, %					
Average employee remuneration, TEUR***	55.0	58.5	58.1	62.9	68.2
Change compared to previous year, %		6.3	-0.6	8.3	8.4
Comparable operating result, MEUR	577	457	275	357	325
Cash flow, MEUR	470	232	681	731	-62

*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.

**Company had a Deputy CEO until 31 December 2018.

***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 resulted in pay-outs in 2018 and 2021 while the LTI resulted in pay-outs in 2017 and 2018.

remuneration is also impacted by Company performance. The AGM approved an increase in fees for the Board of Directors in 2022. Prior to that Board fees had remained the same since 2019.

1.3. Any deviations or clawbacks made

No deviations from the Remuneration Policy were made during 2022 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 2022

The 2022 Annual General Meeting approved the payment to the members of the Board of Directors for 2022 as presented in table below:

Fees paid to the Board in 2022

(TEUR)	2022
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 946 thousand. Approximately 40% of the annual Board remuneration is paid in Wärtsilä Corporation shares, and the remainder in cash. In addition, the 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 2022 were in compliance with the Remuneration Policy.

Fees paid to the members of the Board in 2022

	Attendance fees, TEUR*	Annual fees, TEUR	Total remuneration, TEUR**
Tom Johnstone, Chair	31	200	231 (9,216 shares)
Risto Murto, Deputy Chair	21	105	126 (4,838 shares)
Maarit Aarni-Sirviö (until 30 March 2022)	2		2 (no shares)
Karen Bomba	21	80	101 (3,686 shares)
Morten H. Engelstoft (as of March 30, 2022)	8	80	88 (3,686 shares)
Karin Falk	16	80	96 (3,686 shares)
Johan Forssell	15	80	95 (3,686 shares)
Mats Rahmström	11	80	91 (3,686 shares)
Tiina Tuomela	36	80	116 (3,686 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 total fees.

3. REMUNERATION OF THE CEO FOR 2022

In 2022, CEO Håkan Agnevall was paid a total remuneration of EUR 1,711,907. The relative proportion of fixed pay was 74% and variable pay 26%. 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 2022 is further illustrated below.

Actualised CEO remuneration 2022



- Base salary + benefits, 57%
- Supplementary pension, 17%
- Short-term incentives, 26%

Metric	STI 2021 – paid in 2022		STI 2022 – accrued (paid in 2023)	
	Weighting	Achievement	Weighting	Achievement
Group comparable operating result, MEUR	40%	Below minimum	50%	Below minimum
Group cash flow from operating activities	20%	Above maximum	25%	Below minimum
Group sales growth	20%	Between target and maximum	25%	Between target and maximum
Individual/strategic targets	20%	Between target and maximum	N/A	N/A
Pay-out to CEO based on STI, EUR	442,853		0	

Remuneration element	Paid	Description	Compliance with the Policy
Salary and short-term benefits	Paid EUR 980,154	The CEO has the following short-term benefits: phone, car, medical insurance.	Complies with the Policy.
Short-term incentives	Paid EUR 442,853 Policy maximum An amount equalling the annual fixed pay	For the financial year 2022, paid in 2023 ('accrued'): EUR 0. The threshold for the EBIT KPI also serves as a threshold for the whole incentive plan. As the EBIT threshold was not reached, no payments will be made.	Complies with the Policy.
Long-term incentives	Paid EUR 0 Accrued EUR 0 Policy maximum Three times the annual fixed pay at grant	Ongoing schemes: For LTI 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 base pay at grant. The performance measure in the LTI is Economic Value Added. For LTI 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 base pay at grant. The performance measure in the LTI is Economic Value Added (weighted 85%) and sustainability targets (weighted of 15%). All LTIs follow a three-year performance period. The CEO started 1 Feb 2021, therefore no LTI pay-outs are applicable until 2024. Potential pay-outs are fully subject to the performance criteria.	Complies with the Policy.
Pension	Paid EUR 288,900	The CEO is eligible to take retirement upon reaching the age of sixty-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.